This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 3, 2023

NEW ISSUE – FULL BOOK-ENTRY ONLY

RATINGS:
Moody's: "Aa2"
S&P: "AA–"
Kroll: "AA"
(See "RATINGS" herein.)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the Series D Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series D Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to certain tax consequences relating to the Series D Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

$312,390,000*
DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES
Power System Revenue Bonds
2023 Series D

Dated: Date of Delivery **Due: As shown on the inside front cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2023 Series D (the "Series D Bonds") will be issued by the Department of Water and Power of the City of Los Angeles (the "Department") to provide funds to refund certain outstanding bonds of the Department payable from the Power Revenue Fund and to pay certain costs of issuance of the Series D Bonds. See "PLAN OF REFUNDING" and "APPLICATION OF PROCEEDS."

Interest on the Series D Bonds is payable on each January 1 and July 1, commencing July 1, 2024.

The Series D Bonds will be dated the date of original delivery and will mature in the principal amounts and in the years and bear interest at the respective rates of interest per annum, all as set forth on the inside front cover. The Series D Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of interests in the Series D Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive physical certificates representing their interests in the Series D Bonds purchased. Principal of and interest and premium, if any, on the Series D Bonds are payable directly to DTC by the Treasurer of the City of Los Angeles, as fiscal agent. Upon receipt of such payments, DTC is obligated in turn to remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series D Bonds, as described herein. Beneficial Owners' rights will be governed as to such payments, the receipt of notices (including any notice of redemption) and other communications and various other matters by the rules and operating procedures applicable to the DTC book-entry system, as described herein. Beneficial interests in the Series D Bonds may be held through DTC, directly as a participant or indirectly through organizations that are participants in such system. See Appendix C – "DTC BOOK-ENTRY SYSTEM."

The Series D Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES D BONDS – Redemption of Series D Bonds."

The Series D Bonds will be special obligations of the Department payable only from the Power Revenue Fund and not out of any other fund or moneys of the Department or the City of Los Angeles (the "City"). The Series D Bonds will not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and credit nor the taxing power of the City will be pledged to the payment of the Series D Bonds. See "SOURCE OF PAYMENT."

The Series D Bonds are offered when, as and if issued by the Department and received by the Underwriters, subject to the approval of validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Department, and to certain other conditions. Certain legal matters will be passed upon for the Department by the Office of the City Attorney of the City and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the Department, and for the Underwriters by Hawkins Delafield & Wood LLP. It is expected that the Series D Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about November _, 2023.

TD Securities

Alamo Capital **Backstrom McCarley Berry & Co., LLC**
BofA Securities **Stern Brothers & Co.**

Dated: October __, 2023

* Preliminary, subject to change.

MATURITY SCHEDULE*

$312,390,000*
Department of Water and Power of the City of Los Angeles
Power System Revenue Bonds
2023 Series D

Maturity Date (July 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† No.
2024	$ 3,435,000				
2025	4,815,000				
2026	6,375,000				
2026	30,880,000				
2027	8,095,000				
2028	9,915,000				
2029	11,695,000				
2030	14,310,000				
2031	16,875,000				
2032	32,435,000				
2041	70,815,000				
2042	48,265,000				
2043	54,480,000				

* Preliminary, subject to change.

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DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
111 North Hope Street
Los Angeles, California 90012

BOARD OF WATER AND POWER COMMISSIONERS

CYNTHIA MCCLAIN-HILL, *President*
NICOLE NEEMAN BRADY, *Vice President*
NURIT KATZ
MIA LEHRER
GEORGE McGRAW

Chante Mitchell, *Board Secretary*

Officers and Executives

Martin L. Adams[1], *General Manager and Chief Engineer*
Aram Benyamin, *Chief Operating Officer*
Ann M. Santilli, *Chief Financial Officer*
Simon Zewdu, *Interim Senior Assistant General Manager of the Power System*
Kathy M. Fong, *Assistant Chief Financial Officer and Controller*
Peter Huynh, *Assistant Chief Financial Officer and Treasurer; Assistant Auditor*

General Counsel

Office of the City Attorney of the City of Los Angeles
Hydee Feldstein Soto, *City Attorney*
Julie Conboy Riley, *General Counsel for Water and Power*

Bond Counsel and Disclosure Counsel
Stradling Yocca Carlson & Rauth,
a Professional Corporation

Municipal Advisor
Public Resources Advisory Group

Fiscal Agent for Payment
Treasurer of the City of Los Angeles

---

(1) Mr. Adams has announced his retirement, which is expected to occur in the first quarter of 2024.

No dealer, broker, salesperson or other person has been authorized by the Department or any Underwriter for the Series D Bonds to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by the Department or any such Underwriter.

The information set forth herein has been furnished by the Department and other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department or the Power System since the date hereof.

This Official Statement does not constitute an offer to sell Series D Bonds in any state to any person to whom it is unlawful to make such an offer in such state. This Official Statement is not a contract with the purchasers of Series D Bonds.

In connection with the offering of the Series D Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series D Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell Series D Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections and management's judgment about the electric utility industry and general economic conditions. Such words as "expects", "intends", "plans", "believes", "estimates", "anticipates" or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different than expected or anticipated include new legislation, unfavorable court decisions, increases in suppliers' prices, particularly prices for purchased power and fuel in connection with the operation of the Power System, changes in environmental compliance requirements, acquisitions of assets, changes in customer power use patterns, natural disasters such as earthquakes, terrorist acts, the impact of weather on operating results. The Department assumes no obligation to provide updates of forward-looking statements.

The Series D Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Series D Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

$312,390,000[*]
Department of Water and Power
of the City of Los Angeles
Power System Revenue Bonds
2023 Series D

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information with respect to the Department of Water and Power of the City of Los Angeles (the "Department") and its Power System Revenue Bonds, 2023 Series D (the "Series D Bonds").

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series D Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement shall have the respective meanings given such terms under the caption "CERTAIN DEFINITIONS" in Appendix D or in Appendix G.

The Department

The Department was created by and exists under The Charter of The City of Los Angeles, adopted in 1925 and replaced by a new charter which became effective July 1, 2000 (the "Charter"). The Department is designated a proprietary department of the City of Los Angeles (the "City"). The Department is the largest municipal utility in the United States and provides electric service through its Power System and water service through its Water System in a service area consisting almost entirely of the City. The Department is governed by the Board of Water and Power Commissioners of the City of Los Angeles (the "Board"). See "THE DEPARTMENT."

Authority for Issuance

The Series D Bonds are being issued pursuant to Section 609 of the Charter, relevant ordinances of the City and Resolution No. 4596, adopted by the Board on February 6, 2001 (the "Master Resolution"), as supplemented by Resolution No. 5039, adopted by the Board on September 26, 2023, constituting the Fifty-Eighth Supplemental Resolution to the Master Resolution (the "Fifty-Eighth Supplemental Resolution"). The Master Resolution and the Fifty-Eighth Supplemental Resolution are collectively referred to in this Official Statement as the "Bond Resolution." See "THE SERIES D BONDS" and Appendix D.

Purpose of the Series D Bonds

The Department is issuing the Series D Bonds to provide funds to refund certain outstanding bonds of the Department payable from the Power Revenue Fund and to pay certain costs of issuance of the Series D Bonds. See "PLAN OF REFUNDING" and "APPLICATION OF PROCEEDS."

Source of Payment

The Series D Bonds constitute and evidence special obligations of the Department payable as to principal, premium, if any, and interest only from the Power Revenue Fund and not out of any other fund or moneys of the Department or the City. The Series D Bonds do not constitute or evidence an indebtedness

[*] Preliminary, subject to change.

of the City, or a lien or charge on any property or the general revenues of the City. Neither the faith and credit nor the taxing power of the City is or will be pledged to the payment of the Series D Bonds. See "SOURCE OF PAYMENT."

Parity Obligations

As of September 1, 2023, approximately $10.9 billion in principal amount of debt of the Department payable from the Power Revenue Fund was outstanding. Such outstanding Department debt, as well as certain take-or-pay obligations with respect to electric generation and transmission facilities (see "OPERATING AND FINANCIAL INFORMATION – Indebtedness" and "– Take-or-Pay Obligations"), are payable from the Power Revenue Fund on a parity basis with the Series D Bonds. The Department has a significant infrastructure program and intends to issue Additional Parity Obligations in the future subject to the provisions of the Master Resolution. See "THE MASTER RESOLUTION" and "SOURCE OF PAYMENT – Additional Obligations" and "THE POWER SYSTEM – Projected Capital Improvements."

Continuing Disclosure

In connection with the issuance of the Series D Bonds, the Department will agree to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), certain annual financial information and operating data relating to the Department and the Power System, and, in a timely manner, notice of certain enumerated events. These covenants are made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) ("Rule 15c2-12") adopted by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"). See "CONTINUING DISCLOSURE" and Appendix F.

Other Matters

The summaries of and references to all documents, statutes, Charter provisions, resolutions, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each such summary and reference is qualified in its entirety to the referenced document, statute, Charter provision, resolution, report or instrument.

Department Website and Media Accounts

The Department maintains a website at www.ladwp.com and certain social media accounts. Information on such website and accounts is not part of this Official Statement and such information has not been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series D Bonds.

THE MASTER RESOLUTION

The Master Resolution provides for the issuance of Bonds, including the Series D Bonds, payable from the Power Revenue Fund and provides certain terms and conditions which shall apply to all such Bonds, including the Series D Bonds. The Series D Bonds are to be issued pursuant to the Master Resolution as supplemented by the Fifty-Eighth Supplemental Resolution. The Master Resolution provides, among other things, the conditions that must be satisfied for the issuance of Bonds and other Parity Obligations payable from the Power Revenue Fund on a parity with the Bonds, the covenants of the Department with respect to the Bonds, a Bond Service Fund and Redemption Fund for the Bonds, an Expense Stabilization Fund and the terms under which the Master Resolution may be amended, including amendments authorized by the Owners of a majority in aggregate principal amount of all affected Outstanding Bonds. The Master Resolution permits the issuance of Parity Obligations under Issuing

Instruments other than the Master Resolution and Supplemental Resolutions. For a summary of certain provisions of the Master Resolution and the Fifty-Eighth Supplemental Resolution, see Appendix D.

PLAN OF REFUNDING

The Series D Bonds will be issued by the Department to provide funds to refund (i) the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2012 Series A (the "Refunded 2012 Series A Bonds"), (ii) all or a portion of the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2014 Series B (the "Refunded 2014 Series B Bonds") and (iii) a portion of the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2018 Series B (the "Refunded 2018 Series B Bonds," and together with the Refunded 2012 Series A Bonds and the Refunded 2014 Series B Bonds, the "Refunded Bonds"), as more fully described below. **The following tables detail the Refunded Bonds that may be refunded. The maturities and amounts of the Refunded Bonds will be determined at the time of pricing of the Series D Bonds.**

Refunded 2012 Series A Bonds

Maturity Date	Par Amount	Interest Rate	CUSIP No.†	Redemption Date
July 1, 2034	$2,065,000	3.000%	544495XT6	December 1, 2023
July 1, 2035	2,130,000	3.000	544495XU3	December 1, 2023

Refunded 2014 Series B Bonds

Maturity Date	Par Amount	Interest Rate	CUSIP No.†	Redemption Date
July 1, 2024	$ 4,575,000	5.000%	544495C69	January 1, 2024
July 1, 2025	6,010,000	5.000	544495C77	January 1, 2024
July 1, 2026	7,635,000	5.000	544495C85	January 1, 2024
July 1, 2027	9,420,000	5.000	544495C93	January 1, 2024
July 1, 2028	11,310,000	5.000	544495D27	January 1, 2024
July 1, 2029	350,000	3.125	544495D84	January 1, 2024
July 1, 2029	13,165,000	5.000	544495D35	January 1, 2024
July 1, 2030	15,855,000	5.000	544495D43	January 1, 2024
July 1, 2031	18,500,000	5.000	544495D50	January 1, 2024
July 1, 2032	34,150,000	5.000	544495D68	January 1, 2024
July 1, 2041	2,925,000	3.875	544495D92	January 1, 2024
July 1, 2043	179,265,000	5.000	544495D76	January 1, 2024

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Refunded 2018 Series B Bonds

Maturity Date	Par Amount	Interest Rate	CUSIP No[†]	Redemption Date
January 1, 2024	$ 1,960,000	3.00%	5444954W1	December 1, 2023
January 1, 2024	30,000,000	5.00	5444954X9	December 1, 2023

A portion of the proceeds of the Series D Bonds, along with certain moneys to be contributed by the Department, will be deposited in an escrow fund for the Refunded 2012 Series A Bonds (the "2012A Escrow Fund") to be established under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as escrow agent. Amounts deposited into the 2012A Escrow Fund will be invested in certain Defeasance Securities, and such amounts, together with the earnings thereon, will be used on December 1, 2023 to pay the redemption price of the Refunded 2012 Series A Bonds of 100% of the principal amount thereof, and accrued interest thereon.

A portion of the proceeds of the Series D Bonds, along with certain moneys to be contributed by the Department, will be deposited in an escrow fund for the Refunded 2014 Series B Bonds (the "2014B Escrow Fund") to be established under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as escrow agent. Amounts deposited into the 2014B Escrow Fund will be invested in certain Defeasance Securities, and such amounts, together with the earnings thereon, will be used on January 1, 2024 to pay the principal of or redemption price of the Refunded 2014 Series B Bonds of 100% of the principal amount thereof, and accrued interest thereon.

A portion of the proceeds of the Series D Bonds, along with certain moneys to be contributed by the Department, will be deposited in an escrow fund for the Refunded 2018 Series B Bonds (the "2018B Escrow Fund") to be established under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as escrow agent. Amounts deposited into the 2018B Escrow Fund will be invested in certain Defeasance Securities, and such amounts, together with the earnings thereon, will be used on December 1, 2023 to pay the principal of or redemption price of the 2018 Series B Bonds of 100% of the principal amount thereof, and accrued interest thereon.

Upon delivery of the Series D Bonds, Samuel Klein and Company, Certified Public Accountants, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to (i) the adequacy of the maturing principal of and interest on the investments in the 2012A Escrow Fund to pay the redemption price of the Refunded 2012 Series A Bonds, and accrued interest thereon, on December 1, 2023, (ii) the adequacy of the maturing principal of and interest on the investments in the 2014B Escrow Fund to pay, when due, the redemption price of the Refunded 2014 Series B Bonds, and accrued interest thereon, on January 1, 2024, and (iii) the adequacy of the maturing principal of and interest on the investments in the 2013B Escrow Fund to pay, when due, the redemption price of the Refunded 2018 Series B Bonds, and accrued interest thereon, on December 1, 2023. See "VERIFICATION AGENT."

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APPLICATION OF PROCEEDS

The Department anticipates that the proceeds of the Series D Bonds, along with other available funds of the Department, will be applied as follows:

Sources of Funds	
Principal Amount of Series D Bonds	$
Original Issue [Premium/Discount]	
Other Available Funds	
Total Sources	**$**
Uses of Funds	
Deposit to Escrow Funds	$
Cost of Issuance including Underwriters' Discount	
Total Uses	**$**

THE SERIES D BONDS

General

The Series D Bonds will be dated their date of delivery and will mature in the respective principal amounts on the dates and bear interest at the respective rates of interest per annum, all as set forth on the inside cover hereof. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months, payable on January 1 and July 1 of each year, commencing on July 1, 2024.

DTC Book-Entry System

The Series D Bonds will be issued as book-entry bonds, in fully registered form. The Series D Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series D Bonds. Individual purchases of interests in Series D Bonds will be made in the principal amount of $5,000 or any integral multiple thereof. Principal of and interest and premium, if any, on the Series D Bonds, are payable directly to DTC by the Treasurer of the City of Los Angeles, as Fiscal Agent for payment. Upon receipt of such payments, DTC is obligated in turn to remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series D Bonds, as described in Appendix C. NEITHER THE DEPARTMENT NOR THE FISCAL AGENT WILL BE RESPONSIBLE OR LIABLE FOR SUCH TRANSFERS OF PAYMENTS BY DTC, FOR THE PROVIDING OF NOTICES BY DTC, INCLUDING NOTICES OF REDEMPTION, OR FOR MAINTAINING, SUPERVISING OR REVIEWING THE RECORDS MAINTAINED BY DTC, THE DTC PARTICIPANTS OR PERSONS ACTING THROUGH SUCH PARTICIPANTS. For information concerning the DTC book-entry system, see Appendix C.

DTC may discontinue providing its services with respect to the Series D Bonds at any time by giving notice to the Fiscal Agent and the Department as provided in the Master Resolution and discharging its responsibilities with respect thereto under applicable law. The Department may terminate its participation in the book-entry system of DTC or any other Securities Depository with respect to the Series D Bonds. In the event that such book entry system is discontinued with respect to the Series D Bonds, the Department will execute and deliver replacement Series D Bonds in the form of registered certificates. In addition, the following provisions would apply: the principal of and premium, if any, on the Series D Bonds will be payable upon surrender thereof at the principal office of the Fiscal Agent for payment in Los Angeles, California and interest on the Series D Bonds will be payable by check mailed on each interest

payment date to the registered Owners thereof as shown on the registration books for the Series D Bonds as of the applicable Record Date. The Series D Bonds will then be transferable and exchangeable on the terms and conditions provided in the Master Resolution.

Redemption of Series D Bonds*

Optional Redemption. The Series D Bonds maturing on July 1, 20___ will be subject to redemption prior to maturity at the option of the Department, in whole or in part, on June 1, 20___ from any source of available funds, at a redemption price equal to the principal amount of such Series D Bonds to be redeemed, plus accrued, unpaid interest to the redemption date, without premium.

The Series D Bonds maturing on and after July 1, 20___ will be subject to redemption prior to maturity at the option of the Department, in whole or in part (in such amounts and from such maturities as determined by the Department in its sole discretion), on any date on or after July 1, 20___ from any source of available funds, at a redemption price equal to the principal amount of such Series D Bonds to be redeemed, plus accrued, unpaid interest to the redemption date, without premium.

Notice of Redemption. When redemption of Series D Bonds is authorized or required, notice of such redemption is to be given to the Owners of the Series D Bonds to be redeemed, not less than 30 days nor more than 60 days before the redemption date, as provided in the Master Resolution. While Cede & Co. is the registered Owner of the Series D Bonds, notice of redemption will be given to DTC or its nominee. The Department will not be responsible for providing notices of redemption to DTC Participants or the Beneficial Owners. Pursuant to the terms of the Master Resolution, the Department is also to provide notice of the redemption of Series D Bonds to the specified securities depositories and to an information service. ***Neither the failure of DTC or a Beneficial Owner of a Series D Bond to receive notice, nor the failure to send a notice of redemption to the securities depositories or an information service, will affect the validity of the proceedings for the redemption of Series D Bonds.***

The notice of redemption shall specify the maturities of the Series D Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series D Bonds of any maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series D Bonds to be redeemed, and, in the case of a Series D Bond to be redeemed in part only, such notice will also specify the portion of the principal amount thereof to be redeemed. Such notice will further state that on the specified redemption date there will become due and payable upon each Series D Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal amount thereof to be redeemed in the case of a Series D Bond to be redeemed in part only, together with accrued, unpaid interest on the principal amount to be redeemed to the redemption date, and that from and after such date interest on such Series D Bond, or the portion of such Series D Bond to be redeemed, shall cease to accrue and be payable.

Conditional Notice. Under the Master Resolution, a notice of redemption of Series D Bonds, at the option of the Department, may be given on a conditional basis. In the event such conditional notice of redemption is given, if on the date established for such redemption of Series D Bonds there are not sufficient funds to effect such redemption, the applicable Series D Bonds will not be redeemed as described in such notice and the Series D Bonds so called for redemption shall continue to be Outstanding on the terms and conditions contained in such Series D Bonds, the Master Resolution and the Fifty-Eighth Supplemental Resolution and shall bear interest and to be subject to further calls for redemption as provided in the Master Resolution and the Fifty-Eighth Supplemental Resolution as if such notice of redemption had not been given.

* Preliminary, subject to change.

Selection of Series D Bonds for Redemption. Except as otherwise provided with respect to Series D Bonds held in book-entry form, if less than all of the Outstanding Series D Bonds of a maturity are to be redeemed, the Fiscal Agent will select the Series D Bonds of such maturity to be redeemed at random in such manner as the Fiscal Agent in its discretion may deem fair and appropriate; provided, however, that the portion of any Series D Bond of a denomination greater than $5,000 shall be treated as that number of Series D Bonds obtained by dividing the principal amount of such Series D Bonds by $5,000. If less than all of the Series D Bonds of a maturity held in the DTC book-entry system are to be redeemed, the Series D Bonds of such maturity to be redeemed will be selected as provided in the DTC procedures. See Appendix C.

SOURCE OF PAYMENT

Special Obligations of Department

The Series D Bonds will be special obligations of the Department payable only from the Power Revenue Fund and not out of any other fund or moneys of the Department or the City. The Series D Bonds will not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and credit nor the taxing power of the City will be pledged to the payment of the Series D Bonds.

Power Revenue Fund

The principal of, premium, if any, and interest on the Bonds, including the Series D Bonds, is payable from the Power Revenue Fund. The Power Revenue Fund is a separate fund established by the Charter in the City Treasury. All revenues from every source collected by the Department in connection with its possession, management and control of the Power System are required to be deposited in the Power Revenue Fund. All moneys in the Power Revenue Fund are under the control and management of the Board and are kept separate from revenues and moneys of the Water System of the Department. Pursuant to the Master Resolution, the Department has covenanted to pay out of the Power Revenue Fund, without priority, (a) the costs and expenses of operating and maintaining the Power System; (b) the principal of, redemption premium, if any, and interest on the Outstanding Bonds (including the Series D Bonds) and other Parity Obligations; and (c) all other obligations payable from the Power Revenue Fund which are not, by their terms, Subordinated Obligations. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

Rate Covenant

The Department covenants under the Master Resolution, as required by the Charter, that the Board will fix rates, subject to the approval of the City Council of the City (the “City Council”), for service from the Power System, and collect charges for such service, so as to provide revenues which, together with the other available funds of the Department, shall be at least sufficient to pay, as the same shall become due, the principal of and interest on the Outstanding Bonds, and all other outstanding bonds, notes and other evidences of indebtedness payable out of the Power Revenue Fund, including premiums, if any, due upon the redemption of any thereof, in addition to paying, as the same shall become due, the necessary expenses of operating and maintaining the Power System, and all other obligations and indebtedness payable out of the Power Revenue Fund. The costs and expenses of operating and maintaining the Power System include certain take-or-pay obligations with respect to generation and transmission facilities. See “OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations.” During the time the Series D Bonds remain Outstanding, the City Council is required by the Charter to approve electric rates in an amount sufficient to meet all such revenue requirements. See “ELECTRIC RATES – Rate Setting.”

Additional Obligations

No Priority. The Master Resolution provides that the Department may not issue any Obligations that are senior or prior in right to payment from the Power Revenue Fund to the Bonds, including the Series D Bonds.

Limitations on Parity Obligations. The Master Resolution provides that the Department may, at any time, issue Additional Parity Obligations, provided that the Department obtains or provides a certificate or certificates, prepared by the Department or at the Department's option by a Consultant, showing that the Adjusted Net Income as shown by the books of the Department for any 12 consecutive month period (selected by the Department in its sole discretion) within the 18 consecutive months ending immediately prior to the issuance of such Additional Parity Obligations shall have amounted to at least 1.25 times the Maximum Annual Adjusted Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations. For purposes of preparing the certificate or certificates described above, the Department and any Consultant may rely upon financial statements prepared by the Department which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the particular 12 month period selected by the Department are not available.

The Master Resolution provides that the Department may enter into certain Qualified Swap Agreements and Credit Support Instruments in connection with Parity Obligations, and issue certain Refunding Parity Obligations, without satisfying such Adjusted Net Income Test. See "CERTAIN DEFINITIONS" and "MASTER RESOLUTION – Conditions to Issuance of Parity Obligations" in Appendix D.

Pursuant to the Master Resolution, Adjusted Net Income means, with respect to the certificate to be delivered in connection with Additional Parity Obligations and for any Calculation Period to which such certificate relates and as calculated by the Department or a Consultant, the Net Income for such Calculation Period plus an amount equal to depreciation, amortization, interest on debt and Unrealized Items for such Calculation Period, in each case determined in accordance with Generally Accepted Accounting Principles, less any portion of such Net Income which has been deposited in the Expense Stabilization Fund, plus at the option of the Department, certain allowances and adjustments as described in the Master Resolution. Pursuant to the Master Resolution, Maximum Annual Adjusted Debt Service means, with respect to a certificate to be delivered in connection with Additional Parity Obligations, as of any date and with respect to the Applicable Parity Obligations, the maximum amount of Debt Service becoming due on the Applicable Parity Obligations in the then current or any future Fiscal Year, as adjusted as provided in the Master Resolution and calculated by the Department or by a Consultant.

Subordinated Obligations

The Master Resolution provides that, without satisfying the tests for the issuance of Additional Parity Obligations, the Department may issue Obligations which are junior and subordinate as to payment from the Power Revenue Fund to the Parity Obligations. See "CERTAIN DEFINITIONS" and "MASTER RESOLUTION – Conditions of Issuance of Subordinated Obligations" in Appendix D. Currently, there are no outstanding Subordinated Obligations.

Other Covenants

In addition to the covenant with respect to rates described above, the Master Resolution includes covenants by the Department with respect to the sale of the Power System, the operation and maintenance of the Power System, restrictions on transfers from the Power Revenue Fund to the City and other matters.

See “THE DEPARTMENT – Transfers to the City” herein and “MASTER RESOLUTION – Covenants” in Appendix D.

Limitations on Remedies

Upon the occurrence and continuance of an event of default under the Bond Resolution, the owners of the Series D Bonds have limited remedies. Enforceability of the rights and remedies of the owners of the Series D Bonds, and the obligations incurred by the Department, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the Series D Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

THE DEPARTMENT

General

The Department is the largest municipal utility in the United States and is a proprietary department of the City. Control of Power System assets and funds is vested with the Board, whose actions are subject to review by the City Council. The Department is responsible for providing the electric and water requirements of its service area. The Department provides electric and water service almost entirely within the boundaries of the City. The City encompasses approximately 473 square miles and is populated by approximately 3.8 million residents. For more information about the City, see Appendix B – “DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LOS ANGELES.”

Department operations began in the early years of the twentieth century. The first Board of Power Commissioners was established in 1902. Nine years later, the responsibilities for the provision of electricity and water within the City were given to the Los Angeles Department of Public Service (the “Department of Public Service”). The Department of Public Service was superseded in 1925 with passage of the 1925 Charter and the creation of the Department. The Department now operates under the Charter adopted in 2000. The operations and finances of the Water System are separate from those of the Power System.

Charter Provisions

Pursuant to the Charter, the Board is the governing body of the Department and the General Manager of the Department (the “General Manager”) administers the affairs of the Department.

The Charter provides that all revenue from every source collected by the Department in connection with its possession, management and control of the Power System is to be deposited in the Power Revenue Fund. The Charter further provides that the Board controls the money in the Power Revenue Fund and makes provision for the issuance of Department bonds, notes and other evidences of indebtedness payable out of the Power Revenue Fund. The procedure relating to the authorization of the issuance of bonds is governed by Section 609 of the Charter.

Section 245 of the Charter provides that, with certain exceptions, actions of City commissions and boards (“Board Action”), including the Board, do not become final until five consecutive City Council

meetings convened in regular session have passed or a waiver of such period is granted by City Council. During those five City Council meetings (unless the waiver of such period has been granted), the City Council may, on a two-thirds vote, take up the Board Action. If the Board Action is taken up, the City Council may approve or veto the Board Action within 21 calendar days of taking up the Board Action. If the City Council takes no action to assert jurisdiction over the Board Action during those five meetings, the Board Action becomes final at the end of such period.

Board of Water and Power Commissioners

Under the Charter, the Board is granted the possession, management and control of the Power System. Pursuant to the Charter, the Board also has the power and duty to make and enforce all necessary rules and regulations governing the construction, maintenance, operation, connection to and use of the Power System and to acquire, construct, extend, maintain and operate all improvements, utilities, structures and facilities the Board deems necessary or convenient for purposes of the Department. The Mayor of the City appoints, and the City Council confirms the appointment of, members of the Board. The Board is traditionally selected from among prominent business, professional and civic leaders in the City. The members of the Board serve with only nominal compensation. Certain matters regarding the administration of the Department also require the approval of the City Council.

The Board is composed of five members. The current members of the Board are:

CYNTHIA MCCLAIN-HILL, *President*. Ms. McClain-Hill was appointed to the Board by then Mayor Eric Garcetti and confirmed by the City Council on August 15, 2018. She was reappointed to the Board and confirmed on June 28, 2022. She was first elected President of the Board on July 28, 2020 and was re-elected President of the Board in July 2021 and July 2022. Ms. McClain-Hill is an attorney, co-founder, and managing director of the Los Angeles-based Strategic Counsel PLC, specializing in managing complex legal matters, strategizing public policy, advocacy, and communications. She previously served on the Los Angeles Board of Police Commissioners, the California Coastal Commission, the California Fair Political Practices Commission, the CalEPA Environmental Justice Advisory Working Group, the Community Redevelopment Agency for the City of Los Angeles, the Los Angeles Small and Local Business Advisory Commission and as president of the Los Angeles Chapter of the National Association of Women Business Owners. Ms. McClain-Hill holds a law degree and a bachelor's degree from the University of California at Los Angeles ("UCLA").

NICOLE NEEMAN BRADY, *Vice President*. Ms. Neeman Brady was appointed to the Board by then Mayor Eric Garcetti and confirmed by the City Council on November 8, 2019. She was reappointed to the Board and confirmed on June 22, 2021. Ms. Neeman Brady was elected Vice President of the Board on July 11, 2023. Ms. Neeman Brady has over eleven years of experience in energy, water, and agriculture management, and she currently serves as the Chief Operating Officer and Principal of the Renewable Resources Group, LLC, where she directs investments and develops opportunities. Renewable Resources Group is a Los Angeles based investment firm that develops and manages agriculture, land, water and renewable energy assets in the United States and internationally. She also sits on the board of directors for the Library Foundation of Los Angeles. Prior to joining the Renewable Resources Group, Ms. Neeman Brady was President and Founder of Edison Water Resources, a subsidiary of Edison International, where she developed water treatment and recycling strategies. Ms. Neeman Brady also served in several leadership roles at the Southern California Edison Company ("Edison"), including the role of Director of Energy Procurement. Ms. Neeman Brady holds dual Bachelor of Arts degrees, with honors, in architecture and economics from Brown University and a Master of Business Administration degree, with distinction, from Harvard Business School.

NURIT KATZ, *Commissioner*. Ms. Katz was appointed to the Board by then Mayor Eric Garcetti and confirmed by the City Council on December 6, 2022. She is the Chief Sustainability Officer for UCLA,

where she has led the development of the University's first comprehensive sustainability plan and fosters collaboration across the leading public university to advance sustainability through education, research, operations, and community partnerships. For six years Ms. Katz also served as Executive Officer for Facilities Management at UCLA. She has over 15 years of teaching experience and is an Instructor for the UCLA Extension Sustainability Certificate Program. Ms. Katz also has taught for the UCLA Institute of Environment and Sustainability and prior to UCLA worked in environmental and outdoor education. She holds a Master of Business Administration degree and a master's degree in public policy from UCLA, and a Bachelor of Arts in environmental education from Humboldt State University. She is currently pursuing a PhD in ecology and evolutionary biology at UCLA and is a Trainee in the National Science Foundation Research Traineeship Innovation at the Nexus of Food, Energy, and Water Systems program.

MIA LEHRER, *Commissioner*. Ms. Lehrer was appointed to the Board by then Mayor Eric Garcetti and confirmed by the City Council on October 21, 2020. Ms. Lehrer is president and founder of Studio-MLA, a landscape architecture, urban design, and planning practice dedicated to advocacy by design with a vision to improve quality of life through landscape. She has served as an advisor to numerous public agencies, including the United States Fine Arts Commission under President Barack Obama, the Los Angeles Cultural Heritage Commission, and the Los Angeles Zoning Advisory Committee. Ms. Lehrer was a member of the team that delivered the Los Angeles River Revitalization Master Plan and the 2020 Upper Los Angeles River and Tributaries Master Plan. She also serves on the board for the Southern California Development Forum and in 2010 she was elevated to Fellow of the American Society of Landscape Architects. Ms. Lehrer holds a Bachelor of Arts degree from Tufts University and a Master of Landscape Architecture degree from the Harvard University Graduate School of Design.

GEORGE MCGRAW, *Commissioner*. Mr. McGraw was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on June 20, 2023. Mr. McGraw serves as founder and CEO of DigDeep, the only water, sanitation and hygiene organization solely focused on the United States, developing education, research and infrastructure programs aimed at extending the human right to clean running water to every American. In this capacity, Mr. McGraw works with local government officials, policymakers and utility providers to innovate solutions to the problems of water and sanitation access in different areas of the nation. Mr. McGraw is an Ashoka Fellow, a member of the Aspen Global Leadership Network and former Social Entrepreneur in Residence at Stanford University. He holds a Master of Arts degree in International Law and the Settlement of Disputes from the United Nations University for Peace.

Management of the Department

The management and operation of the Department are administered under the direction of the General Manager. The management structure of the Department consists of three functional senior executive positions: Chief Operating Officer, Senior Assistant General Manager of the Power System and Chief Financial Officer. The Department's financial affairs are supervised by the Chief Financial Officer. The Power System is directed by the Senior Assistant General Manager of the Power System with an Executive Director for Construction, Maintenance and Operations, and an Executive Director for Planning, Engineering, and Advanced Technologies. Legal counsel is provided to the Department by the Office of the City Attorney of the City of Los Angeles.

Below are brief biographies of the Department's General Manager, Mr. Martin L. Adams, and other members of the senior management team for the Power System:

MARTIN L. ADAMS, *General Manager and Chief Engineer*. Mr. Adams was named Interim General Manager of the Department in July 2019 and confirmed as the General Manager and Chief Engineer by the City Council in September 2019. Prior to his appointment as General Manager, Mr. Adams served as the Chief Operating Officer of the Department since September 2016. In that capacity, he oversaw the Water System and Power System, along with other support organizations within the Department. Mr.

Adams has more than 39 years of experience at the Department, where he started as an entry level engineer in the Water System, eventually leading the Water System as its Senior Assistant General Manager. During the course of his career, Mr. Adams worked throughout the Water System and was directly involved with the planning and implementation of major changes to water storage, conveyance, and treatment facilities to meet new water quality regulations. He has spent almost half of his career in system operations, including ten years as the Director of Water Operations in charge of the day-to-day operation and maintenance of the Los Angeles water delivery system, including the Los Angeles Aqueduct and other supply sources, pump stations, reservoirs, water treatment, and management of Water System properties. Mr. Adams received his Bachelor of Science degree in civil engineering from Loyola Marymount University in Los Angeles. Mr. Adams has announced his retirement, which is expected to occur in the first quarter of 2024.

ARAM BENYAMIN, *Chief Operating Officer*. Mr. Benyamin was named Chief Operating Officer of the Department in November 2022. In this role he oversees the Water System and Power System, along with other support organizations within the Department. Prior to rejoining the Department in November 2022, Mr. Benyamin was the Chief Executive Officer for Colorado Springs Utilities (a municipally-owned utility). He joined Colorado Springs Utilities in 2015 as the General Manager – Energy Supply and was named Chief Executive Officer in October 2018. Prior to joining Colorado Springs Utilities, Mr. Benyamin was the Department's Senior Assistant General Manager – Power System. Mr. Benyamin previously worked for the Department in various roles for over 30 years. He is a Professional Engineer with a Bachelor of Science degree in engineering from California State University, Los Angeles. Mr. Benyamin also has a master's degree in business administration from the University of La Verne and a master's degree in public of administration from California State University, Northridge.

ANN M. SANTILLI, *Chief Financial Officer*. Ms. Santilli was named Chief Financial Officer of the Department in May 2019. She had served as Interim Chief Financial Officer of the Department since March 2018. Prior to her appointment as Interim Chief Financial Officer, Ms. Santilli served as Assistant Chief Financial Officer and Controller of the Department from 2012 through February 2018 and previously held the role of Interim Chief Financial Officer of the Department from October 2010 through January 2012. Prior to her first service as Interim Chief Financial Officer, Ms. Santilli served as Chief Accounting Employee and Assistant Chief Financial Officer and Controller of the Department. She assumed the post as Controller in March 2008, as Assistant Chief Financial Officer in April 2008 and as Chief Accounting Employee in July 2010. Prior to being appointed as the Controller, Ms. Santilli was the Manager of Financial Reporting since 2003. Ms. Santilli has over 35 years of accounting and auditing experience. Ms. Santilli holds a bachelor's degree in business administration from California State University at Northridge and is a certified public accountant in the State and a certified internal auditor.

SIMON ZEWDU, *Interim Senior Assistant General Manager of the Power System*. Mr. Zewdu assumed his current position as Interim Senior Assistant General Manager of the Power System in April 2023. Mr. Zewdu has over 24 years of experience with the Department and the City of Los Angeles, with duties spanning from substation design, project management, strategic planning, contracts, operations, and special projects. Prior to his current role, Mr. Zewdu led the Department's compliance with mandatory federal North American Electric Reliability Corporation ("NERC") and Western Electricity Coordinating Council ("WECC") reliability standards including the Department's regulatory reporting obligations to State regulatory agencies. Mr. Zewdu also led the LA100 Equity Strategies Study in collaboration with the National Renewable Energy Laboratory (the "NREL") and UCLA. Over the years, Mr. Zewdu led the Department's transmission planning efforts to fulfill the Department's obligations as a transmission provider and managed the transmission engineering team responsible for the design of the Department's extra-high voltage overhead and underground transmission projects to support the reliability and resiliency of the Department's electric grid. Mr. Zewdu holds a bachelor's degree in electrical and computer engineering and a master's degree in business administration in finance.

KATHY M. FONG, *Assistant Chief Financial Officer and Controller*. Ms. Fong was named Assistant Chief Financial Officer and Controller of the Department in March 2020 after serving as the Acting Assistant Chief Financial Officer and Controller of the Department since March 2018. Ms. Fong previously served as Assistant Controller – Financial Reporting of the Department from August 2014 through February 2018 and held the role of Manager of Financial Reporting of the Department from June 2008 through July 2014. Prior to being appointed as the Manager of Financial Reporting in 2008, Ms. Fong served as the Assistant to the Manager of the Budget Office since 2002. Ms. Fong has over 33 years of accounting and budgeting experience. Ms. Fong holds a bachelor's degree in business administration with an option in accounting from California State University at Los Angeles and is a certified public accountant in the State and a certified management accountant.

PETER HUYNH, *Assistant Chief Financial Officer and Treasurer; Assistant Auditor*. Mr. Huynh was named Assistant Chief Financial Officer and Treasurer of the Department in October 2020 and Assistant Auditor of the Department in February 2021. Prior to his appointment as Assistant Chief Financial Officer and Treasurer, Mr. Huynh served as the Assistant Director of Finance and Risk Control Division of the Department since July 2006. He has over 33 years of financial management experience in debt management, risk control, financial planning, accounting, and auditing. Mr. Huynh holds a bachelor's degree in art and a certificate in accountancy from the California State University of Los Angeles. He also has a master's degree in business administration from Pepperdine University. Mr. Huynh is a certified public accountant in the State, a certified management accountant, and a chartered global management accountant.

Employees

As of August 31, 2023, the Department assigned approximately 5,166 Department employees to the Power System on a full time basis. Approximately 3,750 additional Department employees support both the Power System and the Water System on a shared basis.

The Department conducts personnel functions in accordance with the Charter-established civil service system (the "Civil Service System") applicable to most Department employees. In accordance with the Civil Service System, the Department makes appointments on the basis of merit through competitive examinations and civil service procedures. The position of General Manager and 18 other management positions are specifically exempted from the Civil Service System.

The City Council approves the wages and salaries paid to all Department employees. In accordance with State law (the Meyers-Milias-Brown Act) and a conforming City ordinance (the Employee Relations Ordinance), the Department recognizes 14 bargaining units of Department employees. Five labor or professional organizations represent these employees' bargaining units. In the bargaining process the Department and the labor or professional organizations develop memoranda of understanding which set forth wages, hours, overtime and other terms and conditions of employment.

The International Brotherhood of Electrical Workers ("IBEW") represents more than 90% of the Department's employees through ten bargaining units. The Department's ten memoranda of understanding with IBEW have a term which commenced on October 1, 2022 and which expire on September 30, 2026.

The Department's memoranda of understanding with the Management Employees Association, Load Dispatchers Association, and Association of Confidential Employees, expire on December 31, 2025. The Department's memorandum of understanding with the Service Employees International Union, Security Unit, expired on September 30, 2022. The Department is currently in negotiations with the Service Employees International Union, Security Unit. All employment terms of the expired memorandum of understanding continue until a successor contract is executed. Since the advent of collective bargaining in 1974, work stoppages have been rare, occurring in 1974, 1981 and 1993.

Retirement and Other Benefits

Retirement, Retiree Medical, Disability and Death Benefit Insurance Plan. The Department has a funded contributory retirement, disability, and death benefit insurance plan covering substantially all of its employees. The Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan is a retirement system of employee benefits and includes the Water and Power Employees' Retirement Fund (the "Retirement Plan"), which is more fully described in "Note (13) Retirement Plan" and the "Required Supplementary Information" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS."

The costs of the Retirement Plan are shared by the Power System and the Water System, with the Power System being responsible for approximately 67% of Retirement Plan costs. Since Fiscal Year 2014-15, the assumed rate of investment return on the Retirement Plan's assets has been incrementally decreased from 7.75% to 6.50%. Most recently, effective July 1, 2022, the Retirement Board lowered the assumed rate of return from 7.00% to 6.50%. A decrease in the assumed rate of return will generally contribute to an increase in the Department's required contributions to the Retirement Plan, including the Power System's share. The budgeted contributions for the Fiscal Year ending June 30, 2023 take into account this change in the discount rate. Investment return assumptions are determined through the Retirement Plan's Experience Study, which was most recently published on May 20, 2022.

As more fully described in Note 13(d), the Power System made contributions to the Retirement Plan of approximately $218 million in Fiscal Year 2021-22 (as part of a total Department contribution of approximately $325 million), and the Power System made contributions to the Retirement Plan of approximately $259 million in Fiscal Year 2020-21 (as part of a total Department contribution of approximately $384.2 million). For the Fiscal Year ending June 30, 2023, the Department has budgeted a contribution of approximately $283 million from the Power Revenue Fund to the Retirement Plan (as part of a total Department contribution of approximately $416 million). For the Fiscal Year ending June 30, 2024, the Department has budgeted a contribution of approximately $304 million from the Power Revenue Fund to the Retirement Plan (as part of a total Department contribution of approximately $447 million).

The Department also has made, and will continue to make in the future, contributions to the Plan from the Water Revenue Fund.

The Department follows the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* ("GASB No. 68"). GASB No. 68 requires employers with pension liabilities to disclose the net pension liability along with deferred inflows and outflows of resources related to the pension liability. As approved by the Board, a regulatory asset has also been recorded, because this liability is expected to be funded by future revenues of the Power System. For more information about how GASB No. 68 affected the financial statements of the Power System, see "Note (6) Regulatory Assets and Liabilities" and "Required Supplementary Information" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS." Specifically, see Note 6(f) for a discussion of the Power System's establishment of the regulatory asset discussed above.

According to the latest actuarial valuation and review of the Retirement Plan that was completed by The Segal Company on September 23, 2022, as of July 1, 2022, the market value of the assets in the Retirement Plan was approximately $15.5 billion, which results in an unfunded actuarial accrued liability (based on the market value of assets) of approximately $616.0 million; the actuarial value of the assets in the Retirement Plan as of such date was approximately $15.8 billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately $318.0 million. As of July 1, 2022, the Retirement Plan had unrecognized investment losses of approximately $298.0 million. The Retirement Plan employs a five-year smoothing technique to value assets in order to reduce the

volatility in contribution rates. The impact of this will result in "smoothed" assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is a net gain or a net loss. If the net deferred losses for the year ended June 30, 2022 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2022-23 would increase from approximately 29.8% of total Department covered payroll to approximately 32.2% of total Department covered payroll. Additionally, if the net deferred losses in all available Retirement Plan funds were recognized immediately in the actuarial value of assets, the funded ratio of the Retirement Plan as of June 30, 2022 would decrease from approximately 98.0% to approximately 96.2%.

According to the actuarial valuation and review of the Retirement Plan that was completed by The Segal Company on October 7, 2021, as of July 1, 2021, the market value of the assets in the Retirement Plan was approximately $16.7 billion, which resulted in an overfunded actuarial accrued liability (based on the market value of assets) of approximately $1.7 billion; the actuarial value of the assets in the Retirement Plan as of such date was approximately $14.9 billion, which would have resulted in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately $119.6 million. As of July 1, 2021, the Retirement Plan had unrecognized investment gains of approximately $1.8 billion. As noted above, the Retirement Plan employs a five-year smoothing technique to value assets in order to reduce the volatility in contribution rates. The impact of this will result in "smoothed" assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is a net gain or a net loss. If the net deferred gains for the year ended June 30, 2021 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2021-22 would have decreased from approximately 26.0% of total Department covered payroll to approximately 10.7% of total Department covered payroll. Additionally, if the net deferred gains in all available Retirement Plan funds were recognized immediately in the actuarial value of assets, the funded ratio of the Retirement Plan as of June 30, 2021 would increase from approximately 99.2% to approximately 111.1%.

Contribution requirements for the Fiscal Year ending June 30, 2024 are set based on the asset values as of June 30, 2023. Significant losses in market value or the failure to achieve projected investment returns could increase unfunded pension liabilities and future pension costs. However, the Retirement Plan uses a five-year asset smoothing period of the differences between the actual market return and the expected return on the market value of assets to manage short-term volatility, as a result of which the immediate fiscal impact of any one year's negative return on the Department's contribution rates is reduced.

Effective January 1, 2014, the Board approved a new tier for new Retirement Plan members called "Tier 2." Tier 2 provides reduced retirement benefits, requires the employee to contribute a higher percentage of pay to the Retirement Plan, and ends the reciprocity agreement with the City's retirement plan. The Coalition of L.A. City Unions, whose members are not employed at the Department, has challenged the ending of the reciprocity agreement. The Department and City are defending the challenge against the decision to end the reciprocity agreement. According to a study of the proposed benefits of Tier 2, which was completed by The Segal Company on October 24, 2013, the estimated amount of contribution required to fund the benefit allocated to the current year of service (the "Normal Cost"), as a percentage of payroll, was 5.61% for Tier 2 (as compared to 16.35% for Tier 1), and the new tier of benefits was projected to generate a present value savings of $877 million over 30 years (based on the 7.75% assumed rate of investment return on the Retirement Plan's assets, which was in effect when Tier 2 was approved). According to the latest actuarial valuation and review of the Retirement Plan, which was completed by The Segal Company on September 23, 2022, the estimated contribution for Fiscal Year 2022-23 required to fund the benefit allocated to the Normal Cost, as a percentage of payroll, was 11.34% for Tier 2 (as compared to 21.37% for Tier 1). As of the July 1, 2022 actuarial valuation report, 49% of active Department members were covered under Tier 2.

Other Postemployment Benefits ("OPEB"). The Department provides certain healthcare benefits (the "Healthcare Benefits") and death benefits to active and retired employees and their dependents. These OPEB Benefits are more particularly described in "Note (14) Other Postemployment Benefits Plans" and the "Required Supplementary Information" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS."

The costs of the Healthcare Benefits are shared by the Water System and the Power System, with the Power System historically being responsible for approximately 67% of the costs of the Healthcare Benefits. As more fully described in Note (14), the Power System paid Healthcare Benefits of approximately $73.7 million in Fiscal Year 2021-22 (as part of a total Department contribution of approximately $110.8 million), and the Power System paid Healthcare Benefits of approximately $71.1 million in Fiscal Year 2020-21 (as part of a total Department contribution of approximately $106.0 million). For the Fiscal Year ending June 30, 2023, the Department has budgeted approximately $77.3 million to be paid from the Power Revenue Fund for Healthcare Benefits (with the total Department paying approximately $117.1 million). For the Fiscal Year ending June 30, 2024, the Department has budgeted approximately $78.3 million to be paid from the Power Revenue Fund for Healthcare Benefits (with the total Department paying approximately $118.7 million).

The Department also has paid, and will continue to pay in the future, Healthcare Benefits from the Water Revenue Fund, for the Water System's Healthcare Benefits costs.

According to the latest actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on November 16, 2022, as of June 30, 2022, the market value of the assets of the Healthcare Benefits was approximately $2.8 billion, which would result in an overfunded actuarial accrued liability (based on the market value of assets) of approximately $130.3 million; the actuarial value of the assets in the Healthcare Benefits as of such date was approximately $2.8 billion, which would result in an overfunded actuarial accrued liability (based on the actuarial value of assets) of approximately $180.0 million. As of June 30, 2022, the Healthcare Benefits had unrecognized investment gains of approximately $50.0 million. The actuarial valuations of the Healthcare Benefits employ a smoothing policy which requires that market gains and losses be recognized in even increments over five years. As a result, the impact of this will result in "smoothed" assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. As of June 30, 2022, the ratio of the actuarial value of assets to actuarial accrued liabilities increased from 101.15% as of June 30, 2021 to 106.84%. On a market value of assets basis, the funded ratio decreased from 113.58% as of June 30, 2021 to 104.95% as of June 30, 2022. The unfunded actuarial accrued liability (on an actuarial value of assets basis) decreased from a surplus of $29.6 million as of June 30, 2021 to a surplus of $180.0 million as of June 30, 2022.

According to the actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on December 7, 2021, as of June 30, 2021, the market value of the assets of the Healthcare Benefits was approximately $2.9 billion, which would result in an overfunded actuarial accrued liability (based on the market value of assets) of approximately $349 million; the actuarial value of the assets in the Healthcare Benefits as of such date was approximately $2.6 billion, which would result in an overfunded actuarial accrued liability (based on the actuarial value of assets) of approximately $30 million. As of June 30, 2021, the Healthcare Benefits had unrecognized investment gains of approximately $319.2 million. The actuarial valuations of the Healthcare Benefits employ a smoothing policy which requires that market gains and losses be recognized in even increments over five years. As a result, the impact of this will result in "smoothed" assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. As of June 30, 2021, the ratio of the actuarial value of assets to actuarial accrued liabilities increased from 93.90% as of June 30, 2020 to 101.15%. On a market value of assets basis, the funded ratio increased from 92.51% as of June 30, 2020 to 113.58% as of June 30, 2021. The unfunded actuarial accrued liability (on an actuarial value of

assets basis) decreased from $151.8 million as of June 30, 2020 to a surplus of $29.6 million as of June 30, 2021.

Contribution requirements for the Fiscal Year ending June 30, 2024 are set based on the asset values as of June 30, 2023. Significant losses in market value or the failure to achieve projected investment returns could increase unfunded pension liabilities for Healthcare Benefits and future contribution requirements. However, the Healthcare Benefits uses a five-year asset smoothing period of the differences between the actual market return and the expected return on the market value of assets to manage short-term volatility, as a result of which the immediate fiscal impact of any one year's negative return on the Department's contribution rates is reduced.

For a schedule that provides information about the Department's overall progress made in accumulating sufficient assets to pay Healthcare Benefits when due, prior to allocations to the Power System and the Water System, see the "Required Supplementary Information" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS."

Effective January 1, 2014, the Board approved a new tier for new Retirement Plan members called "Tier 2." Tier 2 provides reduced retiree healthcare benefits. According to a study of the proposed OPEB for Tier 2 employees of the Department, which was completed by The Segal Company on November 8, 2013, the estimated Normal Cost, as a percentage of payroll, was 2.63% for Tier 2 (as compared to 4.33% for Tier 1), and the new tier of benefits was projected to generate a present value savings of $136.5 million over 30 years (based on the 7.75% assumed rate of investment return on the OPEB plan's assets, which was in effect when Tier 2 was approved). According to the latest actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on November 16, 2022, for Fiscal Year 2022-23, the Normal Cost, as a percentage of payroll, was estimated to be 4.64% for Tier 2 (as compared to 4.97% for Tier 1).

Effective July 1, 2017, the Department follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB Statement No. 45 ("GASB No. 75"). GASB No. 75 requires employers with other postemployment liabilities to disclose the net postemployment liability along with deferred inflows and outflows of resources related to the other postemployment liability. The Department adopted the provisions of GASB No. 75 beginning for the Fiscal Year ended June 30, 2018. Accordingly, the cumulative effect of the impact on net position as of July 1, 2017 was negative $661.2 million. As of June 30, 2022, the Power System had a net OPEB liability surplus of $172.6 million comprised of $235.7 million surplus of retiree medical and $63.1 million liability in death benefits. As of June 30, 2021, the Power System had a net OPEB liability of $191.4 million comprised of $126.2 million of retiree medical and $65.2 million in death benefits. As approved by the Board, a regulatory asset has also been recorded, because this liability is expected to be funded by future revenues of the Power System. For more information about how GASB No. 75 affected the financial statements of the Power System, see "Note (6) Regulatory Assets and Liabilities" and "Required Supplementary Information" in the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS." Specifically, see Note 6(g) for a discussion of the Power System's establishment of the regulatory asset discussed above.

Transfers to the City

Pursuant to the Charter, the City Council may, subject to the provisions of contractual obligations, direct a transfer of surplus money in the Power Revenue Fund to the City's reserve fund (a "Power Transfer") with the consent of the Board. The Board may withhold its consent if it finds that making the Power Transfer would have a material adverse impact on the Department's financial condition in the year the Power Transfer is to be made. In the event the Board does not approve any year's Power Transfer, the City Administrative Officer is to verify the Department's findings and make a report thereon and

recommendations with respect thereto. After receiving such report, and in consultation with the City Council and the Mayor, the Board shall either amend or uphold its preliminary findings.

Pursuant to covenants contained in the Master Resolution, a Power Transfer may not exceed the net income of the prior Fiscal Year or reduce the Power System's surplus to less than 33-1/3% of total Power System indebtedness.

The following table shows the amounts of the Power Transfer in each of the last five Fiscal Years:

POWER TRANSFERS
FOR FISCAL YEARS ENDED JUNE 30, 2019 – 2023
($ in thousands)

Fiscal Year Ended June 30	Amount of Power Transfer
2019	$232,557
2020	229,913
2021	218,355
2022	225,015
2023	232,043

Source: Department of Water and Power of the City of Los Angeles.

The City does not include any funds in the Power Transfer that the Department collects pursuant to the Electric Rates established under the Incremental Electric Rate Ordinance, which was adopted in 2016. However, the Power Transfer includes surplus revenue generated from Electric Rates established under the Rate Ordinance adopted in 2008. Starting in Fiscal Year 2017-18, the Power Transfer is approximately 1.01 cents for every kWh sold to retail electric customers.

Insurance

The Department's insurance program currently consists of a combination of commercial insurance policies and self-insurance. All general liability claims within the Department's self-insured retention are administered under the Department's self-insurance program and the Department carries commercial excess general liability insurance above its self-insured retention. There are two separate towers of insurance. The first is for non-wildfire losses. After meeting the $3 million retention, the program has a primary layer of $35 million, which includes 50% of co-insurance for the 2023-24 policy year (April 2023 to April 2024). Co-insurance is a designated percentage of the policy that is retained by the Department and the remaining policy amount is recoverable from the insurer. Above the primary layer of $35 million are additional layers of commercial liability insurance that provide an additional $125 million of coverage, which has no co-insurance and would provide coverage up to the policy limits. The total limit available for non-wildfire losses is $160 million. There is a second tower of insurance that is solely for wildfire losses. The Department has a total of $50 million in self-insured retention that serves as its primary layer for wildfire coverage and above that primary self-insurance retention layer, the Department has procured an additional $115.5 million of commercial wildfire insurance, totaling an insurance tower of $165.5 million. To complement its overall wildfire insurance program, the Department has further provided for $81.5 million of wildfire coverage through Catastrophe Bonds (each, a "CAT Bond"). The first bond type consists of a $50 million parametric wildfire CAT Bond for the three-year period December 2020 to December 2023 that has an attachment point at $75 million and is intended to cover a portion of any claim exceeding $75 million. The second bond is a $31.5 million indemnity wildfire CAT Bond for the three-year period September 2021 to September 2024 that has an attachment point at $125 million and is intended to cover a portion of any large claim that might exceed the self-insurance and commercial insurance coverage. The CAT Bonds are multi-year issuances and pay out based on a catastrophic fire event that occurs within the three-year period of

each specific bond. The CAT Bonds allow the Department to obtain additional wildfire coverage capacity outside of a commercial insurance policy, but, unlike commercial insurance, the Department achieves a premium cost that is fixed and known for the three-year period of the bonds. Through the utilization of commercial insurance, CAT Bonds and self-insurance, the wildfire insurance program has a total limit of $247 million available for wildfire losses.

For discussion regarding liability issues as they relate to wildfire losses, see "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *Legislation and Court Action Relating to Wildfires*."

Going forward, the Department will continue to consider any available coverage options in the market in order to ensure that the Department is adequately protected against catastrophic liability events and wildfires. In addition to the excess general liability insurance programs and the CAT Bond issuances, the Department continues to maintain a bona fide program of self-insurance as well. As of June 30, 2023, the portion of the Power Revenue Fund set aside for self-insurance had a balance of approximately $222.5 million in a restricted cash account. The Power Revenue self-insurance fund is specific to the Power Division and is primarily designed to cover a large catastrophic event that could affect the Power Division operations (*e.g.*, liability for a large wildfire). The Department annually reviews the amount retained for self-insurance and may adjust such amount if it deems such adjustment appropriate.

The Department has purchased a primary cyber insurance policy, with a self-insured retention component. This insurance policy covers certain types of cyber incidents and provides reimbursement coverage for costs to respond to data privacy or security incidents and for expenses incurred in connection with the investigation, prevention, and resolution of any cyber threat.

The Department commercially insures its physical plant through a policy of all risk property insurance, which is written on a replacement cost-basis. The policy covers all risk of physical loss or damage to buildings, structures, auxiliary and main plant equipment. Such insurance has a policy loss limit of $500 million for all claims in a single policy year. The all-risk property insurance has a deductible of $5 million. The Department has secured earthquake coverage and sudden and accidental pollution coverage as part of its all-risk property insurance program.

The Department's physical plant coverage does not provide coverage in certain events including terrorism or war. However, the Department has purchased a Terrorism Limits and Terrorism Risk Insurance Extension Act of 2005 ("TRIEA") Endorsement (the "Endorsement") to its excess general liability coverage under which coverage is extended to cover losses resulting from certain acts certified by the Secretary of the U.S. Department of the Treasury to be an act of terrorism, as defined in TRIEA. Currently, from 2002 through December 31, 2027, the Endorsement limits insurers liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds $100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed $100 billion, the Department's coverage may be reduced.

As a participant in the Palo Verde Nuclear Generating Station ("PVNGS") and associated transmission systems, the Department is an additional named insured on various forms of insurance providing protection against property and liability losses relating to such facilities. The amounts of coverage are established by participating owners and procured by the operating agent for the facility.

The Department, as the operating agent for the Intermountain Power Project ("IPP"), the Mead-Adelanto Transmission Project, the Pacific DC Intertie and in connection with its relationships with other entities and agencies, includes other entities or agencies as additional named insureds on the various forms of insurance procured for such facilities.

The Department continuously evaluates its insurance program and may modify the current configuration of commercial insurance and self-insurance with respect to the Power System. Insurance limits maintained by the Department are subject to change depending on market conditions and assessments by the Department as to risk exposure. The utilization of commercial insurance along with alternative risk options such as CAT Bonds allows the Department to strengthen its overall risk management program as well as provide flexibility in setting and adjusting its self-insurance retention limits as part of the continual review of the Department's insurance budget.

Investment Policy and Controls

Department's Trust Funds Investment Policy. The majority of the Power System funds are held in the Power Revenue Fund, investments of which are managed by the Office of Finance of the City. The funds have been invested as part of the City's investment pool program since 1983. Certain financial assets of the Department that are held in special-purpose trust or escrow funds with an independent trustee ("Trust Funds") more fully described in "Note (7) Cash, Cash Equivalents, and Investments" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS" ("Note 7"), are not included in the City's investment pool program. The Department manages the investment of the Trust Funds in which approximately $668.0 million (investments at fair market value) was on deposit as of May 31, 2023. The Department's investment of such funds complies with the California Government Code in all material respects and such funds are invested according to the Department's Trust Funds Investment Policy (the "Trust Funds Investment Policy"), which sets forth investment objectives and constraints. For more information about the Trust Funds Investment Policy, see Note 7. Such funds consist of debt reduction trust funds, the nuclear decommissioning trust funds, the natural gas trust fund, the California Independent System Operating Markets trust fund, and the hazardous waste treatment storage and disposal trust fund. These trust funds are being held by U.S. Bank Trust Company, National Association as trustee/custodian. Amounts in the debt reduction trust fund are to be applied at the discretion of the Chief Financial Officer, to the retirement (including the payment of debt service, purchase, redemption and defeasance) of Power System debt, including obligations to Intermountain Power Agency ("IPA") and Southern California Public Power Authority ("SCPPA"). As of May 31, 2023, the debt reduction trust fund had a balance of approximately $491.2 million (investments at fair market value as of such date).

Under the Trust Funds Investment Policy, the Department's investment program seeks to accomplish three specific goals: (i) preserve the principal value of the funds, (ii) ensure that investments are consistent with each individual fund's liquidity needs and (iii) achieve the maximum yield/return on the investments.

The overall responsibility for managing the Department's investment program for the Trust Funds rests with the Department's Chief Financial Officer, who directs investment activities through the Department's Assistant Chief Financial Officer and Treasurer. An Investment Committee, comprised of the City Controller, a Board member designated by the Board President, the General Manager and the Department's Chief Financial Officer (the "Department Investment Committee") is charged with oversight responsibility. The Trust Funds Investment Policy is adopted by the Board from time to time, and fund activity is reviewed periodically by the Department Investment Committee to ensure its consistency with the overall objectives of the policy, as well as its relevance to current law and financial and economic trends.

The Department's Assistant Chief Financial Officer and Treasurer or its designee reviews all investment transactions for the Trust Funds on a monthly basis for control and compliance and submits quarterly investment reports that summarize investment income to the Department Investment Committee, the Board and the Mayor for information and evaluation.

POWER SYSTEM TRUST FUNDS INVESTMENTS
ASSETS AS OF MAY 31, 2023
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	Fair Market Value
U. S. Government Securities	$ 47,578
U. S. Sponsored Agency Issues	243,456
Supranationals	22,443
Medium term corporate notes	137,631
Municipal obligations	79,725
California state bonds	7,874
Other state bonds	47,003
Commercial paper	6,858
Certificates of deposit	41,762
Money market funds	33,713
Total	$668,043

Source: Department of Water and Power of the City of Los Angeles.
* Totals may not equal sum of parts due to rounding.

Department Financial Risk Management Policies. In order to manage certain financial and operational risk, the Board has adopted a number of policies in addition to its Trust Funds Investment Policy. The Board has adopted a Counterparty Evaluation Credit Policy designed to minimize the Department's credit risk with its counterparties. This policy applies to wholesale energy, transmission, physical natural gas and financial natural gas transactions entered into by the Department. Pursuant to this policy the Department assigns credit ratings to such counterparties. The policy requires the use of standardized netting agreements which require such counterparties to net positive and negative exposures to the Department and requires credit enhancement from counterparties that do not meet an acceptable level of risk. Sales to such counterparties are only permitted up to the amount of purchases with a netting agreement and, in certain cases, credit enhancement in place.

The Board has adopted a Retail Natural Gas Risk Management Policy designed to mitigate the Department's exposure to unexpected spikes in the price of natural gas used in the production of electricity to serve retail customers. This policy authorizes Department management to enter into transactions for natural gas subject to specified parameters, such as duration of contract and price and volumetric limits. It also establishes internal controls for natural gas risk management activity. See "THE POWER SYSTEM – Fuel Supply for Department-Owned Generating Units and Apex Power Project."

The Board has adopted a Wholesale Marketing Energy Risk Management Policy to establish a risk management program designed to manage the Department's exposure to risks resulting from purchases and sales of wholesale energy, transmission services and ancillary services. This policy establishes the General Manager's authority to enter into such transactions, identifies approved transaction types and establishes internal controls for wholesale energy risk management activity.

The Board has adopted an Environmental Credit and Renewable Energy Credit Policy to establish a risk management program that is designed to manage the Department's exposure to risks resulting from purchases and sales of emissions credits or allowances and other credits available for the purpose of compliance with environmental laws, rules, and regulations. This policy establishes the General Manager's authority to enter into such transactions, identifies approved transaction types, and establishes internal controls surrounding credit risk management activity.

The Board has adopted a Dodd-Frank Act Compliance Policy to ensure the Department complies with applicable provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act and commodity futures trading commission requirements.

City Investment Policy. The Office of Finance of the City invests temporarily idle cash on behalf of the City, including that of the proprietary departments, such as the Department, as part of a pooled investment program. As of May 31, 2023, the Power System had approximately $1.67 billion of unrestricted cash and approximately $726.2 million of restricted cash on deposit with the City. This amount is in addition to what is on hand in the Trust Funds, see "– *Department's Trust Funds Investment Policy*" above. The City's pooled investment program combines general receipts with special funds for investment purposes and allocates interest earnings and losses on a pro-rata basis when the interest is earned and distributes interest receipts based on the previously established allocations. The primary responsibilities of the Office of Finance of the City and the pooled investment program are to protect the principal and asset holdings of the City's portfolio and to ensure adequate liquidity to provide for the prompt and efficient handling of City disbursements. Funds invested by the Power System in the pooled investment program are available for withdrawal within five business days without penalties. In addition, 12% of the pool, as of June 30, 2022, had maturities less than one month and 36% of the pool, as of June 30, 2022, had maturities of one year or less.

CITY OF LOS ANGELES POOLED INVESTMENT FUND
ASSETS AS OF JUNE 30, 2022
(Dollars in Thousands)
(Unaudited)

	Amount	**Percent of Total**	**Power System Share**
U.S. Treasury Notes	$ 8,555,009	59.55%	$1,854,094
Commercial Paper	2,375,926	16.54	514,925
Medium-Term Notes	1,449,096	10.09	314,057
U.S. Agencies Securities	940,704	6.55	203,875
Supranationals	277,748	1.93	60,195
Short-Term Investment Funds	277,041	1.93	60,042
Asset-Backed Securities	257,187	1.79	55,739
Securities Lending Short-Term Repurchase Agreement	190,678	1.33	41,325
Negotiable Certificates of Deposit	42,000	0.29	9,102
Total General and Special Pools*	**$14,365,389**	**100.00%**	**$3,113,354**

Source: Department of Water and Power of the City of Los Angeles and Los Angeles City Treasurer.

Note: Department funds held by the City are both unrestricted and restricted funds. Totals may not equal sum of parts due to rounding.

Note: Fair Market Value as of June 30, 2022.

The City's investment operations are managed in compliance with the California Government Code and the City's statement of investment policy, which sets forth permitted investments, liquidity parameters and maximum maturity of investments. The investment policy is reviewed and approved by the City Council on an annual basis.

Monthly reports of investment activity are presented to the Mayor, the City Council and the Department to indicate, among other things, compliance with the investment policy. The City's Office of Finance does not invest in structured and range notes, securities that could result in zero interest accrual if

held to maturity, variable rate, floating rate or inverse floating rate investments or mortgage-derived interest or principal-only strips.

The investment policy permits the City's Office of Finance to engage custodial banks to enter into short-term arrangements to lend securities to various brokers. Cash and/or securities (United States Treasuries and Federal Agencies only) collateralize these lending arrangements, the total value of which is required to be at least 102% of the market value of securities loaned out. The securities lending program is limited to a maximum of 20% of the market value of the City's Office of Finance's pool by the City's investment policy and the California Government Code.

For more information about the investments in the City's Office of Finance pool, see Note 7.

ELECTRIC RATES

Rate Setting

Pursuant to the Charter, the Board, subject to the approval of the City Council by ordinance (as discussed below), fixes the rates for electric service from the Power System ("Electric Rates"). The Charter provides that the Electric Rates shall be fixed by the Board from time to time as necessary. The Charter also provides that the Electric Rates shall, except as authorized by the Charter, be of uniform operation for customers of similar circumstances throughout the City, as near as may be, and shall be fair and reasonable, taking into consideration, among other things, the nature of the uses, the quantity supplied and the value of the service provided. The Charter further provides that rates for electric energy may be negotiated with individual customers, provided that such rates are established by binding contract, contribute to the financial stability of the Power System and are consistent with such procedures as the City Council may establish.

The Board is obligated under the Charter and the rate covenant in the Master Resolution to establish Electric Rates and collect charges in amounts which, together with other available funds, shall be sufficient to service the Department's Power System indebtedness and to meet the Power System's expenses of operation and maintenance. The Charter provides that Electric Rates are subject to the approval of the City Council by ordinance (a "Rate Ordinance"). The Charter further requires that the City Council approve Rate Ordinances for the Electric Rates prescribed in the rate covenant in the Charter, which rate covenant is also included in the Master Resolution.

The Department's completed interim rate review of the last rate action for Fiscal Year 2015-16 through Fiscal Year 2019-20 resulted in planned annual system average Electric Rate increase adjustments. The average yearly increase during the five-year period was approximately 4.5% for low-energy users, approximately 4.0% for midrange users, and approximately 5.5% for top tier users, reflected in increased actual pass-through cost adjustments and decreased Base Rate revenue targets.

The rate increase over these five Fiscal Years is reflected in the Incremental Electric Rate Ordinance and as a result, effective April 15, 2016, the Department's retail electric revenue requirement has been funded from the Rate Ordinance adopted in 2008 and the Incremental Electric Rate Ordinance through the following major components:

(a) Under the Rate Ordinance adopted in 2008:

(i) Base Rates: Base Rates are used to fund expenditures including debt service arising from capital projects (except projects relating to the Renewable Portfolio Standard ("RPS")), operational and maintenance expenses (except as RPS-related), public benefit spending, property tax, and a prorated portion of the Power Transfer;

(ii) Reliability Cost Adjustment (the "RCA"): The RCA is used to recover certain power reliability expenditures; and

(iii) Energy Cost Adjustment (the "ECA"): The ECA is used to recover expenditures for fuel, non-renewable purchased power, RPS and energy efficiency-related expenditures.

(b) Under the Incremental Electric Rate Ordinance:

(i) Incremental Base Rates: The Incremental Base Rates are used to recover costs of providing electric utility service that are not recovered by Base Rates or any of the Rate Ordinance cost adjustments, including labor costs, real estate costs, costs to rebuild and operate local power plants, equipment costs, operation and maintenance costs, expenditures for jointly-owned plants and other inflation-sensitive costs, in addition to including the Power Access Charge, which is a consumption-based tiered charge applied to residential non-Time-of-Use Residential Rate customers used to recover basic infrastructure costs for providing access to the power grid;

(ii) Incremental Reliability Cost Adjustment (the "IRCA"): The IRCA is used to recover costs associated with operations and maintenance, debt service expense of the Power System Reliability Program and RCA under-collection;

(iii) Variable Energy Adjustment (the "VEA"): The VEA is used to recover costs associated with fuel, non-renewable portfolio standard power purchase agreements, economy purchases, legacy ECA under-collection and Base Rates decoupling from energy efficiency impact;

(iv) Capped Renewable Portfolio Standard Energy Adjustment (the "CRPSEA"): The CRPSEA is used to recover costs associated with RPS operations and maintenance, debt service and energy efficiency programs; and

(v) Variable Renewable Portfolio Standard Energy Adjustment (the "VRPSEA"): The VRPSEA is used to recover costs associated with RPS market purchases and costs above any operations and maintenance and debt service payments.

The RCA, ECA, IRCA, VEA, CRPSEA and VRPSEA are pass-through cost adjustments applied by factors that the Department may change with approval of the Board, without changes to existing Rate Ordinances.

Recent Rate Actions. On the recommendation of the Office of Public Accountability (the "OPA"), the Board decreased the Base Rate revenue targets for Fiscal Year 2018-19 and Fiscal Year 2019-20 by 2% each. The OPA further recommended, and the Department supports the recommendation, to use four-year rate action cycles, rather than replicate the recent five-year rate action cycle. In June 2022, the Board approved an increase of the Base Rate revenue target for Fiscal Year 2022-23 of 2.035%, in accordance with the provisions of the Incremental Electric Rate Ordinance. In June 2023, the Board approved an increase of the Base Rate revenue target for Fiscal Year 2023-24 of 5.60% in accordance with the provisions of the Incremental Electric Rate Ordinance. The increase to the Base Rate revenue target will continue to provide the Department with sufficient revenues to meet the rate covenant under the Master Resolution and the Board adopted financial metrics. The Department is in the process of reviewing the Rate Ordinance and Incremental Electric Rate Ordinance and, based on current and assumed market conditions, determining what changes, if any, need to be made in connection with the next rate action. Department staff expects to propose a schedule for the next rate action to the Board in the second half of calendar year 2024.

Proposition 26. In 2010, California voters approved Proposition 26 ("Proposition 26"), an initiative measure amending Article XIII C of the State Constitution to add a new definition of "tax." Each such tax

cannot be imposed, extended, or increased by a local government without voter approval. Article XIII C of the State Constitution, as amended by Proposition 26, defines "tax" to include any levy, charge, or exaction imposed by a local government, except, among other things, (a) charges imposed for benefits conferred, privileges granted, or services or products provided, to the payor (and not to those not charged) that do not exceed the reasonable costs to the local government of conferring, granting or providing such benefit, privilege, service, or product, and (b) property-related fees imposed in accordance with the provisions of Article XIII D of the State Constitution. The Department believes that the Electric Rates and charges do not constitute taxes as defined in Article XIII C of the State Constitution.

A voter initiative entitled "The Taxpayer Protection and Government Accountability Act" ("Initiative 1935") was recently determined to be eligible for the November 2024 Statewide general election and, unless withdrawn by its proponent prior to June 27, 2024, will be certified as qualified for the ballot in such election. Were it to be adopted by a majority of voters in the Statewide general election, Initiative 1935 would amend the California Constitution to, among other things, provide that charges for services or product provided directly to the payor (such as charges for electricity) are "taxes" subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the "actual cost" of providing the service or product, defined as "(i) the minimum amount necessary to reimburse the government for the cost of providing the service or the product to the payor, and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost." If adopted, Initiative 1935 would be subject to judicial interpretation. The Department is unable to predict whether and how Initiative 1935, if adopted, would be interpreted by the courts, and there can be no assurance that any such interpretation or application would not have an adverse impact on the Department, the Power System or the revenues of the Power System.

Board Adopted Financial Planning Criteria. The Board has directed the Department to use the following criteria when preparing the Power System's financial plans with respect to Electric Rates: (i) maintain a minimum operating cash target of the equivalent of 170 days of operating expenses, (ii) maintain full obligation coverage of at least 1.7 times, and (iii) maintain a debt-to-capitalization ratio of less than 68%. These criteria are subject to reviews and adjustments from time to time by the Board with advice from the Department's financial advisors and were most recently revised on May 26, 2020.

Neighborhood Councils. Pursuant to a Memorandum of Understanding with the City's Neighborhood Councils, the Department agrees to use its best efforts to undertake a 60-day or 90-day notification and outreach period (depending on the duration of the Department's proposed rate action) prior to submitting a residential or non-residential retail business customer electric rate increase proposal involving changes to the Rate Ordinances to the Board for approval. The Neighborhood Councils have indicated they will use their best efforts to provide written input regarding such rate proposals to the Department within 60 days of receiving the above-discussed notifications.

Office of Public Accountability. Section 683 of the Charter establishes the OPA with respect to the Department. The primary role of the OPA is providing public, independent analysis to the Board and City Council about Department actions as they relate to the Electric Rates and water rates. The role of the OPA is advisory rather than as an approver of Electric Rates. The OPA is headed by an Executive Director appointed by a citizens committee, subject to confirmation by the City Council and Mayor. The Executive Director of the OPA serves as the Ratepayer Advocate for the OPA. On February 1, 2012, Dr. Frederick H. Pickel was appointed as Executive Director of the OPA (the "Ratepayer Advocate"). The rate action effective April 15, 2016 was supported by the Ratepayer Advocate following his review of the proposed rate changes. The rate action included certain changes proposed by the Ratepayer Advocate. As a result of the rate action involving the Incremental Electric Rate Ordinance for Fiscal Year 2015-16 through Fiscal Year 2019-20, the Department is required to provide semi-annual written reports each year regarding certain

Board-established metrics to the Board and the OPA. Dr. Pickel was reappointed as Executive Director of the OPA on December 5, 2018 for a five-year term.

Rate Regulation

While changes in the retail Electric Rate ordinances are subject to approval by the City Council, the authority of the Board to impose and collect retail Electric Rates for service from the Power System is not subject to the general regulatory jurisdiction of the California Public Utilities Commission (the "CPUC") or any other State or federal agency. The California Public Utilities Code (the "Public Utilities Code") contains certain provisions affecting all municipal utilities such as the Power System. At this time, neither the CPUC nor any other regulatory authority of the State nor the Federal Energy Regulatory Commission ("FERC") approves the Department's retail Electric Rates. It is possible that future legislative and/or regulatory changes could subject the Department to the jurisdiction of the CPUC or to other limitations or requirements.

The California Energy Resources Conservation and Development Commission, commonly referred to as the California Energy Commission (the "CEC"), is authorized to evaluate rate policies for electric energy as related to the goals of the Warren-Alquist State Energy Resources Conservation and Development Act (Public Resources Code Section 25000 et seq.) and make recommendations to the Governor of the State, the Legislature and publicly-owned electric utilities ("POUs") such as the Department.

Although its retail Electric Rates are not subject to approval by any state or federal agency, the Department is subject to certain provisions of the Public Utilities Code and the Public Utility Regulatory Policies Act of 1978 ("PURPA"). PURPA applies to the purchase of the output of "qualified facilities" ("QFs") at prices determined in accordance with PURPA. The Energy Policy Act of 2005 repealed the mandatory purchase obligation for electric utilities when FERC determines that the QFs have non-discriminatory access to wholesale power markets with certain characteristics. The Department has neither applied for nor been relieved of its mandatory purchase obligation. The Department believes that it is currently operating in compliance with PURPA.

Under federal law, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise), including the Department, to provide electric transmission access to others at cost-based rates. FERC also has licensing authority over hydroelectric facilities and regulates the reliability and security of the nation's bulk power system.

With, among other things, the consent of the Department, operational control of the transmission facilities owned or controlled by the Department may be transferred to the California statewide network administered by the California Independent System Operator Corporation ("Cal ISO"). See "THE POWER SYSTEM – Transmission and Distribution Facilities." In 2017, the Department updated its Open Access Transmission Tariff ("OATT"), which included revising the cost-of-service and rate design for the Department's wholesale transmission rates. In 2020, the Department updated its OATT to facilitate entry into Cal ISO's Western Energy Imbalance Market (the "EIM"). The April 2020 amendment to the Department's OATT focused predominantly on non-rate terms and conditions related to the EIM, to ensure that services under the OATT would continue to be provided in a comparable and not unduly discriminatory or preferential manner to all of the Department's OATT customers. The April 2020 amendment largely followed similar, prior OATT amendments of other utilities already participating in the EIM. A further minor non-rate terms and conditions amendment occurred in December 2021. For more information on the Department's entry into the Western EIM, see "THE POWER SYSTEM – Transmission and Distribution Facilities."

Billing and Collections

General. With some limited exceptions, the Department currently bills residential customers on a bimonthly basis and commercial and industrial customers on a monthly basis. The Department prepares bills covering water and electric charges and non-Department charges (such as sewer services, solid waste resources fee and State and local taxes). Payments are posted in the following order: overdue receivables, customer deposits, water charges, electric charges, State and local taxes, sewer service charges, solid waste resources fees and bulky item fees.

In September 2022, the Department launched a new Level Pay system that provides eligible residential customers the opportunity to pay a monthly recurring amount for utility services based on an average of the customer's past usage and costs over the previous 12 months. Payment terms of 12, 24 and 36 months are available. At the end of the payment term, Level Pay will automatically renew and the monthly amount will be recalculated. Any underpayment or overpayment will be rolled into the calculation of the next term. The customer may cancel Level Pay at any time. It is not known at this time how many customers will ultimately sign up for Level Pay. Participation to date has been minimal. The Department does not anticipate Level Pay to have a materially adverse impact on its finances or operations.

Billing System and Delinquencies. In September 2013, the Department launched a new customer information and billing system, designed and implemented by Pricewaterhouse Coopers LLP. Immediately following the launch of the new billing system, the Department experienced numerous billing issues in connection with the new system, including, but not limited to, (a) the inability to issue bills to customers, (b) the inability to issue accurate bills to customers, (c) an increase in estimated bills that were sent to customers where metering information was not available, and (d) the inability to generate multiple business reports, including financial reports reflecting the Department's accounts receivable. See "LITIGATION – Legal Actions Related to New Customer Information and Billing System."

Prior to the billing issues discussed above and based on annual historical experience of delinquencies, the Department historically has been unable to collect approximately 0.7% of the amounts billed to its customers. In light of the ongoing resolution of the billing issues noted above and in response to the COVID-19 pandemic described below, the allowance for doubtful accounts has been increased to 2.0% of Power System sales since Fiscal Year 2020-21, creating an allowance of $309.7 million for the Fiscal Year ended June 30, 2022.

Power System accounts receivable (including utility user's tax) as of June 30, 2022 were $855.7 million compared to $774.2 million as of June 30, 2021. Of these amounts, $445.2 million (52.03% of total receivables) and $418.8 million (54.10% of total receivables) were 120 days or more past the payment due date as of June 30, 2022 and June 30, 2021, respectively. As of May 31, 2023, the Power System's allowance for doubtful accounts was $309.7 million and accounts receivable were $1.02 billion (including utility user's tax). Of these amounts, $587.5 million (57.55% of total receivables) were 120 days or more past the payment due date. As of May 31, 2022, the Power System's allowance for doubtful accounts was $317.7 million and accounts receivable were $859.3 million (including utility user's tax). Of these amounts, $435.9 million (50.72% of total receivables) were 120 days or more past the payment due date.

The new customer information and billing system is currently being used by the Department. The Department continues to work to improve the functionality of the system to meet the Department's original expectations for the new system.

COVID-19 Response. In response to the COVID-19 pandemic, the Department deferred disconnection of water and power services to customers who were unable to pay their bills due to financial hardship, which deferrals officially ended on March 31, 2022 (the Department began the resumption of disconnections for commercial customers in June 2023 and is currently working on a plan to resume service

disconnections for residential customers in the near future). As a result of the deferral of disconnections, the Department has experienced an increase in the amount of bills that are 120 days or more past their payment due date as reflected above. Ultimately, customers are still responsible to pay the billed amounts and the Department will work with customers by providing payment options. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – Impacts of the COVID-19 Pandemic."

The California Legislature established the 2021 California Arrearage Payment Program ("2021 CAPP") to provide financial assistance for California energy utility customers to help reduce past due energy bill balances during the COVID-19 pandemic. Administered by the Department of Community Services and Development (the "CSD"), the 2021 CAPP dedicated approximately $994 million in federal American Rescue Plan Act funding to address Californian's energy debts, of which approximately $299 million was allocated for financial assistance to customers of POUs and electrical cooperatives. The 2021 CAPP implementation was divided into four distinct phases. During phase one, the total residential energy arrearages were quantified through a survey of energy utilities. During phase two, applications were submitted for assistance. During phase three, 2021 CAPP benefits were applied directly to eligible residential and commercial customer accounts. During phase four, required reports were submitted to the CSD to confirm the outcome of delivered 2021 CAPP benefits. The Department submitted its survey on September 3, 2021 including a funding request of approximately $203 million for residential arrearages and approximately $109 million for commercial arrearages. The Department received $202.8 million of funding of which $201.5 million have been credited towards residential arrearages. As authorized by the CSD, the Department distributed the remaining $1.3 million towards residential and commercial arrearages in March 2022.

The California Legislature established the 2022 California Arrearage Payment Program, which dedicates approximately $1.2 billion to address Californian's energy debts. The Department submitted its survey on October 19, 2022 including a funding request of approximately $76.6 million for residential arrearages. The Department received the requested funding amount and credited residential arrearages in January 2023.

Write-Off Procedures. Uncollectible accounts are recoverable by the Department by passing on such "bad debts" to the ratepayers via pass-through adjustment factors. Due to hot weather in the summer and associated higher bills and the Department's bimonthly billing process, accounts receivable balances generally increase in the late summer and autumn and generally decrease in the winter and spring. These accounts receivable balances include inactive accounts. Inactive accounts that are included in accounts receivable that cannot be linked to an active account will be written off as uncollectible.

As part of the implementation of new write-off procedures beginning in the fourth quarter of Fiscal Year 2018-19, the Department anticipates future reductions in accounts receivable and the allowance for doubtful accounts.

Customer Bill of Rights. In January 2017, the Board adopted a "Customer Bill of Rights" which was developed by the Department in consultation with then Mayor Eric Garcetti and is designed to improve service for Department customers. On February 26, 2019, the Board extended the "Customer Bill of Rights" indefinitely.

THE POWER SYSTEM

General

The Power System is the nation's largest municipal electric utility with a net maximum plant capacity of 10,730 megawatts ("MW") and net dependable capacity of 8,007 MW as of June 30, 2023, and properties with a net book value of approximately $13.5 billion as of June 30, 2023. The Power System's highest load registered 6,502 MW on August 31, 2017. Based on the Department's June 2022 Retail Electric Sales and Demand Forecast, the Department anticipated that gross customer electricity consumption would increase from Fiscal Year 2020-21 to Fiscal Year 2030-31 at a forecasted rate of approximately 1.76% per year without consideration of the Department's measures to promote energy efficiency and distributed generation. That load growth rate reflects, in the later part of the ten year planning period, increases due in part to fuel switching in the transportation sector including the increase of plug-in hybrid and battery electric vehicles. In the Power System's most recent resource plan, which was published in December 2017, significant energy efficiency measures are planned as a cost effective resource, along with support for customer solar projects. This, together with the Board's adoption in August 2014 of a plan to achieve 15% energy efficiency savings by the end of 2020, are anticipated to result in net overall energy consumption that increases by 0.8% per year over the Fiscal Year 2020-21 to Fiscal Year 2030-31 forecast period. The Department has achieved its energy efficiency goal for 2020 and is now focused on a tentative projection towards an additional 4,049 GWh of energy savings by 2035. For the operating statistics of the Power System, see "OPERATING AND FINANCIAL INFORMATION – Summary of Operations."

The Department estimated that the Power System's capacity (as of June 30, 2023) and energy mix (actual numbers for calendar year 2022) were approximately as follows:

DEPARTMENT GENERATION MIX PERCENTAGES

Resource Type	Capacity Percentage[1]	Energy Percentage[2]
Natural Gas	37%	34.5%
Large Hydro	16	4.0
Coal	11	12.6
Nuclear	4	13.3
Renewables	32	35.6
Storage	<1	–
Unspecified Sources of Energy[3]	–	–
Total	100%	100%

[1] Net Maximum Unit Capability as of June 30, 2023.
[2] Energy percentage is based on the Department's calendar year 2022 fuel mix submission as part of the 2022 Annual Power Content Label (APCL) to the California Energy Commission in September 2023.
[3] Unspecified sources of energy means electricity from transactions that are not traceable to specific generation sources.
Note: Totals may not equal sum of parts due to rounding.

The Department anticipates that its generation mix will change in response to statutory and regulatory developments. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY."

Generation and Power Supply

The Power System has a number of generating resources available to it. The following discussion describes the Department's solely owned, jointly owned and contracted generation facilities, as well as fuel and water supplies and spot purchase activities. Currently, the Department's base load requirements are fulfilled primarily by generating capacity at IPP and PVNGS, and balanced with its natural gas, hydroelectric, renewable resources and spot purchases. The following information concerning the capacities of various facilities is as of June 30, 2023.

Department-Owned Generating Units

The Department's solely owned generating facilities, as of June 30, 2023, are summarized in the following table:

DEPARTMENT OWNED FACILITIES

Type of Fuel	Number of Facilities	Number of Units	Net Maximum Capacity (MW)[1]	Net Dependable Capacity (MW)[1]
Natural Gas	4[2]	29[2]	3,373	3,211
Large Hydro	1	7	1,265	1,265
Renewables	66	163[3]	417	277[4]
Storage	1	1	20	20
Subtotal	**72**	**200**	**5,075**	**4,773**
Less: Payable to the California Department of Water Resources	–	–	(120)[5]	(40)[5]
Total	**72**	**200**	**4,955**	**4,733**

Source: Department of Water and Power of the City of Los Angeles.

(1) Based on 2022 capacity ratings.

(2) Consists of the four Los Angeles Basin Stations (Haynes, Valley, Harbor and Scattergood) discussed and defined below. See "*– Once-Through-Cooling Units Phase-Out*" below for information regarding the future expected phase out of certain natural gas units.

(3) Includes 22 of the hydro units at the Los Angeles Aqueduct, Owens Valley and Owens Gorge hydro units that are certified as renewable resources by the CEC. Also included are Department-built photovoltaic solar installations, the Pine Tree Wind Project and a local small hydro plant. Not included are the units that were upgraded at the Castaic Plant.

(4) Figure based on statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its dependable capacity.

(5) Energy payable to the California Department of Water Resources for energy generated at the Castaic Plant. This amount varies weekly up to a maximum of 120 MW.

Los Angeles Basin Stations. The Department is the sole owner and operator of four electric generating stations in the Los Angeles Basin (the **"**Los Angeles Basin Stations**"**), with a combined net maximum generating capacity of 3,373 MW and a combined net dependable generating capacity of 3,211 MW. Natural gas is used as fuel for the Los Angeles Basin Stations. Ultra-low-sulfur distillate is used for emergency back-up fuel. See **"–** Fuel Supply for Department-Owned Generating Units and Apex Power Project.**"** See also **"–** Projected Capital Improvements.**"** The four Los Angeles Basin Stations are briefly described below.

Haynes Generating Station. The largest of the Los Angeles Basin Stations is the Haynes Generating Station, located in the City of Long Beach, California. The Haynes Generating Station currently consists of eleven generating units with a combined net maximum capacity of 1,614 MW and a net

dependable capacity of 1,512 MW. The Haynes Generating Station combined-cycle generating unit includes two combustion turbines and a common steam turbine. The combustion turbines can each operate with the steam turbine independently or together in a two–plus–one configuration (and are counted by the Department as three generating units). In July 2013, the Department completed the replacement of two of the original units with six advanced simple-cycle gas turbine units. The Department completed the demolition of the four Haynes Generating Station Units that were decommissioned between 2003 and 2013 to create a construction area for a future energy project. Demolition was completed on August 30, 2022. See **"**FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – Environmental Regulation and Permitting Factors – *Water Quality – Cooling Water Process – State Water Resources Control Board**"** and **"**– Regional Requirements – Thermal Discharges at Harbor Generating Station and Haynes Generating Station***"** for a discussion of potential permitting and related equipment upgrades with respect to cooling water intake structures and thermal discharges.

Valley Generating Station. The Valley Generating Station is located in the San Fernando Valley and is comprised of a simple-cycle generating turbine unit and a combined-cycle generating unit consisting of two combustion turbines and a common steam turbine. The combustion turbines can each operate with the steam turbine independently or together in a two-plus-one configuration (and are counted by the Department as three generating units). The net maximum plant capacity for the Valley Generating Station is 555 MW. The total net dependable capacity for the Valley Generating Station is 532 MW. The Department expects to demolish four Valley Generating Station Units that were decommissioned in 2002 to create a construction area for a future energy project. The demolition of the decommissioned Valley Generating Station Units is not expected to impact the energy output of the Valley Generating Station.

Valley Generating Station Gas Vent-Off. While conducting methane surveys across the State for the CEC in August 2020, the Jet Propulsion Laboratory ("JPL") observed an increase of methane vent-off over the Valley Generating Station reciprocating natural gas compressor area. This site was one of over 1,100 identified methane sources in the State. The EPA had previously estimated that the emissions from compressors in the natural gas industry only accounted for approximately 24% of all methane emissions from the natural gas industry. After the Department was notified by JPL, the replacement of the compressor rod packing seals, which had begun to wear prematurely, was expedited. Although the replacement reduced the leakage by over 90%, efforts to obtain new design rod packing seals for the Valley Generating Station continued. The new design rod packing seals were installed in December 2020 and have been working as designed, with no measured or reported vent-off emissions from the compressors. Methane concentrations are currently being measured with methane analyzers installed on the property.

There were five Los Angeles Superior Court cases related to the referenced vent-off and operation of the Valley Generating Station. However, based on motions filed by the Department, the most significant of the cases, a class action lawsuit with a putative class of 30,000 individuals, was dismissed in December 2021. Additionally, the Department's former General Manager and current General Manager were dismissed as defendants. Punitive damages were removed, and the number of causes of action was reduced. Those court actions significantly eliminate the financial recovery expected by plaintiffs' counsel.

With the dismissal of the class action lawsuit, there are four remaining cases. These include *Pueblo y Salud, Inc, et. al. v. Los Angeles Department of Water and Power, et al.*, 21STCV04346, the lead case. The other pending cases include various individual plaintiff and their counsel. Generally, in the remaining cases, there are now in the aggregate approximately 2,500 individual plaintiffs represented by various counsel. The Department filed a Demurrer to Plaintiffs' Master Second Amended Complaint which was sustained and gave plaintiffs leave to file a Third Amended Complaint, which was filed. The parties are currently meeting and conferring regarding potential further pleading motions.

All pending cases have been deemed related by the court and are assigned to the same judge in the Los Angeles Superior Court. Multiple status conferences have been held by the court. The next status conference is scheduled for October 2, 2023.

The Department's exposure for the Valley Generation Station, if there is liability, is not now known. The Department has notified insurance carriers which may afford possible coverage for the underlying incident(s), however, at the present time no insurance coverage nor the amount of coverage, if any, has been confirmed.

Harbor Generating Station. The Harbor Generating Station is located in Wilmington, California. The Harbor Generating Station is comprised of a combined-cycle unit, which consists of three generating units, and five additional simple-cycle generating turbine units for a total of eight generating units. The combustion turbines can each operate with the steam turbine independently or together in a two-plus-one configuration (and are counted by the Department as three generating units). Harbor Generating Station's net maximum capacity is 426 MW with a net dependable capacity of 425 MW. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – Environmental Regulation and Permitting Factors – *Water Quality – Cooling Water Process– State Water Resources Control Board*" and "*– Regional Requirements – Thermal Discharges at Harbor Generating Station and Haynes Generating Station*" for a discussion of potential permitting and related equipment upgrades with respect to cooling water intake structures and thermal discharges.

Scattergood Generating Station. The Scattergood Generating Station is located in Playa Del Rey, California and is comprised of two conventional steam boiler generating units, one combined-cycle unit, which consists of two generating units in a 1-plus-1 configuration, and two advanced simple-cycle gas turbines with a net maximum capacity of 778 MW and a net dependable capacity of 742 MW from natural gas. Scattergood Generating Station Unit 3 was decommissioned in December 2015 and has been demolished to create the construction area for a future energy project. The decommissioning and demolition of Scattergood Generating Station Unit 3 does not significantly impact the energy output of the Scattergood Generating Station. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – *Environmental Regulation and Permitting Factors – Water Quality – Cooling Water Process – State Water Resources Control Board*" for a discussion of potential permitting and related equipment upgrades with respect to cooling water intake structures.

Once-Through-Cooling Units Phase-Out. Generating units at the Los Angeles Basin Stations that currently utilize once-through-cooling have a total generation nameplate of 1,661 MW, and a net maximum capacity of 1,486 MW. In February 2019, then Mayor Eric Garcetti announced that these units will be phased out and replaced with energy storage and clean energy alternative assets. The Department has initiated the City's planning efforts for replacing the capacity of the once-through cooling units as they retire by December 31, 2029. As part of these planning efforts, the Department issued a distributed energy resources request for proposals ("DER RFP") in September 2020 to explore the potential of in-basin distributed energy resources. The Department is evaluating the proposals that were received. Meanwhile the CEC launched its Demand Side Grid Support ("DSGS") Program in Summer 2022, which closely resembles the Department's DER RFP. As the result, in late 2022 the Department started pursuing the CEC sponsored DSGS Program, which is funded by tax payers instead. The Department is on track to launch the DSGS Program in 2023. The Department also presented its "Clean Grid LA Plan Update" to the Board on May 11, 2021, which details high level initiatives to address once-through cooling units' phase-out and align with LA100 Study scenarios. The "Clean Grid LA Plan" and the LA100 Study are being incorporated into the Department's 2022 Power Strategic Long-Term Resource Plan (the "2022 Strategic Long-Term Resource Plan") to formalize a roadmap for achieving 100% carbon free energy by 2035 for Board consideration. The Department completed a draft of the 2022 Strategic Long-Term Resource Plan in December 2022 and released a final version of the 2022 Strategic Long-Term Resource Plan in the second quarter of calendar year 2023.

Other Department-Owned Generating Facilities. In addition to the Los Angeles Basin Stations, the Department is the sole owner of a number of other generating facilities. Certain of the Department's hydroelectric projects are described below. See also "–Renewable Power Initiatives."

Castaic Pump Storage Power Plant. The Castaic Pump Storage Power Plant is located near Castaic, California (the "Castaic Plant") just before the terminus of the west branch of the California Aqueduct at Castaic Lake. The Castaic Plant is the Department's largest source of hydroelectric capacity and consists of seven units. The Castaic Plant's net maximum capacity and net dependable capacity for the seven units is 1,265 MW. The seven units completed a modernization process in August 2016. A FERC license pursuant to which the Department operates the Castaic Plant expired in 2022. The Department, in partnership with the California Department of Water Resources (the "CDWR"), is in the process of renewing this FERC license. FERC has not yet issued a new license. Under federal regulations, FERC issued an annual license on February 3, 2022, for the continued operations of Castaic Power Plant under the current license conditions. This annual license will be automatically renewed until FERC issues a new license. The Castaic Plant provides peaking and reserve capacity and is normally not a source of energy to the Department's net base load requirements. The Castaic Plant obtains water supply via the water conveyance system (the "State Water Project") operated by the CDWR, which has frequently been the subject of litigation that generally alleges that the CDWR is illegally "taking" listed species of fish through operation of the State Water Project export facilities and that the CDWR should cease operation of the State Water Project pumps. The CDWR has altered the operations of the State Water Project to accommodate certain listed species, which has had the effect of reduced pumping from the affected waters. Future litigation of this nature could influence how the State Water Project is operated and further reduce water flow to the Castaic Plant. The Department cannot predict at this time what effect this type of litigation will have on the Power System. See "– Water Supply for Department-Owned Generating Units" below.

Owens Gorge and Owens Valley Hydroelectric Generation. The three Owens Gorge and seven Owens Valley hydroelectric generating units (the "Owens Gorge and Owens Valley Hydroelectric Generation") are located along the Owens Valley in the Eastern High Sierra region of the State. The aggregate net dependable capacity of Owens Gorge and Owens Valley Hydroelectric Generation totals 52 MW and the net maximum capacity totals 122 MW.

The Owens Gorge and Owens Valley Hydroelectric Generation is a network of hydroelectric plants which use water resources of the Los Angeles Aqueduct and three creeks along the Eastern Sierras. The water flow fluctuates from year to year and as a result water flow may be reduced from seasonal norms from time to time. Since 1995, the total aqueduct exports from Owens Valley to the City have gone from approximately 400,000 acre-feet per year to currently approximately 334,600 acre-feet per year. This difference is due to environmental uses in the Owens Valley, including Mono Lake level restoration, Lower Owens River restoration, reduced groundwater pumping and Owens Lake dust mitigation. Consequently, this water use reallocation has resulted in a reduction of downstream hydroelectric generation, which is accounted for in the annual updates of the Power System's resource plan; however, due to a settlement relating to the Owens Lake dust mitigation that allows for waterless dust control methods to be used, less water obtained through aqueduct exports may be used for environmental uses in the future and may result in increased aqueduct exports from Owens Valley to the City.

San Francisquito Canyon and the Los Angeles and Franklin Reservoirs. The Department also owns and operates twelve hydroelectric units located north of the City along the Los Angeles Aqueduct in San Francisquito Canyon and at the Los Angeles and Franklin Reservoirs. The net aggregate dependable plant capacity of these smaller units is 42 MW and the net maximum capacity totals 78 MW.

Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units

The Department has additional generating resources available as capacity rights resulting from undivided ownership interests in facilities that are jointly-owned with other utilities. Also, the Department benefits from distributed generation ("DG") capacity connected to the Department's grid from customer solar photovoltaic installations through net metering and customer generation rates and from other DG units through a Feed-in-Tariff. These interests, as of June 30, 2023, are summarized in the following chart and discussed below. Each project participant with respect to jointly-owned units is generally responsible for providing its share of construction, capital, operating, decommissioning, and maintenance costs.

Type	Number of Facilities	Department's Net Maximum Connected Capacity (MW)	Department's Net Dependable Connected Capacity (MW)
Coal	1	1,202[1]	1,202
Natural Gas	1	578	483
Large Hydro	1	496[2]	268[2]
Nuclear	1	387[3]	380
Renewables/Distributed Generation	60,687[4]	3,112	941[5]
Total	**60,691**	**5,775**	**3,274**

Source: Department of Water and Power of the City of Los Angeles.

(1) The Department's IPP entitlement is 48.62% of the maximum net plant capacity of 1,800 MW. An additional 18.17% portion of the IPP entitlement is subject to variable recall as set forth under "*Intermountain Power Project – Power Recalls*" below.

(2) The Department's Hoover Power Plant contract entitlement is 496 MW, which is 23.90% of the Hoover total contingent capacity and 14.7% of the firm energy. Hoover Power Plant output constantly varies due to low water levels at Lake Mead resulting from drought conditions.

(3) The Department's PVNGS entitlement is 9.66% of the maximum net plant capacity of 4,003 MW. See "*– Palo Verde Nuclear Generating Station*" below.

(4) The Department's contract renewable resources in-service include a hydro unit in the Los Angeles area, wind farms in Oregon, Washington, Utah and Wyoming, and customer solar photovoltaic installations and other DG units located in the Los Angeles region.

(5) Figure based on statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its dependable capacity.

***Intermountain Power Project*.**

General. The IPP consists of: (i) a two-unit, coal-fired, steam-electric generating plant with a net rating of 1,800 MW (the "Intermountain Generating Station") and a switchyard (the "Switchyard"), located near Delta, in Millard County, Utah; (ii) a +500 kilovolts ("kV"), direct current transmission line approximately 490 miles in length from and including the Intermountain Converter Station (an alternating current/direct current converter station adjacent to the Switchyard) to and including a corresponding converter station at Adelanto, California (collectively, the "Southern Transmission System") (see "Transmission and Distribution Facilities – *Southern Transmission System*"); (iii) two 50-mile, 345 kV, alternating current transmission lines from the Switchyard to the Mona Switchyard in the vicinity of Mona, Utah and a 144-mile, 230 kV, alternating current transmission line from the Switchyard to the Gonder Switchyard near Ely, Nevada (collectively, the "Northern Transmission System"); (iv) a microwave communications system; (v) a railcar service center located in Springville, in Utah County, Utah (the "Railcar Service Center"); and (vi) certain water rights and coal supplies (which water rights and coal supplies, together with the Intermountain Generating Station, the Switchyard and the Railcar Service Center, are referred to herein collectively as the "Generation Station"). Pursuant to a Construction Management and Operating Agreement between IPA and the Department, IPA appointed the Department as project manager and operating agent responsible for, among other things, administrating, operating and maintaining the IPP.

Power Contracts. Pursuant to a Power Sales Contract with IPA (the "IPP Contract"), the Department is entitled to 48.617% of the capacity of the IPP (currently equal to 875 MW). The term of the IPP Contract ends on June 15, 2027.

Pursuant to the IPP Contract, the Department is required to pay in proportion to its entitlement share the costs of producing and delivering electricity as a cost of purchased capacity. The Department also has available additional capacity in the IPP through an excess power sales agreement with certain other IPP participants (the "IPP Excess Power Sales Agreement"). Under the IPP Excess Power Sales Agreement the Department is entitled to an additional 18.168% of the capacity of IPP (currently equal to approximately 327 MW), subject to recall as described below. The IPP Contract requires the Department to pay for such capacity and energy on a "take-or-pay" basis as operating expenses of the Power System. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

In Fiscal Year 2021-22, the IPP operated at a plant net capacity factor of 35.54% and provided approximately 5.6 million megawatt-hours ("MWhs") of energy to its power purchasers, which includes approximately 3.5 million MWhs to the Power System.

Intermountain Generating Station upon the termination of the IPP Contract. In order to facilitate the continued participation of the Department and other power purchasers in the IPP beyond the IPP Contract's termination in 2027, the IPA Board issued the Second Amendatory Power Sales Contract which amended the IPP Contract to allow for the repowering of the plant to replace the coal units with combined cycle natural gas units by July 1, 2025 that would allow for compliance with greenhouse gas ("GHG") emissions performance standards. Pursuant to the provisions of the power sales contracts, the IPP participants also agreed to reduce the initially planned generation capacity of the repowered plant from 1,200 MW to 840 MW. IPA released a request for proposals in June 2020 soliciting responses from developers and vendors to provide solutions for a project to supply the IPP units with green hydrogen fuel (*i.e.*, hydrogen created solely by use of renewable energy) to support the goal of operating with a blend of 30% green hydrogen starting in 2025 and the subsequent goal of reaching 100% green hydrogen fueled operation by 2045, pending the availability and the advancement of the required technology to reach those scales. The request for proposals also included proposals for hydrogen storage facilities adjacent to the existing site. An initial contract was established in early 2022 securing energy conversion and storage services. This contract will provide the IPP participants the ability to convert renewable energy into green hydrogen to fuel the new generating units in 2025. It is estimated that the repowering of the plant to the new combined cycle units at IPP will cost approximately $1.8 billion. Upgrades to the Switchyard and replacement of converter stations are also being undertaken at an estimated cost of approximately $2.1 billion. SCPPA has issued bonds to finance and refinance (through the retirement of short-term obligations incurred by IPA under a bank credit facility which provided interim financing) a portion of the costs of the upgrades to the Switchyard and converter station replacements. See "– Transmission and Distribution Facilities – *Southern Transmission System*."

The original power sales contracts, including the IPP Contract, will terminate on June 15, 2027, at which point the Renewal Power Sales Contracts (which were executed in 2017) will immediately take operational effect and continue for a term ending in 2077. Most of the power purchasers under the original power sales contracts will continue to be IPP participants under the Renewal Power Sales Contracts. The cities of Anaheim, Riverside, and Pasadena will not be power purchasers under the Renewal Power Sales Contracts. The city of Burbank will take a smaller share of generation capacity under the Renewal Power Sales Contracts, and the Department and the city of Glendale both increased their respective generation shares. Under its Renewal Power Sales Contract with IPA, the Department will be entitled to 71.442% of the capacity of the IPP. In connection with the execution of the Renewal Power Sales Contracts in 2017, the Department also executed successor excess power sales agreements with certain other IPP participants which will continue to make available to the Department additional capacity in the IPP. The increase to the

Department's share and additional available capacity in the IPP will become available to the Department when the Renewal Power Sales Contracts take effect on June 16, 2027.

The IPA has issued bonds to finance and refinance (through the retirement of its obligations under a bank credit facility which provided interim financing) a portion of the costs of the IPP repowering project. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Power Recalls. Under the existing IPP Excess Power Sales Agreements, certain IPP participants have a right to recall from the Department up to 18.168% of the capacity of IPP (currently equal to approximately 327 MW) for defined future summer or winter seasons or both, following no less than 90 days' notice and up to 43 MW of such capacity on a seasonal basis following no less than 90 days' notice. IPP Utah participants have been recalling 5.622% of the capacity of IPP (equal to 101 MW) from the Department for the 2023 summer season starting March 2023 and ending September 2023. As of August 30, 2023, IPP Utah participants will recall 0.657% of the capacity of IPP (equal to 12 MW) from the Department for the winter season starting September 2023 and ending March 2024. The percentage of the capacity of IPP subject to recall will increase to 21.057% (equal to 177 MW) in 2027 upon the effectiveness of the Agreement for Sale of Renewal Excess Power which will take effect on the same day as the Renewal Power Sales Contract described above. The Department can give no assurance that the capacity of IPP subject to recall from the Department under the IPP Excess Power Sales Agreement or the Agreement for Sale of Renewal Excess Power will not be recalled in the future in accordance with the agreement terms.

Fuel Supply. IPA possesses coal supply agreements to fulfill the supply requirement of approximately 4.0 million tons per year. The coal is purchased under a portfolio of fixed price contracts that are of short and long-term in duration. However, supply chain issues have dramatically reduced coal supply beginning in the later months of 2021 and are expected to impact coal supply for the remaining life of the coal plant. The largest coal producer in Utah experienced a fire in September 2022. By the end of the year the fire was reportedly extinguished but the impact to the mine is still undetermined. The loss of the largest mine, combined with the logistics challenges in Utah, has dramatically reduced supply in the region including to IPA.

The cost of coal delivered to the Intermountain Generating Station is substantially lower than current market prices for the region. IPA expects that the costs to fulfill IPP's annual coal supply requirements will increase due to the scarcity of coal in the Western United States, if IPA is able to secure any additional coal.

Transportation of coal to the Intermountain Generating Station is provided primarily by rail under agreements between IPA and the Union Pacific Railroad company, and the coal is transported, in part, in IPA-owned railcars. Coal is also transported to IPP, to some extent, in commercial trucks. Both rail service and trucking services have suffered greatly due to a lack of human resources. Neither network is capable of supporting industrial demand; and IPA, like all coal-fired utilities in the United States, has seen large systemic failures in the transportation system.

Historically, IPP was able to maintain a minimum of 60 days of coal in inventory in the event of a coal supply disruption. However, due to the recent challenges in the coal supply chain, the number of days of coal in inventory has periodically declined below that level. As of the end of June 2023, IPP maintained 68 days of coal in inventory.

The Department has operational flexibility with respect to its use of IPP and the impact of the supply chain issues referenced above on the Department's operations is expected to be minimal.

For more information on the effect of certain environmental considerations on IPP, see "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – *Environmental Regulation and Permitting Factors – Air Quality – Mercury*."

Apex Power Project. The Apex Power Project (the "Apex Power Project") is located in an unincorporated area of Clark County, north of Las Vegas, Nevada. The Apex Power Project includes the Apex Generating Station, which is a combined cycle generating station consisting of one 238 MW, nameplate rating, steam turbine generator, and two simple cycle, 203 MW, nameplate rating, combustion turbine generators. The Apex Power Project also includes heat recovery equipment, air inlet filtering, closed cycle cooling system, emission control system, exhaust stack, distributed control system, all necessary noise control equipment, and its associated real property. The Apex Generating Station has a net maximum capacity of 578 MW and a net dependable capacity of 483 MW. In March 2014, SCPPA acquired the Apex Power Project for the benefit of the Department, and the Department is entitled to 100% of the capacity and energy of the Apex Power Project under a take-or-pay power sales contract with SCPPA. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Hoover Power Plant.

General. The Hoover Power Plant is located on the Arizona-Nevada border approximately 25 miles east of Las Vegas, Nevada and is part of the Hoover Dam facility at Lake Mead, which was completed in 1935 and controls the flow of the Colorado River. The Hoover Power Plant consists of 17 generating units and two service generating units with a total installed capacity of approximately 2,074 MW, and a minimum capacity of 650 MW. The Department has a power purchase agreement with the United States Department of Energy Western Area Power Administration ("Western") for 23.90% of total contingent capacity and 14.65% of the firm energy from the Hoover Power Plant through September 2067. The facility is owned and operated by the United States Bureau of Reclamation (the "Bureau of Reclamation"). Having identified potential for integrating renewable energy and increasing the power plant capacity factor at the Hoover Power Plant, the Department has completed the economic and engineering feasibility studies of implementing the Boulder Canyon Pumped Storage Project ("BCPS") at the Hoover Power Plant. The economic feasibility study revealed that the BCPS operational benefits are not sufficient to offset the multi-billion dollar construction costs of BCPS. Consequently, the Department is considering the feasibility of other less capital intensive hydro-pumped storage projects. See "THE POWER SYSTEM – Renewable Power Initiatives – *Energy Storage Developmen*t."

Environmental Considerations. The lower Colorado River has been included in a critical Habitat Designated Area. This required the Bureau of Reclamation to prepare and file with the United States Fish and Wildlife Service (the "USFWS") a Biological Assessment on the effect of its operations of the lower Colorado River on endangered species therein (the "Biological Assessment"). After the Biological Assessment was filed, the USFWS issued a Biological and Conference Opinion regarding the Bureau of Reclamation's operations and outlined remedial actions to be taken to correct adverse effects to endangered species. Such remedial actions could affect the operation of the Hoover Power Plant, which would in turn affect the Hoover Power Plant customers, including the Department. The Department believes that any impact of the Biological and Conference Opinion on future operations will be minor; however, there is a possibility that future regulatory action will recommend major remediation actions that could have a material impact on the Hoover Power Plant customers' available capacity from the Hoover Power Plant. The Hoover Power Plant customers, including the Department, together with certain other parties, have implemented a plan in cooperation with the Bureau of Reclamation and the USFWS to mitigate negative effects on the Hoover Power Plant's energy production.

***Palo Verde Nuclear Generating Station*.**

General. PVNGS is located approximately 50 miles west of Phoenix, Arizona. PVNGS consists of three nuclear electric generating units (numbered 1, 2 and 3), with a net maximum capacity of 1,333 MW (unit 1), 1,336 MW (unit 2) and 1,334 MW (unit 3) and a dependable capacity of 1,311 MW (unit 1), 1,314 MW (unit 2) and 1,312 MW (unit 3). PVNGS's combined design capacity is 4,003 MW and its combined dependable capacity is 3,937 MW. Each PVNGS generating unit has been operating under 40-year Full-Power Operating Licenses granted by the Nuclear Regulatory Commission (the "NRC") expiring in 2025, 2026, and 2027, respectively. In April 2011, the NRC approved PVNGS's license renewal application, allowing the three units to extend operation for an additional 20 years until 2045, 2046 and 2047, respectively.

Arizona Public Service Company ("APS") is the operating agent for PVNGS. On average, PVNGS provided over 3.1 million MWhs of energy annually to the Power System. The Department has a 5.7% direct ownership interest in the PVNGS (approximately 224 MW of dependable capacity). The Department also has a 67.0% generation entitlement interest in the 5.91% ownership share of PVNGS that belongs to SCPPA through its "take-or-pay" power contract with SCPPA (totaling approximately 156 MW of dependable capacity), so that the Department has a total interest of approximately 380 MW of dependable capacity from PVNGS. Co-owners of PVNGS include APS; the Salt River Project; Edison; El Paso Electric Company; Public Service Company of New Mexico; SCPPA and the Department.

Nuclear Regulatory Commission. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. Events at nuclear facilities of other operators or impacting the industry generally may lead the NRC to impose additional requirements and regulations on existing and new facilities.

The aftermath of the March 2011 earthquake and tsunami that caused significant damage to the Fukushima Daiichi Nuclear Power Plant in Japan prompted the U.S. nuclear industry to form a task force under the direction of PVNGS's Chief Nuclear Officer to take immediate actions in ensuring the reliability of all U.S. nuclear plants. PVNGS instituted improvements driven by the findings from such task force. Among these improvements, is a staging of "flex" equipment, which includes mobile pumps, generators, hoses, and fire trucks that enable PVNGS to shift cooling water through the plant and power critical equipment in the event of a disaster.

Decommissioning Costs. The owners of PVNGS have created external trusts in accordance with the PVNGS participation agreement and NRC requirements to fund the costs of decommissioning PVNGS. Based on the 2022 annual funding status report which is based on a 2019 study of decommissioning costs, which is the most recent estimate available, the Department estimates that its share of the amount required for decommissioning PVNGS relating to the Department's direct ownership interest in PVNGS was approximately 71% funded and that its share of decommissioning costs through SCPPA was 85% funded. The Department's direct share of costs is $195.2 million and SCPPA's share is $209.3 million, of which the Department's portion is $140.3 million or 67%. Under the current funding plan, the Department estimates that its share of the decommissioning costs relating to the Department's direct ownership interest in PVNGS will be fully funded by accumulated interest earnings by the extended license expiration date of 2047. Such estimates assume 7% per annum in future investment returns and a 5% per annum cost escalation factor. The Department has received and is receiving less than a 7% per annum investment return on the decommissioning funds and cost increases have been averaging less than 5% per annum. No assurance or guarantee can be given that investment earnings will fully fund the Department's remaining decommissioning obligations at current estimated costs or that the decommissioning costs will not exceed current estimates. For a discussion of the Department's nuclear decommissioning trust fund and other investments held on behalf of the Department, see "THE DEPARTMENT – Investment Policy and Controls."

Nuclear Waste Storage and Disposal. Generally, federal and state efforts to provide adequate interim and long-term storage facilities for low-level and high-level nuclear waste have proven unsuccessful to date. Although federal and state efforts continue with respect to such storage and disposal facilities, the Department is not able to predict the schedule for the permanent disposal of radioactive wastes generated at PVNGS. Since the spent fuel pools ran out of storage capacity, an independent spent fuel storage installation was built to provide additional spent fuel storage at the site while awaiting permanent disposal at a federally developed facility. The installation uses dry cask storage and was designed to accept all spent fuel generated by PVNGS during its lifetime. As of June 30, 2023, 152 casks, each containing 24 spent fuel assemblies, and 18 new casks, each containing 37 spent fuel assemblies allowing the dry cask storage facility to accept more spent fuel at a time, have been stored. Storage costs are partially paid using funds received by APS pursuant to a settlement agreement with the United States government relating to nuclear waste disposal fees.

Mohave Generating Station – Operations Ceased. The Mohave Generating Station was a coal-fired electric generating station located near Laughlin, Nevada, that ceased operations in 2005. The Department owned a 30% interest in the Mohave Generating Station and still owns a 30% interest in the site. The other co-owners are Edison and NV Energy (formerly known as Nevada Power Company). The Mohave Generating Station generating units were removed from service at the end of 2005. A major plant decommissioning was completed in 2012. As required by the Nevada Division of Environmental Protection, minor cleanup, ground water monitoring and upkeep of the plant site will continue for a number of years after the decommissioning to ensure that the integrity of the coal ash landfill is maintained and that the groundwater is protected from contamination. In accordance with an approved site disposition plan, the co-owners of the Mohave Generating Station have made approximately 80% of the property of the Mohave Generating Station available for public sale. Any sales transaction will require approval from the Board and City Council. The remaining property would be retained by the co-owners for ongoing monitoring, maintenance, and environmental compliance purposes. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – *Environmental Regulation and Permitting Factors – Coal Combustion Residuals.*"

Navajo Generating Station – Operations Ceased. The Navajo Generating Station was a coal-fired, electric generating station located near the City of Page, Arizona, that ceased operations in 2019. The Salt River Project Agricultural Improvement and Power District, a political subdivision of the state of Arizona, and the Salt River Valley Water Users' Association, a corporation (together, the "Salt River Project") is the operating agent of the Navajo Generating Station. The Department sold its interest in the Navajo Generating Station in 2016, however the Department is still responsible for its portion of decommissioning costs.

LA100 Study

In accordance with three City Council motions passed in 2016 and 2017, the Department partnered with the National Renewable Energy Laboratory (the "NREL") to perform the "LA100: The Los Angeles 100% Renewable Energy Study" (the "LA100 Study"). This unprecedented, three-year study identified several pathways that would allow the City to achieve a 100%-renewable-energy portfolio no later than 2045. The NREL identified four overall scenarios with various modeling assumptions for the Department to achieve its sustainability goals, including one scenario to achieve its goals by 2035. The NREL also analyzed how the scenarios could affect the region's air quality, GHG emissions, public health, jobs, and economic activity. At the direction of the City Council, the study incorporated the CalEnviroScreen, allowing the NREL to identify pathways that will be not only economical for the utility but also equitable for communities.

The LA100 Study has yielded a tremendous amount of data and new, state-of-the-art models that provide the Department with a variety of perspectives on approaches toward 100% renewable energy. The results of the LA100 Study will continue to inform the Department's internal planning processes, including

its Strategic Long-Term Resource Plan and other public outreach efforts that are designed to ensure a just and equitable transition for the City. The Financial Services Organization of the Department has conducted a preliminary rate analysis to determine the rate impacts for each of the scenarios in the LA100 Study. However, more in-depth analysis on the specific path is needed to ascertain more accurate rate analysis. The total cumulative cost through 2045 of new investment needed to achieve the suite of modeled scenarios ranges from approximately $57 billion to $87 billion, depending on the scenario, load projection, and the target year.

At the conclusion of the LA100 Study, it was determined that the LA100 Study provided various ways to reach 100% clean energy but it did not fully address the topic of equity as part of the transition. As a result, the LA100 Equity Strategies Study was commissioned by the Board. The ultimate goal of the LA100 Equity Strategies Study is for all communities across the City to share in the benefits and the burdens of the clean energy transition and to identify what policies should be put in place to achieve such outcomes. A draft of the study report is expected to be delivered in the fourth quarter of calendar year 2023.

Renewable Power Initiatives

The Department expects to continue to procure a renewable power resource portfolio that satisfies applicable State requirements, the main provisions of which are currently contained in the California Renewable Energy Resources Act ("SBX 1-2"), the California Global Warming Solutions Act of 2006 ("AB 32" or the "Global Warming Solutions Act"), the Clean Energy and Pollution Reduction Act of 2015 ("SB 350"), and the 100 Percent Clean Energy Act of 2018 ("SB 100"). See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments." For a discussion of certain State legislation and regulations affecting the Department, including AB 32, SB 350, SB 1368, SBX 1-2, SB 100, and the Clean Energy, Jobs, and Affordability Act of 2022 ("SB 1020"), see "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments." Certain components of the Department's renewable power resource portfolio are described below. Available capacity with respect to such renewable power resources will vary as they are intermittent resources. Wind power, both obtained through power purchase agreements and resources owned by the Department, provided 11% and 13% of the Department's energy in 2021 and 2022, respectively, or about one-third of the renewable energy, which comprised 35% and 36% of the total energy mix in 2021 and 2022, respectively.

Large Scale Wind Energy. Through power purchase agreements, the Department has secured large scale wind farm output in a number of areas to provide a diversity of wind power resources. Such wind energy for the Department is being generated in wind farms located in the States of California, Oregon, Washington, Utah, and Wyoming, and New Mexico. Such power purchase agreements provide for an aggregate of 1,143 MW of wind energy. In addition to these power purchase agreements, wind farms with output of approximately 880 MW are also subject to Department options to purchase such assets.

Certain of these projects are described as follows:

Milford Wind Corridor Phase I Project. The Milford Wind Corridor Phase I Project (the "Milford I Project") began commercial operation in November 2009 and consists of SCPPA's purchase of all energy generated by a 203.5 MW nameplate capacity wind farm comprised of 97 wind turbines located near Milford, Utah (the "Milford I Facility"), for a term expiring in November 2029 (unless earlier terminated) pursuant to a Power Purchase Agreement, by and between SCPPA and Milford Wind Corridor Phase I, LLC. Energy from the Milford I Facility is delivered to SCPPA over an approximately 90-mile, 345 kV transmission line extending from the wind generation site to the IPP Switchyard in Delta, Utah. SCPPA has issued revenue bonds in order to finance the purchase by prepayment of 6,764,301 MWhs of energy from the Milford I Facility over the delivery term. The Department has entered into a power sales agreement with SCPPA that provides for the Department to pay for its 92.5% share of the Milford I Project on a "take-

or-pay" basis as an operating expense of the Power System. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Milford Wind Corridor Phase II Project. The Milford Wind Corridor Phase II Project (the "Milford II Project") began commercial operation in May 2011 and consists of SCPPA's purchase of all energy generated by a 102 MW nameplate capacity wind farm comprised of 68 wind turbines located near Milford, Utah (the "Milford II Facility"), for a term expiring on June 30, 2031 (unless earlier terminated) pursuant to a Power Purchase Agreement, by and between SCPPA and Milford Wind Corridor Phase II, LLC. Energy from the Milford II Facility is delivered to SCPPA over an approximately 88-mile, 345 kV transmission line extending from the wind generation site to the IPP Switchyard in Delta, Utah. SCPPA has issued revenue bonds in order to finance the purchase by prepayment of 4,467,600 MWhs of energy from the Milford II Facility over the delivery term. In connection with the issuance of bonds relating to the Milford II Project, the Department has entered into a power sales agreement with SCPPA that provides for the Department to pay for its 95.098% share of the Milford II Project on a "take-or-pay" basis as an operating expense of the Power System. In addition, the Department has purchased the City of Glendale's 4.902% output entitlement share of Milford II Project's output. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Linden Wind Energy Project. The Linden Wind Energy Project (the "Linden Project") began commercial operation in June 2010 and consists of SCPPA's acquisition of a 50 MW nameplate capacity wind farm comprised of 25 wind turbines located near the town of Goldendale in Klickitat County, Washington. The Linden Project was developed and constructed by Northwest Wind Partners, LLC ("Northwest Wind"). SCPPA acquired the project from Northwest Wind pursuant to the terms of an asset purchase agreement between SCPPA and Northwest Wind. Energy from the Linden Project is delivered to SCPPA through an energy exchange agreement that redelivers production from the Linden Project to the Pacific DC Intertie. SCPPA has issued revenue bonds to finance the acquisition of the Linden Project. The Department has entered into a power sales agreement with SCPPA for a term expiring in 2035 (unless earlier terminated) that provides for the Department to pay its 90.00% share of the Linden Project on a "take-or-pay" basis as an operating expense of the Power System. In addition, the Department has purchased the City of Glendale's 10.00% output entitlement share of the Linden Project's output. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Windy Point/Windy Flats Project. The Windy Point/Windy Flats Project began commercial operation in January 2010 and is a 262.2 MW nameplate capacity wind farm comprised of 114 wind turbines located in the Columbia Hills area of Klickitat County, Washington near the city of Goldendale (the "Windy Point Project"). The Windy Point Project is owned and operated by Windy Flats Partners, LLC ("Windy Flats"). Pursuant to a power purchase agreement with Windy Flats, SCPPA has agreed to purchase from Windy Flats all energy from the Windy Point Project for a delivery term that was originally expiring in 2030 (unless earlier terminated). In March 2023, an amendment to the original power purchase agreement was approved which extended the delivery term for an additional four years, to 2034. Energy from the Windy Point Project is delivered to SCPPA through an energy exchange agreement that redelivers production from the Windy Point Project to the Pacific DC Intertie. SCPPA has issued revenue bonds to finance the prepayment of the purchase of 11,107,860 MWhs of energy from the Windy Point Project. The Department has entered into a power sales agreement with SCPPA that provides for the Department to pay its 92.37% share of the Windy Point Project on a "take-or-pay" basis as an operating expense of the Power System. In addition, the Department has purchased the City of Glendale's 7.63% output entitlement share of Windy Point Project's output. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Pine Tree Wind Project. The Pine Tree Wind Project (the "Pine Tree Wind Project") is a wind generating facility north of Mojave, California, consisting of 90 wind turbines owned and operated by the Department. The Pine Tree Wind Project began commercial operation in June 2010 and has a nameplate

capacity of 135 MW. As part of normal operating procedures, the Department staff has notified federal and State authorities concerning mortalities of golden eagles. Since June 2009, the Department staff has found nine golden eagle carcasses in the proximity of the Pine Tree Wind Project. The Department is conducting advanced monitoring studies and surveys to research golden eagle behavior within the vicinity of the Pine Tree Wind Project and to determine potential causes of the eagle mortalities and mitigation options relating to the golden eagles. The Department previously conducted tests using radar and automated deterrent technology in detecting and deterring golden eagles and other birds of prey at the Pine Tree Wind Project. Golden eagles are a protected species, and the death or injury to a golden eagle in some circumstances can result in fines and penalties, including criminal sanctions. As of June 2017, the Department entered into a settlement agreement with the USFWS to address the golden eagle mortalities at the Pine Tree Wind Project and is in the process of completing all actions required under the settlement agreement, which are not expected to have an adverse impact on the operations of the Pine Tree Wind Project. The Department completed its golden eagle research and development study as required by the settlement agreement and submitted the final summary report to USFWS in September 2020. On December 29, 2020, the Department received a letter from the USFWS indicating that the Department had fulfilled the terms of the settlement agreement including the research and development study, payment, and meet and confer with USFWS staff. The Department is still coordinating with the USFWS to obtain an incidental take permit for golden eagles as a separate requirement under the settlement agreement. In order to protect condors, a protected species under State and federal law, the Department has implemented a condor detection protocol that includes turbine curtailment when condors are observed in the immediate area. Additionally, the Department is developing a condor conservation plan in coordination with the USFWS and is seeking to obtain an incidental take permit for California condors. The condor conservation plan outlines the avoidance measures that are currently being implemented and the proposed compensatory mitigation measures in an effort to protect and address the declining condor population.

Red Cloud Wind Project. In November 2020, the Department entered into a power sales agreement with SCPPA to purchase renewable energy purchased by SCPPA from the Red Cloud Wind Project located in New Mexico (the "Red Cloud Wind Project"). Pursuant to a power purchase agreement with Red Cloud Wind, LLC, SCPPA purchases 331 MW of renewable energy to be delivered to the Department at the Navajo 500 kV Switching Station for a 20-year term. The Red Cloud Wind Project was developed by Pattern Energy and commenced commercial operation on December 22, 2021. The Red Cloud Wind Project is expected to deliver an annual average of approximately 1,333,000 MWhs of renewable energy to the Department.

Distributed Energy Resource Programs. The Department has implemented the following programs to encourage the development of solar energy in Los Angeles: (i) the Solar Incentive Program in which residential and commercial customers are encouraged to install eligible solar photovoltaic systems with incentive funding provided by the Department, which ended in December 2018; (ii) Department-built solar projects on City-owned properties; (iii) the Solar Rooftops Program, which places Department-owned solar panels on qualifying residential rooftops in exchange for predefined lease payments to the customer; (iv) a Feed-in-Tariff ("FiT") program, launched on February 1, 2013, which has a total installed capacity of 101.7 MW comprised of 4 MW of solar photovoltaic generation in the Owens Valley and 4 MW of renewable landfill gas generation, and 93.7 MW of photovoltaic generation installed within the Department's service territory and connected to the Department's electric distribution system; (v) the Shared Solar Program ("SSP"), which enables residential customers living in multi-family dwellings to fix a portion of their electric bills through Department solar installations; (vi) the Virtual Net Energy Metering ("VNEM") pilot program, which launched in March 2021 and allows developers or building owners to install solar arrays on multi-family dwelling unit buildings and split the energy sales proceeds with tenants; and (vii) the FiT Plus program, which facilitates the installation of battery storage with existing and new FiT projects.

Under the California Solar Initiative ("SB-1"), POUs are required to establish programs supporting the stated goal of the legislation to install 3,000 MW of photovoltaic capacity in the State, and to establish eligibility criteria in collaboration with the CEC for the funding of solar energy systems receiving ratepayer funded incentives. The Solar Incentive Program used $339 million of ratepayer funds mandated by SB-1 to administer the program and subsidize customers for customer-owned solar projects to offset their electricity use. As of December 2018, the Department committed all funds available for this program for 279.7 MW of installations.

The Department currently has 25.9 MW of Department–built solar projects on City-owned properties. The Adelanto Solar Power Project is a 10 MW solar photovoltaic system placed into commercial operation in June 2012, which is expected to deliver 450,000 MWhs of energy over 25 years, located at the existing Adelanto Switching and Converter Station near Adelanto, California. In addition, the Pine Tree Solar Project was placed into commercial operation in March 2013. The Pine Tree Solar Project is an 8.5 MW solar photovoltaic system expected to deliver 350,000 MWhs of energy over 25 years, located at the Department's existing Pine Tree Wind Project in the Tehachapi Mountains, California. The remaining 6.9 MW includes installations spread across various City owned properties in the Los Angeles Basin as well as a 500kW system in the Owens Valley.

The Department has entered into the following 13 power purchase agreements ("PPAs") for the purchase of renewable energy from 1,495 MW of solar photovoltaic projects:

- One PPA with an option to purchase is a 25-year contract with K Road Moapa Solar, LLC, which changed its name to Moapa Southern Paiute Solar, LLC, for 250 MW, delivering up to 618,000 MWhs a year to the Department. The solar facility is located on Moapa Band of Paiute Indians tribal land north of Las Vegas, Nevada. The Department acquired the approximately 5.5-mile transmission line associated with the facility, which achieved full commercial operation in December 2016.

- The second PPA with an option to purchase is a 20-year contract through SCPPA for 210 MW of the Copper Mountain Solar 3 Project developed by an affiliate of Sempra U.S. Gas and Power. Copper Mountain Solar 3 Project is near Boulder City, Nevada and is expected to deliver 515,000 MWhs of renewable energy a year to the Department and began full commercial operation in April 2015.

- The third PPA with an option to purchase is a 20-year contract for 60 MW of the RE Cinco Solar Project developed by Recurrent Energy, an affiliate of Canadian Solar Inc. RE Cinco Solar Project is near the Mojave Desert in Kern County and is expected to deliver an annual average of 182,000 MWhs of renewable energy a year to the Department. This facility began full commercial operation in August 2016.

- The fourth PPA with an option to purchase is a 25-year contract through SCPPA for 105 MW of the Springbok I Solar Farm Project developed by Avantus (formerly 8Minutenergy). Springbok I Solar Farm Project is near the Mojave Desert in Kern County and is expected to deliver an average of 284,000 MWhs of renewable energy a year to the Department. This facility began full commercial operation in July 2016.

- The fifth PPA with an option to purchase is a 27-year contract through SCPPA for 155 MW of the Springbok II Solar Farm Project, which is adjacent to the Springbok I Solar Farm Project and was developed by Avantus. Springbok II Solar Farm Project is expected to deliver an average of 420,000 MWhs of renewable energy a year to the Department. This facility began full commercial operation in September 2016.

- The sixth PPA with an option to purchase is a 27-year contract through SCPPA for 90 MW of the Springbok III Solar Farm Project, which is adjacent to the Springbok I and Springbok II Solar Farm Projects and was developed by Avantus. Springbok III Solar Farm Project is expected to deliver an average of 240,000 MWhs of renewable energy a year to the Department. This facility began full commercial operation in July 2019.

- The seventh PPA with an option to purchase, named the Eland Solar & Storage Center, Phase 1, is a 25-year contract through SCPPA for 175 MW of energy and 131.25 MW/525 MWhs of battery energy storage. The Eland Solar & Storage Center, Phase 1 is located in the Barren Ridge area adjacent to the Eland Solar & Storage Center, Phase 2, and is being developed by Avantus, with commercial operation expected in the third quarter of calendar year 2024. Eland Solar & Storage Center, Phase 1 is expected to deliver an average of approximately 702,000 MWhs of renewable energy a year to the Department.

- The eighth PPA with an option to purchase, named the Eland Solar & Storage Center, Phase 2, is a 25-year contract through SCPPA for 200 MW of energy and 150 MW/600 MWhs of battery energy storage. The Eland Solar & Storage Center, Phase 2 is located in the Barren Ridge area adjacent to the Eland Solar & Storage Center, Phase 1, and is being developed by Avantus, with commercial operation expected in the third quarter of calendar year 2025. Eland Solar & Storage Center, Phase 2 is expected to deliver an average of approximately 803,000 MWhs of renewable energy a year to the Department.

- The ninth through thirteenth PPAs are related to the Beacon Solar Project Sites 1 thru 5. The Beacon Property, located in the Mojave Desert near the Pine Tree Wind Project, is a 2,500-acre property purchased by the Department from Nextera Energy Resources in 2012. Five PPAs and associated agreements have been executed for the development of five solar sites totaling 250 MW within the Beacon Property. Each of the five solar sites achieved commercial operation at different dates within the years 2016 and 2017, and are expected to generate an average of 581,000 MWhs per year of solar energy in aggregate over a term of 25 years. The PPAs provide the Department with an option to purchase the solar projects after the developers have realized the federal tax benefits.

In connection with the implementation of these PPAs, the Department has upgraded certain transmission assets to accommodate these projects in the Barren Ridge area. See "Transmission and Distribution Facilities – *Barren Ridge Renewable Transmission Project*."

The Department's 450 MW FiT program allows the Department to purchase, through power purchase contracts, electricity generated from program participants' renewable energy generating sources. Such sources are to be located within the Department's service territory and connected to the Power System. The energy purchased through the FiT program is expected to count toward the Department's RPS targets. As discussed above, as part of the PPAs for solar development on the Beacon Property, the Beacon Solar developers installed additional solar in the Department's service territory. The Department has allocated the capacity of the original 150 MW FiT program. The Department obtained approval from the City Council to expand the FiT program by an additional 300 MW of capacity. The first 50 MW offering of this expansion was authorized in January 2020. In addition to increasing the FiT program from 150 MW to 450 MW over a number of years, the FiT program will now accommodate all renewable technologies approved by the CEC and expand each project's maximum capacity, previously set at 3 MW, to 10 MW. The FiT Plus and VNEM pilot programs will use 10 MW and 5 MW of the existing FiT capacity, respectively. The FiT Plus pilot program encourages the installation of battery energy storage with local solar projects, making solar energy dispatchable, while increasing the power grid's reliability and resiliency. The VNEM pilot program facilitates the installation of solar projects on multifamily dwellings, and allows renters to readily access the benefit of these systems. In April 2023, the Board approved the use of an additional 75 MW of capacity

for the FiT programs and the Department introduced a FiT Carport and Canopy Incentive program. Out of the 450 MW authorized by City Council, the use of a total of 275 MW has been approved across all FiT programs.

Geothermal Development. The Department executed a power sales agreement with SCPPA for 84.62% of the energy output, or 114 gigawatt hours ("GWhs") annually, of the Don A. Campbell Phase I Geothermal Energy Project (the "Don Campbell Phase I Project"), which began commercial operation on January 1, 2014. The Don Campbell Phase I Project consists of SCPPA's purchase of all energy generated by a 16.2 MW nameplate capacity binary geothermal power plant comprised of eight drilled commercial wells located in Mineral County, Nevada for an initial delivery term of 20 years expiring December 31, 2033.

In addition, in April 2015, the Department executed a power sales agreement with SCPPA for 100% of the energy output, or 135 GWhs annually, of the Don A. Campbell Phase II Geothermal Energy Project (the "Don Campbell Phase II Project" and, together with the Don Campbell Phase I Project, the "Don Campbell Projects"), which expires in September 2035 and is located in the same vicinity as the Don Campbell Phase I Project. The Don Campbell Phase II Project is an expansion of the Don Campbell Phase I Project by the same developer, Ormat Nevada, Inc., and began commercial operation in September 2015. The nameplate capacity for the Don Campbell Phase II Project is 16.2 MW.

In addition to the Don Campbell Projects, the Department executed a power sales agreement with SCPPA in September 2013 for a share of the output purchased by SCPPA from the Heber-1 Geothermal Project (the "Heber-1 Project"). The energy delivery commencement date was February 2, 2016 for an initial term of ten years. The Heber-1 Project is an existing geothermal complex which includes the Heber-1 double flash steam unit and the Gould 1 bottoming binary unit, located in Imperial County, California. The net energy generated from the Heber-1 Project is expected to be 46 MW. The Department's share was 66.67% (30.68 MW) in the first three years and is 78.0% (35.88 MW) for the remaining term. The equivalent average energy delivered to the Department is expected to be 285 GWhs annually.

In addition, the Department executed a power sales agreement with SCPPA in December 2016 for a share of the output purchased by SCPPA from the Ormesa Geothermal Complex Project (the "Ormesa Project"). The energy delivery commencement date was January 1, 2018 for a term of 25 years, ending on December 31, 2042. Similar to the Heber-1 Project, the Ormesa Project is an existing geothermal complex which includes two active binary units and one active bottoming unit, located in Imperial County, California. The generation capacity of the project is 35 MW. The Department's share is 85.71% (30 MW) of the energy output. The equivalent average energy delivered to the Department is expected to be 250 GWhs annually.

In May 2017, the City Council approved a power sales agreement with SCPPA for 100% of the output purchased by SCPPA from the Ormat Northern Nevada Geothermal Portfolio Project. At full service, this project provides the Department with approximately 163.54 MW of renewable geothermal energy from six power plants in various locations in Nevada. This amount is expected to represent approximately 5% of the Department's renewable energy portfolio in 2030. Energy delivery from the project stepped up in three phases from December 31, 2017 to December 31, 2022 as follows: 60 MW minimum and 85 MW maximum by December 31, 2018 (which was achieved), cumulative 90 MW minimum and 130 MW maximum by December 31, 2020 (which was achieved), and cumulative 135 MW minimum and 185 MW maximum by December 31, 2022 (which was achieved). After December 2022, the maximum annual energy received by the Power System from the project is expected to be 1,620 GWhs. The power sales agreement with SCPPA expires in December 2043.

Biomass Development. In March 2018, the City Council approved a power purchase agreement with SCPPA for a share of the output of the ARP-Loyalton Biomass Project in Sierra County, California,

which began commercial operation in April 2018. SCPPA partnered with other State POUs to purchase a total of 18 MW of capacity for a term of five years towards satisfaction of procurement obligations under SB 859. The Department's share of the ARP-Loyalton Biomass Project was 8.9 MW. In addition, the Department has contracted with SCPPA to purchase 5.4 MW of rated capacity from the Roseburg SB 859 biomass project. These two power purchase arrangements allow the Department to meet its requirement to purchase 14.3 MW of rated capacity from biomass sourced energy facilities in order to comply with SB 859. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *Biomass Legislation*." In February 2020, SCPPA and the participants in the ARP-Loyalton Biomass Project were informed that the operator and its parent company, American Renewable Power, LLC, filed for Chapter 11 bankruptcy. Under the bankruptcy process, the facility was purchased by Sierra Valley Enterprises, LLC in May 2020. Energy deliveries from the ARP-Loyalton Biomass Project ceased in February 2020 and did not resume. The power purchase agreement for the output of the project expired by its terms on April 19, 2023.

Energy Storage Development. In connection with the implementation of State law, the Department is developing viable and cost-effective energy storage systems. The goals of the energy storage systems include reducing emissions of GHGs, reducing demand for peak dispatchable generation and improving the reliability of the electric grid. Although energy storage systems themselves are not considered renewable resources, they facilitate the integration of renewable resources into the Power System. To date, the Department has implemented several small energy storage systems throughout the Power System, including:

- The 12 kW Fire Station 28 Battery Energy Storage System (BESS), located near the Porter Ranch area, commenced operation in October 2017.
- The 60 kW Lithium-Ion BESS, located at the Department's La Kretz Innovation Center, was integrated into the existing solar panel system in 2016.
- The 55 kW Lithium-Ion BESS, located at the Department's Truesdale Training Center, was commissioned in 2017.
- The 20 MW Beacon utility-scale BESS project, located on the Beacon Property, which commenced operation in October 2018.
- The 1.5 MW Lithium-Ion BESS, located at the Springbok 3 solar plant, installed in October 2019 for technical and operational performance demonstrations.
- The 100 kW Lithium-Ion BESS and 100 kW Flow BESS, located at the Department's headquarters (John Ferraro Building), which commenced operation in November 2019.

In addition, as discussed above, in 2020, the Department entered into PPAs for energy storage systems at the Eland Solar & Storage Center, Phase 1 and the Eland Solar & Storage Center, Phase 2. Phase 1 is expected to be commissioned in 2024 and Phase 2 is expected to be commissioned in 2025.

See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *Energy Storage Legislation*."

In March 2020, the Department issued a standalone energy storage project rolling RFP through SCPPA, with a submission deadline of December 2020. Once the Department completed its review of each proposal, negotiations began with one of the vendors with Long Duration Energy Storage ("LDES") technology. In 2021, negotiations were put on pause until further notice due to a sizeable increase to labor

and material cost, which was caused by the global COVID-19 pandemic and supply chain issues. The Department may re-engage with the vendor at a later date.

Following the pause of the original negotiations for LDES standalone technology in 2021, the Department re-issued the Standalone Energy Storage RFP for various technologies, including LDES, through SCPPA. The deadline to submit proposals was September 1, 2023. Following review of the proposals received, the Department will begin negotiations with the vendor(s) that meets the Department's requirements.

Green Power Program. The Department offers its Green Power Program to all customers at a premium over standard rates. "Green Power" is produced from renewable resources such as solar and wind energy, rather than fossil-fueled or nuclear generating plants. This voluntary program includes customer-selected levels of Green Power purchases, subject to specified minimum requirements. Approximately 9,332 Department customers subscribed to the Green Power Program as of June 30, 2023. The Department is working on Green Power Program improvements that are intended to increase both the number of participants and the amount of green energy purchased through the program.

Other Renewable Energy Project Developments. The Department, on its own and through SCPPA, has received proposals from renewable energy resources such as solar photovoltaic, wind, biomass, small hydro, solar thermal and geothermal power via solicitations. The Department is also considering opportunities related to utilization of land located in the Owens Valley area of the State for solar, wind or geothermal and for improved transmission access to geothermal energy. In addition, as part of then Mayor Eric Garcetti's announcement in February 2019 that certain natural gas units will be phased out and replaced with renewable energy producing assets, the Department will be exploring options over the next few years to develop such assets for the Power System. See "THE POWER SYSTEM – Department Owned Facilities – *Once-Through-Cooling Units Phase-Out*" for more information. Additional renewable energy resources will be obtained; however, the Department's participation in or acquisition of any specific renewable energy project will be subject to City Council approval when required, and the costs and schedules for implementation and feasibility of any such alternative energy projects may vary materially from initial projections.

L.A.'s Green New Deal. On February 10, 2020, then Mayor Eric Garcetti released his Executive Directive No. 25 implementing L.A.'s Green New Deal. As part of this directive, the City expects the Department to provide equitable access to clean energy programs, build zero carbon microgrids in City owned infrastructure, deploy smart meters City-wide and institute other similar initiatives. The Department is studying how to implement this directive and other renewable power related directives and the effect they will have on the finances and operations of the Power System.

On April 19, 2021, then Mayor Eric Garcetti declared in his 2021 Los Angeles State of the City address his goal for the Department to provide an energy mix that is 80% renewable and 97% GHG-free resources by 2030, a full six years ahead of the L.A. Green New Deal, and to use the LA100 Study as a guide to fulfill President Biden's energy vision, with a goal of 100% carbon-free energy by 2035. To achieve these goals, the then Mayor referenced the Department's transition of Scattergood Generating Station to clean energy alternatives, the construction of the Red Cloud Wind Project in New Mexico, the partnership with the Navajo Nation for solar energy, and the supply of IPP with green hydrogen fuel. For more information on the LA100 Study, see "THE POWER SYSTEM – *LA100 Study*." For more information on the transition of Scattergood Generating Station, see "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – Environmental Regulation and Permitting Factors – Water Quality – Cooling Water Process – State Water Resources Control Board." For more information on the Red Cloud Wind Project, see "THE POWER SYSTEM – Renewable Power Initiatives – *Red Cloud Wind Project*." For more information on the Navajo Project, see "THE POWER SYSTEM – Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units - *Navajo*

Generating Station – Operations Ceased." For more information on the re-powering of IPP, see "THE POWER SYSTEM – Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Intermountain Power Project – Intermountain Generating Station upon the termination of the IPP Contract*."

The Clean Grid LA Plan Update was presented to the Board on May 11, 2021. The Clean Grid LA Plan Update is a 10-year roadmap that aligns with the LA100 Study to assist the Department with its clean energy goals. Elements of the Clean Grid LA Plan include providing 80% renewable and 97% GHG-free resources by 2030, accelerating transmission projects, transforming local generation, accelerating energy storage, and deploying distributed energy resources equitably. The Department plans to construct a combined cycle generating system capable of utilizing green hydrogen at Scattergood Generating Station which is expected to be in-service by 2029. Moreover, the Department continues to assess the potential opportunities for additional green hydrogen-fueled electricity generation across the coastal, in-basin generating stations. In addition to the Scattergood Green Hydrogen-Ready Modernization Project, the Department plans to convert Haynes Unit 8 from once-through cooling to wet cooling by 2027.

To fully understand the opportunities for developing a comprehensive green hydrogen economy in California, the Department is engaged with the Alliance for Renewable Clean Hydrogen Energy Systems ("ARCHES"). ARCHES is a public-private partnership led by the California Governor's Office of Business and Economic Development (GO-Biz) that is seeking to secure and maximize federal, state, and private funding for a California hydrogen hub. Most significantly, ARCHES is seeking federal funding through the federal Department of Energy's Regional Clean Hydrogen Hubs program which includes up to $7 billion to establish no more than 10 regional hydrogen hubs across the country. Through the ARCHES framework, the Department is collaborating with partners across the region and advocating for the development of local green hydrogen economy.

On September 1, 2021, the City Council voted to instruct the Department to "prepare a Strategic Long-Term Resource Plan that achieves 100% carbon-free energy by 2035, in way that is equitable and has minimal adverse impact on ratepayers." In addition, the City Council instructed the Department to "create a long term hiring and workforce plan . . . ensuring project labor agreements, [payment of] prevailing wage[s] . . . [with] hiring from environmentally and economically disadvantaged communities." The Department initiated its Strategic Long-Term Resource Plan in September 2021 with a stakeholder process and will incorporate the Clean Grid LA Plan and key findings from the LA100 Study for Board consideration.

On May 19, 2022, the City Council voted to instruct the Department and the Port of Los Angeles ("POLA") to coordinate a local effort to create and submit a proposal to the Department of Energy proposing the Greater Los Angeles area for consideration as a regional green hydrogen hub. In November 2021, Congress passed the Bipartisan Infrastructure Bill which provides $8 billion for at least four regional hydrogen hubs. Through ARCHES, the Department and its partners submitted an application that details a proposed clean hydrogen ecosystem in California comprised of new and existing projects. The Department and POLA continue to work together with both public and private entities to develop the necessary partnerships and governance structures, conduct market and system value benefit studies, and gather stakeholder feedback. The development and outcomes from this effort will be foundational to the Department's decarbonization efforts at the Los Angeles Basin Stations.

Energy Efficiency

General. The Charter authorizes the Department to engage in and finance activities related to the efficient use of energy and a number of State laws expressly require utilities such as the Department to collect and spend funds for these activities. The Department has a commitment to energy efficiency and continues to pursue cost-effective means of reducing or avoiding the need to generate electricity

(particularly during peak periods). These activities defer the need to acquire costly new generating facilities, improve the value of electric service to customers and increase the Department's overall load factor, thereby reducing or avoiding negative environmental impacts from power generation. Moreover, State laws enacted in 2005 and 2006 require POUs, such as the Department, in procuring energy, to first implement all available energy efficiency and demand reduction resources that are cost effective, reliable and feasible, and to provide annual reports to customers and to the CEC describing their investment in energy efficiency and demand reduction programs. AB 2021, which became a law in 2007, required IOUs and POUs to identify energy efficiency potential and establish annual efficiency targets to enable the State to meet the goal of reducing total forecasted electricity consumption by 10% by 2020. The Department adopted a goal in August 2014 of achieving up to 15% energy savings by the end of 2020, which was achieved. The Department is now focused on a goal of achieving additional energy savings of 4,049 GWh from 2023 to 2035, surpassing the 2,628 GWh of projected savings reflected in the LA100 Study.

Under SB 350, State utilities are expected to double energy efficiency savings by 2030. The Department projects that it will meet that goal and anticipates establishing an even more aggressive local target as specified in its 2022 Strategic Long Term Resource Plan, the final version of which was completed in the second quarter of calendar year 2023. Also, the State has required the CPUC and CEC to establish annual targets for statewide energy efficiency savings.

Program and Portfolio Highlights. The Department's balanced portfolio of programs provides opportunities for all customers to benefit from cost effective energy efficiency. This approach targets large energy users and hard-to-reach customers who would not otherwise be able to invest in energy efficiency services, broadly addresses energy end uses in the built environment, focuses on reducing consumption during times of peak demand, and provides quality job opportunities for the local workforce. These programs include financial incentives for the installation of a variety of efficiency measures, free energy saving products, technical assistance incentives for business and industry, codes and standards, and education and awareness. The following list provides examples of programs that demonstrate the portfolio's ability to reach all customer types.

Comprehensive Affordable Multifamily Retrofits. The Comprehensive Affordable Multifamily Retrofits (the "CAMR") program provides low-income tenants and affordable housing property owners access to energy efficiency retrofits, building electrification measures, and on-site solar installation. The participating housing providers receive free energy assessments and assistance in scoping retrofit projects based on opportunities for energy savings, cost reductions, and GHG emissions reduction. Participating properties must meet affordability requirements of at least 66% of households at or below 80% of the area median income, consist of five or more units, and install energy improvements that equate to at least 10% in energy savings.

Efficient Product Marketplace. The Efficient Product Marketplace (the "EPM") program provides customers an opportunity to research, locate, and purchase energy efficient products from a single website. It offers a point of sale credit option to customers during their online purchases, eliminating the need for completing a rebate application. The EPM also provides customers with the ability to customize a solar system for their home and compare and choose offers from a list of local third-party vendors.

Food Service Program. For in-store purchases, the Food Service Program offers an instant rebate as a line item discount directly on their sales invoice for eligible equipment. The Food Service Program is intended to influence commercial food service vendors to stock and sell energy-efficient equipment.

Customer Performance Program. The Custom Performance Program (the "CPP") provides cash incentives for energy savings achieved through the implementation and installation of various energy efficiency measures and equipment that meet or exceed Title 24 or industry standards. Measures may

include but are not limited to equipment controls, industrial process, retrocomissioning, chiller efficiency, and/or other innovative energy savings strategies.

The CPP's Custom Express fast tracks smaller, less energy-intensive projects with deemed energy savings projections to help expedite application processing and get customers paid faster, while the CPP's Custom Calculated conducts an in-depth energy savings analysis to custom calculate customers' individual efficiency projects' energy savings. The CPP has achieved over 603 GWhs of energy savings since 2007.

Commercial Lighting Incentive Program. The Commercial Lighting Incentive Program ("CLIP") offers customers incentives to install newly purchased and installed energy-efficient lighting and controls. CLIP currently provides incentives to customers whose monthly electrical use is greater than 200 kilo-watts (kW). CLIP's calculated savings approach allows customers to tailor their lighting efficiency upgrades to meet their lighting needs better, attain greater energy savings, and receive higher incentives. Commercial lighting programs have achieved over 789 GWhs of energy savings since 2000.

Commercial Direct Install Program. The Commercial Direct Install ("CDI") Program is a free direct-install program that targets small, medium, and large business customers in the Department service territory. The CDI program is available to qualifying businesses whose average monthly electrical demand is 250 kW or less; CDI has achieved 498 GWhs of energy savings since its inception in 2008.

Home Energy Improvement Program. The Home Energy Improvement Program ("HEIP") is a comprehensive direct install whole-house retrofit program that offers residential customers a full suite of free products and services to improve the home's energy and water efficiency by upgrading/retrofitting the home's envelope and core systems. While not limited to low-income customers, HEIP's priority is to serve the neediest customers.

Refrigerator Exchange Program. The Refrigerator Exchange Program ("REP") is a free refrigerator replacement program designed to target customers that qualify on either the Department's Low-Income or its Senior Citizen/Disability Lifeline Rates as well as Multi-Residential or Non-Profit customers. The program was expanded to include the following entities, multi-family or mobile home communities, civic, community, faith-based organizations, and educational institutions. The REP leverages a third party contractor, ARCA (Appliance Recycling Centers of America), to administer the program's delivery and provide energy-efficient refrigerators for this customer segment to replace older, inefficient, but operational models. Additionally, customers can pair the REP with the Window Air Conditioner Recycling Program, which offers a $25 rebate to residential customers to turn-in their old window air conditioners, achieving an energy savings of 106 GWhs since 2007.

LED Streetlight Program. The LED streetlight program provided a $48 million loan to the City of Los Angeles to enable it to ultimately install over 180,000 highly energy efficient LED streetlights and reduce its consumption of electricity as a result. This program is now completed, and the loan has been repaid by the City. As a result, this model is being expanded with a new $24 million loan to retrofit decorative street lighting with LED streetlights throughout the City.

Program Analysis and Development Program. The Program Analysis and Development Program is a non-resource program that covers support activities related to the energy efficiency portfolio, which are not included in individual programs. These activities include but are not limited to, developing new programs, conducting special studies and pilot programs, participation in technical professional groups, and the investment in external studies. The Department has contributed to several research studies as it relates to building electrification, including NBI's Building Electrification Technology Roadmap and E3's Residential Building Electrification in California.

The Department has also partnered with the NREL to develop a technology prioritization tool as the Department ramps up its technology assessment efforts in the Emerging Technologies program. The tool helps prioritize the most impactful technologies that would improve energy efficiency for customers. These technology assessment efforts in the Emerging Technologies program incorporate many of the tools and methods used in the LA100 Study. See "THE POWER SYSTEM – LA100 Study" above.

The set of tools and methods used in the LA100 Study allows the Department to assess potential impacts as it relates to an emerging technology using the development of the building demand modeling that includes baseline consumption and characteristics data for residential and commercial building stock. This effort will analyze multiple use cases to empower the Department to provide more accurate potential studies and develop a pipeline of new technology assessments to determine the appropriate intervention required to get maximum benefits. The goal is to quantify achievable contributions towards goals set by State and local energy policies for the lowest cost.

From 2000 through June 2023, the Department has spent approximately $1.7 billion on its energy efficiency programs, and these programs are estimated to have reduced long-term peak period demand and consumption by approximately 956 MW and resulted in approximately 5,528 GWhs of energy savings. Through the energy-efficiency rebate and incentive programs, residential and commercial customers are estimated to have saved approximately 328 GWh incrementally for the Fiscal Year 2022-23, falling short of energy savings targets by 89 GWh. As a result of COVID-19 restrictions, some residential rebate programs were temporarily suspended to prioritize the health and safety of customers, employees, and contractors. The Department spent approximately $138 million on energy efficiency programs for Fiscal Year 2022-23 of its approximately projected $190 million budgeted amount for such Fiscal Year. The CLIP and CPP adjusted operations to continue processing rebate applications and payments during the pandemic without interruption. The Department will continue to evaluate the delivery and implementation of energy efficiency measures that support system reliability and resiliency while enabling customers to manage their power better. The Department anticipates increasing its expenditures for energy efficiency programs in future years, based on portfolio planning utilizing the results of the Department's Energy Efficiency Potential Studies.

Fuel Supply for Department-Owned Generating Units and Apex Power Project

Natural gas is used to fuel 100% of the Los Angeles Basin Stations. The Department's fossil fuel requirements for the Los Angeles Basin Stations to meet the electric load requirements of its customers in the City (referred to as "native load") were 64 billion equivalent cubic feet of natural gas during Fiscal Year 2022-23. In addition, the Department's fossil fuel requirements for the Apex Power Project were 18 billion equivalent cubic feet of natural gas during Fiscal Year 2022-23. In the early 2000s, the Department determined that acquiring natural gas reserves was advantageous, reasonable and prudent to ensure stable, long-term natural gas supplies to help meet future power generation demands. In June 2005, the Department, the Turlock Irrigation District and SCPPA (acting on behalf of its member California cities of Anaheim, Burbank, Colton, Glendale and Pasadena) acquired rights in natural gas-producing properties from the Anschutz Pinedale Corporation. Under the acquisition agreement, the Department obtained an approximately 74.5% ownership interest in a $300 million acquisition of leases of gas-producing property in Sublette County, Wyoming. This acquisition provided approximately 2.01% of the Department's average daily natural gas requirements for Fiscal Year 2022-23. No increase to this natural gas-producing program is expected at this time, however further capital investment in such program will be re-evaluated if market conditions change and the price of natural gas rises.

The Department obtains its remaining natural gas requirements through a competitively bid spot purchase program or through forward physical gas purchases for a specified period of time. The price of natural gas delivered into Southern California has fluctuated over the past few years and the Department expects prices to continue to fluctuate. To mitigate the effects of natural gas price volatility, the Department

includes as part of the Electric Rates certain pass-through cost adjustments that provide recovery of natural gas and other fuel costs. See “ELECTRIC RATES – Rate Setting.” In addition, the City Council enacted an ordinance to authorize the Department to enter into financial hedge contracts with respect to natural gas purchases to stabilize fuel costs for native load. See “Note (8) Derivative Instruments” of the Department’s Power System Financial Statements, attached hereto as Appendix A. Under this ordinance, the Department’s General Manager also may enter into biogas supply agreements for a period not to exceed ten years, so long as certain conditions are met. The use of natural gas swaps, derivatives and other price hedging arrangements are subject to risk management policies and review procedures established by the Board. The Department has developed a natural gas procurement strategy that includes a program of entering into financial hedges with various counterparties that have permitted terms of up to ten years and are intended to mitigate customer exposure to gas price volatility. The policy permits up to 75% of the Department’s natural gas requirements to be hedged through various measures (including such financial hedges), although the amount hedged in a given year may vary.

As of June 30, 2023, the Department had entered into financial natural gas hedges in various notional amounts per Fiscal Year for each Fiscal Year through Fiscal Year 2027-28 with an aggregate notional amount of approximately 63.1 million MMBtus. These financial hedges cover approximately 7% to 41% of the Department’s natural gas requirements based on the latest budget for the Fiscal Years through 2027-28. Tables describing the notional amount for each Fiscal Year and the durations of the hedges, as well as a discussion of the credit, basis and termination risks associated with such hedges as of June 30, 2022 and 2021, can be found in Note (8).

The Department has previously used a physical delivery natural gas hedge program that was designed to hedge up to 50% of its forecasted usage. However, due to the limitation of gas injections at the SoCalGas Aliso Canyon storage facility, there is some uncertainty about intrastate gas transmission capacity available for electric generators. Consequently, the Department reduced the amount of forward physical gas purchased and limited the term of forward purchases based on the Department’s quarterly term plan forecasting periods.

The Department has firm interstate natural gas transportation capacity on the Kern River Pipeline System. The total amount of capacity is sufficient to transport 92% of the average amount of natural gas needed for the Los Angeles Basin Stations under current Department forecasts. Additional interstate pipeline capacity, if needed, is acquired through federally-approved capacity brokering programs or through gas purchases bundled with interstate transportation delivered into the SoCalGas intrastate system.

Intrastate transportation and balancing services are provided to the Department by SoCalGas sufficient to meet 100% of the Los Angeles Basin Stations’ requirements under SoCalGas’s Basic Transportation Service program (“BTS”). This enables the Department to deliver Kern River Pipeline System gas to the BTS receipt points in the State.

As of June 30, 2023, approximately 45% and 26% of the Department’s projected natural gas needs have been hedged for Fiscal Year 2023-24 and Fiscal Year 2024-25, respectively, through financial natural gas hedges and gas reserves. This ratio declines such that by Fiscal Year 2027-28, approximately 10% of projected natural gas needs are hedged. The Department typically hedges a higher percentage of its natural gas needs as the operating year approaches. The goal of the current natural gas hedging program is to hedge up to five years forward from the current Fiscal Year, with the next Fiscal Year hedged up to 50% and the fifth Fiscal Year hedged up to 10%. The Department periodically reviews the goals of its natural gas hedging program.

The SoCalGas Aliso Canyon underground natural gas storage facility in the Porter Ranch area of Los Angeles leaked between October 23, 2015 and February 18, 2016 and was ordered to cease its injections by State agencies until testing of all operating wells has been completed. The volume in this

storage field, SoCalGas's largest, was reduced for safety reasons to a maximum of only 41 billion cubic feet ("BCF"), from its design maximum of 86 BCF. Although the required safety inspections are ongoing, the CPUC has allowed limited operation at Aliso Canyon to maintain gas pipeline and bulk electric system operational reliability. In August 2019, the CPUC approved a revision of the Aliso Canyon Withdrawal Policy, removing the designation "facility of last resort," allowing SoCalGas more flexibility to withdraw from the storage field to maintain pipeline integrity. Since this change in policy, SoCalGas has been able to withdraw from the storage field more freely, thus reducing the volatility in both the volume of locally available natural gas and local natural gas pricing. In August 2023, the CPUC approved an increase in the allowable storage at the facility to 68.6 BCF. There have been no localized natural gas curtailments impacting the Department and there have been no impacts to the Department from SoCalGas operations thus far.

In August 2018, then-California Attorney General Xavier Becerra, along with the California Air Resources Board ("CARB"), the City and Los Angeles County (the "County"), announced a $119.5 million settlement with SoCalGas over the natural gas leak at Aliso Canyon described above, which was approved by the court in February 2019. On August 10, 2023, the CPUC issued a Presiding Officer's Decision approving a settlement agreement between SoCalGas, the Safety and Enforcement Division of the CPUC, and the Public Advocates Office of the CPUC. Under the terms of the settlement agreement SoCalGas is barred from seeking to recover from customer rates various specified costs related to the gas leak incident. The settlement also includes the payment by SoCalGas of $71 million to be deposited in a special "Aliso Canyon Recovery Account" within the State Treasury to be allocated by the State legislature to mitigate impacts of the Aliso Canyon gas leak incident. On September 12, 2023, the Presiding Officer's Decision approving the settlement became effective as the decision of the CPUC.

Water Supply for Department-Owned Generating Units

Water required for the operation of generating stations owned by the Department is secured from a number of sources. The Harbor Generating Station, Haynes Generating Station and Scattergood Generating Station use Pacific Ocean water for power plant cooling purposes. However, the Department is undertaking a long-term program of replacing the coastal generating units to eliminate the use of ocean water at these three locations in part to meet requirements of the SWRCB and the City's plans to eliminate the future use of once-through-cooling for these plants and replace them with clean energy alternatives. See "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – Environmental Regulation and Permitting Factors – *Water Quality – Cooling Water Process – State Water Resources Control Board" and "– Regional Requirements – Thermal Discharges at Harbor Generating Station and Haynes Generating Station."* The Valley Generating Station, which is located inland, utilizes recycled water for cooling.

Spot Purchases

The Department purchases energy from the Bonneville Power Administration ("BPA") and other Pacific Northwest utilities under short-term "spot" arrangements to be delivered over the Pacific DC Intertie. For further information on the Pacific DC Intertie, see "– Transmission and Distribution Facilities – *Pacific DC Intertie and Sylmar Converter Station*." These purchases are used by the Department in conjunction with other resources for Power System operation. In addition, purchases of energy are made from other entities located in the Southwest. Spot purchases have generally been made at prices that permit economical operation of the Power System and that are comparable to the Department's costs for producing power from its own resources.

The availability of economical energy on the spot market has fluctuated greatly in recent years. Historically the Department has not been dependent on such purchases to meet its customers' requirements. Although the Department currently continues to find economical spot purchase opportunities (including

some for renewable energy), it cannot predict the future availability of power from either the Pacific Northwest or the Southwest for purchases at prices below the Department's costs for producing power from its own resources. The Department has increased its volume activity with the Cal ISO, including the purchase and sale of energy, as well as providing ancillary services, when excess capacity exists on its system.

Cogeneration and Distributed Generation

Currently thermal cogeneration installed in the Department's service area consists primarily of cogeneration projects of industrial and commercial customers. This totals approximately 322 MW nameplate capacity. Some cogeneration projects sell excess energy to the Department under interconnection agreements.

Distributed generation (the generation of electricity at or near the point of use) within the Department's service area currently consists primarily of cogeneration projects at customer facilities. Distributed generation also includes smaller generating units such as solar photovoltaic cells, fuel cells, micro-turbines and other smaller combustion engines. The Department manages a new technology demonstration program to assess the viability of some of these technologies. The Department also supports the development of new technologies through customer incentive programs. See "– Renewable Power Initiatives" and "– Energy Efficiency." These technology advancements may change the nature of energy generation and delivery and may materially affect the operating and financial position of the Department. For example, behind-the-meter resources such as cogeneration, demand response, and energy efficiency may have the effect of reducing customer demand, potentially diminishing revenue for the Department. On the other hand, if such resources are able to be successfully deployed during peak demand hours, this could reduce the Department's need to procure additional utility-scale resources to meet that peak demand.

Excess Capacity

The Department uses its extensive transmission network to sell excess generating capacity into the California, Northwest and Southwest energy markets. Net income from those sales is used to reduce costs to the Department's retail customers (primarily by applying revenues to the costs of capital improvements or toward an electric rate stabilization account in the Incremental Electric Rate Ordinance). With equipment outages, retirement of equipment, anticipated load growth and changes in GHG regulations which impact emission allowances, the Department anticipates that revenue from excess energy sales will be less certain than in the past. Wholesale revenues, as shown in "SELECTED FINANCIAL INFORMATION" under "OPERATING AND FINANCIAL INFORMATION – Financial Information," have accounted for less than 2% of overall Power System revenues in recent years.

Transmission and Distribution Facilities

Electricity from the Department's power generation sources is delivered to customers over a complex transmission and distribution system. To deliver energy from generating plants to customers, the Department owns and/or operates approximately 26,024 miles of alternating current ("AC") and direct current ("DC") transmission and distribution circuits operating at voltage classes ranging from 120 volts to 500 kV, of which 22,268 miles are above ground. In addition to using its transmission system to deliver electricity from its power generation resources, under the OATT the Department transmits energy for others through such system when surplus transmission capacity is available and such transmission is permitted by the Master Resolution. As the operating agent of the Pacific DC Intertie, the Southern Transmission System, the Mead-Adelanto Transmission Project and certain Navajo-McCullough transmission facilities (all such facilities being described below), the Department, at the direction of and for the benefit of the respective co-owners/participants, transmits energy for the co-owners of, or participants in, these facilities.

Pursuant to AB 1890, signed into law on January 1, 1997, as part of the deregulation of the State electric industry, municipal utilities such as the Department were encouraged, but not required, to transfer operational control of their electric transmission facilities to the Cal ISO. The Department owns and operates in excess of 25% of the transmission facilities in the State. While the Department has not transferred operational control of its transmission facilities to the Cal ISO, the Department interacts with the Cal ISO on a regular basis. The Department serves as the scheduling coordinator for the delivery of that portion of the Department's energy that requires use of any part of the Cal ISO grid. The Department also coordinates with the Cal ISO with respect to some lines that are jointly owned by the Department and others. The Department is responsible for the costs associated with its use of the Cal ISO grid. The Department is registered as a participant in wholesale transactions in the Cal ISO market.

On April 1, 2021, the Department began participating in Cal ISO's Western EIM. The Western EIM is a real-time energy market that provides sub-hourly dispatch of participating resources for balancing supply and demand every five minutes, using the least-cost energy. As a Western EIM participant, the Department voluntarily provides excess energy capacity for dispatching to other participating utilities, while maintaining control of its generation assets and ratemaking authority. The Western EIM also provides an opportunity for the Department to purchase low-cost excess energy. The Department is participating voluntarily in order to tap into resources across a larger geographic area that includes nine western states and the Canadian Province of British Columbia. Through its participation, the Department has experienced benefits from purchasing low cost energy during periods of high generation from renewables, a reduction in GHG emissions, as well as financial benefits from selling energy to the market during periods of low supply and higher prices. This helps lower the cost of delivery of power to its customers, and foster integration of renewable energy.

Legislation considered from time to time by the U.S. Congress and the State could potentially increase the level of jurisdictional control over the generation, transmission and distribution assets that comprise the Department's Power System and could encourage voluntary participation by the Department in a regional transmission organization. The City opposes any participation in a regional transmission organization that would be mandatory. The Department monitors any potential restrictions regarding control of transmission rates, authority to finance the Power System using bonds and use of the Power System to deliver electric power to the City.

Certain transmission facilities available to the Department are discussed below.

Southern Transmission System. The Southern Transmission System (the "STS") is an approximately 490-mile, ±500 kV DC transmission line from the Intermountain Generating Station, near Delta, Utah, to Adelanto, California, together with an AC/DC converter station at each end of the line. The STS is owned by IPA and is one of three major components of the IPP. See "– Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Intermountain Power Project*." After the completion of an upgrade to its capacity in December 2010, a maximum of 2,400 MW can be transmitted over the STS. The Department's entitlement in the capacity of the STS is currently approximately 1,428 MW and is expected to increase to 2,172 MW in 2027 as a result of the Department increasing its share of the STS to 90.5% in accordance with the Renewal Power Sales Contract. IPA is undertaking an approximately $2.1 billion renewal project to refurbish or replace the existing Adelanto Converter Station and Intermountain Converter Station with new HVDC stations on available land adjacent to the existing converter stations at Adelanto and IPP, which replacement components are currently scheduled for commercial operation from May 2024 through April 2027. The new converter stations would tie into the existing AC switchyards and connect to the existing DC transmission line. The Department entered into a transmission service contract with SCPPA in 1983 to define the terms for transmission service on a "take-or-pay" basis for the Department's 59.5% entitlement right to capacity in the STS that it assigned to SCPPA in order for SCPPA to incur indebtedness sufficient to generate funds to finance the original construction of the STS. This service provides for the transmission of energy from the Intermountain Converter Station

to the Adelanto Converter Station until 2027. The Department has negotiated a renewal transmission service contract with SCPPA for the same purpose as the original transmission service contract on a "take-or-pay" basis to allow SCPPA to be able to continue handling financings of the STS (including financing for costs of the ongoing upgrades to the Switchyard and converter station replacements) for the remainder of the term of the Department's participation in the IPP until 2077. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Northern Transmission System. The Northern Transmission System (the "NTS") includes two approximately 50-mile, 345 kV AC transmission lines from IPP to the Mona Substation in Northern Utah, and one approximately 144-mile, 230 kV AC transmission line from IPP to the Gonder Substation in Nevada. The NTS was constructed for the delivery of power from IPP to certain municipalities in Utah and certain cooperative purchasers. Capacity on the NTS is available to the Department through the IPP Excess Power Sales Agreement. The Department can have up to a maximum NTS share allocation of 43.141% of the total capacity depending on the generation deemed excess by the 29 Utah municipalities and cooperatives that have access to such power. The capacity from IPP to Mona is 1,400 MW; the capacity from Mona to IPP is 1,200 MW; the capacity from IPP to Gonder is 200 MW; and the capacity from Gonder to IPP is 117 MW.

Pacific DC Intertie and Sylmar Converter Station. The Pacific DC Intertie is an approximately 846-mile, ±500 kV DC transmission system that connects Southern California to the hydroelectric and wind generation resources of the Pacific Northwest. A maximum of 3,210 MW can be transmitted over the entire Pacific DC Intertie System. The Department owns a 40% interest in the southern portion of the Pacific DC Intertie from the Nevada-Oregon border to its southern terminus at the Sylmar Converter Station in Sylmar, California and is the operating agent of the southern portion of the Pacific DC Intertie. The northern portion of the Pacific DC Intertie is owned and operated by BPA and extends from the Nevada-Oregon border to BPA's Celilo Station in The Dalles, Oregon.

Devers-Palo Verde Transmission Line. The Devers-Palo Verde Transmission Line is an approximately 250-mile, 500 kV AC line owned by Edison that connects the PVNGS with the Devers Substation outside Desert Hot Springs, California. As part of an exchange agreement, the Department purchases up to 368 MW of bi-directional firm transmission service on the Devers-Palo Verde Transmission Line from Edison (the "Devers-Palo Verde Agreement") at the rate being charged by the Cal ISO for that same service. The Devers-Palo Verde transmission path now consists of the Devers-Colorado River and Colorado River-Palo Verde transmission lines. The Department has the right to terminate the service upon 12 months written notice.

Mead-Phoenix Transmission Project. The Mead-Phoenix Transmission project is an approximately 259-mile, 500 kV AC transmission line which originates at the Westwing substation in Phoenix, Arizona, connects with the Mead substation near Boulder City, Nevada and terminates at the Marketplace substation nearby. The Mead-Phoenix Transmission Project is currently owned by SCPPA, APS, Salt River Project, Western and Startrans IO, L.L.C. In 2016, SCPPA, on behalf of the Department, acquired an additional interest in the Mead-Phoenix Transmission Project for the benefit of the Department through the purchase of the M-S-R Public Power Agency ("M-S-R") ownership share (11.5385% of the Westwing-Mead component and 8.09930% of the Mead-Marketplace component) of the Mead-Phoenix Transmission Project. After such acquisition, the Department's share is 57.732% of SCPPA's member-related interests in the Westwing-Mead component of the Mead-Phoenix Transmission Project (SCPPA's member-related interests comprise 29.8462% of the entire Westwing-Mead component of the Mead-Phoenix Transmission Project) and 39.6459% of SCPPA's member-related interests in the Mead-Marketplace component of the Mead-Phoenix Transmission Project (SCPPA's member-related interests comprise 30.5075% of the entire Mead-Marketplace component of the Mead-Phoenix Transmission Project). A maximum of 1,923 MW can be transmitted over the Westwing-Mead component of the Mead-Phoenix Transmission Project, of which the Department has an entitlement share of 332 MW. A maximum

of 2,600 MW can be transmitted over the Mead-Marketplace component of the Mead-Phoenix Transmission Project, of which the Department has an entitlement share of 315 MW. The Department's average share of the Mead-Phoenix Transmission Project components is 50.39% of SCPPA's member-related interests in the Mead-Phoenix Transmission Project. The Department has entered into transmission service contracts with SCPPA that obligate the Department until 2030 to pay for its share of SCPPA's member-related interests in the Mead-Phoenix Transmission Project on a "take-or-pay" basis as an operating expense of the Power System. Payments made by the Department associated with SCPPA's member-related interests in the Mead-Phoenix Transmission Project include a share of the fixed operating costs and debt service on bonds issued by SCPPA for SCPPA's member-related interests in the Mead-Phoenix Transmission Project. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Mead-Adelanto Transmission Project. The Mead-Adelanto Transmission Project is an approximately 202-mile, 500 kV AC transmission line between the Adelanto substation, near Victorville, California and the Marketplace substation, near Boulder City, Nevada. The Mead-Adelanto Transmission Project was constructed by its owners, currently, SCPPA, Western and Startrans IO, L.L.C., in connection with the Mead-Phoenix Transmission Project. In 2016, SCPPA, on behalf of the Department, acquired an additional interest in the Mead-Adelanto Transmission Project for the benefit of the Department through the purchase of M-S-R's 17.5% ownership share of the Mead-Adelanto Transmission Project. After such acquisition, the Department's share is 48.878% of SCPPA's member-related interests of the Mead-Adelanto Transmission Project (SCPPA's member-related interests comprise 85.4167% of the entire Mead-Adelanto Transmission Project). A maximum of 1,291 MW can be transmitted over the Mead-Adelanto Transmission Project, of which the Department has an entitlement share of 539 MW. The Department has entered into transmission service contracts with SCPPA that obligate the Department until 2030 to pay for its share of SCPPA's member-related interests in the Mead-Adelanto Transmission Project on a "take-or-pay" basis as an operating expense of the Power System. Payments made by the Department associated with SCPPA's member-related interests in the Mead-Adelanto Transmission Project include a share of the fixed operating costs and debt service on bonds issued by SCPPA for SCPPA's member-related interests in the Mead-Adelanto Transmission Project. See "OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations."

Navajo-McCullough Transmission Line. The Navajo-McCullough Transmission Line is a 274-mile, 500 kV AC transmission line that originates at the Navajo Project near Page, Arizona, connects through the Crystal Substation near Las Vegas, Nevada and terminates at the McCullough substation, near Boulder City, Nevada. The Department owns 48.9% of the Navajo-McCullough Transmission Line, which was constructed as a part of the now-retired Navajo Generating Station. The Crystal Substation was constructed by NV Energy. NV Energy owns 100% of the Crystal Substation on behalf and for the benefit of the Navajo Project, including the Department.

Eldorado Transmission System. The Eldorado Transmission System's major components are the 59-mile, 500 kV AC Mohave-Eldorado transmission line, the 500 kV Mohave Switchyard, the Eldorado substation, which is comprised of a 220 kV switchyard and a 500 kV switchyard, and two parallel 15-mile 220 kV AC Eldorado-Mead transmission lines. Pursuant to a Co-Tenancy and Operating Agreement, the Department is a 30% co-owner of the Mohave Switchyard, a 29.3% co-owner of the 500 kV switchyard, an 11.3% owner of the 220 kV switchyard, and a 15.1% co-owner of the transformers between the 500 kV and 220 kV switchyards, each of which is a part of the Eldorado Substation. The Department's ownership represents 716 MW of capacity on the Mohave-Eldorado transmission line and 215 MW of capacity on the two parallel 15-mile 220 kV AC Eldorado-Mead transmission lines.

Barren Ridge Renewable Transmission Project. The Barren Ridge Renewable Transmission Project involved the expansion of the Barren Ridge Switching Station in order to increase the 3,119 MVA

transmission capacity of renewable energy flowing into the Los Angeles Basin from generating facilities in Owens Valley, Kern County and the Tehachapi Mountains by 2,000 MVA.

Projected Capital Improvements

The Department has developed a series of Power System resource plans with each plan updating and refining the previous plan. The plans are developed in conjunction with the Department's strategic planning to meet its goals of continuing to provide reliable service to customers, maintaining a competitive price for the Power System's services and providing environmental leadership. Such resource plans act as guidance for the Department in implementing more specific short-term and long-term financial plans.

Based on the Department's June 2022 Retail Electric Sales and Demand Forecast, the Department anticipated that gross customer electricity consumption would increase from Fiscal Year 2020-21 to Fiscal Year 2030-31 at a forecasted rate of approximately 1.76% per year without consideration of the Department's measures to promote energy efficiency and distributed generation. That load growth rate reflects, in the later part of the ten-year planning period, increases due in part to fuel switching in the transportation sector including the increase of plug-in hybrid and battery electric vehicles. In the Power System's most recent resource plan significant energy efficiency measures are planned for as a cost effective resource, along with support for customer solar projects. This, together with the Board's adoption in August 2014 of a plan to achieve 15% energy efficiency savings by the end of 2020, are anticipated to result in net overall energy consumption that increases by 0.8% per year over the Fiscal Year 2020-21 to Fiscal Year 2030-31 forecast period. The Department achieved its energy efficiency goal for 2020 and is now focused on an additional 4,049 GWh of energy savings by 2035. Enhancement and expansion of electric transmission resources will enable access to renewable energy resources. Certain in-basin energy projects will assist in integrating intermittent renewable resources into the Power System. Capital investments in the transmission and distribution system, including new business service and electric feeder lines, are required to support future growth. New control and monitoring systems are needed to continue to provide reliable and secure system operations. See " — *Power System Reliability Program*" below.

Power System Reliability Program. A significant power outage in 2006 caused the Department to conduct an evaluation of its electrical infrastructure and led to the development of a comprehensive distribution-focused power reliability program initially referred to as the "Power Reliability Program" with the following major components: (a) mitigation of problem circuits and stations based on the types of outages specific to the facility, including among other things, timely, permanent repairs of distribution circuits after a failure and fixing poorly performing circuits, (b) proactive maintenance and capital improvements that take into account system load growth and the inspections and routine maintenance that must take place to identify problems before they occur, (c) replacement cycles at the facilities that are in alignment with the equipment's life cycle such as replacing aging underground cables, overhead poles and circuits and substation equipment and (d) replacement of overloaded transformers. In 2013, another evaluation was completed and the program was expanded and renamed the "Power System Reliability Program." The Power System Reliability Program assesses all Power System assets affecting reliability in an integrated and comprehensive manner and proposes corrective actions as well as capital expenditures designed to minimize future outages and maintain reliability in the short and long term. The Power System Reliability Program includes the establishment of metrics and indices to help prioritize infrastructure replacement and expenditures for all major functions of the Power System, including distribution, transmission, generation, and substations. The Power System Reliability Program has been and is anticipated to be updated on an annual basis to adjust to varying Power System conditions and resource allocations.

Projected Capital Expenditures. As indicated in the table on the following page, for Fiscal Year 2023-24 through Fiscal Year 2027-28, the Department expects to invest approximately $13.5 billion in capital improvements to the Power System.

EXPECTED CAPITAL IMPROVEMENTS TO THE POWER SYSTEM
FIVE-YEAR PERIOD BEGINNING JULY 1, 2023
(in Millions)

	5-Year Totals
Infrastructure: Various Generation Station Improvements	$1,926
IT Infrastructure*	553
Energy Efficiency	972
Power System Reliability Program	5,479
Renewable Portfolio Standard (RPS): Wind Projects, Renewable Energy Project Development, Renewable Transmission Projects, RPS Storage	2,752
Power System Resource Plan	7
Shared Services: Facilities, Customer Services, Fleet	1,842
Total Power System Capital Improvements	$13,531

* For planning purposes, the power financial plan includes a proposed IT Cost Adjustment Factor (ITCAF) with an effective date of July 1, 2024. This proposed ITCAF is designed to recover the information technology (IT) expenses related to enterprise resource planning, smart grid, cybersecurity, and cloud infrastructure programs. These IT expenses include both capital and operation and maintenance expenses that are being allocated among base revenue supported categories such as operating support, infrastructure and other pass-through supported categories.

Source: Department of Water and Power of the City of Los Angeles.

The table below indicates, for Fiscal Year 2023-24 through Fiscal Year 2027-28, the expected funding sources for the capital improvements to the Power System expected for such Fiscal Years.

EXPECTED FUNDING SOURCES FOR CAPITAL IMPROVEMENTS
TO THE POWER SYSTEM
(in Millions)

Fiscal Year Ending (June 30)	Internally Generated Funds	External/Debt Financing	Total Capital Expenditures[(1)]
2024	$1,745	$ 422	$2,167
2025	869	1,697	2,566
2026	1,133	1,144	2,277
2027	1,350	1,479	2,829
2028	1,217	2,475	3,692
	$6,314	$7,217	$13,531

Source: Department of Water and Power of the City of Los Angeles.
(1) Net of reimbursements to the Department.
Note: Total may not equal sum of parts due to rounding.

The particular programs and commitments for capital improvements to the Power System are subject to review by Department stakeholders and others. The estimated costs of, and the projected schedule for, the expected capital improvements to the Power System and the Department's other capital projects are subject to a number of uncertainties. The ability of the Department to complete such capital improvements may be adversely affected by various factors including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation, (xi) environmental issues, (xii) the ability to access the capital markets at particular times and (xiii) delays in approvals of rate increases. No assurance can be given that the proposed projects will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue additional obligations and may result in increased costs to the Department. All payments of project costs associated with projected capital improvements are subject to Board approval.

OPERATING AND FINANCIAL INFORMATION

The Department's service area consists of the City, where over 1.5 million customers are served, and certain areas of Inyo and Mono Counties in the State, where approximately 5,182 customers are served. As of March 31, 2023, 35% of the Power System's total energy sales (measured in MWhs) were to residential customers, 59% to commercial and industrial customers and the remaining 6% to all other purchasers. Revenues from residential customers, commercial/industrial customers, and other customers were approximately 36%, 56%, and 8% of total revenue, respectively.

Summary of Operations

The table below provides certain operating information with respect to the Power System.

POWER SYSTEM
SELECTED OPERATING INFORMATION
(Unaudited)

Operating Statistics	Nine Month Period Ended March 31[1][2]		Fiscal Year Ended June 30[2]				
	2023	2022	2022	2021	2020	2019	2018
Net Energy Load[3]	18,724	18,109	23,997	23,797	24,096	25,046	25,857
Net Hourly Peak Demand (MW)	6,216	4,883	4,911	6,106	5,637	6,201	6,432
Annual Load Factor (%)	45.80	56.39	55.79	44.49	48.66	46.11	45.89
Electric Energy Generation, Purchases and Interchanges[3]							
Generation[4][5]	13,265	12,954	17,194	17,281	17,947	16,862	13,993
Purchases[5]	7,525	7,460	9,440	8,988	7,295	8,966	12,297
Miscellaneous Energy Receipts[3]	–	–	–	705	470	230	–
Total Energy[3]	20,790	20,414	26,634	26,974	25,712	26,058	26,290
Less:							
Miscellaneous Energy Deliveries[3][6]	316	381	511	–	–	–	68
Losses and System Uses[3]	2,035	2,009	2,595	4,479	3,879	3,507	3,420
On-System Sales[3]	18,439	18,024	23,528	22,495	21,833	22,550	22,801
Sales of Energy[3]							
Residential	6,211	5,770	7,383	7,707	7,218	7,303	7,258
Commercial and Industrial	10,689	10,528	14,092	13,220	14,030	14,661	15,210
All Other	1,155	1,548	1,891	2,087	1,050	626	532
Total	18,055	17,846	23,366	23,014	22,298	22,590	23,000
Number of Customers – (Average, in thousands):							
Residential	1,436	1,428	1,430	1,414	1,405	1,397	1,385
Commercial and Industrial	129	128	128	126	126	126	124
All Other	7	7	7	7	7	7	7
Total	1,572	1,563	1,565	1,547	1,538	1,529	1,516

Source: Department of Water and Power of the City of Los Angeles.

(1) Data for the nine-month period ended March 31, 2023 is preliminary and subject to change. Results for the first nine months of Fiscal Year 2022-23 may not be indicative of results for full Fiscal Year 2022-23.

(2) See also "FACTORS AFFECTING THE DEPARTMENT AND THE UTILITY INDUSTRY – Impacts of the COVID-19 Pandemic," which pandemic began in early 2020.

(3) Thousands of MWhs.

(4) Does not include energy generated at Hoover Power Plant for plant use and for the use of the Bureau of Reclamation and the cities of Boulder City, Nevada; Burbank, California; Glendale, California and Pasadena, California.

(5) Purchases from SCPPA are classified as Generation for quarterly results and Purchases for Fiscal Year end results.

(6) Deliveries include transmission loss energy paybacks and control area inadvertent interchange.

Financial Information

The tables below provide certain financial information with respect to the Power System.

POWER SYSTEM
SELECTED FINANCIAL INFORMATION
(Dollars in Thousands)
(Unaudited)

	Nine Month Period Ended March 31[1][3]		Fiscal Year Ended June 30[2][3]				
	2023	**2022**	**2022**	**2021**	**2020**	**2019**	**2018**
Operating Revenues							
Residential	$1,282,913	$1,208,550	$1,637,120	$1,614,033	$1,360,648	$1,376,341	$1,265,713
Commercial and Industrial	2,027,384	1,960,469	2,784,691	2,492,138	2,372,533	2,560,098	2,429,323
Sales for resale[4]	262,895	181,817	230,160	186,706	61,455	111,542	91,351
Other[5]	22,563	(36,345)	(58,211)	(24,399)	12,655	22,949	17,834
Total Operating Revenues	$3,595,755	$3,314,491	$4,593,760	$4,268,478	$3,807,291	$4,070,930	$3,804,221
Average Revenue per kWh Sold[6]							
Residential	0.207	0.209	0.222	0.209	0.189	0.188	0.174
Commercial and Industrial	0.190	0.186	0.198	0.189	0.169	0.175	0.160
Average Annual Residential Usage[7]	4	4	5	5	5	5	5
Operating income	$ 398,650	$ 484,567	$ 800,988	$ 744,139	$ 363,981	$ 512,310	$ 725,259
As % of revenues	11.1%	14.6%	17.4%	17.4%	9.6%	12.6%	19.1%
Adjusted Change in Net Position, excluding Power Transfer and including accounting change[8][10]	$ 633,433	$ 316,785	$ 532,290	$ 633,942	$ 320,065	$ 459,503	$(141,192)
Adjusted Change in Net Position, including Power Transfer and accounting change [9][10]	$ 401,390	$ 91,770	$ 307,275	$ 415,587	$ 90,152	$ 226,946	$(383,040)

Source: Department of Water and Power of the City of Los Angeles.

(1) Data for the nine-month period ended March 31, 2023 is preliminary and subject to change. Results for the first nine months of Fiscal Year 2022-23 may not be indicative of results for full Fiscal Year 2022-23.

(2) Derived from the Power System Financial Statements (except for usage statistics).

(3) See also "FACTORS AFFECTING THE DEPARTMENT AND THE UTILITY INDUSTRY – Impacts of the COVID-19 Pandemic," which pandemic began in early 2020.

(4) Includes sales of power and transmission services to other utilities.

(5) Net of Uncollectible Accounts.

(6) The calculated Average Revenue per kWh Sold is based on dividing reported Operating Revenues by customer class by volumes for that customer class, including deferred revenues. The actual customer rates may differ from these calculated figures due to a variety of factors, including (1) demand and energy charges for commercial rates, (2) changes in usage between rate tiers within a customer class and between years, and (3) other factors including customer classification issues.

(7) MWh use per residential customer.

(8) Represents change in net position before Power Transfer and after cumulative effect of change in accounting for OPEB charged to net position July 1, 2017, totaling $661,230 (in thousands).

(9) Represents change in net position after Power Transfer and cumulative effect of change in accounting for OPEB charged to net position July 1, 2017, totaling $661,230 (in thousands).

(10) "Adjusted" indicates measurements of financial and/or operating performance that are not specifically disclosed in the Power System Financial Statements. Adjustments reflect the impact of the implementation of new accounting standards, particularly GASB No. 75, which resulted in the recording of certain OPEB liabilities and a corresponding reduction in net position.

POWER SYSTEM
SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
(Dollars in Thousands)
(Unaudited)

	Nine Month Period Ended March 31[(1)(3)]		Fiscal Year Ended June 30[(2)(3)]				
	2023	**2022**	**2022**	**2021**	**2020**	**2019**	**2018**
Operating Revenues							
Sales of Electric Energy:							
Residential	$1,282,913	$1,208,550	$1,637,120	$1,614,033	$1,360,648	$1,376,341	$1,265,713
Commercial and industrial	2,027,384	1,960,469	2,784,691	2,492,138	2,372,533	2,560,098	2,429,323
Sales for resale	262,895	181,817	230,160	186,706	61,455	111,542	91,351
Other[(4)]	22,563	(36,345)	(58,211)	(24,399)	12,655	22,949	17,834
Total Operating Revenues	$3,595,755	$3,314,491	$4,593,760	$4,268,478	$3,807,291	$4,070,930	$3,804,221
Operating Expenses							
Production:							
Fuel for Generation	$ 380,951	$ 251,931	$ 327,813	$ 228,697	$ 207,043	$ 296,506	$ 268,610
Purchased Power	1,090,530	985,746	1,309,505	1,301,394	1,242,068	1,264,133	1,143,535
Energy Cost	1,471,481	1,237,677	1,637,318	1,530,091	1,449,111	1,560,639	1,412,145
Maintenance and Other Operating Expenses	1,162,890	1,054,610	1,430,993	1,323,158	1,364,303	1,412,750	1,112,463
Adjusted Operating Expenses[(5)(7)]	$2,634,371	$2,292,287	$3,068,311	$2,853,249	$2,813,414	$2,973,389	$2,524,608
Adjusted Operating Income[(5)(7)]	$ 961,384	$1,022,204	$1,525,449	$1,415,229	$ 993,877	$1,097,541	$1,279,613
Other non-operating income and expenses, net	478,661	58,242	1,482	145,303	268,502	239,211	92,659
Contributions in aid of construction	55,904	46,184	100,865	103,459	57,692	58,373	42,460
Adjusted Change in Net Position[(6)(7)]	$1,495,949	$1,126,630	$1,627,796	$1,663,991	$1,320,071	$1,395,125	$1,414,732
Debt Service							
Adjusted Interest[(7)(8)]	387,062	351,942	479,482	459,413	454,074	426,577	414,722
Principal	190,315	187,683	187,683	179,405	171,925	153,664	131,756
Total debt service	$ 577,377	$ 539,625	$ 667,165	$ 638,818	$ 625,999	$ 580,241	$ 546,478
Debt Service Coverage Ratio	N/A	N/A	2.44	2.60	2.11	2.40	2.59
Depreciation, amortization and accretion	$ 562,734	$ 537,637	$ 724,461	$ 671,090	$ 629,896	$ 585,231	$ 554,354
Transfers to the Reserve Fund of the City	$ 232,043	$ 225,015	$ 225,015	$ 218,355	$ 229,913	$ 232,557	$ 241,848

Source: Department of Water and Power of the City of Los Angeles.

(1) Data for the nine-month period ended March 31, 2023 is preliminary and subject to change. Results for the first nine months of Fiscal Year 2022-23 may not be indicative of results for full Fiscal Year 2022-23.
(2) Derived from the Power System Financial Statements.
(3) See also "FACTORS AFFECTING THE DEPARTMENT AND THE UTILITY INDUSTRY – Impacts of the COVID-19 Pandemic," which pandemic began in early 2020.
(4) Net of Uncollectible Accounts.
(5) Represents total operating expenses and operating income, excluding depreciation, amortization, accretion and loss on asset impairment and abandoned projects.
(6) Represents change in net position before depreciation, amortization, accretion, interest, extraordinary loss and the Power Transfer.
(7) "Adjusted" indicates measurements of financial and/or operating performance that are not specifically disclosed in the Power System Financial Statements.
(8) Interest expense excluding amortization of debt premium.

Indebtedness

As of September 1, 2023, approximately $10.9 billion in principal amount of debt of the Department payable from the Power Revenue Fund was outstanding. Of such amount, approximately $9.58 billion in principal amount is fixed-rate bonds and approximately $1.34 billion in principal amount is variable-rate bonds. In connection with the Department's five-year capital improvements to the Power System, the Department anticipates that it will issue approximately $7.2 billion of debt through June 30, 2028 payable from the Power Revenue Fund. See "THE POWER SYSTEM – Projected Capital Improvements" and "Note (9) Long-Term Debt" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS."

Certain of the Department's outstanding debt are "federally subsidized direct-pay" bonds, for which, instead of the interest being tax-exempt, the Department receives a subsidy payment from the Treasury Department equal to 35% of the interest paid or up to 70% of the tax credit rate determined by the Treasury Department, depending on the type of federally subsidized direct-pay bonds. Pursuant to certain federal budget legislation adopted in August 2011, starting as of March 1, 2013, the government's subsidy payments were reduced as part of a government-wide "sequestration" of many program expenditures. The amount of the reduction of the subsidy payment has ranged from a high of 8.7% in 2013 to a low of 5.7% for federal fiscal years 2021 through 2031. The amount of this reduction for the Power System has been less than $1.5 million annually and such reductions are presently scheduled to continue through September 30, 2031.

Congress can terminate, extend, or otherwise modify reductions in subsidy payments due to sequestration at any time. In addition, under the Statutory Pay-As-You-Go Act of 2010, an increase in the federal deficit caused by a new tax or entitlement spending law could trigger further sequestration reductions to non-exempt mandatory spending programs, absent a waiver either as part of the triggering law or in subsequent legislation. If the sequestration reduction rate were to increase to 100%, the reduction in subsidy payments for the Power System would currently be approximately $25.5 million annually.

On May 6, 2014, the Department sold $200 million in principal amount (which is included in the total indebtedness figure above) of its Power System Revenue Bonds, 2014 Series A (the "2014 Series A Bonds"). The 2014 Series A Bonds are currently held by Bank of America, N.A. pursuant to a Continuing Covenant Agreement, dated as of May 1, 2020 (the "Continuing Covenant Agreement"), between the Department and Bank of America, N.A. The 2014 Series A Bonds are Variable Rate Indebtedness, which mature on July 1, 2038, currently in a SIFMA-based index period ending on May 2, 2025. In the event the amounts become due with respect to the principal of the 2014 Series A Bonds before their maturity or mandatory sinking fund payments, whether upon mandatory tender or acceleration upon an event of default under the Continuing Covenant Agreement relating to the 2014 Series A Bonds, the Department expects to pay such principal from the remarketing or refunding of the 2014 Series A Bonds or from reserves available to the Power System. The Department does not believe that its obligations with respect to the 2014 Series A Bonds will result in a default under the Department's other Parity Obligations.

On May 25, 2023, the Department entered into a revolving credit agreement (the "Wells RCA") with Wells Fargo Bank, National Association ("Wells Fargo") in a principal amount not-to-exceed $300 million outstanding at any one time; provided that the Department can request that Wells Fargo increase the available commitment under the Wells RCA by an additional $200 million, with approval of such increase being at the sole discretion of Wells Fargo. As of September 1, 2023, the Department has no obligations outstanding under the Wells RCA payable from the Power Revenue Fund. As of September 1, 2023, the Department has $100 million principal amount outstanding under the Wells RCA payable from the Water Revenue Fund. Under the Wells RCA, which expires on May 22, 2026, amounts due may be paid by the Department at any time at its option and in the event of default under the Wells RCA, amounts outstanding would be due immediately. The Department expects to pay principal amounts due under the

Wells RCA payable from the Power Revenue Fund from proceeds of subsequent borrowings or from reserves available to the Power System. Amounts borrowed under the Wells RCA payable from the Power Revenue Fund are considered Parity Obligations under the Master Resolution. The Department does not believe that its obligations with respect to the Wells RCA will result in a default under the Department's other Parity Obligations.

For more information about the Department's variable rate bonds, including their associated liquidity facilities (as applicable), see "Note (10) Variable Rate Bonds" of the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS."

In addition, as of September 1, 2023, the Department was obligated on a "take-or-pay" basis under power purchase or transmission capacity contracts for debt service payments (its share representing approximately $2.54 billion principal amount of bonds) and for operating and maintenance costs of the related projects. The Department has entered into, and may in the future enter into additional, "take-or-pay" contracts in connection with renewable energy projects and other projects undertaken by the joint powers agencies in which it participates. The Department's obligations to make payments under such "take-or-pay" contracts are unconditional payment obligations. See "– Take-or-Pay Obligations" for the "take-or-pay" contracts the Department has entered as of September 1, 2023. All such commercial paper and "take-or-pay" contract obligations rank on a parity with the Department's Bonds as to payment from the Power Revenue Fund.

Take-or-Pay Obligations

The Department entered into the IPP Contract and the IPP Excess Power Sales Agreement to purchase up to a 66.79% share of the output of the IPP. See "THE POWER SYSTEM – Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Intermountain Power Project*." The Department is also a member of SCPPA and participates in a number of SCPPA projects, including a number of renewable energy projects. See "THE POWER SYSTEM – Renewable Power Initiatives." The Department's obligations to make payments with respect to the IPP and the SCPPA projects in which it participates are unconditional "take-or-pay" payment obligations, obligating the Department to make such payments as operating expenses of the Power System whether or not the applicable project is operating or operable, or the output thereof is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The IPP Contract, the IPP Excess Power Sales Agreement and the agreements with respect to the SCPPA projects (other than with respect to projects in which the Department is the sole participant) contain certain step-up provisions obligating the Department to pay a share of the cost of any deficit in funds for operating expenses, debt service, other costs related to the project and reserves as a result of a defaulting participant. The Department's participation and share of bond debt service obligation (without giving effect to any provisions requiring the Department to contribute to any deficiencies upon default by another participant) as of September 1, 2023, for each of the foregoing projects are shown in the following table:

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POWER SYSTEM
TAKE-OR-PAY OBLIGATIONS FOR BONDS
As of September 1, 2023
(Dollars in Millions)
(Unaudited)

	Principal Amount of Outstanding Debt	Department Participation	Department Share of Principal Amount of Outstanding Debt[6]
Intermountain Power Agency			
IPP	$ 102[1]	48.62%[2]	$ 49[1]
IPP (Renewal Project)	1,531	71.44	1,093
Southern California Public Power Authority			
Mead-Adelanto Transmission Project	16	100.00[3]	16
Mead-Phoenix Transmission Project	13	100.00[3]	13
Linden Wind Energy Project	82	100.00[4]	82
Milford Wind Corridor Phase I Project	76	92.50[5]	70
Milford Wind Corridor Phase II Project	66	100.00[4]	66
Southern Transmission System (STS)	126	59.50[5]	75
STS (Renewal Project)	677	90.50[5]	613
Windy Point Project	238	100.00[4]	238
Apex Power Project	230	100.00[5]	230
Total	$3,157		$2,545

Source: Department of Water and Power of the City of Los Angeles.

(1) Represents a portion of the IPP and SCPPA debt issued to finance costs of the IPP repowering project and STS renewal project, the Department's share of the bond debt service obligation for which is payable in accordance with the terms of, and the Department's participant share under, the IPP Contract prior to the effective date of the Renewal Power Sales Contract in June 2027. See "THE POWER SYSTEM – Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Intermountain Power Project*."

(2) Includes the Department's obligations under the IPP Contract (48.617%) but does not include the Department's obligations under the IPP Excess Power Sales Agreement as described under the caption "THE POWER SYSTEM – Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Intermountain Power Project*."

(3) The bonds remaining outstanding relate to the additional interest acquired by SCPPA solely for the benefit of the Department.

(4) Equals the Department's share of SCPPA's and the City of Glendale's entitlements. See "THE POWER SYSTEM – Renewable Power Initiatives."

(5) Equals the Department's share of SCPPA's entitlement.

(6) In addition to outstanding principal, the Department is obligated to pay its share of interest on outstanding debt and annual operating and maintenance costs. See Note (5) in Appendix A – "FINANCIAL STATEMENTS" for additional information.

FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY

The following regulatory programs affect the Department and the electric utility industry and should be considered when evaluating the Department and considering an investment in the Series D Bonds. The Department cannot predict at this time whether any additional legislation or rules will be enacted which will affect the Power System's operations, and if such laws or rules are enacted, what the costs to the Department might be in the future because of such action. See "THE DEPARTMENT," "ELECTRIC RATES," "THE POWER SYSTEM – Projected Capital Improvements," "OPERATING AND FINANCIAL INFORMATION" and Appendix A – "FINANCIAL STATEMENTS" for additional information relating to the Department.

California Climate Change Policy Developments

State regulatory agencies such as CARB and the CEC are pursuing a number of regulatory programs designed to reduce GHG emissions and encourage or mandate renewable energy generation. The following is a summary of certain programs. See also "Environmental Regulation and Permitting Factors" below.

GHG Regulations. In September 2006, then-Governor Schwarzenegger signed into law the Global Warming Solutions Act. This law established the State's target to reduce Statewide GHG emissions back to 1990 levels by 2020, which represented a reduction of approximately 25% Statewide. In September 2016, then-Governor Brown signed into law SB 32, an amendment to the Global Warming Solutions Act, that established a new target to reduce Statewide GHG emissions 40% below 1990 levels by 2030. In September 2022, Governor Newsom signed into law AB 1279, the California Climate Crisis Act, that establishes a State policy to achieve net zero GHG emissions as soon as possible, but no later than 2045, to achieve and maintain net negative GHG emissions thereafter, and to ensure that by 2045, Statewide anthropogenic GHG emission are reduced to at least 85% below the 1990 levels.

CARB implemented the Global Warming Solutions Act through regulations (the "Cap-and-Trade Regulations") that imposed a declining economy-wide limit or cap on GHG emissions from major sources within the State, including the electricity generation industry, and allocates the aggregate emissions limit through the distribution of allowances, or emission credits.

The Cap-and-Trade Regulations require all regulated entities, including the Department, to report annual GHG emissions and to obtain and surrender GHG emission allowances and/or offsets for each metric ton of GHG emissions. Cap-and-trade compliance covers GHG emissions from in-state fossil-fueled power plants, as well as imported electricity from out-of-state resources such as the IPP. In addition, the Department may indirectly bear compliance costs for purchased electricity.

The Department, like other electric utilities, receives an administrative allocation of allowances to cover its expected GHG emissions. Entities that emit GHGs at levels above those for which they receive administrative allocations, if any, must purchase the additional allowances they require at the CARB auctions or from other covered entities with surplus allowances. The Department believes that, if its administrative allowance allocation is not sufficient to cover GHG emissions from all of the Department's generation and purchases of electricity to serve retail customer load, the Department could obtain additional allowances by participating in the CARB auctions or the secondary market. The Department also believes that the cost of compliance with the Cap-and-Trade Regulations for retail customer load will be substantially covered by the administrative allocation of allowances and/or existing rate adjustments and anticipated rate increases through 2030. When the Department sells electricity in the wholesale market, it is required to purchase allowances to cover GHG emissions for those wholesale electricity sales, and the cost of such allowances is included in the electricity price paid by the wholesale buyer.

In July 2017, CARB adopted amendments to the Cap-and-Trade Regulations, which included a 40% reduction in the Statewide GHG emissions cap between 2021 and 2030. CARB granted administrative allowance allocations to electrical distribution utilities such as the Department for the 2021 to 2030 compliance period. The Power System is expected to be able to comply with these amendments with minimal impact to its finances or operations in connection with the implementation of the Power System's resource plan.

In July 2017, then-Governor Brown signed into law AB 398 to extend the State's Cap-and-Trade Regulations from 2021 to 2030. The bill cleared both houses with a 2/3 supermajority vote, which protects the legislation from certain legal challenges. Under AB 398, CARB is directed to address the following: establish a price ceiling, offer non-tradeable allowances at two price containment points below the price

ceiling, transfer current vintages unsold for more than 24 months to the allowance price containment reserve, evaluate and address allowance overallocation concerns, set industry assistance factors for allowance allocation, and establish allowance banking rules. AB 398 was passed in conjunction with two companion bills: AB 617, which strengthens the monitoring of criteria air pollutants and toxic air contaminants in local communities, and Assembly Constitutional Amendment No. 1 ("ACA-1"), which created a special Greenhouse Gas Reduction Reserve Fund in the State Treasury, into which all new money collected from the auction of cap-and-trade allowances shall be deposited beginning January 1, 2024 until the effective date of legislation that appropriates money from the fund. The money is then to be appropriated to the existing Greenhouse Gas Reduction Fund, from which money is allocated to 75 California Climate Investment programs administered by 23 State agencies to reduce GHG emission and provide environmental, economic, and public health benefits. A minimum of 35% of California Climate Investments are required to benefit priority populations including disadvantaged communities and low-income communities and households.

In December 2018, CARB approved amendments to the Cap-and-Trade Regulations to make the cap-and-trade program consistent with AB 398 requirements. The amendments to the Cap-and-Trade Regulations went into effect on April 1, 2019. The Department does not expect these amendments to have a material adverse effect on the operations or financial condition of the Power System.

On February 28, 2023, CARB issued a market notice regarding further updates to the Cap-and-Trade Regulations. Topics to be considered include banked allowances, evaluation of the program caps within the context of the 2022 Scoping Plan goals, conducting electricity sector and industrial sector leakage studies, updates to offset protocols, addressing the new Extended Day Ahead Market for electricity, protecting low-income households from disproportionate impacts of energy prices, and carbon dioxide sequestration and removal projects developed under the SB 905 Carbon Capture, Removal, Utilization, and Storage Program. CARB has indicated the proposed rule amendments package should be posted for public review and comment in the fourth quarter of 2023.

GHG Emissions Performance Standard and Financial Commitment Limits. Pursuant to SB 1368 (Chapter 598, Statutes of 2006), the CEC adopted a GHG emissions performance standard ("EPS") for electric generating facilities of 1,100 pounds of CO_2 per MWh for "covered procurements" by POUs, such as the Department. SB 1368 also prohibits POUs from making any "long-term financial commitment" in connection with "baseload generation" that does not satisfy the EPS. Generally, a "long-term financial commitment" is any new or renewed power purchase agreement with a term of five years or more, the purchase of an interest in a new power plant or any investment, other than routine maintenance, in an existing power plant that is designed and intended to extend the life of the plant by more than five years or results in an increase of 50 MW or more in its rated capacity. "Baseload generation" means a power plant that is intended to operate at an annualized capacity factor of 60% or more.

California Renewable Portfolio Standard. The State's legislature and executive branch have been active in promoting increasingly stringent renewable energy procurement requirements since 2002. Early efforts established a standard of 20% of renewable electricity generation by 2017. Since then, both legislative and executive branch initiatives have raised that standard in multiple phases.

On April 12, 2011, then-Governor Brown signed into law the California Renewable Energy Resources Act, or SBX 1-2. SBX 1-2 established procurement targets for three compliance periods to be implemented by the procurement plan: 20% of the utility's retail sales were to be procured from eligible renewable energy resources by December 31, 2013; 25% by December 31, 2016; and 33% by December 31, 2020.

In October 2015, then-Governor Brown signed into law SB 350, which requires the Department to make reasonable progress each year to ensure it achieves 40% of retail sales from eligible renewable energy

resources by December 31, 2024, 45% of retail sales from eligible renewable energy resources by December 31, 2027, and 50% of retail sales from eligible renewable energy resources by December 31, 2030.

In September 2018, then-Governor Brown signed into law SB 100, further increasing statewide RPS targets by requiring retail electric sellers and POUs, such as the Department, to procure a minimum quantity of electricity products from eligible renewable energy resources so that the total kWhs of those products sold to retail end-use customers achieve 44% of retail sales by December 31, 2024, 52% of retail sales by December 31, 2027, and 60% of retail sales by December 31, 2030. In addition, SB 100 establishes that it is the policy of the State that eligible renewable energy resources and "zero-carbon resources" supply 100% of retail sales of electricity to State end-use customers by December 31, 2045. Defining resources that constitute a "zero-carbon resources" will be subject to further regulatory proceedings of the CEC and CARB. The author of SB 100, Senator Kevin De León, signed a letter that was filed on August 31, 2018, indicating that the author's intent was to include existing resources that do not produce GHG emissions, such as large hydro and nuclear resources, besides renewables, in the definition of a "zero-carbon resources." The CEC has adopted updates to the RPS Enforcement Procedures for Publicly Owned Utilities which incorporate requirements set forth in SB 350 and SB 100, among other enacted bills. This includes implementing a major provision from SB 350 pertaining to long-term procurement of renewable resources, which requires, beginning January 1, 2021, that at least 65% of RPS procurement must be from contracts of 10 years or more in duration or in ownership or ownership agreements. The updated regulations became effective on July 12, 2021.

In September 2022, Governor Newsom signed into law SB 1020, which revised the policy of the State established by SB 100 to provide that eligible renewable energy resources and "zero-carbon resources" supply 90% of all retail sales of electricity to State end-use customers by December 31, 2035, 95% by December 31, 2040, 100% by December 31, 2045, and 100% of electricity procured to serve all State agencies by December 31, 2035.

See "THE POWER SYSTEM – Renewable Power Initiatives" and "– Projected Capital Improvements" for a description of the Department's existing and potential renewable energy projects.

Biomass Legislation. In September 2016, then-Governor Brown signed into law SB 859 that, among other things, requires certain electric utilities to enter into five-year contracts for at least 125 MW of biomass capacity with facilities that generate energy from feedstock harvested from (a) a byproduct of sustainable forestry management and (b) high fire-hazard zones. Due to the specific requirements of the law, the available facilities satisfying the requirements of the law are limited. The Department, SCPPA and the other POUs procured biomass capacity under contracts from two projects to satisfy the SB 859 requirements: (i) the ARP-Loyalton contract that ended in April 2023, from which the Department's contracted amount was 8.9 MW, and (ii) a contract for 5.4 MW of capacity with Roseburg Forrest Products Co., in Weed, California. See "THE POWER SYSTEM – Renewable Power Initiatives – *Biomass Development*."

Energy Storage Legislation. On October 14, 2017, then-Governor Brown signed into law SB 801, which required the Department, by June 1, 2018, to determine the cost-effectiveness and feasibility of deploying a minimum aggregate total of 100 MW of cost-effective energy storage solutions to help address the Los Angeles Basin's electrical system operational limitations resulting from reduced gas deliverability from the Aliso Canyon natural gas storage facility. Department staff performed analysis and found that a 100 MW battery energy storage system paired with solar generation at the grid would be cost effective by 2022. See "THE POWER SYSTEM – Renewable Power Initiatives – *Energy Storage Development*." To comply with such legislation, the Department has entered into PPAs for energy storage systems at the Eland Solar & Storage Center, Phase 1 and the Eland Solar & Storage Center, Phase 2.

Biomethane Procurement. In September 2018, then-Governor Brown signed into law SB 1440, which requires the CPUC and CARB to consider adopting biomethane targets or goals applicable to gas service providers. In December 2019, the CPUC held a workshop to consider SB 1440 implementation and renewable gas procurement as a cost-effective strategy to reduce methane emissions. Earlier in 2019, the CPUC held several workshops to discuss standards required to interconnect and inject renewable methane and hydrogen projects into the natural gas pipeline system. In January 2020, the CPUC held a working group meeting to discuss current knowledge of hydrogen blending and development of a standard for hydrogen injection. In May 2020, the CPUC held a workshop to discuss the proposed renewable natural gas interconnection and operating agreements that were developed and submitted by the joint gas utilities. These agreements will enable receipt of renewable gas produced by dairies and other sources into the utility pipelines, which will reduce methane emissions and the carbon intensity of natural gas consumed in the State. The Department will continue to monitor this proceeding.

Renewable Energy Policy Development. In August 2018, the CEC adopted the policy "Toward A Clean Energy Future, 2018 Integrated Energy Policy Report Update" (the "2018 IEPR"). The 2018 IEPR is composed of two volumes. The first volume is a high-level summary of the energy policies the State has implemented in recent years. This high-level summary includes (i) the State's participation in an international pact to reduce emissions and increase renewable electricity procurement to 33% by 2020 and 50% by 2030; (ii) continued support for incentives or mandates for more homes and business to install rooftop solar; (iii) an executive order calling for at least five million zero-emission vehicles on the State's roads by 2030 and an extensive expansion of charging and refueling infrastructure; and (iv) continued support for the development and implementation of an energy efficient program in existing buildings. The second volume provides updated analysis of issues raised in previous Integrated Energy Policy Reports, including "advancing then-Governor Brown's call to expand state adaptation activities through Executive Order B-30-15, with the goal of making the consideration of climate change a routine part of planning," as well as, "enhancing the resiliency of the electricity system while integrating increasing amounts of renewable energy." See "– Environmental Regulation and Permitting Factors – *Water Quality – Cooling Water Process – State Water Resources Control Board*" below.

Legislation and Court Action Relating to Wildfires. In September 2016, then-Governor Brown signed into law SB 1028, which requires each POU, including the Department, each IOU and each electric cooperative in the State to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. Effective January 1, 2017, SB 1028 requires the governing board of each POU to make an initial determination of whether its overhead electric lines and equipment pose a significant risk of catastrophic wildfire based on historical fires and local conditions. POU governing boards were required to independently make this determination based on all relevant information, including the CPUC's Fire Threat Map which was adopted by the CPUC in January 2018. On September 5, 2018, the Board determined that the Power System's overhead electrical lines and equipment do not pose a significant risk of causing a catastrophic wildfire. Prior to the enactment of SB 1028, the Department has had an active fire prevention plan since 2008, which includes construction standards, a vegetation management program, and an inspection and maintenance program.

SB 901, which was signed into law in September 2018, amends certain provisions of SB 1028. SB 901 requires, among other things, POUs, such as the Department, to prepare before January 1, 2020 and annually thereafter, a wildfire mitigation plan. SB 901 requires the POU to contract with a qualified independent evaluator to review and assess the comprehensiveness of its plan. The report of the independent evaluator is to be made available to the public and presented at a public meeting of the POU's governing board. Consistent with the requirements of SB 901 and subsequent legislation (AB 1054 discussed below), the Department updates its wildfire mitigation plan on an annual basis, with comprehensive revisions and independent evaluator reviews occurring every three years.

In 2017, the CPUC adopted a work plan for the development and adoption of the CPUC Fire-Threat Map. On the CPUC Fire-Threat Map, any area in a Tier 2 fire-threat area is depicted as an "elevated risk (including likelihood and potential impacts on people and property) from utility associated wildfires" and any area in a Tier 3 fire-threat area is depicted as an "extreme risk (including likelihood and potential impacts on people and property) from utility associated wildfires." Based on the wildfire mitigation plan dated April 17, 2020, approximately 14.1% of the Power System's overhead distribution power lines fall within a Tier 2 area and approximately 0.5% of the Power System's overhead distribution power lines fall within a Tier 3 area. The Department has not modeled a total destruction scenario in Tier 2 and Tier 3 areas of its service territory because such areas represent a small portion of the Power System's service territory; but the Department believes that based on the low density of the property in the applicable Tier 2 and Tier 3 areas, the potential property damage is expected to be relatively low. In these applicable Tier 2 and Tier 3 areas, the Department continues to replace wooden pole assets with alternative material poles, install covered conductors where feasible, equip poles for high wind load in order to resist fire damage, and employ a robust vegetation management program to further mitigate wildfire risk exposure.

In April 2019, Governor Newsom released a report of findings of an appointed working group examining the State's wildfires and associated liability. The report provided recommendations for changes in State fire prevention and response and suggested an exploration of a new model for paying wildfire-related costs. AB 1054, which was signed into law by Governor Newsom in July 2019, codifies some of the recommendations of such report. AB 1054 requires POUs to submit their wildfire mitigation plans for annual review to a newly created California Wildfire Safety Advisory Board, with comprehensive revisions submitted every three years. The Department continues to submit its wildfire mitigation plan to the California Wildfire Safety Advisory Board on an annual basis, with the last submittal occurring on June 28, 2023. The Department's 2023 wildfire mitigation plan represents a comprehensive update, meeting the requirements of AB 1054. The California Wildfire Safety Advisory Board is expected to publish its guidance advisory opinion for the recently submitted wildfire mitigation plans in late 2023. Previous reviews by the California Wildfire Safety Advisory Board found the Department's wildfire mitigation plan to be comprehensive with clear descriptions of its relevant programs. The Department is required to submit its next annual update to the Department's wildfire mitigation plan to the California Wildfire Safety Advisory Board by July 1, 2024.

AB 1054 also establishes a new wildfire fund for IOUs to pay for eligible claims arising from future covered wildfires. Participation in the wildfire fund is exclusive to IOUs. Governor Newsom's working group's report also identified the concept of changing the strict liability standard under the State's inverse condemnation law to a fault-based liability standard. The Department continues to monitor State level legislative activity for potential updates regarding strict liability. It is not yet known what impact any potential future actions resulting from this report may have on the finances or operations of the Power System.

A number of wildfires occurred in the State in the last several years. Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), California courts have imposed liability on utilities in legal actions brought by property holders for damages caused by such utilities' infrastructure. Thus, if the facilities of a utility, such as its electric distribution and transmission lines, are determined to be the substantial cause of a fire, and the doctrine of inverse condemnation applies, the utility could be liable for damages without having been found negligent. In August 2019, in its decision in the case of *City of Oroville v. Superior Court of Butte County*, No. S243247 (Cal. Aug. 15, 2019) involving damages related to sewage overflows from a city sewer system, the California Supreme Court issued a rare but narrow decision regarding inverse condemnation liability. The residential property owner in that case failed to install a mandatory sewer backflow device, allowing the court to conclude the absence of that device was the substantial cause of the damages to the residence. The property owner was unable to prove the property damage was the probable result or necessary effect of an inherent risk associated with the design, construction or maintenance of the

relevant public improvement. SB 1028, SB 901 and AB 1054 do not address existing legal doctrine relating to utilities' liability for wildfires. How any future legislation or judicial decisions address the State's inverse condemnation and liability issues for utilities in the context of wildfires in particular could be significant for the electric utility industry, including the Department.

See "LITIGATION – Wildfire Litigation" for information about current litigation regarding wildfires and "THE DEPARTMENT – Insurance" for information about the Department's current insurance coverage for wildfires.

Environmental Regulation and Permitting Factors

General. Numerous environmental laws and regulations affect the Power System's facilities and operations. The Department monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. The following topics highlight some of the major environmental compliance issues affecting the Power System:

Air Quality – Nitrogen Oxide (NOx) Emissions. The Department's four Los Angeles Basin power plants are subject to the Regional Clean Air Incentives Market ("RECLAIM") NOx regulations adopted by the SCAQMD. In accordance with these regulations, SCAQMD established annual NOx allocations for stationary source facilities based on historical emissions with a declining emissions cap. These allocations are in the form of RECLAIM trading credits ("RTCs"). Facilities can comply with RECLAIM by purchasing RTCs from the RECLAIM market, installing emission controls, and/or reducing operations. The Department has installed emission control equipment at its power plants to reduce NOx emissions. The Los Angeles Basin Stations are all equipped with emission control equipment. As a result of the installation of NOx control equipment and the modernization of existing electric generating units, the Department has had sufficient RTCs to meet its native load requirements for normal operations under the NOx RECLAIM regulation.

In March 2017, the SCAQMD adopted the 2016 Air Quality Management Plan and included a control measure to achieve an additional five tons per day NOx reduction as soon as feasible but no later than 2025, and to transition the RECLAIM program to a command-and-control regulatory structure requiring Best Available Retrofit Control Technology ("BARCT") as soon as feasible.

In July 2017, then-Governor Brown approved AB 617 which addresses criteria pollutants (including NOx) and toxic air contaminants at stationary sources. RECLAIM facilities are subject to the BARCT requirements of AB 617.

The Department has been participating in RECLAIM working group meetings related to the transition from the market-based RECLAIM program to a command-and-control regulatory structure. The RECLAIM program was originally scheduled to end on December 31, 2023 but is now expected to extend past 2025 after the EPA's approval of the State Implementation Plan and the resolution of outstanding issues with the New Source Review ("NSR") Program. The Los Angeles Basin Stations will transition from RECLAIM to a source-specific NOx rule for electric generating units that will include NOx limits reflecting BARCT. SCAQMD Rule 1135, the "command-and-control" rule for electric generating units, was adopted on November 2, 2018. Instead of receiving an annual allocation of emission credits, electric generating units will be required to meet a NOx emission limit. The NOx emission limit for simple cycle gas turbines is 2.5 parts per million ("ppm") while the NOx emission limit for combined cycle gas turbines is 2.0 ppm. To comply with the new NOx limit of 2.5 ppm for simple cycle gas turbines, the existing selective catalytic reduction equipment for the Department's simple cycle combustion turbines at the Harbor Generating Station and the Valley Generating Station are being tuned. To meet the 2.0 ppm limit for combined cycle gas turbines, the combustors of combined cycle combustion turbines at the Harbor Generating Station are being upgraded. The remaining electric generating units at the Los Angeles Basin Stations either already

meet the NOx limits or are exempt from the rule. The Department does not expect the modifications to have a material adverse effect on the operations or financial condition of the Power System. The upgrades are expected to be completed by the original Rule 1135 compliance date of December 31, 2023. Failure to meet the NOx limits by the compliance date will prohibit out-of-compliance generating units from operating. On January 7, 2022, Rule 1135 was amended to include additional startup and shutdown provisions. On January 13, 2023, SCAQMD released a proposed amended rule, which includes an extended compliance deadline of April 1, 2024.

Regulatory Actions Under the Clean Air Act. The United States Environmental Protection Agency (the "EPA") regulates GHG emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other air pollutants, GHGs are regulated under the Clean Air Act through the Prevention of Significant Deterioration ("PSD") Permit Program and the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of a major stationary source and requires best available control technologies to control emissions from the new or modified stationary source. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document and the permit process provides for review of the documents by the EPA, state agencies and the public. GHGs from major natural gas-fired facilities are regulated under both permitting programs through performance standards imposing efficiency and emissions standards.

On October 23, 2015, the EPA, under the Obama Administration, published the Clean Power Plan and final regulations for (1) carbon pollution standards for new, modified, and reconstructed power plants, and (2) carbon pollution emission guidelines for existing electricity utility generating units. The total national emissions reduction goal under the Clean Power Plan targeted an average of a 32% reduction from 2005 levels by 2030, with incremental interim goals for the years 2022 through 2029. The Clean Power Plan would have allowed states multiple options for measuring reductions and different established reduction goals depending upon the regulatory program set forth in the state plan. On July 8, 2019, the EPA issued final new regulations entitled the "Affordable Clean Energy Rule" to replace the Clean Power Plan. On January 19, 2021, upon a challenge by a number of environmental advocates, state and municipal attorneys, and a coalition that included the Department, the D.C. Circuit vacated the Affordable Clean Energy Rule. Moreover, on October 29, 2021, the U.S. Supreme Court granted certiorari to hear challenges to the EPA's authority to regulate GHGs emissions from power plants. On June 30, 2022, the U.S. Supreme Court denied the EPA the authority to create emissions caps, stating that Congress must provide specific direction to the EPA, instead of a broad scope of power, for the agency to regulate GHGs emissions. The Supreme Court invoked the major questions doctrine in its ruling that the impacts of the EPA's 2015 Clean Power Plan would have been of "vast economic and political significance," which the court said is prohibited without explicit Congressional authority. The decision prohibits the EPA from regulating CO_2 emissions using generation shifting, but the court upheld the EPA's authority to set best systems for emissions reduction ("BSER") to regulate GHG emissions such as CO_2. On October 27, 2022 the D.C. Circuit ruled based on the Supreme Court's decision, that the petitions to review the Affordable Clean Energy Rule be denied, and the remaining challenges to the Affordable Clean Energy Rule be held in abeyance pending completion of rulemaking by the EPA.

In May 2023, the EPA proposed new carbon pollution standards for coal and natural gas-fired power plants. The proposed rule would establish CO_2 emissions limits and guidelines for new gas-fired combustion turbines, existing coal, oil and gas-fired steam generating units, and certain existing gas-fired combustion turbines. Additionally, the EPA is simultaneously proposing to repeal the Affordable Clean Energy Rule through this proposal which includes the following elements, in each case reflecting the application of BSER, taking into account costs, energy requirements and other statutory factors: (i) strengthening the current New Source Performance Standards for newly built fossil fuel-fired stationary combustion turbines (generally natural gas-fired); (ii) establishing emission guidelines for carbon pollution

from existing fossil fuel-fired steam generating units (including coal, oil and natural gas-fired units) beginning January 1, 2030; and (iii) establishing emission guidelines for large, frequently used existing fossil fuel-fired stationary combustion turbines (generally natural gas-fired) beginning January 1, 2032 or January 1, 2035, depending on which BSER technology is pursued. Under the proposed rule, emissions standards are established for different subcategories of power plants according to unit characteristics such as their capacity, their intended length of operation, and/or their frequency of operation. The proposed rule would generally require more CO_2 emissions control at fossil fuel-fired power plants that operate more frequently and for more years and would phase in increasingly stringent CO_2 requirements over time. The standards are based on emission control methods that can be installed at the plants, including technologies such as carbon capture and sequestration/storage, low-GHG hydrogen co-firing, and natural gas co-firing; however, the determination of whether to implement such technologies or to comply with the proposed emissions limits by other means would be made by power plant operators and state regulators. Under the proposal, states would be required to submit compliance plans to the EPA within 24 months of the effective date of the adoption of the regulations. The EPA requested public comment on the proposed regulation. The public comment period closed on August 8, 2023, 60 days after the date of publication of the proposed regulation in the Federal Register. The Department submitted comments on the proposed regulation and will continue to participate in the rulemaking process. There can be no assurance that the final regulations to be adopted after public comment will reflect the currently proposed standards or as to the timing of the adoption and implementation thereof.

See also, "THE POWER SYSTEM — General," "—Department-Owned Generating Units," "—Jointly Owned Generating Units and Contracted Capacity Rights in Generating Units," "—Projected Capital Improvements," "—Energy Efficiency" and "—Renewable Power Initiatives."

Air Quality – Mercury. The Clean Air Act provides for a comprehensive program for the control of hazardous air pollutants ("HAPs"), including mercury. On February 16, 2012, EPA finalized a rule called the Mercury and Air Toxics Standards ("MATS") to reduce emissions of toxic air pollutants, including mercury, from coal- and oil-fired electric generating units, and subsequently amended the rule in 2013 and 2014. The MATS rule set technology-based emission limitation standards for mercury and other toxic air pollutants, based upon reductions available through the use of "maximum achievable control technology" at coal- and oil-fired electric generating units. The rule has minimal impact to IPP, the one remaining coal-fired plant that is a source of energy for the Department. IPP did not have to install control technology and EPA has deemed the IPP units as low-emitting electric generating units ("LEEs"). IPP is subject to periodic testing, work practice standards and recordkeeping requirements.

In order to comply with the MATS rule, IPP replaced the ignitors to decelerate the destruction of baghouses, the upfront cost of which was $5.5 million. The cost of compliance with work practice standards are minimal, approximately $50,000 per year. IPP will not be required to install additional control technology to reduce its HAPs. However, the Department continues to examine other possible options to meet the requirements in the most effective manner. IPP already utilizes wet scrubbers and fabric filters that significantly reduce HAPs. The State of Utah adopted minimum performance criteria for existing electric generating units and offset requirements for potential increases in mercury emissions from new or modified electric generating units. Utah's minimum performance criteria include a rule, effective January 1, 2012, that coal-fired power plants, such as IPP, meet a mercury emissions limit of 0.00000065 lb/MMBtu or have at least a 90% mercury removal efficiency. IPP complies with the Utah mercury standard.

On April 24, 2023, the EPA published its proposed rule entitled "National Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units Review of the Residual Risk and Technology Review." The proposed rule establishes a lower mercury emissions standard for lignite coal, which does not apply to IPP. The rule also proposes to reduce the emissions standard for filterable particulate matter ("fPM") from 0.03 lb/MMBtu to 0.01 lb/MMBtu. In addition, it requires the owners and operators of existing coal-fired plants to only use a continuous emissions monitoring system

("CEMS") to demonstrate compliance with the new fPM standards. The EPA requested comments on the proposed rule, as well as on the possibility of reducing the compliance timeframe from three years to one year from the effective date. IPP submitted a comment letter. Comments were due on June 23, 2023.

SCAQMD Air Quality Management Plan. The SCAQMD periodically prepares an overall plan, known as an Air Quality Management Plan (the "AQMP"), which include control measures to meet federal air quality standards and incorporate the latest technical planning information. In March 2017, SCAQMD adopted its 2016 AQMP, which is a regional and multi-agency effort. The SCAQMD held stakeholder working group meetings in connection with its development of rules and rule amendments to implement the control measures included in the 2016 AQMP, and submitted their control measure plan to EPA in December 2019. In 2021, the Department participated in the working group meetings dedicated to the development of the 2022 AQMP along with the proposed control measures that could potentially impact the Department's operations. In May 2022, SCAQMD released the draft 2022 AQMP, which aims for a 45% reduction in NOx emissions through this plan. Following the public comment period on the draft AQMP to SCAQMD, on December 2, 2022, the SCAQMD Board approved the 2022 AQMP as proposed by staff. On January 26, 2023, CARB adopted the SCAQMD 2022 AQMP, and directed staff to submit the 2022 AQMP to the EPA as a revision to the California State Implementation Plan to achieve the federal air quality standard for ozone.

Water Quality – Cooling Water Process.

General. A cooling process is necessary for nearly every type of steam turbine electrical generating station. Once-through-cooling is the process where water is drawn from a source, pumped through equipment at a power plant to provide cooling and then discharged. In once-through-cooling, the water is not chemically changed in the cooling process; however, the water temperature can increase. The water drawn into the intake and the thermal discharges are regulated by the federal Clean Water Act and similar state law.

EPA Requirements. A final regulation implementing Section 316(b) of the Clean Water Act ("Rule 316(b)") addresses the impacts of water intake by once-through-cooling systems. Rule 316(b) affects intake structures for power generating facilities that withdraw more than two million gallons per day for cooling purposes. The Department has determined it will comply with impingement mortality ("IM") and entrainment mortality ("EM") by replacing once-through-cooling with other technology by the deadline of 2029 negotiated with the SWRCB.

State Water Resources Control Board. The SWRCB established a separate statewide policy with respect to the Clean Water Act Section 316(b) in 2010 published as Section 2922 of Title 23 of the California Code of Regulations ("Regulation Section 2922"). The new regulation generally requires all facilities subject to the Clean Water Act Section 316(b) to either use closed cycle cooling or flow reduction commensurate to that of wet closed cycle. The Department owns three coastal generating stations that utilize once-through-cooling, that provide approximately 85% of the Department's in-basin generation and 39% of the total generating plant capacity owned by the Department, which are subject to Regulation Section 2922.

On July 19, 2011, the SWRCB adopted an amendment to Regulation Section 2922 that accelerated the compliance dates for three coastal units and extended the compliance dates until 2024 for two coastal units and 2029 for the remaining four coastal units. As of August 15, 2023, the SWRCB adopted another amendment, extending the compliance date for the two units with a December 31, 2024 deadline to December 31, 2029. The new compliance schedule allows for both grid reliability and a financially sustainable path forward while making the equipment upgrades necessary to remove the coastal generating stations' units from utilizing once-through-cooling, shifting the focus from repowering to clean energy alternatives.

Regional Requirements – Thermal Discharges at Harbor Generating Station and Haynes Generating Station. The SWRCB's Water Quality Control Plan for Control of Temperature in the Coastal and Interstate Waters and Enclosed Bay and Estuaries of California (the "California Thermal Plan") has different thermal criteria for discharges into estuaries and bays than it does for discharges into the ocean. The water discharges from Harbor Generating Station and Haynes Generating Station were originally permitted as ocean discharges. In January 2003, however, the Los Angeles Regional Water Quality Control Board ("LARWQCB") informed the Department that it (i) reclassified the Harbor Generating Station discharge as an enclosed bay discharge and that (ii) it intends to reclassify the Haynes Generating Station discharge as an estuary discharge during the next permit renewal. The Harbor Generating Station NPDES permit was renewed by the LARWQCB in July 2003, with the new enclosed bay classification and the associated, more stringent, permit limits. Based on the notice of intent to reclassify the Haynes Generating Station discharge and planned changes to be made to the Haynes Generating Station's flow volume, the Department has completed a hydrological model of the Lower San Gabriel River. Haynes discharges into the San Gabriel River, which in turn flows into the ocean. The hydrological study concluded that the estuary classification does not reflect current site conditions with the operation of the existing power plants. However, the LARWQCB stated that for regulatory purposes, the Lower San Gabriel River would likely represent an estuary. With this designation, the Haynes Generating Station would be unable to comply with the California Thermal Plan and other permit conditions without a permit variance. If the Department is unable to obtain a permit variance, the Haynes Generating Station facility could be limited or unable to operate. The LARWQCB has recognized the need to continue utilizing once-through cooling at the Haynes Generating Station through 2029 for electric grid reliability and is currently working with the Department on a solution for all discharge issues associated with the estuary designation, which could include the issuance of a variance.

Superfund. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, as well as State statutes, impose strict liability for cleanup costs upon those who generate or dispose of hazardous substances and hazardous wastes. The Department's past disposal practices may result in Superfund liability as previously approved disposal methods or sites become candidates for Superfund classification. In addition, under these statutes, the Department may be held liable for cleanup activities on property that it owns and operates, even if the conditions requiring cleanup existed before the Department's occupancy of a site. As a result, the Department may incur substantial, but presently unknown, costs as a participant in the cleanup of sites contaminated with hazardous substances or wastes.

Coal Combustion Residuals. In April 2015, the EPA promulgated the final coal combustion residuals ("CCR") rule, which regulates the disposal and management of CCRs as non-hazardous under Subtitle D of the Resource Conservation and Recovery Act ("RCRA"). The final CCR rule became effective in October 2015.

Under the CCR rule, existing impoundments for managing CCR must either cease accepting CCR materials as of the rule's effective date, or implement a variety of measures to ensure that such facilities will not result in releases to the environment. One such requirement is that all such facilities be retrofitted with liners that are intended to prevent the migration to groundwater of contaminants found in CCR. In addition, the rule requires monitoring of groundwater to determine whether releases have occurred, and to contain or clean up any such releases that are discovered.

The IPP utilizes impoundments (ponds and landfills) for the management of CCR that are subject to the CCR rule. The IPP has met all interim compliance requirements for the new CCR rule including: setting up a public website and posting CCR operating records, developing new groundwater monitoring wells and sampling plans, beginning to sample groundwater wells quarterly, and developing and implementing a fugitive dust monitoring plan.

The Department believes that the IPP's CCR management facilities may not meet the design criteria required for surface impoundments and that releases of certain contaminants have occurred from the current, unlined impoundments. The Department understands that IPA has made notification that IPP will cease operations of the coal-fired boilers and switch to another fuel source for generation by 2028.

The Department has estimated the IPP's total cost of compliance with the final CCR rule to fall within the range of $55 million to $70 million (in 2019 dollars) over a time period commencing in 2019 and ending between approximately 2025 and 2028 (except for long-term monitoring and maintenance, which would last approximately 30 years after closure). Of this total cost, the Power System would be responsible for a percentage equal to its total use of energy produced by IPP. For more information about IPP, see "THE POWER SYSTEM – Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Intermountain Power Project*."

In November 2019, the EPA proposed revisions (Part A) to the CCR rule. The proposed revisions focus on closure requirements for impoundments and landfills. IPA is opting to comply with the alternate closure requirement as currently described in the current CCR rule. The proposed revisions include additional requirements to get approval of the EPA or the state to close impoundments in accordance with alternate closure procedures. There is also a new requirement to prepare a plan to mitigate potential risk to human health and environmental from CCR surface impoundments. The Part A revisions were finalized and published in the Federal Register in August 2020. IPP has submitted a request to the EPA demonstrating that they meet the alternate closure procedures as described in the regulations. IPP is awaiting EPA review and approval which was initially expected to be received by April 2021, however the EPA has placed all reviews on hold for coal-fired generating units.

In February 2020, the EPA proposed a federal CCR permit program. Currently, the CCR rule is self-implementing and is enforced primarily though citizen suits which are decided in federal district courts. This program will not change the provisions of the regulations but the EPA will be able to review, approve, issue, and enforce the CCR regulations through the permit program.

In March 2020, the EPA proposed more revisions (Part B) to the CCR rule including provisions to demonstrate equivalent alternate liners, using CCR for closing impoundments, and completion of closure by removal during post closure care period. The proposed revisions do not impact IPA's plan to follow alternate closure requirements.

Electric and Magnetic Fields. A number of studies have been conducted regarding the potential long-term health effects resulting from exposure to electric and magnetic fields created by high voltage transmission and distribution equipment. Additional studies are being conducted to determine the relationship between electric and magnetic fields and certain adverse health effects, if any. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which the electric and magnetic fields concerns may have on electric utilities, including the Department.

For additional information regarding environmental matters, see "THE POWER SYSTEM—Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – *Hoover Power Plant – Environmental Considerations" and " – Palo Verde Nuclear Generating Station – Nuclear Waste Storage and Disposal.*"

Energy Regulatory Factors

Developments in the California Energy Market. In the late 1990s, the State restructured its electricity market so that regulated retail suppliers were required to purchase their customers' supply needs through a centralized, wholesale market. In the centralized market, an administrator collected sellers' price bids and purchasers' estimates of demand. The administrator then determined the price for the most costly

unit that was needed to meet demand, and all transactions occurred at that price. The wholesale market was structured as a "spot" market in which prices were set and purchases were made on a short-term basis shortly before supply was needed. The State also capped the price at which regulated retail suppliers could sell electricity to their customers. During portions of 2000 and 2001, wholesale market prices in the State became highly volatile and, for sustained periods, significantly exceeded the capped retail prices. Demand did not decline in response to high wholesale prices because retail prices were capped. This situation resulted in the deterioration of the creditworthiness of two large, retail suppliers, Pacific Gas & Electric Company ("PG&E") and Edison, and PG&E eventually declared bankruptcy. Certain other marketers, power suppliers and power plant developers experienced downgrades of their credit ratings. PG&E emerged from bankruptcy on April 12, 2004. Subsequently, PG&E reentered bankruptcy in 2019 which it attributed to the potential magnitude of its liabilities related to wildfires in Northern California. PG&E emerged from that bankruptcy on July 1, 2020. The Department has no long-term contracts currently in place for the purchase of energy, energy-related commodities, or natural gas from PG&E. To date, the Department has not experienced any material adverse impacts as a result of the most recent PG&E bankruptcy proceedings. See also "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *Legislation and Court Action Relating to Wildfires*."

The volatility in wholesale prices that the State experienced in 2000 and 2001 was due to a number of factors, including flaws in the structure of the wholesale market and unlawful manipulation of the wholesale market. As discussed below, the wholesale market in the State has since been redesigned, and Congress has established mechanics for policing wholesale markets.

Volatility in electricity prices in the State may nevertheless return due to a variety of factors that affect the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of GHG emission legislation and regulations, fuel costs and availability, weather effects on customer demand, the impact of climate change, wildfire mitigation and potential liability cost recovery, insurance costs, transmission congestion, the strength of the economy in the State and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). Volatility in electricity prices may contribute to greater volatility in the Power System's Power Revenue Fund from the sale (and purchase) of electric energy and, therefore, could materially affect the financial condition of the Power System. To mitigate price volatility and the Department's exposure on the spot market, the Department undertakes resource planning activities and plans for its resource needs. Of particular note, the Department has power supply contracts and other arrangements relating to its system supply of power that are of specified durations. See "THE POWER SYSTEM – Generation and Power Supply."

Future Regulation of the Electric Utility Industry. The electric utility industry is highly regulated and is also regularly subject to reform. The most recent reforms and proposals are aimed at reducing emissions of GHGs from combustion of fossil fuels and reducing impacts from using ocean water for power plant cooling. The Department is unable to predict future reforms to the electric utility industry or the impact on the Department of recent reforms and proposals. In particular, the Department is unable to predict the outcome of proposals on reducing GHG emissions and the associated impact on the operations and finances of the Power System or the electric utility industry.

Energy Policy Act of 1992. The Energy Policy Act of 1992 ("EPAct 1992") made fundamental changes in federal regulation of the electric utility industry, particularly in the area of transmission access under sections 211, 212 and 213 of the Federal Power Act, 16 U.S.C. § 791a et seq. The purpose of these changes, in part, was to bring about increased competition among wholesale suppliers. As amended, sections 211, 212 and 213 authorize FERC to compel a transmission provider to provide transmission service upon application by an electricity supplier. FERC's authority includes the authority to compel the enlargement of transmission capacity as necessary to provide the service. The service must be provided at

rates, charges, terms and conditions that are set by FERC. Electric utilities that are owned by municipalities or other public agencies are "transmitting utilities" that may be subject to an order under sections 211, 212 and 213. EPAct 1992 prohibits FERC from requiring "retail wheeling" under which a retail customer that was located in one utility's service area could obtain electricity from another source. An order by FERC to provide transmission might adversely affect the Power System by, and among other things, increasing the Department's cost of owning and operating transmission facilities and/or by reducing the availability of the Department's transmission resources for the Department's own use.

Energy Policy Act of 2005. The Energy Policy Act of 2005 ("EPAct 2005") addresses a wide array of matters that affect the entire electric utility industry, including the Department.

Subject to certain conditions and limitations, EPAct 2005 authorizes FERC to require an unregulated transmitting utility such as the Department to provide electric transmission services at rates that are comparable to those that the unregulated transmitting utility charges itself; and on terms and conditions (not relating to rates) that are comparable to those under which the unregulated transmitting utility provides transmission services to itself and that are not unduly discriminatory or preferential. FERC may compel open access in this context unless the order would violate a private activity bond rule for purposes of section 141 of the Code (as defined below). To date, FERC has chosen to exercise its authority on a case-by-case approach. Additionally, FERC has the authority to require the provision of transmission services in response to specific requests for service. See ELECTRIC RATES – Rate Regulation. Furthermore, should the Department purchase transmission services from a public utility, as defined in the Federal Power Act, pursuant to the terms and conditions of FERC's *pro forma* OATT, the *pro forma* OATT requires the Department to provide the transmission provider it is purchasing transmission services from, comparable transmission service that it is capable of providing on similar terms and conditions over facilities and for the transmission of electric energy.

EPAct 2005 provides for criminal penalties for manipulative energy trading practices.

EPAct 2005 repealed the Public Utility Holding Company Act of 1935, which prohibited certain mergers and consolidations involving electric utilities. EPAct 2005 gives FERC and state regulators access to books and records within holding companies that include regulated public utilities. In addition, FERC may oversee inter-affiliate transactions within such holding company systems. These provisions of EPAct 2005 are referred to as "PUHCA 2005." PUHCA 2005 does not apply to the Department but generally accommodates more combinations of assets within the electric utility industry.

EPAct 2005 requires the creation of national and regional electric reliability organizations to establish and enforce, under FERC's supervision, mandatory standards for the reliable operation of the bulk power system. The standards are designed to increase system reliability and to minimize blackouts. FERC has designated NERC as the national electric reliability organization. FERC has designated WECC as the regional reliability organization for utilities in the West, including the Department. Failure to comply with NERC and WECC standards exposes a utility such as the Department to significant fines and penalties. NERC and WECC audit the Department's compliance with the reliability standards once every three years and, as indicated above, impose fines and penalties for non-compliance.

Under EPAct 2005, State IOUs were required to offer, to each of their classes of customers, a time-based rate schedule that would enable customers to manage their energy use through advanced metering and communications technology.

EPAct 2005 authorizes FERC to compel the siting of certain transmission lines if FERC determines that a state has unreasonably withheld approval.

EPAct 2005 promotes increased imports of liquefied natural gas and includes incentives to support the development of renewable energy technologies. EPAct 2005 also extends for 20 years the Price-Anderson Act, which provides certain protection from liability for nuclear power issues and provides incentives for the construction of new nuclear plants.

Impacts of the COVID-19 Pandemic

While the COVID-19 pandemic impacted the Department in certain respects, there was not a material adverse impact to the Power System's operations or its ability to meet its financial obligations as a result of the COVID-19 pandemic.

The Department's ability to provide electric service was not impaired during the COVID-19 pandemic. Certain employees of electric and water utility systems, like the Department, are considered essential workers and were exempt from the "stay at home" and "safer at home" orders issued by the State, the County and the City, and therefore, the Department continued to fully provide power and water services to its customers throughout the pandemic. Due to these orders, the Department implemented a variety of measures with respect to essential workers, remote employees and back-up operations in order to maintain its business functions (including during the emergency periods and stay-at-home orders), and to protect the public health and the health of its employees. Among other things, the Department has developed its "COVID-19 Exposure Control Plan" and a "Facility Specific COVID-19 Viral Transmission Control Plan" for its facilities, in order to facilitate timely implementation of viral transmission controls relating to COVID-19. These steps have been effective at decreasing the number and congestion of employees in office settings and significantly lessening the risk of transmitting COVID-19 among the workforce. The Department continues to encourage employees who can work remotely to continue doing so. Approximately 40% of the Department's workforce is working remotely at least some days. No date has been set for all employees to return to normal working schedules and locations. The Department is working closely with its labor and management association partners to further develop the specifics of their return to work protocols.

In response to the COVID-19 outbreak, the Department implemented a number of temporary measures intended to mitigate operational and financial impacts, and to assist the Department's customers, including: (i) to assist customers through any financial hardship occurring as a result of the COVID-19 outbreak, the Department is widely promoting its existing payment plans and is working on additional extended payment options; (ii) the Department deferred disconnections of water and power services for non-payment, which deferrals officially ended on March 31, 2022 (the Department began the resumption of disconnections for commercial customers in June 2023 and is currently working on a plan to resume service disconnections for residential customers in the near future); and (iii) the Department restored water and power to a small number of residential customers whose services were disconnected after February 24, 2020, due to nonpayment. As a result of the measures taken by the Department to date, and additional measures that may be taken in the future, the Department has experienced and may continue to experience an increase in delinquent accounts and increase of uncollectible accounts. See "ELECTRIC RATES – Billings and Collections – *COVID-19 Response*."

While the impacts of the COVID-19 pandemic have lessened, no assurance can be given that the operations or finances of the Power System will not be negatively affected in the event that the pandemic and its consequences again become more severe or if there is an outbreak of another infectious disease or similar event impacting the region in the future.

Changing Laws and Requirements

On both the state and federal levels, legislation is introduced frequently that would have the effect of further regulating environmental impacts relating to energy, including the generation of energy using

conventional and unconventional technologies. Issues raised in recent legislative proposals have included implementation of energy efficiency and renewable energy standards, addressing transmission planning, siting and cost allocation to support the construction of renewable energy facilities, cyber-security legislation that would allow FERC to issue interim measures to protect critical electric infrastructure, and renewable energy incentives that could provide grants and credits to municipal utilities to invest in renewable energy infrastructure. Congress has also considered other bills relating to energy supplies and development.

The Department is unable to predict at this time whether any of these or other legislative proposals will be enacted into law and, if so, the impact they may have on the operations and finances of the Power System or on the electric utility industry in general.

In addition to state and federal legislation, citizen initiatives in the State can lead and have led to substantial restrictions upon governmental agencies, both in terms of raising revenue and management of governmental entities generally. Articles XIII C and XIII D of the State's constitution provided limits on the ability of governmental agencies to increase certain fees and charges. Such articles were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process.

In addition, from time to time other initiative measures could be adopted by State voters, which may place limitations on the ability of the Department to increase revenues.

See also "ELECTRIC RATES—Rate Setting—*Proposition 26*."

Other General Factors

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities, including the Department, and the level of utilization of generation and transmission facilities. Such factors (a number of which are further discussed elsewhere in this Official Statement), include, among others:

- Effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements;

- Changes resulting from conservation and demand side management programs on the timing and use of energy;

- Effects on the integration and reliability of the power supply from the increased usage of renewables;

- Changes resulting from a national energy policy;

- Effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitive transmitting of less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;

- The repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities;

- Increased competition from independent power producers and marketers, brokers and federal power marketing agencies;

- "Self-generation" or "distributed generation" (such as microturbines, fuel cells, and solar installations) by industrial and commercial customers and others;

- Issues relating to the ability to issue tax-exempt obligations, including restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission line service from transmission projects financed with outstanding tax-exempt obligations;

- Effects of inflation on the operating and maintenance costs of an electric utility and its facilities;

- Changes from projected future load requirements;

- Increases in costs and uncertain availability of capital;

- Shifts in the availability and relative costs of different fuels (including the cost of natural gas and coal);

- Financial difficulties, including bankruptcy, of fuel suppliers and/or renewable energy suppliers;

- Changes in the electric market structure for neighboring electric grids such as the new EIM operated by the Cal ISO;

- Sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the State;

- Inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;

- Other legislative changes, voter initiatives, referenda and statewide propositions;

- Effects of changes in the economy, population and demand of customers in the Department's service area;

- Effects of possible manipulation of the electric markets;

- Acts of terrorism or cyberterrorism;

- Impacts of climate change;

- The outbreak of another infectious disease such as the COVID-19 pandemic impacting the global, national or local economy or a utility's service area;

- Natural disasters or other physical calamities, including but not limited to, earthquakes, floods and wildfires, and potential liabilities of electric utilities in connection therewith;

- Adverse impacts to the market for insurance relating to recent wildfires and other calamities, leading to higher costs or prohibitively expensive coverage, or limited or unavailability of coverage for certain types of risk; and

- Legislation or court actions allowing City residents and/or businesses to purchase power from sources outside the Department.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Department.

Seismic Activity

The City and the Owens River and Mono Basin areas are located in regions of seismic activity. The principal earthquake fault in the Los Angeles area is the San Andreas Fault, which extends an estimated 700 miles from north of the San Francisco area to the Salton Sea. At its nearest point to the City, the San Andreas Fault is about 35 miles north of the Los Angeles Civic Center.

In March 2015, the Uniform California Earthquake Rupture Forecast (the "2015 Earthquake Forecast") was issued by the Working Group on California Earthquake Probabilities. Organizations sponsoring the Working Group on California Earthquake Probabilities include the U.S. Geological Survey, the California Geological Survey, the Southern California Earthquake Center and the California Earthquake Authority. According to the 2015 Earthquake Forecast, the probability of a magnitude 6.7 or larger earthquake over the next 30 years (from 2014) striking the greater Los Angeles area is 60%. From the Uniform California Earthquake Rupture Forecast published in April 2008 (the "2008 Earthquake Forecast"), the estimated rate of earthquakes around magnitude 6.7 or larger decreased by about 30%. However, the estimate for the likelihood that the State will experience a magnitude 8.0 or larger earthquake in the next 30 years (from 2014) increased from about 4.7% in the 2008 Earthquake Forecast to about 7.0% in the 2015 Earthquake Forecast. The 2015 Earthquake Forecast considered more than 250,000 different fault-based earthquakes, including multifault ruptures, whereas the 2008 Earthquake Forecast considered approximately 10,000 different fault-based earthquakes.

While it is impossible to accurately predict the cost or effect of a major earthquake on the Power System or to predict the effect of such an earthquake on the Department's ability to provide continued uninterrupted service to all parts of the Department's service area, there have been various studies conducted to assist the Department in assessing seismic risks. Based on these studies, the Department completed numerous projects designed to mitigate seismic risks and seismically strengthen Power System infrastructure and facilities. Projects include landslide repairs and bank replacements, the placement of spare transformers and the installation of generating peaking units at the Valley Generating Station and Haynes Generating Station to provide peaking capacity and the ability for generating units to go from a shutdown condition to an operating condition and start delivering power without assistance from the power grid. No studies have been conducted or commissioned by the Department outside of the State. See "THE DEPARTMENT – Insurance."

LITIGATION

General

A number of claims and suits are pending against the Department or that directly affect the Department with respect to the Power System for alleged damages to persons and property and for other alleged liabilities arising out of its operations. Certain of these suits are described below. In the opinion of the Department, any ultimate liability which may arise from any of the pending claims and suits is not expected to materially impact the Power System's financial position, results of operations, or cash flows.

Legal Actions Related to New Customer Information and Billing System

Lawsuits Brought Against the Department. As discussed in more detail under "ELECTRIC RATES—Billing and Collections" above, numerous issues arose after the Department implemented its customer information and billing system in 2013. Several class action lawsuits were filed against the Department by ratepayers claiming damages due to certain of the billing issues that arose because of these problems with the new system. The Department reached a settlement in certain of those lawsuits (*Sharon Bransford, Steven Shrager and Rachel Tash v. City of Los Angeles et al.*, Los Angeles Superior Court Case No. BC565618; *Haley Fontaine v. City of Los Angeles et al.*, Los Angeles Superior Court Case No. BC571644; *Yaar Kimhi, Tahl Beckerman Megerdichian and Yelena Novak v. The City of Los Angeles, et al.*, Los Angeles Superior Court Case No. BC536272; and *Jones v. City of Los Angeles*, Los Angeles Superior Court Case No. BC577267 (the "Jones Action" and, collectively, the "Settled Billing Class Actions")). On July 20, 2017, the Court granted final approval of the settlement of the Settled Billing Class Actions. Implementation of the settlement is complete. The settlement provided for, among other things: (1) a review by the Department of all customer accounts for accuracy from September 2013 to December 30, 2016; (2) the Department making whole any customer who was overcharged, regardless of how small the error, resulting from the failed implementation of the customer information and billing system; (3) the Department setting benchmarks and key performance indicators to improve its customer service (an independent monitor reviewed the progress made and reported to the Court every three months through October 2020, at which time his work was completed); and (4) the Department adopting an amendment to its "Rules Governing Water and Electric Service," which generally reduced the number of months that "back-billing" (defined as the submission of a bill by the Department to an accountholder that includes more than one billing cycle where the prior billing statements had not been previously billed to the accountholder) can occur to no more than six months for residential and commercial customers who meet certain characteristics.

As of January 31, 2023, the Department had completed making all credits and refunds for accounts associated with the settlement, which resulted in credits and refunds in the amount of $111.6 million, of which $68.6 million was from the Power System. The Department also increased its allowance for doubtful accounts so that as inactive uncollectible accounts are identified, the receivables can be reduced to reflect active, collectible account balances. New methodology for calculating the allowance for doubtful accounts was implemented in Fiscal Year 2020-21 to ensure an adequate reserve balance for doubtful accounts. Additionally, the Department has invested in additional staff and resources in meter services and field operations, customer billing, customer service and information technology in order to clear backlogs and optimize the billing system.

The Department has ongoing obligations to comply with its amended "Rules Governing Water and Electric Service" relating to "backbilling," which is now part of the Department's regular business practices. The Department has provided credits and refunds to affected customers relating to the amendment through June 2023 of over $43.3 million, of which approximately $25.8 million was allocated to the Power System.

The Department also implemented operational changes that will allow consistent compliance with the benchmarks and key performance indicators identified in the settlement.

In response to concerns raised by counsel for the system implementer for the customer information and billing system regarding potential collusion between former special counsel for the City and former class counsel regarding the filing and settlement of the Jones Action, the Court appointed a special master to conduct an investigation. The results of that investigation were published in July 2021. The special master concluded, among other things, that some City personnel were aware of and participated in the alleged collusion. However, this is not a factual or legal finding of the Court.

In July 2019, the City was sued in a class action lawsuit, *Bradshaw v. City of Los Angeles, et al.*, USDC Central District of California Case No. 2:19-cv-07771 (the "Bradshaw Action"), arising out of alleged issues associated with the settlement in the Jones Action. The Bradshaw Action is brought by a ratepayer and member of the Jones Action settlement. After the filing of various defense motions to dismiss and/or stay, on March 23, 2020, the Court stayed the case pending the outcome in the Jones Action based upon the Court's inherent authority. The Court initially deferred ruling on the City's motion to dismiss. However, on September 21, 2021, the Court issued a ruling on the City's previously filed Motion to Dismiss, granting the motion with respect to the Racketeer Influenced and Corrupt Organizations Act ("RICO") claim against the City. The Court lifted the stay on February 1, 2023 and oral arguments on the remaining issues in the motions to dismiss were heard on March 6, 2023. After the March 6, 2023 hearing, the Court granted the City's Motion to Dismiss without leave to amend. Accordingly, the City is no longer a party to this action. The action continues with respect to the other defendants.

On December 21, 2020, Antwon Jones, the class representative in the Jones Action, filed a lawsuit in federal court, *Jones v. City of Los Angeles, et al.*, Case No. 2:20-cv-11502 against the City and other individual defendants claiming violations of 28 USC 1983 (deprivation of civil rights) and Cal. Code of Civil Procedure 526a (taxpayer liability) in connection with, among others, the litigation and settlement of the Settled Billing Class Actions. After motions to dismiss resulted in dismissal of all claims except the civil rights claim against the City, the City filed an early motion for summary judgment on February 18, 2022. On June 14, 2022, the Court granted the City's motion for summary judgment and dismissed the case. Plaintiff appealed to the Ninth Circuit, which issued a memorandum opinion affirming the ruling in the City's favor on September 12, 2023. Plaintiff had until September 26, 2023 to file a petition for rehearing in the Ninth Circuit (which filing has not been made), and has until December 11, 2023 to file a writ of certiorari in the United States Supreme Court.

Federal Investigation. Federal investigators are currently conducting an investigation. The Department is cooperating fully with the investigators in connection with their investigation. The Department has been requested by the investigating agency to exercise confidentiality with respect to the investigation. The Department can generally state that the search warrants served by the Federal Bureau of Investigation on the Department and the Office of the City Attorney, in July 2019, relate to issues that have arisen over the class action litigation and settlement regarding the Department's billing system.

As a result of this investigation, several news articles have been published stating that the impetus for the warrants was the settlement of the class action litigation, among other things. Whether that is the case or not, the class-action settlement agreement included multiple layers of independent review of the Department's decisions on bills, including the right to appeal to a third party and ultimately to the court. In keeping with the City's twin goals of achieving 100% return to ratepayers of all overcharges and fully remediating the billing system, the Department welcomes a thorough review of the settlement, the payout and the programs developed to identify class members. With respect to the current settlement, United States District Court Judge Dickran M. Tevrizian (retired) submitted a declaration expressing his view as the mediator in the class action settlement "…that the settlement is entirely valid; and that the settlement terms are fair, reasonable, adequate, and an excellent outcome for all concerned due to the fact that all ratepayers filing claims will receive 100% of any overcharge."

On November 29, 2021, the U.S. Attorney's Office announced that the former special counsel (the "Former Special Counsel") for the City in a lawsuit against Pricewaterhouse Coopers LLP (who had designed and implemented the Department's customer information and billing system) agreed to plead guilty to a bribery charge for accepting an illegal payment of nearly $2.2 million for getting the former class counsel to purportedly represent his ratepayer client in a collusive lawsuit against the Department. In his plea agreement, the Former Special Counsel also admitted to additional alleged bribery schemes involving the former General Manager and a former Board member in exchange for the award of a contract benefitting a business venture of such Former Special Counsel. On December 6, 2021, the U.S. Attorney's Office

announced that the former General Manager agreed to plead guilty to a bribery charge for accepting bribes from the Former Special Counsel in exchange for his official action to secure a three-year, $30 million no-bid Department contract for the Former Special Counsel's company. On December 13, 2021, the U.S. Attorney's Office announced that the former chief cyber risk officer of the Department agreed to plead guilty to a felony charge of making false statements about a lucrative job offer he secretly solicited and agreed to accept in exchange for providing "guarantees" of additional Department contract money to the Former Special Counsel. On January 10, 2022, the U.S. Attorney's Office announced that the former chief of the civil litigation branch of the City Attorney's Office agreed to plead guilty to a felony charge of aiding and abetting extortion in connection with certain purportedly stolen or improperly retained documents related to the class action litigation regarding the Department's billing system. The U.S. Attorney's Office has not informed the City of any anticipated timeline for the conclusion of the ongoing investigation, and the Department cannot predict the ultimate outcome.

Based on the Department's understanding of the investigation and the current status of the lawsuits relating to the new billing system, the Department does not believe that the investigation or the billing system related lawsuits will have a material adverse effect on the Department's operations or financial position.

Wildfire Litigation

In recent years, there has been an increase in the number and the severity of wildfires in the State. Due to this increase of fire activity, there has been an increase in litigation filed against power utilities that own and operate generating stations, distribution lines, and transmission lines throughout the State. Currently, the Department is a named party in cases relating to the Creek fire, which ignited on December 5, 2017, and the Getty fire, which ignited on October 28, 2019. The Department denies liability for the ignition of the Creek fire. The unique set of facts regarding the ignition of the Getty fire likely creates Department liability; however, various defense theories and third party claims are being explored.

Creek Fire. Regarding the Creek fire, the Department has 27 pending cases in the Los Angeles Superior Court. A federal case that was brought by the United States Forest Service as the plaintiff in *USA v. LADWP* has been dismissed. The state court cases are brought by attorneys representing individual plaintiffs all consolidated for litigation with a single judge. All Department responsive pleadings, including answers with affirmative defenses, have been filed. There is no final status conference or trial dates in the state court actions.

Edison is a party in the state court cases, and is a focus of the fire ignition. Edison was named as a defendant by the individual plaintiff and insurance subrogation plaintiffs. Edison has filed answers and an indemnity cross-complaint against the Department, which was answered. No Cross-Action by the Department against Edison was deemed necessary because all equitable allegations/comparative fault allegations would be part of the state court trial. All parties continue to meet-and-confer regarding multiple discovery issues, including regarding the scheduling of depositions. After the Department was dismissed in the federal action, the U.S. Attorney's Office filed a new separate federal case naming only Edison as the cause of the Creek fire. In a recent federal court filing Edison indicated an intent to pursue an indemnity cross-complaint against the Department regarding the ignition of the Creek fire. To the present date, no such Edison cross-action has been filed or served. No trial date has been set in the federal case against Edison.

The receipt of plaintiff fact sheets, a discovery tool that collects damages information, has begun. The fact sheets will determine the nature and scope of the plaintiffs' damages. Notwithstanding previous deadline rulings the court continues to allow the individual plaintiff attorney group time to collect damage information. The court indicated it is inclined to entertain dismissal motions if the individual plaintiffs do not submit completed fact sheets. The court authorized the Department and Edison to file joint motions to

show cause to seek a dismissal of any plaintiff that has not provided their fact sheet. A status conference was held on September 15, 2023. Also on September 15, 2023, a joint motion by the Department and Edison to dismiss certain plaintiff cases was heard. As a result of the court's ruling on such motion, the vast majority of the individual plaintiff cases (for which no fact sheets were completed) will be dismissed. In addition, the court set a 45 day deadline for plaintiffs with missing information to provide the full necessary verifications or to potentially face dismissal of their individual cases if complete responses are not provided. The court also issued meet-and-confer orders regarding multiple issues in anticipation of a scheduled October 24, 2023 status conference.

The underlying fire ignited on the morning of December 5, 2017 and involved approximately 15,500 acres before it was contained on January 9, 2018. It destroyed approximately 123 structures including approximately 60 homes primarily in the Kagel Canyon and Angeles National forest areas north of Sylmar, California. Responsibility for the fire ignition is being vigorously denied by the City Attorney's Office with the assistance of outside counsel.

If liability is found against the Department, an accurate exposure amount cannot now be estimated. However, the cumulative alleged damages in the pending state court cases, which now include only individual plaintiff cases and a reduced number of plaintiffs is within the Department's insurance coverage for this matter. The Department has insurance coverage for this matter in the amount of $185 million with a $3 million self-insured retention. Insurance carriers in the coverage tower have been put on notice.

Getty Fire. These Power System matters currently involve 35 cases all alleging inverse condemnation and tort causes of action. The cases are pending in the Los Angeles Superior Court Complex Division with all cases ordered consolidated/related before a single judge. The pending state court actions are on behalf of individual plaintiffs and insurance subrogation parties with no recent additional cases filed and none likely expected to be filed. No federal court cases will be filed because no federal lands were involved in the fire. The parties have been conducting written discovery and depositions under a discovery memorandum of understanding issued by the court.

The Department filed Master Answers and Master Cross-Complaints to both the insurance subrogation and individual plaintiffs Second Amended Master Complaints in May 2022. Department Cross-Complaints, naming the adjacent property owner C&C Mountaingate, Inc., and Department tree vegetation contractor Utility Tree Service, LLC and its subcontractor, Tree Service Kings, Inc., have been filed. Each of the three Cross-Defendants have been served with responsive pleadings received from Utility Tree Service, LLC, and from C&C Mountaingate, Inc. This matter is being handled by the City Attorney's Office and outside retained defense counsel. The court has set a November 15, 2023 trial date regarding only the inverse condemnation issue. At that time the court will determine if inverse condemnation applies, and if so, a later date will be set at which a jury will decide the amount of damages.

On October 28, 2019, during the early morning hours, the Getty fire ignited in the Sepulveda Pass area of Los Angeles. All preliminary investigation results reflect the fire was accidentally caused by a tree branch that broke off during high wind conditions and subsequently struck the Department overhead distribution power lines, which resulted in sparking that ignited nearby brush. There were no problems or failures of any Department equipment prior to the tree branch striking the overhead lines and the lines on the pole remained intact. Reports reflect 10 residences destroyed and 15 residences physically damaged in this 745-acre fire with approximately 10,000 evacuated. The fire occurred in an affluent community area.

The total financial exposure of the Getty fire cannot now specifically be determined. To date, the insurance subrogation plaintiffs have provided damages totals as follows: $52,430,513 paid to insureds and $1,918,550 reserves for a total claim of $54,349,069 by approximately 37 insurance companies seeking reimbursement. The individual plaintiff group has not provided documents such that the Department can estimate its exposure, however, damage discovery is being pursued.

This matter has been reported to the Department's excess insurance carriers which provide a total of $177.5 million insurance in coverage. The Department has a $3 million self-insured retention regarding this matter. Despite not having done anything wrong, the Department could face financial liability claims due to the doctrine of inverse condemnation discussed above under "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – Legislation and Court Action Relating to Wildfires."

For details regarding the extent of the Department's current insurance, see "THE DEPARTMENT – Insurance." As discussed under "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *Legislation and Court Action Relating to Wildfires*," legislation addressing the State's inverse condemnation and "strict liability" issues for utilities in the context of wildfires in particular could have a significant effect on the electric utility industry, including the Department.

CERTAIN LEGAL MATTERS

The validity of the Series D Bonds and certain other legal matters are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Department. See "TAX MATTERS." The form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix E. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters in connection with the Series D Bonds will be passed upon for the Department by the Office of the City Attorney of the City and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the Department, and for the Underwriters by Hawkins Delafield & Wood LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the Series D Bonds are contingent upon the issuance and delivery of the Series D Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series D Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest on the Series D Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest on the Series D Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Series D Bond over the issue price of a Series D Bond (the first price at which a substantial amount of the Series D Bonds of a maturity is to be sold to the public) constitutes original issue discount, the accrual of which, to the extent properly allocable to a Series D Bond owner, is treated as interest on the Series D Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income tax. Original issue discount accrues under a constant yield method, and original issue discount will accrue to an owner of a Series D Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the owner will increase the owner's basis in the applicable Series D Bond. Owners of the Series D Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series D Bonds with original issue discount, including the treatment of Series D Bond

owners who do not purchase such Series D Bonds in the original offering to the public at the first price at which a substantial amount of such Series D Bonds is sold to the public.

The amount by which a Series D Bond owner's original basis for determining loss on sale or exchange in the applicable Series D Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the owner's basis in the applicable bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an owner realizing a taxable gain when a Series D Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series D Bond to the owner. Purchasers of the Series D Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series D Bonds is based upon certain representations of fact and certifications made by the Department and others and is subject to the condition that the Department comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series D Bonds to assure that interest on the Series D Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Series D Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series D Bonds. The Department has covenanted to comply with all such requirements.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Series D Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series D Bonds might be affected as a result of such an audit of the Series D Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series D Bonds to the extent that it materially adversely affects the exclusion from gross income of interest on the Series D Bonds or their market value.

Subsequent to the issuance of the Series D Bonds there might be federal, state, or local statutory changes (or judicial or regulatory changes to or interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Series D Bonds including the imposition of additional federal income or state taxes on owners of tax-exempt state or local obligations, such as the Series D Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series D Bonds. No assurance can be given that subsequent to the issuance of the Series D Bonds statutory changes will not be introduced or enacted or judicial or regulatory interpretations will not occur having the effects described above. Before purchasing any of the Series D Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Series D Bonds.

Bond Counsel's opinion with respect to the Series D Bonds may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series D Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Bond Resolution and the Tax Certificate relating to the Series D Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Series D Bonds for federal income tax purposes with respect to any Series D Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered its opinion that interest on the Series D Bonds is excluded from gross income for federal income tax purposes provided that the Department continues to comply with certain requirements of the Code, the ownership of the Series D Bonds and the accrual or receipt of interest on the Series D Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series D Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series D Bonds.

A copy of the proposed form of opinion of Bond Counsel relating to the Series D Bonds is included in Appendix E hereto.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P") and Kroll Bond Rating Agency, LLC ("Kroll") have assigned the Series D Bonds ratings of "Aa2," "AA–" and "AA," respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the significance of such credit ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. The Department undertakes no responsibility to bring to the attention of the Owners of the Series D Bonds any announcement regarding the rating or outlook of any rating agency with respect to the Series D Bonds. Any downward revision or withdrawal of a rating, or announcement of negative outlook may affect the market price for, or the marketability of, the Series D Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

CONTINUING DISCLOSURE

The Department will covenant for the benefit of Owners and Beneficial Owners of the Series D Bonds to provide certain financial information and operating data relating to the Power System (the "Annual Report") by not later than 270 days following the end of the Department's Fiscal Year (which Fiscal Year currently ends on June 30), commencing with the Annual Report for the Fiscal Year ended June 30, 2023, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of material events will be filed by the Department with the MSRB through the EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in Appendix F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the underwriters for the Series D Bonds in complying with Rule 15c2-12.

UNDERWRITING OF THE SERIES D BONDS

The Department has entered into a contract for the purchase of the Series D Bonds with TD Securities (USA) LLC, as representative of the underwriters listed on the front cover of this Official Statement (the "Underwriters"), pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Series D Bonds from the Department at a purchase price of $___________, which represents the aggregate principal amount of the Series D Bonds, [plus/less] an original issue [premium/discount] of $_________, less an underwriters' discount of $__________. The initial public offering prices of the Series D Bonds may be changed from time to time by the Underwriters. The purchase contract relating to the Series D Bonds provides that (i) the Underwriters will purchase all of the Series D Bonds if any of the Series D Bonds are purchased and (ii) the obligation to make such purchase is subject

to certain terms and conditions set forth in such purchase contract including, among others, the approval of certain legal matters by counsel.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers that are not Underwriters for the distribution of Series D Bonds at the initial public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with the relevant broker-dealer.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Subject to applicable regulatory provisions, certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Department, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Department.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

VERIFICATION AGENT

Upon delivery of the Series D Bonds, Samuel Klein and Company, Certified Public Accountants, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the moneys available to pay, when due, the principal of or redemption price of and accrued interest on the Refunded Bonds. See "PLAN OF REFUNDING."

MUNICIPAL ADVISOR

Public Resources Advisory Group (the "Municipal Advisor") has assisted the Department with various matters relating to the planning, structuring and delivery of the Series D Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent municipal advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. Certain fees of the Municipal Advisor are contingent upon the issuance and delivery of the Series D Bonds.

INDEPENDENT AUDITORS

KPMG LLP, independent auditors, has not been engaged to perform and has not performed, since the date of its report included in the financial statements of the Power System as of June 30, 2022 and 2021, and for the years then ended, included in this Official Statement as Appendix A, any procedures on the basic financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

The covenants and agreements of the Department for the benefit of the Owners of the Series D Bonds are set forth in the Master Resolution and the Fifty-Eighth Supplemental Resolution, and reference is made to such resolutions for a statement of the rights of the Owners of the Series D Bonds and the covenants and obligations of the Department. All references to the Series D Bonds are qualified in their entirety to the definitive form thereof and the information with respect thereto included in the Master Resolution and the Fifty-Eighth Supplemental Resolution.

This Official Statement is not a contract with the Owners of any of the Series D Bonds.

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument.

Any statements in this Official Statement involving matters of opinion and all estimates, whether or not expressly so stated, are intended as such and not as representations of facts and are not to be construed as representations that they will be realized.

The Board has authorized the execution and delivery of this Official Statement by the Department's Chief Financial Officer.

____

Chief Financial Officer
Department of Water and Power
of the City of Los Angeles

APPENDIX A

FINANCIAL STATEMENTS

LOS ANGELES DEPARTMENT OF WATER AND POWER

POWER SYSTEM

Financial Statements and
Required Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Financial Statements and
Required Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors’ Report Thereon)

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Water and Power Commissioners
City of Los Angeles
Department of Water and Power:

Opinion

We have audited the financial statements of the Power Revenue Fund of the Department of Water and Power of the City of Los Angeles (the Power System) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Power System as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department of Water and Power of the City of Los Angeles and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(a), the financial statements present only the Power System and do not purport to, and do not, present fairly the financial position of the City of Los Angeles as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Water and Power of the City of Los Angeles' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-17 and the other required supplementation information on pages 100-105 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Los Angeles, California
December 19, 2022

The following discussion and analysis of the financial performance of the Department of Water and Power of the City of Los Angeles' Power Revenue Fund (the Power System) provides an overview of the financial activities for the fiscal years ended June 30, 2022 and 2021. Descriptions and other details pertaining to the Power System are included in the notes to the financial statements. This discussion and analysis should be read in conjunction with the Power System's financial statements, which begin on page 18.

Using this Financial Report

This annual financial report consists of the Power System's financial statements and required supplementary information and reflects the self-supporting activities of the Power System that are funded primarily through the sale of energy, transmission, and distribution services to the public it serves.

Statements of Net Position; Statements of Revenue, Expenses, and Changes in Net Position; and Statements of Cash Flows

The financial statements provide an indication of the Power System's financial health. The statements of net position include all of the Power System's assets, deferred outflows, liabilities, deferred inflows, and net position using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are restricted as a result of bond covenants and other commitments as of June 30, 2022 and 2021. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the time periods indicated. The statements of cash flows report the cash provided by and used in operating activities, noncapital financing activities, capital and related financing activities, and investing activities during the fiscal years ended June 30, 2022 and 2021.

The following tables summarize the financial position and changes in net position of the Power System of and for the fiscal years ended June 30, 2022, 2021, and 2020:

Table 1 – Condensed Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

(Amounts in millions)

		June 30		
Assets and Deferred Outflows		**2022**	**2021**	**2020**
Utility plant, net	$	14,088	13,458	12,827
Restricted investments		655	684	653
Other noncurrent assets		3,388	2,013	2,079
Current assets		3,843	3,329	2,849
Deferred outflows		443	750	673
Total assets and deferred outflows	$	22,417	20,234	19,081
Net Position, Liabilities, and Deferred Inflows				
Net position:				
Net investment in capital assets	$	2,122	2,086	2,057
Restricted		1,003	1,014	950
Unrestricted		3,299	3,018	2,695
Total net position		6,424	6,118	5,702
Long-term debt, net of current portion		12,058	11,093	10,528
Other long-term liabilities		542	1,315	1,334
Current liabilities		1,308	1,126	1,030
Deferred inflows		2,085	582	487
Total liabilities and deferred inflows		15,993	14,116	13,379
Total net position, liabilities, and deferred inflows	$	22,417	20,234	19,081

(Continued)

Table 2 – Condensed Schedule of Revenue, Expenses, and Changes in Net Position

(Amounts in millions)

	Year ended June 30		
	2022	**2021**	**2020**
Operating revenues:			
Residential	$ 1,637	1,614	1,361
Commercial and industrial	2,785	2,492	2,373
Sales for resale	230	187	61
Other	54	53	50
Uncollectible accounts	(113)	(78)	(38)
Total operating revenues	4,593	4,268	3,807
Operating expenses:			
Fuel for generation and purchased power	(1,637)	(1,530)	(1,449)
Maintenance and other operating expenses	(1,431)	(1,323)	(1,364)
Depreciation and amortization	(724)	(671)	(630)
Total operating expenses	(3,792)	(3,524)	(3,443)
Operating income	801	744	364
Nonoperating revenue (expenses):			
Net investment income	(118)	7	111
Federal bond subsidies	25	28	34
Other nonoperating revenue, net	94	110	123
Debt expense, net	(371)	(359)	(370)
Total nonoperating expenses, net	(370)	(214)	(102)
Income before capital contributions and transfers	431	530	262
Capital contributions	101	103	58
Transfers to the reserve fund of the City	(225)	(218)	(230)
Increase in net position	307	415	90
Beginning balance of net position	6,117	5,702	5,612
Ending balance of net position	$ 6,424	6,117	5,702

(Continued)

Assets

Utility Plant

During fiscal years 2022 and 2021, the Power System's net utility plant increased $630 million and $631 million, respectively. Net utility plant consists of significant investments in generation, transmission, distribution, and general plant infrastructure and fuel resources less accumulated depreciation.

During fiscal year 2022, depreciable utility plant additions totaled $884 million and construction work in progress (CWIP) expenditures totaled $333 million. Major CWIP additions/expenditures during the year included $81 million for Scattergood-Olympic 230kV underground transmission cable project, $39 million for Victorville to Los Angeles Basin Power Injection Upgrade, $33 million for re-expansion of Barren Ridge Switching Station, $30 million for Distribution Automation System upgrade, $25 million for design and construction of new Receiving Station to serve LAX, $15 million to install new 230kV line between Haskell Switching Station and Sylmar Switching Station, $14 million for implementation support cost for new Enterprise Resource Planning (ERP) Software, $10 million for Receiving Station Transformer Replacement Program, and $10 million for design and construction of new office facilities. $80 million in CWIP projects were transferred from CWIP to plant accounts. Transfers from CWIP included $28 million for Valley – Rinaldi 230 kV Line 1 & 2 upgrade and reconductoring, $11 million for the Budget System Replacement Project, $8 million for Substations Automation System Upgrade, and $7 million for the Generating Station Transformer Replacement Program. The above mentioned projects were the primary drivers behind the increase in CWIP additions of $252.3 million.

Direct additions are mostly related to improvements in distribution infrastructure as part of the Power System Reliability Program (PSRP). Many of the Department's assets were installed between 1920 and 1970. The PSRP is a program that evaluates and prioritizes which assets should be replaced first to reduce the frequency of electric service disruptions and the duration of each disruption. Approximately $641 million and $13 million were direct additions to distribution and transmission plant accounts, respectively. Major direct additions included $143 million for replacement of deteriorated poles and crossarms, $86 million for new business line customer facilities, $80 million for reliability replacement of 4.8 kV and 34.5 kV cables, $29 million for customer stations design and construction, $22 million to design and replace aging distribution infrastructure, and $18 million for installing, reinforcing, and modifying 34.5 kV trunk and peddler circuits.

The accumulated depreciation balance increased by a net of $524 million in fiscal year 2022, which included retirements of $52 million offset by annual depreciation of $577 million net of depreciation charged to shared services.

During fiscal year 2021, depreciable utility plant additions totaled $858 million and construction work in progress (CWIP) expenditures totaled $312 million. Major CWIP additions/expenditures during the year included $37 million for Victorville to Los Angeles Basin Power Injection Upgrade, $29 million for Distribution Automation System, $24 million for re-expansion of Barren Ridge Switching Station, $18 million for Underground Transmission Cable Replacement, and $12 million for implementation cost for Casio-run Energy Imbalance Market (EIM), $12 million for design and construction of new receiving station to serve LAX, $10 million to install new 230 kV line between Castaic-Haskell line 3, $10 million for design and construction of

new office facilities, and $9 million for Receiving Station Transformer Replacement Program. $295 million in CWIP projects were transferred from CWIP to plant accounts. Transfers from CWIP included $44 million for Cable Replacement Project of 138 kV underground transmission lines, $24 million for Power System Reliability Program (PSRP) Major Overhauls to various generating stations, $22 million for design and construction of Power System-built Solar Generation, and $16 million for long-term Transmission Development Project. The completion of these large projects along with current year CWIP additions caused the balance in the CWIP account to increase by $5.4 million.

Direct additions are mostly related to improvements in distribution infrastructure as part of the PSRP. Many of the Power System's assets were installed between 1920 and 1970. The PSRP is a program that evaluates and prioritizes which assets should be replaced first to reduce the frequency of electric service disruptions and the duration of each disruption. Approximately, $636 million and $42 million were direct additions to distribution and transmission plant accounts, respectively. Major direct additions included $160 million for replacement of deteriorated poles and crossarms, $86 million for new business line customer facilities, $80 million for reliability replacement of 4.8 kV and 34.5 kV cables, $26 million for replacement of 138 kV Underground Transmission cables, $23 million to enhance circuit capacity, and $23 million for customer stations design and construction.

The accumulated depreciation balance increased by a net of $447 million in fiscal year 2021, which included retirements of $64 million offset by annual depreciation of $511 million net of depreciation charged to shared services.

Additional information regarding the Power System's utility plant assets can be found in note 3 to the accompanying financial statements.

The Power System is a vertically integrated utility, meaning it owns its own energy-generating assets, transmission system, and distribution system. The Power System has diverse power resources. The tables that follow summarize the generating resources available to the Power System as of June 30, 2022. These resources include those owned by the Power System (either solely or jointly with other utilities), as well as resources available through long-term purchase agreements. Generating station capacity is measured in megawatts (MWs).

**Table 3 – Power System-Owned Facilities
As of June 30, 2022**

Type of fuel	Number of facilities	Number of units	Net maximum capacity (MWs)	Net dependable capacity (MWs)
Natural gas	4 [(1)]	29 [(1)]	3,373 [(4)]	3,211 [(4)]
Large hydro	1 [(2)]	7	1,265	1,265
Renewables	66	163 [(3)]	417 [(4)]	277 [(4)]
Storage	1	1	20	20
Subtotal	72	200	5,075	4,773
Less payable to the California Department of Water Resources	—	—	(120) [(5)]	(40) [(5)]
Total	72	200	4,955	4,733

[(1)] Consists of the four Los Angeles Basin Stations (Haynes, Valley, Harbor, and Scattergood).

[(2)] Castaic Plant

[(3)] Includes 22 of the hydro units at the Los Angeles Aqueduct, Owens Valley, and Owens Gorge hydro units that are certified as renewable resources by the California Energy Commission (CEC). Also included are microturbine units at the Lopez Canyon Landfill, Department-built photovoltaic solar installations, the Pine Tree Wind Project, and a local small hydro plant. Not included are the units that were upgraded at the Castaic Plant.

[(4)] Figure based on statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its dependable capacity.

[(5)] Energy payable to the California Department of Water Resources for energy generated at the Castaic Plant. This amount varies weekly up to a maximum of 120 MWs.

Table 4 – Jointly Owned Facilities, Long-Term Purchase Commitments and Energy Entitlements
As of June 30, 2022

Type	Number of facilities	Department's net maximum capacity entitlement (MWs)	Department's net dependable capacity entitlement (MWs)
Coal – Intermountain Power Project	1	1,202 (1)	1,202
Natural gas – Apex Generating Station	1	578	483
Large hydro – Hoover Power Plant	1	496 (2)	268
Nuclear – Palo Verde Nuclear Generating Station	1	387 (3)	380
Renewables/distributed generation (DG)	59,908 (4)(6)	3,083	938 (5)
Total	59,912	5,746	3,271

(1) The Power System's Intermountain Power Project (IPP) entitlement is 48.6% of IPP's plant capacity of 1,800 MWs. An additional 18.2% of the IPP entitlement is subject to variable recall. The IPP is owned by the Intermountain Power Agency, a subdivision of the State of Utah.

(2) The Power System's Hoover Power Plant (Hoover) contract entitlement is 496 MWs, 23.9% of the Hoover total capacity of 2,075 MWs. As of April 30, 2022, low water levels, procedures relating to the operation of Lake Mead, and scheduled maintenance activities have reduced the Department's dependable capacity to approximately 268 MWs.

(3) The Power System's Palo Verde Nuclear Generating Station entitlement is 9.7% of the maximum net plant capacity of 4,003 MWs.

(4) The Department's contract renewable resources in-service include a hydro unit in the Los Angeles area; wind farms in Oregon, Washington, Utah, and Wyoming; and customer solar photovoltaic installations and other DG units located in the Los Angeles region. During fiscal year 2022, the Southern California Public Power Authority (SCPPA) added Red Cloud Wind Project, located in New Mexico.

(5) Figure based on statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its dependable capacity.

(6) The Power System is a member of the SCPPA, which is a California Joint Powers Agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System records its transactions with SCPPA as purchased power expense, and the assets purchased by SCPPA and related debt are on SCPPA's financial statements.

Other Noncurrent Assets and Deferred Outflows

During fiscal year 2022, other noncurrent assets had a net increase of $1,375 million primarily due to an increase of $1,121 million in net pension asset and $173 million increase in net other postemployment benefits (OPEB) assets due to a favorable investment return, an increase in cash and cash equivalents of $415 million, an increase in derivative instrument assets of $59 million, and an increase in prepayments of $59 million offset by a decrease in regulatory assets associated with pension of $233 million, a decrease in regulatory assets associated with OPEB of $142 million, a decrease in notes receivable of $32 million related to note principal payments received from Intermountain Power Agency (IPA) during the year, a decrease in long-term underrecovered costs of $30 million, and a decrease in other regulatory assets of $15 million. Decreases in regulatory assets related to pension and OPEB were due to actual expense being less than actuarially determined contributions.

During fiscal year 2022, deferred outflows decreased approximately $307 million due primarily to a decrease in deferred outflows related to pension of $225 million and $39 million related to OPEB, a $40 million decrease in deferred outflows related to year-over-year contributions made after the measurement date for pension, a $4 million decrease for deferred outflows on debt refunding due to amortization of gains and losses on bond refinancing, and $1 million decrease in asset retirement obligation offset by a $2 million increase in deferred outflows related to year-over-year contributions made after the measurement date for OPEB.

During fiscal year 2021, other noncurrent assets had a net decrease of $66 million primarily due to a decrease in regulatory assets associated with OPEB of $63 million, a decrease in notes receivable of $53 million related to note principal payments received from IPA during the year, a decrease in other regulatory assets of $33 million, a decrease in long-term underrecovered costs of $30 million, a decrease in regulatory assets associated with pension of $14 million, offset by an increase in cash and cash equivalents of $85 million and in derivative instrument assets of $41 million.

During fiscal year 2021, deferred outflows increased approximately $77 million due primarily to a $99 million increase in deferred outflows related to pension, as well as $12 million for OPEB, and a $2 million increase in asset retirement obligation, offset by a $30 million decrease in deferred outflows related to year-over-year contributions made after the measurement date for pension, a decrease of $4 million in derivative instruments, and a decrease of $3 million for deferred outflows on debt refunding due to amortization of gains and losses on bond refinancing.

Current Assets

During fiscal year 2022, current assets increased by approximately $515 million, or 15%. This increase is primarily comprised of a $142 million increase in unrestricted cash and cash equivalents as a result of increase in cash provided by operating activities, a $114 million increase in the current portion of underrecovered costs, a $113 million increase in restricted cash and cash equivalents, a $51 million increase in prepayments and other current assets, a $35 million increase in materials and fuel, a $34 million increase due from the Water System, a $20 million increase in cash collateral received from securities lending transactions and a $6 million increase in current portion of long-term notes receivable.

During fiscal year 2021, current assets increased by $480 million, or 17%. This increase is primarily comprised of a $308 million increase in unrestricted cash and cash equivalents as a result of an increase in cash provided by operating activities, a $181 million increase net accounts receivable primarily due to COVID-19, a $49 million increase in the current portion of underrecovered costs, a $19 million increase in restricted cash and cash equivalents, a $19 million increase due from the Water System, a $5 million increase in cash collateral received from securities lending transactions, a $3 million increase in materials and fuel offset by a $88 million decrease in the current portion of long-term notes receivable and $15 million in prepayments and other current assets.

Liabilities and Net Position

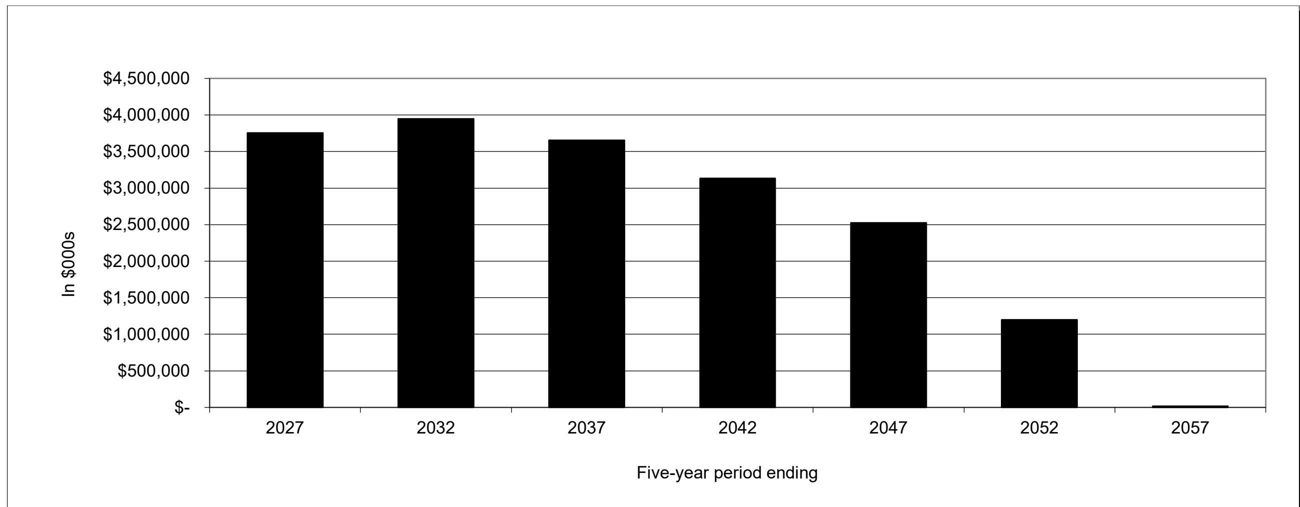
Long-Term Debt

As of June 30, 2022, the Power System's total outstanding long-term debt balance, including the current portion, was approximately $12.3 billion. The increase of $966.6 million over the prior year's balance was due to $1.5 billion in new debt issuances at par in FY 2022, $320.4 million in issue premiums, offset by scheduled maturities of $187.7 million, defeasance of $557.0 million in the Power System's revenue bonds, and $145.1 million in amortization on premiums and discounts. Two issues were to finance capital improvements, one issue was to defease debt, and one issue was used to defease debt and finance capital improvements.

As of June 30, 2021, the Power System's total outstanding long-term debt balance, including the current portion was approximately $11.4 billion. The increase of $599.1 million over the prior year's balance was due to $1.1 billion in new debt issuances at par in FY 2021, $252.8 million in issue premiums, offset by scheduled maturities of $179.0 million, defeasance of $493.4 million in the Power System's revenue bonds, and $102.8 million in amortization on premiums and discounts. One issue was to finance capital improvements, and two issues were used to defease debt and finance capital improvements.

Outstanding principal, plus scheduled interest as of June 30, 2022, is scheduled to mature as shown in the chart below:

Chart: Debt Service Requirements



In addition, the Power System had $483.4 million and $491.4 million in restricted investments available for the use of debt reduction as of June 30, 2022 and 2021, respectively.

In June 2022, Moody's Investors Service affirmed the Power System's bond rating of Aa2 and Fitch Ratings affirmed the Power System's bond rating of AA-. Also, in June 2022, Kroll Bond Rating Agency affirmed the Power System's bond rating of AA, which was assigned in May 2021. In May 2022, S&P Global Ratings affirmed the Power System's bond rating to AA-.

The Master Bond Resolution allows for parity debt to be issued as long as the Power System's adjusted net income for the applicable calculation period is at least 1.25 times the maximum annual adjusted debt service. The debt service coverage ratio is computed by taking operating revenue less operating expense excluding depreciation expense to obtain net revenue. Net revenue is then divided by the current debt service. During fiscal year 2022 and 2021, the Power System debt service coverage was 2.44 and 2.60. respectively.

Additional information regarding the Power System's long-term debt can be found in note 9 to the financial statements.

Other Long-term Liabilities and Deferred Inflows

During fiscal year 2022, other long-term liabilities had a net decrease of $772 million primarily due to a decrease in net pension liability of $752 million as a result of a 26.30% return which was higher than the assumed return of 7% resulting in a favorable investment return during the year, a $192 million reduction of the net OPEB and death benefits liabilities due to favorable investment and premium renewal experience, and a $12 million decrease in asset retirement obligation, offset by an increase in overrecovered costs of $175 million, a $5 million increase in other noncurrent liabilities and a $4 million increase in workers' compensation liability.

(Continued)

During fiscal year 2021, other long-term liabilities decreased $20 million primarily due to a $197 million reduction of the net OPEB liabilities due to favorable investment and premium renewal experience, a $9 million decrease in other noncurrent liabilities, and a $188 million increase in net pension liability as a result of actual investment income on plan investments of 3.55% as compared to projected investment income of 7% during the measurement year.

As discussed above, net pension decreased primarily due to the employer's contributions amortizing a portion of the unfunded actuarial accrued liability, which results in a reduction of the net pension liability and OPEB liabilities increased from prior year as a result of actual investment income on plan investment of 6.5% as compared to projected investment income of 7.25%.

Current Liabilities

During fiscal year 2022, current liabilities increased by $182 million, or 16%, primarily due to a $133 million increase in accounts payable and accrued expenses, a $21 million increase in securities lending obligations by the City, a $14 million increase in accrued interest, a $11 million increase in accrued employee expenses, and a $3 million increase in current portion of long-term debt.

During fiscal year 2021, current liabilities increased by $96 million, or 9%, primarily due to a $33 million increase in accounts payable and accrued expenses, a $28 million increase in accrued employee expenses, a $25 million increase in current portion of variable rate demand bonds not tendered, a $9 million increase in the current portion of long-term debt, and an increase of $5 million in securities lending obligations by the City, offset by a $3 million decrease in accrued interest.

Changes in Net Position

Operating Revenue

The Power System's rates are established by rate ordinances set by the Board of Water and Power Commissioners (the Board) based on the Board's powers and duties established in Section 676 of the City Charter. The Power System recognizes energy costs in the period incurred and accrues for estimated energy sold but not yet billed. Through a set of rate ordinances, the Power System bills its revenue through fixed and pass-through factors. As of April 15, 2016, the effective date of the 2016 Incremental Electric Rate Ordinance, all pass-through billing factors charged as part of the 2016 rates are uncapped, and a base rate revenue target (BRRTA) was established for fiscal year 2016 through fiscal year 2022 to ensure sufficient revenue to meet fixed costs while implementing an aggressive energy efficiency program. The base rate revenue target is a decoupling mechanism that separates cost recovery from the energy usage underlying the calculated overall rate. This allows the Power System to meet its financial obligations while still promoting energy conservation.

The operating revenue of the Power System is generated from wholesale and retail customers. There are four major customer categories of retail revenue. These categories include residential, commercial, industrial, and other, which includes public street lighting. Table 5 summarizes the percentage contribution of retail revenue from each customer segment in fiscal years 2022, 2021, and 2020:

Table 5 – Revenue and Percentage of Revenue by Customer Class

(Amounts in thousands other than percentages)

	Fiscal year 2022		Fiscal year 2021		Fiscal year 2020	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Type of retail customer:						
Residential	$ 1,637,120	37 %	$ 1,614,033	40 %	$ 1,360,648	36 %
Commercial and Industrial	2,784,691	64	2,492,138	61	2,372,533	63
Other, net	(58,211)	(1)	(24,399)	(1)	12,655	1
	4,363,600	100 %	4,081,772	100 %	3,745,836	100 %
Sales for resale	230,160		186,706		61,455	
Total revenue	$ 4,593,760		$ 4,268,478		$ 3,807,291	

While commercial customers consume the most electricity, residential customers represent the largest customer class. As of June 30, 2022, 2021, and 2020, the Power System had approximately 1.6 million customers. As shown in table 6 below, 1.4 million, or 91%, of total customers were in the residential customer class in fiscal years 2022, 2021, and 2020, respectively.

Table 6 – Number of Customers and Percentage of Customers by Customer Class

(Amounts in thousands other than percentages)

	Fiscal year 2022		Fiscal year 2021		Fiscal year 2020	
	Number	Percentage	Number	Percentage	Number	Percentage
Type of retail customer:						
Residential	1,430	91 %	1,414	91 %	1,405	91 %
Commercial	118	8	116	8	116	8
Industrial	10	1	10	1	10	1
Other	7	—	7	—	7	—
	1,565	100 %	1,547	100 %	1,538	100 %

Fiscal Year 2022

Operating revenue increased $325 million mainly due to an increase of $316 million in total from retail customers due to an overall increase in consumption, an increase of $43 million in Sales for Resale, and a $1 million increase in other revenue, offset by a $35 million increase of uncollectible accounts.

Fiscal Year 2021

Operating revenue increased $461 million mainly due to an increase of $373 million in total from retail customers, an increase of $125 million in Sales for Resale, and a $3 million increase in other revenue, offset by a $40 million increase of uncollectible accounts and the deferral of $40 million to the Rate Stabilization account.

Operating Expenses

Fuel for generation and purchased power are two of the largest operating expenses that the Power System incurs each fiscal year. Fuel for generation expense includes the cost of fuel that is used to generate energy. The majority of fuel costs include the cost of natural gas and nuclear fuel.

The table below summarizes the Power System's operating expenses during fiscal years 2022, 2021, and 2020:

Table 7 – Operating Expenses and Percentage of Expense by Type of Expense

(Amounts in thousands other than percentages)

	Fiscal year 2022		Fiscal year 2021		Fiscal year 2020	
	Expense	**Percentage**	**Expense**	**Percentage**	**Expense**	**Percentage**
Type of expense:						
Fuel for generation	$ 327,813	8 %	$ 228,697	6 %	$ 207,043	6 %
Purchased power	1,309,505	35	1,301,394	37	1,242,068	36
Other operating expenses	1,021,818	27	945,993	27	1,010,716	29
Maintenance expenses	409,175	11	377,165	11	353,587	10
Depreciation and amortization	724,461	19	671,090	19	629,896	19
	$ 3,792,772	100 %	$ 3,524,339	100 %	$ 3,443,310	100 %

Fiscal Year 2022

Fiscal year 2022 operating expenses were $268 million higher when compared to fiscal year 2021, driven primarily by a $99 million increase in fuel for generation, a $76 million increase in other operating expense, an increase of $8 million in purchased power, a $53 million increase in depreciation and amortization expense, and $32 million increase in maintenance expenses.

The $8 million increase in purchased power costs can be primarily attributed to higher year-over-year billings from SCPPA (purchase of renewable energy) and IPA.

The $53 million increase in the depreciation and amortization expense can mainly be attributed year-over-year increases in depreciation and amortization for regulatory assets, $16 million; distribution plant, $2 million; and general (corporate), $35 million.

The $99 million increase in fuel for generation is primarily due to higher year-over-year natural gas prices.

The $32 million increase in maintenance expense for utility plant assets is mainly due to higher year-over-year maintenances costs for distribution plant, $25 million; maintenance of steam plant, $5 million; and maintenance of transmission plant, $9 million, partially offset by a decrease in other production of plant, $6 million; and maintenance costs for hydraulic plant, $1 million.

The $76 million increase in other operating expense is mainly due to an increase of $55 million in A&G corporate expense, an increase of $14 million in customer service expense and, a $7 million increase in transmission expense.

Fiscal Year 2021

Fiscal year 2021 operating expenses were $81 million higher when compared to fiscal year 2020, driven primarily by a $59 million increase in purchased power costs, a $41 million increase in depreciation and amortization expense, a $22 million increase in fuel for generation, and $24 million increase in maintenance expenses, offset by a $65 million decrease in other operating expenses.

The $59 million increase in purchased power costs can be primarily attributed to higher year-over-year billings from SCPPA (purchase of renewable energy) and IPA.

The $41 million increase in the depreciation and amortization expense can mainly be attributed year-over-year increases in depreciation and amortization for regulatory assets ($11.7 million), distribution plant ($19.3 million), steam plant ($4.4 million), transmission plant ($4.6 million), and general (corporate) ($1 million).

The $22 million increase in fuel for generation is primarily due to higher year-over-year natural gas prices.

The $24 million increase in maintenance expense for utility plant assets is mainly due to higher year-over-year maintenance costs for distribution plant, $29 million; steam plant, $1 million; nuclear plant, $1 million; and other production plant, $1 million, partially offset by a decrease in maintenance costs for hydraulic plant, $8 million.

The $65 million decrease in other operating expense is mainly due to a decrease in customer services expense, $24 million; decrease in transmission expense, $22 million; decrease in other production expense, $19 million; decrease in customer accounts and collection expense, $13 million; and a decrease in decommissioning expense of $11 million, offset by an increase in distribution expense, $16 million; and an increase in A&G corporate expense, $8 million.

Nonoperating Revenue and Expenses

Fiscal Year 2022

The major nonoperating activities of the Power System for fiscal year 2022 included the transfer of $225 million to the City General Fund, grant revenues and corresponding grant expenses of $203 million, $98 million in other nonoperating income, $25 million in federal bond subsidies, investment loss of $118 million, and $371 million in debt expenses.

The $125 million decrease in investment income can be primarily attributed to the change in the fair market value of the general pool investment between FY 2021 and FY 2022.

The $15 million decrease in other nonoperating income is due mainly to a decrease in revenue recognized for emissions reduction credits.

The $12 million increase in debt expenses is mainly due to the interest expense from variable rate bonds and refunding.

Fiscal Year 2021

The major nonoperating activities of the Power System for fiscal year 2021 included the transfer of $218 million to the City General Fund, $113 million in other nonoperating income, $28 million in federal bond subsidies, investment income of $7 million, and $359 million in debt expenses.

The $104 million decrease in investment income can be primarily attributed to the change in the fair market value of the general pool investment between FY 2020 and FY 2021.

The $13 million decrease in other nonoperating income is due mainly to a decrease in revenue recognized for emissions reduction credits.

The $11 million decrease in debt expenses is mainly due to the interest expense from variable rate bonds and refunding.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Statements of Net Position

June 30, 2022 and 2021

(Amounts in thousands)

Assets and Deferred Outflows	**2022**	**2021**
Noncurrent assets:		
Utility plant:		
Generation	$ 6,439,756	6,324,818
Transmission	2,454,908	2,404,437
Distribution	11,559,491	10,929,207
General	2,357,693	2,241,655
Total	22,811,848	21,900,117
Accumulated depreciation	(9,824,828)	(9,300,373)
Total utility plant, net	12,987,020	12,599,744
Construction work in progress	931,642	679,306
Nuclear fuel, at amortized cost	40,292	39,316
Natural gas field, net	128,694	139,416
Total	14,087,648	13,457,782
Restricted investments	655,384	684,227
Cash and cash equivalents – restricted	899,648	484,788
Derivative instrument assets	100,746	41,431
Long-term notes and other receivables, net of current portion	26,696	58,309
Underrecovered costs	5,734	35,712
Regulatory assets – other	870,348	884,932
Regulatory assets – OPEB	132,286	274,667
Regulatory assets – pension	—	233,406
Net OPEB assets	172,652	—
Net pension assets	1,120,640	—
Prepayments	59,199	—
Total noncurrent assets	18,130,981	16,155,254
Current assets:		
Cash and cash equivalents – unrestricted	1,574,470	1,432,492
Cash and cash equivalents – restricted	602,311	489,558
Cash collateral received from securities lending transactions	36,925	16,366
Customer and other accounts receivable, net of $309,669 and $245,639 allowance for losses for 2022 and 2021, respectively	575,398	575,233
Current portion of long-term notes receivable	74,425	68,365
Current portion of underrecovered costs	482,714	368,997
Due from Water System	53,751	20,131
Materials and fuel	242,125	207,016
Prepayments and other current assets	200,918	150,364
Total current assets	3,843,037	3,328,522
Total assets	21,974,018	19,483,776
Deferred outflows on debt refunding	11,347	14,926
Deferred outflows – asset retirement obligation	29,219	30,409
Deferred outflows – pension	42,862	268,133
Deferred outflows – OPEB	58,056	96,574
Deferred outflows – contributions made after measurement date for pension	218,209	258,574
Deferred outflows – contributions made after measurement date for OPEB	83,769	81,281
Total deferred outflows	443,462	749,897
Total assets and deferred outflows	$ 22,417,480	20,233,673

(Continued)

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Statements of Net Position

June 30, 2022 and 2021

(Amounts in thousands)

Net Position, Liabilities, and Deferred Inflows	**2022**	**2021**
Net position:		
Net investment in capital assets	$ 2,122,139	2,086,159
Restricted:		
Debt service	749,956	742,942
Other purposes	253,830	270,825
Unrestricted	3,298,942	3,017,666
Total net position	6,424,867	6,117,592
Long-term debt, net of current portion	12,057,939	11,093,929
Other noncurrent liabilities:		
Accrued workers' compensation claims	50,234	46,451
Asset retirement obligation	224,277	236,596
Net OPEB liability	—	191,446
Net pension liability	—	752,368
Overrecovered costs - pension	174,607	—
Other noncurrent liability	93,238	87,887
Total other noncurrent liabilities	542,356	1,314,748
Current liabilities:		
Current portion of long-term debt	190,315	187,683
Current portion of variable rate demand bond liquidity advance not made	79,170	79,170
Accounts payable and accrued expenses	591,921	459,218
Accrued interest	237,859	223,487
Accrued employee expenses	171,427	159,653
Obligations under securities lending transactions	36,925	16,366
Total current liabilities	1,307,617	1,125,577
Total liabilities	13,907,912	13,534,254
Deferred inflows on derivative instrument	100,746	41,431
Deferred inflows - leases	24,759	—
Deferred inflows on debt refunding	58,802	25,767
Deferred inflow – pension	1,266,441	67,081
Deferred inflow – OPEB	446,763	261,075
Deferred inflows from regulated business activities	187,190	186,473
Total deferred inflows	2,084,701	581,827
Total net position, liabilities, and deferred inflows	$ 22,417,480	20,233,673

See accompanying notes to financial statements.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(Amounts in thousands)

		2022	2021
Operating revenues:			
Residential	$	1,637,120	1,614,033
Commercial and industrial		2,784,691	2,492,138
Sales for resale		230,160	186,706
Other		54,395	53,130
Uncollectible accounts		(112,606)	(77,529)
Total operating revenues		4,593,760	4,268,478
Operating expenses:			
Fuel for generation		327,813	228,697
Purchased power		1,309,505	1,301,394
Maintenance and other operating expenses		1,430,993	1,323,158
Depreciation and amortization		724,461	671,090
Total operating expenses		3,792,772	3,524,339
Operating income		800,988	744,139
Nonoperating revenues:			
Net investment income (loss)		(118,115)	7,249
Federal bond subsidies		25,475	27,800
Grant revenues		202,788	—
Other nonoperating income		98,420	113,361
Total nonoperating revenues		208,568	148,410
Grant expenses		(202,788)	—
Other nonoperating expenses		(4,298)	(3,107)
Total nonoperating revenues, net		1,482	145,303
Debt expenses:			
Interest on debt		371,045	358,959
Total debt expenses		371,045	358,959
Income before capital contributions and transfers		431,425	530,483
Capital contributions		100,865	103,459
Transfers to the reserve fund of the City of Los Angeles		(225,015)	(218,355)
Increase in net position		307,275	415,587
Net position:			
Beginning of year		6,117,592	5,702,005
End of year	$	6,424,867	6,117,592

See accompanying notes to financial statements.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Amounts in thousands)

		2022	2021
Cash flows from operating activities:			
Cash receipts:			
Cash receipts from customers	$	4,610,412	4,387,288
Cash receipts from customers for other agency services		707,601	680,277
Cash receipts from interfund reimbursements		760,946	717,466
Other cash receipts		6,571	—
Cash disbursements:			
Cash payments to employees		(865,306)	(814,761)
Cash payments to suppliers		(2,334,616)	(1,958,489)
Cash payments for interfund reimbursements		(929,717)	(907,606)
Cash payments to other agencies for fees collected		(698,211)	(688,939)
Cash payments for property taxes		(16,987)	(15,855)
Other cash payments		—	(15,081)
Net cash provided by operating activities		1,240,693	1,384,300
Cash flows from noncapital financing activities:			
Payments to the reserve fund of the City of Los Angeles		(225,015)	(218,355)
Proceeds from grant receipts		202,788	—
Payments for grant expenses		(18,284)	—
Net cash provided by noncapital financing activities		(40,511)	(218,355)
Cash flows from capital and related financing activities:			
Additions to plant and equipment, net		(1,231,704)	(1,230,577)
Capital contributions		100,926	90,905
Principal payments and maturities on long-term debt		(187,683)	(179,405)
Proceeds from issuance of bonds		1,298,327	880,325
Debt interest payments		(497,096)	(460,722)
Federal bond subsidies		25,475	27,800
Net cash used in capital and related financing activities		(491,755)	(871,674)
Cash flows from investing activities:			
Purchases of investment securities		(478,558)	(643,023)
Sale of investment securities		477,536	605,998
Proceeds from notes receivable		68,365	155,920
Investment loss		(106,179)	(1,081)
Net cash used in investing activities		(38,836)	117,814
Net increase (decrease) in cash and cash equivalents		669,591	412,085
Cash and cash equivalents:			
Beginning of period		2,406,838	1,994,753
Ending of period	$	3,076,429	2,406,838

(Continued)

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Amounts in thousands)

		2022	2021
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	800,988	744,139
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		724,461	671,090
Depletion expense		10,810	12,366
Amortization of nuclear fuel		10,810	13,268
Provision for losses on customer and other accounts receivables		112,606	77,529
Changes in assets and liabilities:			
Customer and other accounts receivable		(322,220)	(259,868)
Underrecovered costs		29,979	29,979
Current portion of underrecovered costs		(113,717)	(48,555)
Materials and fuel		(35,109)	(2,629)
Regulatory assets		270,662	(2,358)
Noncurrent Prepayments		(59,199)	—
Overrecovered costs - pension		174,607	—
Due from water system		(33,620)	(18,523)
Deferred outflows		315,635	(83,914)
Accounts payable and accrued expenses		108,172	60,642
Net pension asset/liability		(1,873,009)	188,238
Net OPEB asset/liability		(364,098)	(197,247)
Other noncurrent liability		(7,429)	(5,007)
Deferred inflows		1,443,558	53,468
Asset retirement obligation		(12,319)	(765)
Prepayments and other current assets		59,125	152,447
Net cash provided by operating activities	$	1,240,693	1,384,300

Supplemental disclosures of noncash capital and relating financing activities:

During the year ended June 30, 2022, the Power System issued revenue bonds to refund previously issued debt. The $438.6 million of proceeds was deposited immediately into an irrevocable trust for the defeasance of $438.5 million of debt. Additionally, $118.5 million of proceeds was deposited immediately to a paying agent for the redemption of $118.5 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in $37.3 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

During the year ended June 30, 2021, the Power System issued revenue bonds to refund previously issued debt. The $193.1 million of proceeds was deposited immediately into an irrevocable trust for the defeasance of $193.0 million of debt. Additionally, $300.0 million of proceeds was deposited immediately to a paying agent for the redemption of $300.0 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in $1.5 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

Accounts payable related to capital expenditures totaled $92.5 million and $68.0 million during fiscal years 2022 and 2021, respectively.

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The Department of Water and Power (the Department) exists as a separate department of the City of Los Angeles (the City) under and by virtue of the City Charter enacted in 1925, and as revised effective July 2000. The Department's Power Revenue Fund (the Power System) is responsible for the generation, transmission, and distribution of electric power for sale in the City. The Power System is operated as an enterprise fund of the City.

(a) Method of Accounting

The accounting records of the Power System are maintained in accordance with U.S. generally accepted accounting principles (GAAP) for state and local governmental entities. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Power System is accounted for as an enterprise fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting.

The financial statements of the Power System are intended to present the net position, and the changes in net position and cash flows, of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Power System. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with GAAP.

The Power System's rates are determined by the Board of Water and Power Commissioners (the Board) and are subject to review and approval by the Los Angeles City Council. As a regulated enterprise, the Power System follows the regulatory accounting criteria set forth in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires that the effects of the rate-making process be reported in the financial statements. Such effects primarily concern the time at which various items enter into the determination of changes in net position. Accordingly, the Power System records various regulatory assets and liabilities to reflect the Board's actions and by deferring expenses and revenue that are recoverable or payable from rates provided in the electric rate ordinances. Regulatory liabilities comprise overrecovered costs and deferred inflows and regulatory assets comprise underrecovered costs (see note 6h), regulatory assets, and deferred outflows in the statement of net position. Management believes that the Power System meets the criteria for continued application and will continue to evaluate its applicability based on changes in the regulatory and competitive environment. See note 6.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Utility Plant

The costs of additions to utility plant and replacements of retired units of property are capitalized. Costs include labor, materials, and allocated indirect charges, such as engineering, supervision, transportation and construction equipment, retirement plan contributions, healthcare costs, and certain administrative and general expenses. The costs of maintenance, repairs, and minor replacements are charged to the appropriate operations and maintenance expense accounts.

(d) Intangibles

The Power System follows GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires that an intangible asset be recognized in the statement of net position only if it is considered identifiable. Additionally, it establishes a specified-conditions approach to recognize intangible assets that are internally generated. Effectively, outlays associated with the development of such assets are not capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria are expensed as incurred. Intangible assets consist of land easements, land rights, and computer software and are included in general utility plant on the statements of net position.

(e) Impairment of Long-Lived Assets

The Power System follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Under GASB Statement No. 42, impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government should be measured using the method that best reflects the cause of the diminished service utility of the capital asset.

(f) Depreciation and Amortization

Beginning in fiscal year 2017, depreciation expense is computed using the straight-line method for all assets. Depreciation rates are per the 2020 Depreciation Study. For fiscal year 2020 and prior, depreciation expense was computed using the straight-line method based on service lives for all projects completed after July 1, 1973, and for all office and shop structures, related furniture and equipment, and transportation and construction equipment. Depreciation for facilities completed prior to July 1, 1973 was computed using the 5.0% sinking fund method based on estimated service lives.

The Department uses the composite method of depreciation and, therefore, groups assets into composite groups for purposes of calculating depreciation expense. Estimated service lives range from 5 to 75 years. Amortization expense for computer software is computed using the straight-line method over 5 to 15 years. Depreciation and amortization expense as a percentage of average depreciable utility plant in service was 3.0% and 2.9% for fiscal years ended 2022 and 2021, respectively.

(Continued)

(g) Nuclear Fuel

Nuclear fuel is amortized and charged to fuel for generation on the basis of actual thermal energy produced relative to total thermal energy expected to be produced over the life of the fuel. Under the provisions of the Nuclear Waste Policy Act of 1982, the federal government assesses each utility with nuclear operations, including the Power System, $1 per megawatt hour of nuclear generation. The Power System includes this charge as a current-year expense in fuel for generation.

(h) Natural Gas Field

In July 2005, the Power System acquired approximately a 74.5% ownership interest in gas properties located in Pinedale, Wyoming. The Power System uses the successful efforts method of accounting for its investment in gas-producing properties. Costs to acquire the mineral interest in gas-producing properties, to drill and equip exploratory wells that find proven reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proven reserves are expensed. Capitalized costs of gas-producing properties are depleted by the unit-of-production method based on the estimated future production of the proven wells.

Depletion expense related to the gas field is recorded as a component of fuel for generation expense. During fiscal years 2022 and 2021, the Power System recorded $10.8 million and $12.4 million of depletion expense, respectively.

(i) Cash and Cash Equivalents

As provided for by the State of California Government Code, the Power System's cash is deposited with the City Treasurer in the City's general investment pool for the purpose of maximizing interest earnings through pooled investment activities. The Power System considers the cash on deposit with the City Treasurer to be demand deposits as the amounts are available on demand without prior notice or penalty. Cash and cash equivalents in the City's general investment pool are reported at fair value on a recurring basis and changes in unrealized gains and losses are recorded in the statements of revenue, expenses, and changes in net position. Interest earned on such pooled investments is allocated to the participating funds based on each fund's average daily cash balance during the allocation period. The City Treasurer invests available funds of the City and its independent operating departments on a combined basis. The Power System classifies all cash and cash equivalents that are restricted either by creditors, the Board, or by law as restricted cash and cash equivalents in the statements of net position. The Power System considers its portion of pooled investments in the City's pool to be unrestricted cash and cash equivalents and the unspent construction funds as long-term restricted cash and cash equivalents.

(Continued)

At June 30, 2022 and 2021, restricted cash and cash equivalents include the following (amounts in thousands):

		June 30	
		2022	**2021**
Bond redemption and interest funds	$	433,763	416,528
Other restricted funds		168,548	73,030
Restricted cash and cash equivalents – current portion		602,311	489,558
Self-insurance reserve		222,165	246,311
Rate stabilization fund		180,000	180,000
Bond redemption funds		70,701	58,477
Construction funds		426,782	—
Restricted Cash and cash equivalents – noncurrent		899,648	484,788
Total restricted cash and cash equivalents	$	1,501,959	974,346

(j) Materials and Fuel

Materials and supplies are recorded at average cost. Fuel is recorded at lower of cost or market on an average-cost basis.

(k) Customer and Other Accounts Receivable and Allowance for Doubtful Accounts

The Power System’s accounts receivables are reported net of allowance for losses. Customer account receivables result from the sale of energy to city residents. Other receivables consist of billings to customers, federal, state, and local governments for work performed to improve or enhance energy distribution, energy sales to other utilities, and other miscellaneous receivables.

The Power System’s residential customers are billed bimonthly, and customers on monthly billings include commercial, governmental, and industrial. The Power System records an estimate for uncollectible accounts for its receivables related to electric customer accounts and other nonelectric customer billings based on an analysis of the balances in the Power System’s accounts receivable aging reports. These estimates are reviewed and adjusted annually.

The Power System records bad debt for its estimated uncollectible accounts related to electric customer accounts as a reduction in the Power System operating revenue. The Power System records its estimated uncollectible accounts related to nonelectric customer billings as a reduction to related operating revenue in the Power System.

At June 30, 2022 and 2021, customer and other accounts receivable include the following (amounts in thousands):

		June 30	
		2022	**2021**
Customer and other accounts receivable	$	885,067	820,872
Allowance for losses		(309,669)	(245,639)
Customer and other accounts receivable, net	$	575,398	575,233

(l) Accrued Unbilled Revenue

Accrued unbilled revenue is the receivable for estimated energy sales during the period for which service has been provided but the customer has not yet been billed. See Note 1(w).

(m) Investments

The Power System follows GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and fair value reporting issues related to fair value measurements by clarifying the definition of fair value, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This statement established a three-level hierarchy of inputs to valuation techniques used to measure fair value. Investments are reported at fair value on a recurring basis, and changes in unrealized gains and losses are recorded in the statements of revenue, expenses, and changes in net position.

(n) Accrued Employee Expenses

Accrued employee expenses include accrued payroll and an estimated liability for vacation leave, sick leave, and compensatory time, which are accrued when employees earn the rights to the benefits. Below is a schedule of accrued employee expenses as of June 30, 2022 and 2021 (amounts in thousands):

		June 30	
		2022	**2021**
Type of expenses:			
Accrued payroll	$	36,219	35,748
Accrued vacation		92,241	81,579
Accrued sick leave		17,159	17,020
Compensatory time		25,808	25,306
Total	$	171,427	159,653

(o) Debt Expenses

Debt premiums and discounts are capitalized and amortized to interest expense using the effective-interest method over the lives of the related debt issues. Gains and losses on refundings related to bonds redeemed by proceeds from the issuance of new bonds are amortized to interest expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded. Debt issuance costs are expensed in the year debt is issued.

(p) Accrued Workers' Compensation Claims

Liabilities for unpaid workers' compensation claims are recorded at their net present value. See note 15(c).

(q) Customer Deposits

Customer deposits represent deposits collected from customers upon opening of new accounts. These deposits are obtained when the customer does not have a previously established credit history with the Department. Original deposits plus interest are paid to the customer after deduction of any unpaid charges or indebtedness due to the Department upon termination of service. An active service account is eligible for deposit refund review once a satisfactory payment history is maintained, generally after one to three years.

The Department's Water Revenue Fund (the Water System) is responsible for collection, maintenance, and refunding of these deposits for all the Department's customers, including those of the Power System. As such, the Water System's statements of net position include a deposit liability of $243 million and $230 million as of June 30, 2022 and 2021, respectively, for all customer deposits collected. In the event that the Water System defaults on refunds of such deposits, the Power System would be required to pay amounts it owes its customers.

(r) Capital Contributions

Capital contributions and other grants received by the Power System for constructing utility plant and other activities are recognized when all applicable eligibility requirements, including time requirements, are met.

(s) Use of Restricted and Unrestrictive Resources

The Power System's policy is to use unrestricted resources prior to restricted resources to meet expenses to the extent that it is prudent from an operational perspective. Otherwise, restricted resources will be utilized to meet intended obligations.

(t) Pensions

Eligible employees of the Power System are members of the Water and Power Employees' Retirement Plan (the Plan), which is a single-employer defined-benefit pension plan. The Power System's policy is to fund all the required actuarially determined contributions; such costs to be funded are determined annually as of July 1 by an actuary utilized by the Plan. The assets of the Plan are accumulated and

reported at fair value in a special trust fund of the City and, therefore, are not reported in the accompanying financial statements.

The Power System recognizes a net pension liability, which represents the Power System's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension plan as reflected in the financial statements of the Plan. The net pension liability is measured as of the Power System's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows and a reduction to the pension regulatory asset.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the Power System's pension plan and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit's terms.

(u) Other Postemployment Plan Benefits

Eligible employees of the Power System are members of the Water and Power Employees' Retirement Plan, which comprises a single-employer defined-benefit plan and a system of benefits. In addition to pension benefits, retirees can also receive other postemployment benefits (OPEB), mainly, healthcare and death benefits. The level of benefits is determined based on their years of civil service, age, and which pension tier they belong to.

The Power System's policy is to fund all the required actuarially determined contributions; such costs to be funded are determined annually as of July 1 by an actuary utilized by the Plan. The assets of the Plan are accumulated and reported at fair value in a special trust fund of the City and, therefore, are not reported in the accompanying financial statements.

The Power System recognizes a net OPEB liability, which represents the Power System's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the Plan as reflected in the financial statements of the Plan. The net OPEB liability is measured as of the Power System's prior fiscal year-end. Changes in the net OPEB liability are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective OPEB plan and are recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings on Plan investments are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows and a reduction to the OPEB regulatory asset.

For purposes of measuring the net OPEB liability and deferred outflows/inflows or resources relating to OPEB and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(v) Asset Retirement Obligations

Asset retirement obligations (AROs) represent a legally enforceable liability to perform future asset retirement activities related to its tangible capital assets associated with the retirement of a tangible assets. The Power System records a liability and a corresponding deferred outflow at the time there is an external obligating event such as a federal or state regulation, a legally binding contract or court judgment and when there is an internal obligation event. The measurement of an ARO is based on the best estimate of the current value of outlays expected to be incurred using all available evidence. When the Power System has a minority share of an undivided interest arrange in which it jointly owns a tangible capital asset, the ARO is reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility. The ARO is reduced as actual decommissioning costs are paid. Deferred outflows are amortized using the straight-line method over the remaining useful life of the asset or lease term, if leased. Amortization of the deferred outflow is recorded as operating and maintenance expense in the accompanying statements of revenues, expenses and changes in net assets.

(w) Revenues

The Power System's rates are established by two rate ordinances set by the Board based on its powers and duties established in Section 676 of the City Charter. The Power System sells energy to other City departments at rates provided in the ordinance. The Power System recognizes energy costs in the period incurred and accrues for estimated energy sold but not yet billed.

Revenue consists of billings to customers for power consumption at rates specified in the power rate ordinances. These rates include cost adjustment factors that provide the Power System with full recovery of fuel and purchased power expenditures and base rate revenue based upon established revenue targets. Management estimates these costs quarterly or annually for a 12-month prospective period to establish the cost recovery component of customer billings, and any difference between billed and actual costs is adjusted in subsequent billings. This difference of $218 million and $130 million is reported as a component of underrecovered costs in the accompanying statements of net position as of June 30, 2022 and 2021, respectively (see note 6). The remaining portion of underrecovered costs of $265 million and $239 million relates to accrued unbilled amounts related to costs incurred during the years ending June 30, 2022 and 2021, respectively, that will be billed with the current fiscal year's customer consumption but has not been billed at fiscal year-end as the consumption period and billing period has not yet ended.

(x) Current Rate Ordinances

Through a set of rate ordinances, the Power System bills its revenue through fixed and pass-through factors. The legacy rate ordinance has been in effect since July 1, 2008 and the most recent rate ordinance has been in effect since April 15, 2016.The power rates are set for each customer class based upon a completed formal marginal cost of service study, which is common industry practice.

The Power System's rate ordinances contain the following factors: Capped Energy Cost Adjustment Factor (CECAF), Variable Electric Adjustment Factor (VEAF), Variable Renewable Portfolio Standard Energy Adjustment Factor (VRPSEAF), Capped Renewable Portfolio Standard Energy Adjustment Factor (CRPSEAF), Reliability Cost Adjustment Factor (RCAF), Incremental Reliability Cost Adjustment Factor (IRCAF) and Electric Subsidy Adjustment Factor (ESAF). These factors are recovered by amounts included in customers' bills.

The CECAF recovers the costs of fuel, purchased power including renewable resources, and Demand Side Management costs, including revenue losses and other variable operational costs. The VEAF recovers expenditures for non-renewable fuel, nonrenewable purchased power, and legal costs, judgments, and settlements, which are beyond the cost recovery ability of the CECAF and contribution from the base rates. The VRPSEAF recovers expenditures for Renewable Portfolio Standard (RPS) projects in which the Department has no ownership interest and recovery of some expenditures for RPS projects in which the Department has indirect ownership interest, which are beyond the cost recovery ability of the CECAF and contribution from the base rates. The CRPSEAF recovers expenditures for RPS projects directly owned by the Department, recovery of debt service and operation and maintenance expenses for RPS projects indirectly owned by the Department, and recovery of expenditures for Demand Side Management measures, which are beyond the cost recovery ability of the CECAF and contribution from the base rates. The RCAF and the IRCAF recover, in part, the costs of improving the reliability of power delivery to customers, and these charges support additional capital investments needed to improve reliability in areas of power distribution, transmission, and generation infrastructures. The ESAF recovers the cost of credits given to lifeline and low-income residential customers, credits to general service customers subsidized under enterprise zone and disaster recovery rates, and certain credits for lighting and traffic control.

Operating revenue is revenue generally derived from activities that are billable in accordance with the power rate ordinances established by the City of Los Angeles. Other types of revenue are generally considered nonoperating.

(2) Recent Accounting Pronouncements

(a) GASB Statement No. 87

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the Power System's fiscal year beginning July 1, 2021. The purpose of this Statement is to enhance consistency in accounting and financial reporting by providing a methodology for identifying and reporting lease arrangements and obligations. The Power System adopted the provisions of GASB Statement No. 87 on July 1, 2021 and the Power System's financial statements for the fiscal year ended June 30, 2022 reflect the implementation of this statement. The Power System's financial statements for the fiscal year ended June 30, 2021 have not been restated to reflect the implementation of Statement 87 as the Department does not believe the effects of this statement have a material effect on the presentation of these financial statements.

The Power System is both a lessor and a lessee:

(i) *Lessor*

The Power System is a lessor for various leases covering land and improvements. For leases with a maximum possible term of 12 months or less at commencement, the Power System recognizes revenue based on the provisions in each contract. For all other leases (i.e., those that are not short-term), the Power System recognizes a lease receivable, and deferred inflows in accordance with GASB Statement No. 87.

At lease commencement, the Power System initially measures the lease receivable at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts, if any. If the present value of payments expected to be received is below the $100,000 materiality threshold, then revenues will be recognized as short-term leases. Subsequently, for all other leases, the lease receivable is reduced by the principal portion of lease payments received.

As a lessor, the Power System's long-term land leases cover periods of 30-55 years. A 30-year land lease has an escalation factor of 5% every five years which commenced on April 15, 2011. This land lease also contains an Interconnection agreement for an oil terminal and tank farm for storage, handling and distribution of crude petroleum and petroleum related products, which can be terminated after ten years from the effective date or termination of lease agreement.

A 55-year secondary land lease was commenced on February 1, 1997. This lease follows the standard conditions for secondary land use of transmission line right-of-way for nursery, landscape, greenbelt and agricultural purposes which includes a 30-day written revocation clause by lessor, Power System. There is an escalation rate based on CPI (All Urban Consumers for Los Angeles, Anaheim and Riverside) every five years.

The deferred inflows are initially measured as the initial amount of the lease receivable plus any prepaid lease payments at or before the lease commencement less any lease incentives paid at or before the lease commencement. Subsequently, the Power System recognizes the deferred inflow of resources as inflows of resources on a straight-line basis over the remaining term of the lease.

The Power System used the long-term average Weighted Average Cost of Capital (WACC) for AA rated utilities as the discount rate for leases which approximates the Power System's incremental borrowing rate.

The lease term includes the noncancelable period of the lease plus any additional periods covered by either the Power System or lessee's unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Power System and the lessee have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

The Power System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable, the lease receivable is remeasured and a corresponding adjustment is made to the lease asset. There was no remeasurement of leases during fiscal year 2022.

Lease Receivables are reported with long-term receivables under noncurrent assets and the corresponding deferred inflows are reported with other deferred inflows in the Statement of Net Position.

The Power System had the following lessor activities during fiscal year 2022 (amounts in thousands):

	Balances as of July 1, 2021	Leases and Additions	Remeasurements	Deductions	Balance, June 30, 2022
Lessor:					
Lease Receivable – GASB 87	$ 26,055	—	—	(720)	25,335
Deferred Inflows – GASB 87	26,055	—	—	(1,296)	24,759

(ii) Lessee

The Power System is a lessee for various noncancelable leases of buildings, vehicles and land. For leases with a maximum possible term of 12 months or less at commencement, the Power System recognizes expense based on the provisions of the lease contract. For all other leases (i.e., those that are not short-term), the Power System recognizes a lease liability and an intangible right-to-use lease asset.

At lease commencement, the Power System initially measures the lease liability at the present value of payments expected to be made during the lease term. If the present value of payments expected to be made are below the $100,000 materiality threshold, then expenses will be

recognized as short-term leases. Subsequently, for all other leases, the lease liability is reduced by the principal portion of lease payments made at or before the lease commencement date.

The lease asset (right-of-use) is initially measured as the initial amount of the lease liability plus ancillary cost to place the asset into use, plus lease payments and lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Power System generally uses its estimated incremental borrowing rate as the discount for leases unless the rate that the lessor/vendor charges is known. The Power System's incremental borrowing rate is based on the long-term average Weighted Average Cost of Capital (WACC) for AA rated utilities as the discount rate for leases unless the rate that the lessor charges is known. The Power System's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease under similar terms at the commencement or remeasurement date.

The lease term includes the noncancelable period of the lease, plus any additional periods covered by either the Power System or lessor's unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Power System and the lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

The Power System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset, respectively. There was no remeasurement of leases during fiscal year 2022.

Lease assets are reported with capital assets and lease liabilities are reported with current liabilities and other noncurrent liabilities (long-term) in the Statement of Net Position.

The Power System had the following lease assets (lessee) during fiscal year 2022 (amounts in thousands):

	Balance, July 01, 2021	Additions	Remeasurements	Deductions	Balance, June 30, 2022
Lessee					
Lease Assets:					
Buildings	$ 15,530	1,418	—	—	16,948
Vehicles	—	2,443	—	—	2,443
Land, right-of-use	1,251	—	—	—	1,251
Total Lease assets (right-of-use)	16,781	3,861	—	—	20,642
Less Accumulated Amortization					
Buildings	—	2,526	—	—	2,526
Vehicles	—	1,116	—	—	1,116
Land, right-of-use	—	46	—	—	46
Total Lease assets (right-of-use)	—	3,688	—	—	3,688
Total Lease assets, net	$ 16,781	173	—	—	16,954

The Power System had the following lease liability (lessee) during fiscal year 2022 (amounts in thousands):

	Balance, July 01, 2021	Additions	Remeasurements	Deductions	Balance, June 30, 2022	Amount due in FY 2023
Lease Liability	$ 16,781	3,861	—	(3,232)	17,410	4,633

As of June 30, 2022, annual principal and interest for the lease liability are as follows (amounts in thousands):

		Principal	Interest
Fiscal year(s) ending June 30:			
2023	$	4,633	609
2024		1,191	564
2025		1,266	512
2026		1,038	462
2027		1,087	418
2028–2032		6,243	1,192
2033–2037		565	382
2038–2042		835	245
2043–2047		475	97
2048–2052		77	6
Total requirements	$	17,410	4,488

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as expense in the period in which the obligation for those payments are incurred. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of the lease liabilities were $251,000 during fiscal year 2022.

As of June 30, 2022, the Power System, DWP as lessee, has a lease agreement that has not yet commenced, primarily for office space in the form of a building, located at 233 South Beaudry Avenue. This lease is scheduled to commence in fiscal year 2023 with the lease term of ten years with one extension option for five years. The total undiscounted basis cost of the full ten-year term of this lease, including initial tenant improvements is $49.3 million.

The Power System, DWP as lessee, has a lease agreement with the City of Los Angeles Department of General Services, as lessor. This lease agreement and any lease agreements with other City departments are excluded from GASB Statement No.87 because the control is not conveyed to another legal entity; hence, this type of lease agreements should not be reported as leases in the Power System's financial statements.

(b) GASB Statement No. 96

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs),* effective for the Power System's fiscal year beginning July 1, 2022. The objective of this statement is to enhance consistency in accounting and financial reporting by requiring government entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts with a s specified term. Management has not yet determined the impact of

GASB Statement No. 96 on the Power System's financial statements, but plans to adopt new GASB 96 standards in fiscal year 2023.

(3) Utility Plant

The Power System had the following activities in utility plant during fiscal year 2022 (amounts in thousands):

	Balance June 30, 2021	Additions	Retirements and disposals	Transfers	Balance June 30, 2022
Nondepreciable utility plant:					
Land and land rights	$ 241,103	—	—	—	241,103
Construction work in progress	679,306	333,355	(612)	(80,407)	931,642
Nuclear fuel	39,316	11,785	(10,810)	—	40,291
Natural gas field	139,416	89	(10,810)	—	128,695
Total nondepreciable utility plant	1,099,141	345,229	(22,232)	(80,407)	1,341,731
Depreciable utility plant:					
Generation	6,275,065	109,461	(4,271)	10,640	6,390,895
Transmission	2,297,110	13,315	(121)	36,373	2,346,677
Distribution	10,886,637	641,321	(36,231)	25,205	11,516,932
General	2,200,202	119,528	(11,678)	8,189	2,316,241
Total depreciable utility plant	21,659,014	883,625	(52,301)	80,407	22,570,745
Accumulated depreciation:					
Generation	(2,783,228)	(195,891)	4,271	—	(2,974,848)
Transmission	(679,327)	(40,525)	121	—	(719,731)
Distribution	(4,678,258)	(267,377)	36,231	—	(4,909,404)
General	(1,159,560)	(72,963)	11,678	—	(1,220,845)
Total accumulated depreciation	(9,300,373)	(576,756)	52,301	—	(9,824,828)
Total utility plant, net	$ 13,457,782	652,098	(22,232)	—	14,087,648

The Power System had the following activities in utility plant during fiscal year 2021 (amounts in thousands):

	Balance June 30, 2020	Additions	Retirements and disposals	Transfers	Balance June 30, 2021
Nondepreciable utility plant:					
Land and land rights	$ 241,103	—	—	—	241,103
Construction work in progress	673,890	312,071	(11,993)	(294,662)	679,306
Nuclear fuel	43,323	9,261	(13,268)	—	39,316
Natural gas field	151,724	58	(12,366)	—	139,416
Total nondepreciable utility plant	1,110,040	321,390	(37,627)	(294,662)	1,099,141
Depreciable utility plant:					
Generation	6,097,200	93,581	(9,762)	94,047	6,275,065
Transmission	2,158,345	41,940	(431)	97,257	2,297,110
Distribution	10,203,308	635,889	(39,565)	87,005	10,886,637
General	2,110,991	86,837	(13,979)	16,353	2,200,202
Total depreciable utility plant	20,569,844	858,247	(63,737)	294,662	21,659,014
Accumulated depreciation:					
Generation	(2,651,592)	(141,398)	9,762	—	(2,783,228)
Transmission	(636,189)	(43,569)	431	—	(679,327)
Distribution	(4,455,111)	(262,712)	39,565	—	(4,678,258)
General	(1,110,070)	(63,469)	13,979	—	(1,159,560)
Total accumulated depreciation	(8,852,962)	(511,148)	63,737	—	(9,300,373)
Total utility plant, net	$ 12,826,920	668,489	(37,627)	—	13,457,782

Depreciation and amortization expense during fiscal years 2022 and 2021 was $724.5 million and $671.1 million, respectively. Depreciation and amortization expense on the statements of revenue, expenses, and changes in net position and cash flows includes amortization expense on software and regulatory assets, which is not included in additions to accumulated depreciation above.

Land and land rights are included in the balance sheet as utility plant assets in their functional category.

(4) Jointly Owned Utility Plant

The Power System has undivided direct interests in several electric generating stations and transmission systems that are jointly owned with other utilities, as defined in GASB Statement No. 14, *The Financial Reporting Entity*. As of June 30, 2022 and 2021, utility plant includes the following amounts related to the Power System's ownership interest in each jointly owned utility plant (amounts in thousands, except as indicated):

	Ownership interest	Share of capacity (MWs)	Utility plant in service June 30, 2022 Cost	Utility plant in service June 30, 2022 Accumulated depreciation	Utility plant in service June 30, 2021 Cost	Utility plant in service June 30, 2021 Accumulated depreciation
Palo Verde Nuclear Generating Station	5.7%	224	$ 634,717	443,377	625,838	436,408
Mohave Generating Station	30.0%	—	3,409	229	3,409	229
Pacific Intertie DC Transmission Line	40.0%	1,240	339,766	104,143	342,895	97,760
Other transmission systems	—	Various	128,846	76,291	127,536	73,771
			$ 1,106,738	624,040	1,099,678	608,168

The Power System will incur certain minimal operating costs related to the jointly owned facilities, regardless of the amount or its ability to take delivery of its share of energy generated. The Power System's proportionate share of the operating costs of the joint plants is included in the corresponding categories of operating expenses.

(5) Purchased Power Commitments

As of June 30, 2022, the Power System has entered into a number of energy and transmission service contracts that, regardless of the energy they take, they are obligated to pay the following minimum costs to cover debt service on these facilities through 2044 when the debt is repaid (amounts in thousands, except as indicated):

	Agency	Agency share	The Power System's interest in agency's share: Interest	Capacity (MWs)		Principal payments	Interest payments/ (receipts)	Total
Intermountain Power Project	IPA	100.0 %	63.6	1,145		$ 52,262	(3,188)	49,074
Intermountain Repower Project	IPA	100.0	71.4	840		569,825	429,175	999,000
Mead-Adelanto Transmission Project	SCPPA	68.0	48.9	539		19,630	4,734	24,364
Mead-Phoenix Transmission Project	SCPPA	17.8–22.4	50.4	647		15,985	3,815	19,800
Southern Transmission System Project	SCPPA	100.0	59.5	1,429		142,152	17,365	159,517
Milford Wind I Project	SCPPA	100.0	92.5	185		89,096	18,946	108,042
Windy Point/Windy Flats Project	SCPPA	100.0	100.0	262	*	261,535	53,411	314,946
Linden Wind Energy Project	SCPPA	100.0	100.0	50	*	91,115	33,985	125,100
Milford Wind II Project	SCPPA	100.0	100.0	102	*	79,305	21,417	100,722
Apex Power Project	SCPPA	100.0	100.0	520		251,355	116,026	367,381
Total						$ 1,572,260	695,686	2,267,946

* The Power System will receive 100% of the energy, unless City of Glendale exercises its option to repurchase any of its contract output entitlement share.

IPA – The Intermountain Power Agency (IPA) is an agency of the State of Utah established to own, acquire, construct, operate, maintain, and repair the Intermountain Power Project (IPP). The Power System serves as the project manager and operating agent of IPP. IPA and the Power Purchasers including the Power System executed the Second Amendatory Power Sales Contracts which provides that the IPP be repowered, and the IPA offer the Purchasers renewal in their generation and transmission entitlements through the Renewal Power Sales Contracts, the term of which commences upon the termination of the current Power Sales Contracts on June 15, 2027. IPA and Purchasers approved changes to the repowering that constitute an Alternative Repowering under the Power Sale Contracts which is scheduled to be completed by July 1, 2025. IPP is considered a related party. See note 16.

SCPPA – The Southern California Public Power Authority (SCPPA) is a California joint powers agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System is a member of SCPPA. SCPPA is considered a related party. See note 16.

Unlike joint utility plant disclosed in note 4, the Power System does not have ownership of any assets related to these service contracts. As costs are paid each year, they are recorded as purchased power expense in the statements of revenue, expenses, and changes in net position.

The Power System is required to pay an average annual charge of approximately $119 million during each of the next five years for fixed expenses and an average annual charge of approximately $550 million during each of the next five years for operating and maintenance costs related to purchased power agreements. The Power System made total payments under these agreements of approximately $920 million and $1,010 million in fiscal years 2022 and 2021, respectively, and they are recorded as purchased power expense in the statements of revenue, expenses, and changes in net position. These agreements are scheduled to expire from 2027 to 2045.

The Power System is reimbursed for services provided to IPP under the IPP project manager and operating agent agreements totaling $43.6 million and $35.6 million in fiscal years 2022 and 2021, respectively. These fees are recorded as a reduction to maintenance and other expense on the accompanying statements of revenue, expenses, and net position.

(a) Long-Term Notes Receivable

Under the terms of its purchase power agreement with IPA, the Power System is charged for its output entitlements based on its share of IPA's costs, including debt service. During fiscal year 2000 and 2005, the Power System restructured a portion of this obligation by transferring a total of $1.28 billion to IPA in exchange for long-term notes receivable. The funds transferred were obtained from the debt reduction funds and through the issuance of new variable rate debentures. IPA used the proceeds from these transactions to defease and tender various bonds.

The IPA notes are subordinate to all of IPA's publicly held debt obligations. The Power System's future payments to IPA will be partially offset by interest payments and principal maturities from the

subordinated notes receivable. The net IPA notes receivable balance totaled $76 million and $127 million as of June 30, 2022 and 2021, respectively.

The IPA notes pay interest and principal monthly and mature on July 1, 2023. The interest rates are subject to adjustments related to IPA bond refundings.

Scheduled annual principal maturities are as follows (amounts in thousands):

		Amount
Year:		
2023	$	74,425
2024		6,308
		80,733
Unamortized discount		(4,947)
		75,786
Less current portion		(74,425)
Noncurrent portion	$	1,361

(b) Energy Entitlement Contracts

The Power System has a contract through September 2067 with the U.S. Department of Energy for the purchase of available energy generated at the Hoover Power plant. The Power System’s contractual share of contingent capacity at Hoover is 23.92% of the available capacity. The Boulder Canyon Project (BCP) cost was approximately $14.6 million and $14.4 million as of June 30, 2022 and 2021, respectively. The BCP cost includes power purchased under the contract as well as fund contributions to the Lower Colorado River Multi-Species Conservation Program.

The Power System has entered into contracts with SCPPA to purchase available renewable energy generated at various renewable energy project sites.

Unlike service contracts noted earlier in note 5, the Power System only pays costs related to these contracts if energy is delivered. As of June 30, 2022, the Power System energy entitlement contracts with SCPPA allowed for additional capacity with the associated cost over the life of the contract as follows (dollar amounts in millions):

			The Power System's interest in agency's share			
	Agency	Agency share	Interest	Capacity (MWs)	Cost of power purchased	Contract expiration
Pebble Springs Wind Project	SCPPA	100.0	69.6	68.7	$ 15.3	2027
Don A Campbell I	SCPPA	100.0	84.6	13.7	10.8	2034
Don A Campbell II	SCPPA	100.0	100.0	16.2	9.3	2035
Copper Mountain Solar 3	SCPPA	100.0	84.0	210.0	50.4	2035
Heber 1 Geothermal	SCPPA	100.0	78.0	35.9	16.2	2026
Springbok 1 Wind Farm	SCPPA	100.0	100.0	105.0	20.9	2041
Springbok 2 Wind Farm	SCPPA	100.0	100.0	155.0	24.8	2043
Ormat Northern Nevada	SCPPA	100.0	100.0	185.0	83.1	2043
Ormesa	SCPPA	100.0	85.7	30.0	19.0	2042
ARP-Loyalton Biomass	SCPPA	66.6	74.1	8.9	0.1	2023
Springbok 3 Wind Farm	SCPPA	100.0	100.0	90.0	11.5	2046
Roseburg Biomass Project	SCPPA	62.1	79.4	5.4	0.9	2026
Red Cloud Wind Project	SCPPA	100.0	100.0	331.0	27.0	2041
Total purchase power costs under entitlement agreements					$ 289.3	

As of June 30, 2021, the Power System energy entitlement contracts with SCPPA allowed for additional capacity with the associated cost over the life of the contract as follows (dollar amounts in millions):

			The Power System's interest in agency's share			
	Agency	Agency share	Interest	Capacity (MWs)	Cost of power purchased	Contract expiration
Pebble Springs Wind Project	SCPPA	100.0	69.6	68.7	$ 17.3	2027
Don A Campbell I	SCPPA	100.0	84.6	13.7	11.2	2034
Don A Campbell II	SCPPA	100.0	100.0	16.2	10.1	2035
Copper Mountain Solar 3	SCPPA	100.0	84.0	210.0	50.2	2035
Heber 1 Geothermal	SCPPA	100.0	78.0	35.9	21.7	2026
Springbok 1 Wind Farm	SCPPA	100.0	100.0	105.0	20.5	2041
Springbok 2 Wind Farm	SCPPA	100.0	100.0	155.0	24.6	2043
Ormat Northern Nevada	SCPPA	100.0	100.0	185.0	71.6	2043
Ormesa	SCPPA	100.0	85.7	30.0	18.2	2042
ARP-Loyalton Biomass	SCPPA	66.6	74.1	8.9	0.4	2023
Springbok 3 Wind Farm	SCPPA	100.0	100.0	90.0	13.0	2046
Roseburg Biomass Project	SCPPA	62.1	79.4	5.4	0.3	2026
Total purchase power costs under entitlement agreements					$ 259.1	

(c) Electricity Swap and Forward Contracts

In order to obtain the highest market value on energy that is sold into the wholesale market, the Power System monitors the sales price of energy, which varies based on which hub the energy is to be delivered. There are three primary hubs within the Power System’s transmission region: Palo Verde, Nevada Oregon Border, and Mead. The Power System enters into various locational swap transactions with other electric utilities in order to effectively utilize its transmission capacity and to achieve the most economical exchange of energy purchased and sold.

The Power System enters into power and natural gas forward contracts in order to meet the electricity requirements to serve its customers. To assist the Power System in achieving its RPS, forward purchases of renewable energy were made.

The Power System does not enter into swap and forward transactions for trading purposes. All of these transactions are intended to be used in the Power System’s normal course of operations. The Power System is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated.

As of June 30, 2022, the Power System had entered into the following Electricity Forward Contract:

Transaction Type	Term	Quantity	Price
Fixed-price Renewable Power Purchase	7/1/2022 – 12/31/2023	Up to 82.2 MWs delivered output from wind generation facility	$65/MWh

As of June 30, 2021, the Power System did not have any Electricity Forward Contracts.

(6) Regulatory Assets and Liabilities

Regulatory assets and liabilities are created by the actions of the Board of Water and Power Commissioners by deferring certain expenses and revenue that are recoverable or payable by future rate charges in accordance with the current rate ordinances so as to more evenly match the recognition of revenue and expenses with the electric rates charged to retail customers.

Below is a summary of the Power System's regulatory assets and deferred inflows (amounts in thousands):

Description		2021	Additions	Reductions	2022
Assets:					
(a) Underrecovered costs – long term	$	35,712	—	(29,978)	5,734
(b) Regulatory assets – legal settlements		48,000	—	(16,000)	32,000
(c) Regulatory assets – solar incentive programs		177,958	—	(14,038)	163,920
(d) Regulatory assets – energy efficiency programs		633,459	123,546	(105,052)	651,953
(e) Regulatory assets – customer care and billing system		25,515	—	(3,040)	22,475
Regulatory assets – other		884,932	123,546	(138,130)	870,348
(f) Regulatory assets (liabilities) – pension		233,406	—	(233,406)	—
(g) Regulatory assets – OPEB		274,667	—	(142,381)	132,286
Total regulatory assets – noncurrent		1,428,717	123,546	(543,895)	1,008,368
(h) Underrecovered costs – current		129,767	217,973	(129,767)	217,973
Total regulatory assets	$	1,558,484	341,519	(673,662)	1,226,341
Deferred inflows:					
(i) Deferred inflows from regulated business activities	$	186,473	717	—	187,190
Total regulatory deferred inflows	$	186,473	717	—	187,190

Description		June 30, 2020	Additions	Reductions	June 30, 2021
Assets:					
(a) Underrecovered costs – long term	$	65,691	—	(29,979)	35,712
(b) Regulatory assets – legal settlements		64,000	—	(16,000)	48,000
(c) Regulatory assets – solar incentive programs		190,977	933	(13,952)	177,958
(d) Regulatory assets – energy efficiency programs		634,268	97,065	(97,874)	633,459
(e) Regulatory assets – customer care and billing system		28,553	—	(3,038)	25,515
Regulatory assets – other		917,798	97,998	(130,864)	884,932
(f) Regulatory assets – pension		247,536	—	(14,130)	233,406
(g) Regulatory assets – OPEB		337,894	—	(63,227)	274,667
Total regulatory assets – noncurrent		1,568,919	97,998	(238,200)	1,428,717
(h) Underrecovered costs – current		87,100	129,767	(87,100)	129,767
Total regulatory assets	$	1,656,019	227,765	(325,300)	1,558,484
Deferred inflows:					
(i) Deferred inflows from regulated business activities	$	145,696	40,777	—	186,473
Total regulatory deferred inflows	$	145,696	40,777	—	186,473

(a) Underrecovered Costs – Long Term

These represent future receivables from customers related to costs incurred for renewable energy projects and the investments made in power reliability. The 2012 and 2016 Electric Rate Ordinances allow for these costs to be recovered though current rates. The costs are amortized over a 10-year period and are expected to be fully recovered by 2022, and thus, the Power system has classified them as noncurrent.

(b) Regulatory Assets – Legal Settlement

In June 2007, the Power System reached an agreement from the courts related to the inclusion of capital components in the rates charged to other governmental organizations. The agreement required the payment of $160,000 thousand to the governmental organizations. The payment settlement included an immediate payout of $127,800 thousand bill credits of $17,200 thousand to be issued over a 10-year period and $15,000 thousand in payments to be paid over a 3-year period.

As provided in the Power System’s rate structure, beginning in July 2014, customers’ bills include a charge for this legal settlement to be collected over a 10-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

(c) Regulatory Assets – Solar Incentive Programs

As part of the California Solar Incentive Program, initiated by 2006 Senate Bill 1 (SB1), the Power System implemented a multiyear program to provide customers with solar incentives for installing solar panels and necessary equipment to generate energy. The programs, per SB1, concluded at the end of calendar year 2018. Some payments for these incentives were processed in 2021 and 2022.

As provided in the Power System’s rate structure, beginning April 2011, customers’ bills include a charge for these solar incentive programs to be collected over a 15-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

(d) Regulatory Assets – Energy Efficiency Programs

As part of the Power System’s ongoing efforts to reduce energy consumption and improve the environment, the Power System implemented numerous multiyear programs. The program began in June 2012 and is expected to continue through 2020. At June 30, 2022, the Power System has 26 energy efficiency programs.

As provided in the Power System’s rate structure, beginning July 2011, customers’ bills include a charge for these energy efficiency programs to be collected over a 5 to 15 year period, depending on the program. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

(Continued)

(e) Regulatory Assets – Customer Care and Billing System

In 2013, the Power System implemented the customer care and billing system (CC&B). The implementation of the system required significant investment in training of the Power System's employees.

As provided in the Power System's rate structure, beginning January 2014, customers' bills include a charge related to training for the CC&B to be collected over a 10-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

During fiscal year 2019, the Power System management determined certain costs originally capitalized as a regulatory asset were not expected to move forward for regulatory asset rate recovery. As a result, $68,801 thousand was removed from regulatory assets and reclassified as operating expenses or general plant assets based on the expenditure. Remaining costs in CC&B regulatory asset relate to training costs on the system and will be recovered through future rates.

(f) Regulatory Assets – Pension

In connection with the recognition of the net pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27, the Power System established a regulatory asset in the amount of $1,563,012 thousand, equal to the net pension liability reported at July 1, 2013. The pension regulatory asset is expected to be amortized over a period not to exceed 15 years. Amortization of the regulatory asset is the difference between amounts paid toward actuarially determined contributions and actual pension expense and totaled $233,406 thousand and $14,130 thousand for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022, the difference between amounts paid toward actuarially determined contributions and actual pension expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – pension in the amount of $174,607 thousand.

(g) Regulatory Assets – OPEB

In connection with the recognition of the net OPEB liability under GASB Statement No. 75, the Power System established a regulatory asset in the amount of $451,182 thousand equal to the net OPEB liability reported at July 1, 2017, less the calculated balance of OPEB deferred outflows for contributions after the measurement date. The OPEB regulatory asset is expected to be amortized over a period not to exceed 15 years. Amortization of the regulatory asset is the difference between amounts paid toward actuarial determined contributions and OPEB expense and totaled $142,381 thousand and $63,227 thousand for the years ended June 30, 2022 and 2021.

(h) Regulatory Assets - Underrecovered Costs

As provided in the electric rate ordinances, the Power System is required to maintain balancing accounts to record differences between specific costs incurred and amounts billed through rates to recover those costs. The net amount of these balancing accounts is presented on the statement of net position as a current asset when costs are underbilled (current portion of underrecovered costs) or as a current liability when costs are overbilled (overrecovered costs). All of these balancing accounts are

expected to be settled within a 12-month period through the adjustment of pass-through rates during the billing process and are reported as a component of underrecovered costs in the accompanying statement of net position.

At fiscal year-end June 30, 2022 and 2021, regulatory asset related to current underrecovered costs of $217,973 thousand and $129,767 thousand, respectively, was composed of the following (amounts in thousands):

		As of June 30	
		2022	2021
Underrecovered balancing accounts – regulatory asset	$	272,474	318,748
Less overrecovered balancing accounts – regulatory liability		(54,501)	(188,981)
Net underrecovered balancing accounts – regulatory asset	$	217,973	129,767

(i) Deferred Inflows from Regulated Business Activities

These amounts represent revenue collected from customers where funds are deferred for future stabilization or deferred because the earnings process is not complete. For the year ended June 30, 2022, the Power System did not recognize any of this revenue. The Power System has $187,190 thousand and $186,473 thousand in these accounts at June 30, 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, the Power System did not recognize any revenue related to any of these accounts.

(7) Cash, Cash Equivalents, and Investments

(a) Restricted and Other Investments

A summary of the Power System's restricted investments is as follows (amounts in thousands):

		June 30	
		2022	**2021**
Restricted and other investments:			
Restricted investments:			
Debt reduction funds	$	483,350	491,424
Nuclear decommissioning funds		140,369	148,006
Natural gas fund		15,641	22,107
Hazardous waste treatment fund		2,371	2,406
CAISO markets trust fund		13,653	20,284
Total restricted investments	$	655,384	684,227

The Power System also has $36.9 million and $16.4 million of cash collateral received from securities lending transactions in the City's securities lending program as of June 30, 2022 and 2021, respectively.

All restricted investments are to be used for a specific purpose as follows:

(i) Debt Reduction Funds

The debt reduction funds were established to provide for funding of the payment of principal and interest on long-term debt obligations and purchased power obligations arising from the Power System's participation in IPP and SCPPA. The Power System has transferred funds from purchased power precollections into these funds. Funds from operations may also be transferred by management as funds become available. See note 5.

(ii) Nuclear Decommissioning Funds

Nuclear decommissioning funds will be used to pay the Power System's share of decommissioning PVNGS at the end of its useful life. See note 17(b).

(iii) Natural Gas Fund

The natural gas fund was established to serve as a depository to pay for costs and post margin or collateral in connection with contracts for the purchase and delivery of financial transactions for natural gas. These transactions are entered into to stabilize the natural gas portion of the Power System's fuel for generation costs.

(iv) Hazardous Waste Treatment Storage and Disposal Fund

The hazardous waste treatment, storage and disposal fund was established to provide financial assurance for closure of the Main Street treatment and disposal facility.

(v) CAISO Markets Trust Fund

The California Independent System Operator (CAISO) Markets Trust Fund was established to facilitate timely and efficient settlement of CAISO Energy Market Transactions.

As of June 30, 2022 and 2021, the Power System's restricted investments and their maturities are as follows (amounts in thousands):

2022 Investment type		Fair value	Investment maturities 1–30 days	31–60 days	61–365 days	366 days to 5 years	Over 5 years
U.S. government securities	$	51,045	—	1,000	15,895	25,087	9,063
U.S. agencies		187,521	10,155	—	42,215	120,418	14,733
Supranationals		39,651	—	—	19,954	19,697	—
Medium-term corporate notes		121,234	4	6,451	37,612	77,167	—
Commercial paper		19,306	6,497	—	12,809	—	—
Certificates of deposit		43,788	5,174	—	38,614	—	—
California local agency bonds		104,716	5,200	18,344	12,150	69,022	—
California state bonds		10,787	—	—	8,043	2,744	—
Other state bonds		48,034	6,150	495	14,822	26,567	—
Money market funds		29,302	29,302	—	—	—	—
	$	655,384	62,482	26,290	202,114	340,702	23,796

2021 Investment type		Fair value	Investment maturities 1–30 days	31–60 days	61–365 days	366 days to 5 years	Over 5 years
U.S. government securities	$	41,166	11,005	6,019	5,028	15,061	4,053
U.S. agencies		179,499	2,106	4	30,484	122,634	24,271
Supranationals		46,989	3,238	—	10,183	33,568	—
Medium-term corporate notes		117,929	7	1,000	33,500	83,422	—
Certificates of deposit		27,173	1,600	3,301	22,272	—	—
Bankers' acceptances		7,539	2,740	4,799	—	—	—
California local agency bonds		122,957	2,675	16,446	19,955	83,881	—
California state bonds		34,659	5,000	—	21,047	8,612	—
Other state bonds		63,672	2,830	7,847	26,937	26,058	—
Money market funds		42,644	42,644	—	—	—	—
	$	684,227	73,845	39,416	169,406	373,236	28,324

(vi) Interest Rate Risk

The Power System's investment policy limits the maturity of its investments to a maximum of 30 years for U.S. government and U.S. government agency securities; 5 years for medium-term corporate notes, California local agency obligations, California state obligations, and other state

obligations; 270 days for commercial paper; 397 days for certificates of deposit; and 180 days for bankers' acceptances.

(vii) Credit Risk

Under its investment policy and the California Government Code, the Power System is subject to the prudent investor standard of care in managing all aspects of its portfolios. The prudent investor standard requires that the Power System "shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and in familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The U.S. government securities in the portfolio consist of securities issued by or explicitly guaranteed by the U.S. government. All of the U.S. government securities in the portfolio, $51,045 thousand as of June 30, 2022 and $41,166 thousand as of June 30, 2021, carried the highest or second highest credit ratings of the Nationally Recognized Statistical Rating Organizations (NRSROs) that rated them.

The U.S. government agency securities in the portfolio consist of securities issued by government sponsored enterprises, which are not explicitly guaranteed by the U.S. government. As of June 30, 2022 and 2021, the U.S. government agency securities in the portfolio carry the following credit ratings by the NRSROs that rated them (amounts in thousands):

	June 30, 2022		June 30, 2021	
Categories	**Securities**	**Percentage**	**Securities**	**Percentage**
AAA or AA	$ 177,173	95 %	$ 171,378	96 %
Not Rated	10,348	5	8,121	4
	$ 187,521	100 %	$ 179,499	100 %

The Power System's investment policy specifies that supranational notes must be rated "AA" or its equivalent or better by an NRSRO upon purchase. As of June 30, 2022 and 2021, the Power System's investments in supranational notes were rated with the highest possible credit ratings by each of the NRSROs that rated them.

The Power System's investment policy specifies that medium-term corporate notes must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in corporate notes as of June 30, 2022 and 2021 were rated in the category of A or its equivalent or better by at least one NRSRO as follows (amounts in thousands):

Categories		June 30, 2022 Corporate Notes	June 30, 2022 Percentage			June 30, 2021 Corporate Notes	June 30, 2021 Percentage	
AAA	$	12,750	10	%	$	4,013	3	%
AA		31,153	26			45,292	38	
A		77,327	64			68,617	58	
Not Rated		4	-			7	1	
	$	121,234	100	%	$	117,929	100	%

The Power System's investment policy specifies that commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by at least two NRSROs. As of June 30, 2022 and 2021, all of the Power System's investments in commercial paper were rated with at least the highest letter and number rating as provided by at least two NRSROs.

The Power System's investment policy provides that negotiable certificates of deposit must be of the highest ranking or letter and number rating as provided for by at least two NRSROs and that for nonnegotiable certificates of deposit, the full amount of principal and interest is insured by the Federal Deposit Insurance Corporation or National Credit Union Administration. As of June 30, 2022 and 2021, all of the Power System's investments in certificates of deposit consisted of negotiable certificates of deposit with at least the highest letter and number rating as provided by at least two NRSROs.

The Power System's investment policy specifies that banker's acceptances must be of the highest ranking or letter and number rating as provided for by at least two NRSROs. As of June 30, 2022 there were no investments in banker's acceptances. As of June 30, 2021 all of the Power System's investments in banker's acceptances were rated with at least the highest letter and number rating as provided by at least two NRSROs.

The Power System's investment policy specifies that California local agency obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in California local agency bonds as of June 30, 2022 and 2021 were rated in the following categories by at least one NRSRO as follows (amounts in thousands):

Categories		June 30, 2022 California Local Agency Bonds	June 30, 2022 Percentage		June 30, 2021 California Local Agency Bonds	June 30, 2021 Percentage	
AAA	$	13,914	13	%	19,034	15	%
A		85,802	82		95,373	78	
A		5,000	5		8,500	7	
	$	104,716	100	%	122,907	100	%

The Power System's investment policy specifies that State of California obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. As of June 30, 2022 and 2021, the Power System's investments in State of California obligations were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

	June 30, 2022		June 30, 2021	
Categories	**State of California Obligations**	**Percentage**	**State of California Obligations**	**Percentage**
AAA	$ 2,883	27 %	1,999	6 %
AA	7,397	68	20,159	58
A	507	5	12,501	36
	$ 10,787	100 %	34,659	100 %

The Power System's investment policy specifies that obligations of other states in addition to California must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in other state obligations as of June 30, 2022 and 2021 were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

	June 30, 2022		June 30, 2021	
Categories	**Other state obligations**	**Percentage**	**Other state obligations**	**Percentage**
AAA	$ 13,160	27 %	8,205	13 %
AA	28,409	59	46,307	73
A	6,465	14	9,160	14
	$ 48,034	100 %	63,672	100 %

The Power System's investment policy specifies that money market funds may be purchased as allowed under the Government Code, which requires that the fund must have either (1) attained the highest ranking or highest letter and numerical rating provided by not less than two NRSROs or (2) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission (SEC) with not less than five years' experience in managing money market mutual funds with assets under management in excess of $500 million. As of June 30, 2022 and 2021, each of the money market funds in the portfolio had the highest possible ratings by at least two NRSROs.

(viii) Concentration of Credit Risk

The Power System's investment policy specifies that there is no percentage limitation on the amount that can be invested in U.S. government agency securities, except that a maximum of 30%

of the cost value of the portfolio may be invested in the securities of any single U.S. government agency issuer.

The Power System's total investments as of June 30, 2022 and 2021 in securities issued by U.S. government agencies are as follows (amounts in thousands):

	June 30, 2022		June 30, 2021	
	Securities	Percentage	Securities	Percentage
Federal Home Loan Bank	$ 59,794	9 %	$ 53,543	8 %
Federal Farm Credit Bank	51,632	8	43,379	6
Federal Home Loan Mortgage Corp	41,142	6	54,548	8
Federal National Mortgage Association	24,605	4	19,909	3
Federal Agricultural Mortgage Corp	10,348	2	8,120	1
	$ 187,521	29 %	$ 179,499	26 %

(ix) Custodial Risk

All investments are held in the Power System's name, and therefore, they do not have custodial risk.

(x) Fair Value Measurements

The Power System holds investments and derivative instruments that are measured at fair value on a recurring basis. Because investing is not a core part of the Power System's mission, the Power System determines that the disclosures related to these investments only need to be disaggregated by major type. The Power System chooses a tabular format for disclosing the levels within the fair value hierarchy. The Power System categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

Level 1 inputs are quoted prices for identical assets or liabilities in an active market.

Level 2 inputs are quoted prices of similar assets or liabilities in active or not active markets.

Level 3 inputs are unobservable inputs using the best information available to management.

	June 30, 2022	(In thousands) Fair value using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Not classified
Investments by fair value level:					
Debt securities:					
U.S. government securities	$ 51,045	51,045	—	—	—
U.S. agencies	187,521	—	187,521	—	—
Supranationals	39,651	—	39,651	—	—
Medium-term corporate notes	121,234	—	121,234	—	—
California local agency bonds	104,716	—	104,716	—	—
California state bonds	10,787	—	10,787	—	—
Other state bonds	48,034	—	48,034	—	—
Total debt securities	562,988	51,045	511,943	—	—
Other:					
Commercial Paper	19,306	—	19,306	—	—
Certificates of deposit	43,788	—	43,788	—	—
Money market funds	29,302	—	—	—	29,302
Total other	92,396	—	63,094	—	29,302
Total investments by fair value level	$ 655,384	51,045	575,037	—	29,302

Money market funds have maturities of less than one year and thus are recorded at amortized cost and not required to be classified.

		(In thousands) Fair value using			
	June 30, 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Not classified
Investments by fair value level:					
Debt securities:					
U.S. government securities	$ 41,166	41,166	—	—	—
U.S. agencies	179,499	—	179,499	—	—
Supranationals	46,989	—	46,989	—	—
Medium-term corporate notes	117,929	—	117,929	—	—
California local agency bonds	122,957	—	122,957	—	—
California state bonds	34,659	—	34,659	—	—
Other state bonds	63,672	—	63,672	—	—
Total debt securities	606,871	41,166	565,705	—	—
Other:					
Certificates of deposit	27,173	—	27,173	—	—
Bankers' acceptances	7,539	—	7,539	—	—
Money market funds	42,644	—	—	—	42,644
Total other	77,356	—	34,712	—	42,644
Total investments by fair value level	$ 684,227	41,166	600,417	—	42,644

(b) Pooled Cash

The Power System’s cash and cash equivalents and its collateral value of the City’s securities lending program are included within the City Treasury’s general and special investment pool. As of June 30, 2022 and 2021, the Power System’s share of the City’s general and special investment pool was $3,113.4 million and $2,423.2 million, respectively, which represents approximately 21.7% and 18.5% of the pool, respectively. Amounts pooled in the City Treasury’s general and special investment pool are not required to be classified in the fair value hierarchy per GASB Statement No. 72 since they are part of an internal investment pool.

Pooled cash is recorded as follows on the statements of net position as of June 30, 2022 and 2021 (in thousands):

		June 30	
		2022	**2021**
Cash and cash equivalents – unrestricted	$	1,574,470	1,432,492
Cash and cash equivalents – restricted noncurrent		899,648	484,788
Cash and cash equivalents – restricted current		602,311	489,558
Subtotal cash and cash equivalents		3,076,429	2,406,838
Cash – securities lending transactions		36,925	16,366
Total pooled cash	$	3,113,354	2,423,204

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities, but safety and liquidity still take precedence over return. Special pool participants include the City, Airports, Power, Water, Harbor, Sewer, and MICLA. Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Council and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Unless allocation provisions are specifically stipulated in City ordinance, Council action, or funding source, interest earned on certain funds are allocated to and recorded in the General Fund. Examples of investments permitted by the City's investment policy include U.S. Treasury bills, U.S. Treasury notes, U.S. agency Securities, medium-term notes, commercial paper, asset-backed securities, and supranational obligations. The City measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607 (State Code) and the Council File No. 94-2160, the City Treasury shall render to the Council a statement of investment policy (the Policy) annually. Council File No. 11-1740 was adopted on December 2, 2020 as the City's investment policy. This Policy shall remain in effect until the Council and the Mayor approve a subsequent revision. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340, and 16429.1. The City Treasury further reports that the current policy allows for the purchase of investments with maturities up to 30 years.

The City issues a publicly available financial report that includes complete disclosures related to the City's pooled investments. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or the Los Angeles City Controller's website http://www.lacontroller.org/reports.

General Investment Pool Securities Lending Program

Securities lending is permitted and limited under provisions of California Government Code Section 53601. The Council approved the Securities Lending Program (the SLP) on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines. The Power System invested $36,925 thousand and $16,366 thousand in the City's securities lending program as of June 30, 2022 and 2021, respectively.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions, which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction, and shall make a reasonable effort for two business days (the Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts, as necessary, to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (the Pool) is available for lending. The City loans out U.S. Treasury Notes, U.S. Agencies Securities, and Medium-Term Notes. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 92 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

During fiscal year 2022, collateralizations on all loaned securities were compliant with the required 102% of the market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

(8) Derivative Instruments

In accordance with GASB Statement No. 53, the Power System records the fair value of its financial natural gas hedges, on the statement of net position. As of June 30, 2022 and 2021, the fair values of the financial natural gas hedges were approximately $100.7 million and approximately $41.4 million, respectively, and were recorded as derivative instrument assets in 2022 and 2021 on the statement of net position. The Power System enters into natural gas hedging contracts in order to stabilize the cost of gas needed to produce electricity to serve its customers. It is designed to cap gas prices over a portion of the forecasted

gas requirements. The Power System does not speculate when entering into financial transactions. Financial hedges are variable to fixed-price swaps, and hedge transactions are layered in to achieve dollar cost averaging.

As of June 30, 2022, the Power System's financial natural gas hedges by fiscal year are as follows (amounts in thousands):

Derivative description	Notional amount (total contract quantities*)		Contract price range dollar per unit	First effective date	Last termination date		Fair value
Financial natural gas:							
FY 2022–23	21,340,000	$	1.84–4.61	07/01/22	06/30/23	$	55,520
FY 2023–24	16,020,000		1.88–4.39	07/01/23	06/30/24		26,324
FY 2024–25	8,990,000		2.20–3.40	07/01/24	06/30/25		12,268
FY 2025–26	7,915,000		2.23–4.25	07/01/25	06/30/26		6,342
FY 2026–27	3,055,000		3.49–4.30	07/01/26	06/30/27		292
Total	57,320,000					$	100,746

* Contract quantities in MMBtu – Million British Thermal Units

As of June 30, 2021, the Power System's financial natural gas hedges by fiscal year are the following (fair value in thousands):

Derivative description	Notional amount (total contract quantities*)		Contract price range dollar per unit	First effective date	Last termination date		Fair value
Financial natural gas:							
FY 2020–22	22,070,000	$	1.92–3.27	07/01/21	06/30/22	$	27,912
FY 2020–23	15,845,000		1.84–2.71	07/01/22	06/30/23		9,445
FY 2020–24	8,855,000		1.88–2.63	07/01/23	06/30/24		3,213
FY 2020–25	2,900,000		2.20–2.61	07/01/24	06/30/25		522
FY 2020–26	1,527,500		2.23–2.46	07/01/25	06/30/26		339
Total	51,197,500					$	41,431

* Contract quantities in MMBtu – Million British Thermal Units

The fair value of the natural gas hedges increased by $59.3 million during the year ended June 30, 2022 due to an increase during the year in natural gas prices and is reported as a noncurrent asset and is offset by a deferred inflow on the statement of net position. All fair values were estimated using Platt's forward

curves, based on published settlement prices and supplemented by Platt's proprietary models wherever there is less liquid market activity.

(a) Credit Risk

The Power System is exposed to credit risk related to nonperformance by its counterparties under the terms of contractual agreements. In order to limit the risk of counterparty default, the Department has implemented a Counterparty Evaluation Credit Policy (Credit Policy). The Credit Policy has been amended from time to time, and the latest Board approval was on November 28, 2017. The Credit Policy's current scope includes physical power, transmission, physical natural gas, financial natural gas, and environmental products. Also, the credit limit structure is categorized into short-term and long-term structures where the short-term structure is applicable to transactions with terms of up to 18 months and the long-term structure covers transactions beyond 18 months.

The Policy includes provisions to limit risk, including the assignment of internal credit ratings to all of the Power System's counterparties based on counterparty and/or debt ratings; the use of expected default frequency equivalent credit rating for short-term transactions; the requirement for credit enhancements (including advance payments, irrevocable letters of credit, escrow trust accounts, and parent company guarantees) for counterparties that do not meet an acceptable level of risk; and the use of standardized agreements, which allow for the netting of positive and negative exposures associated with a single counterparty.

As of June 30, 2022, the five financial natural gas hedge counterparties were rated by Moody's as follows: one at Aa1, one at A1, and three at A2. The counterparties were rated by S&P as follows: one at AA-, one at A+, two at A-, and one at BBB+. As of June 30, 2021, the five financial natural gas hedge counterparties were rated by Moody's as follows: one at Aa2, two at A2, and two at A3. The counterparties were rated by S&P as follows: one at AA-, one at A+, one at A-, and two at BBB+.

Based on the International Swap Dealers Association agreements, the Power System or the counterparty may be required to post collateral to support the financial natural gas hedges subject to credit risk in the form of cash, negotiable debt instruments (other than interest-only and principal-only securities), or eligible letters of credit. As of June 30, 2022, the fair values of the financial natural gas hedges were above the credit limits of three counterparties; cash and securities collateral were posted totaling to approximately $46.2 million. As of June 30, 2021, the fair values of the financial natural gas hedges were above the credit limits of two counterparties; cash and securities collateral were posted totaling to approximately $19.1 million.

(b) Basis Risk

The Department is exposed to minimal to no basis risk between the financial natural gas hedges and the equivalent physical gas deliveries as both are settled using the first of the month NW Rocky Mountains Index, while the physical gas deliveries are received at Kern River Opal, where the Department negotiated firm transmission rights. Both locations are in the same region and are highly correlated.

(c) Termination Risk

The Power System or its counterparties may terminate the contractual agreements if the other party fails to perform under the terms of the contract. No termination events have occurred and there are no out-of-the-ordinary termination events contained in contractual documents.

(9) Long-Term Debt

Long-term debt outstanding as of June 30, 2022 and 2021 consists of revenue bonds and refunding revenue bonds due serially in varying annual amounts as follows (amounts in thousands):

Bond issues	Date of issue	Effective interest rate%	Fiscal year of last scheduled maturity	Principal outstanding 2022	Principal outstanding 2021
Issue of 2001, Series B	06/05/01	Variable	2035	$ 322,800	322,800
Issue of 2002, Series A	08/22/02	Variable	2036	218,900	218,900
Issue of 2006, Series C4	03/01/06	4.040	2022	—	3,038
Issue of 2010, Series A	06/02/10	3.898	2040	316,000	316,000
Issue of 2010, Series C	08/25/10	2.188	2028	139,775	139,775
Issue of 2010, Series D	12/02/10	4.342	2046	660,200	660,200
Issue of 2011, Series A	06/30/11	2.715	2022	—	99,545
Issue of 2012, Series A	10/25/12	2.936	2036	11,840	100,355
Issue of 2012, Series B	10/25/12	4.164	2044	—	350,000
Issue of 2013, Series A	04/02/13	2.504	2032	294,650	333,170
Issue of 2013, Series B	06/04/13	3.347	2033	355,995	362,880
Issue of 2013, Series C	06/04/13	4.441	2038	27,855	27,855
Issue of 2014, Series A	05/06/14	Variable	2039	200,000	200,000
Issue of 2014, Series B	06/10/14	4.008	2044	311,270	315,050
Issue of 2014, Series C	08/05/14	2.912	2030	184,620	184,620
Issue of 2014, Series D	10/23/14	3.785	2045	430,350	437,170
Issue of 2014, Series E	01/08/15	3.833	2045	218,765	222,295
Issue of 2015, Series A	04/16/15	3.636	2041	415,935	415,935
Issue of 2016, Series A	05/19/16	3.265	2047	233,830	246,980
Issue of 2016, Series B	06/23/16	3.259	2047	220,105	225,000
Issue of 2017, Series A	02/09/17	3.782	2048	500,000	500,000
Issue of 2017, Series B	04/04/17	3.666	2040	338,255	338,255
Issue of 2017, Series C	07/13/17	3.710	2048	375,000	375,000
Issue of 2018, Series A	04/19/18	3.357	2039	341,675	346,445
Issue of 2018, Series B	11/01/18	2.244	2027	122,340	240,845
Issue of 2018, Series C	11/01/18	2.290	2027	59,155	59,155
Issue of 2018, Series D	12/20/18	3.587	2049	383,365	386,115
Issue of 2019, Series A	02/07/19	3.827	2050	345,845	345,845

Bond issues	Date of issue	Effective interest rate%	Fiscal year of last scheduled maturity	Principal outstanding 2022	Principal outstanding 2021
Issue of 2019, Series B	05/09/19	2.305	2036	$ 308,875	308,875
Issue of 2019, Series C	10/01/19	3.215	2050	325,000	325,000
Issue of 2019, Series D	12/23/19	3.196	2050	281,530	281,530
Issue of 2020 Series A	05/01/20	1.146	2030	338,480	338,480
Issue of 2020, Series B	07/01/20	3.060	2051	433,080	433,080
Issue of 2021, Series A	01/26/21	Variable	2052	250,000	250,000
Issue of 2021, Series B	06/29/21	2.962	2052	438,420	438,420
Issue of 2021, Series C	12/1/2021	2.851	2052	401,705	—
Issue of 2022, Series A	02/03/22	3.058	2052	375,000	—
Issue of 2022, Series B	04/20/22	3.547	2053	360,000	—
Issue of 2022, Series C	06/30/22	4.123	2053	399,365	—
Total principal amount				10,939,980	10,148,613
Unamortized premiums and discounts, net				1,387,444	1,212,169
Revenue bonds, net				12,327,424	11,360,782
Debt due within one year, long-term debt				(190,315)	(187,683)
Debt due within one year, variable rate demand bond liquidity advance not made				(79,170)	(79,170)
Revenue bonds, noncurrent, net				$ 12,057,939	11,093,929

Revenue bonds generally are callable 10 years after issuance. The Power System has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Power System’s net income, as defined, will be sufficient to pay certain amounts of future annual bond interest and of future annual aggregate bond interest and principal maturities. Revenue bonds and refunding bonds are collateralized by the future revenue of the Power System.

(a) Long-Term Debt Activity

The Power System had the following activity in long-term debt for the fiscal years ended June 30, 2022 and 2021 (amounts in thousands):

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Revenue bonds:				
Principal:				
Beginning balance	$ 9,948,613	—	—	9,948,613
Issuances	—	1,035,000	—	1,035,000
Refunding bonds	—	501,070	—	501,070
Scheduled maturities	—	—	(187,683)	(187,683)
Refunded/defeased bonds	—	—	(557,020)	(557,020)
	9,948,613	1,536,070	(744,703)	10,739,980
Premium (discount):				
Beginning balance	1,212,169	—	—	1,212,169
Issuances	—	263,327	—	263,327
Refunding bonds	—	57,063	—	57,063
Scheduled amortization	—	—	(106,476)	(106,476)
Written off due to refunding	—	—	(38,639)	(38,639)
	1,212,169	320,390	(145,115)	1,387,444
Revenue bonds, net	11,160,782	1,856,460	(889,818)	12,127,424
Direct placements	200,000	—	—	200,000
Total	$ 11,360,782	1,856,460	(889,818)	12,327,424

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Revenue bonds:				
Principal:				
Beginning balance	$ 9,499,533	—	—	9,499,533
Issuances	—	730,000	—	730,000
Refunding bonds	—	391,500	—	391,500
Scheduled maturities	—	—	(179,035)	(179,035)
Refunded/defeased bonds	—	—	(493,385)	(493,385)
	9,499,533	1,121,500	(672,420)	9,948,613
Premium (discount):				
Beginning balance	1,062,161	—	—	1,062,161
Issuances	—	150,325	—	150,325
Refunding bonds	—	102,460	—	102,460
Scheduled amortization	—	—	(100,911)	(100,911)
Written off due to refunding	—	—	(1,866)	(1,866)
	1,062,161	252,785	(102,777)	1,212,169
Revenue bonds, net	10,561,694	1,374,285	(775,197)	11,160,782
Direct placements	200,000	—	—	200,000
Total	$ 10,761,694	1,374,285	(775,197)	11,360,782

(b) New Issuances

(i) Fiscal Year 2022

In December 2021, the Power System issued $401.7 million of Power System Revenue Bonds, 2021 Series C. The net proceeds of $507.0 million, including a $105.3 million issue premium net of underwriter’s discount, were used to pay for capital improvements and refund a portion of the outstanding Power System Revenue Bonds, 2018 Series B, amounting to $118.5 million. The transaction resulted in a net gain for accounting purposes of $0.3 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunded bonds.

In February 2022, the Power System issued $375 million of Power System Revenue Bonds, 2022 Series A. The net proceeds of $481.1 million, including a $106.1 million issue premium net of underwriter’s discount, were used to pay for capital improvements.

In April 2022, the Power System issued $360 million of Power System Revenue Bonds, 2022 Series B. The net proceeds of $426.4 million, including a $66.4 million issue premium net of underwriter's discount, were used to pay for capital improvements.

In June 2022, the Power System issued $399.4 million of Power System Revenue Bonds, 2022 Series C. The net proceeds of $438.6 million, including a $39.2 million issue premium net of underwriter's discount, were used to refund a portion of the outstanding Power System Revenue Bonds, 2012 Series A, amounting to $88.5 million, and all of the outstanding Power System Revenue Bonds, 2012 Series B, amounting to $350.0 million. The transaction resulted in a net present value savings of $44.8 million and a net gain for accounting purposes of $37.0 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunded bonds.

(ii) Fiscal Year 2021

In July 2020, the Power System issued $433.1 million of Power System Revenue Bonds, 2020 Series B. The net proceeds of $566.5 million, including a $133.4 million issue premium net of underwriter's discount, were used to pay for capital improvements and refund a portion of the outstanding Power System Revenue Bonds, 2010 Series A, amounting to $300.0 million. The transaction resulted in a net present value savings of $65.8 million.

In January 2021, the Power System issued $250.0 million of Power System Variable Rate Demand Revenue Bonds, 2021 Series A. The net proceeds of $249.8 million, net of underwriter's discount, were used to pay for capital improvements.

In June 2021, the Power System issued $438.4 million of Power System Revenue Bonds, 2021 Series B. The net proceeds of $555.8 million, including a $117.4 million issue premium net of underwriter's discount, were used to pay for capital improvements, and refund a portion of the outstanding Power System Revenue Bonds, 2010 Series D, amounting to $100.0 million, and a portion of the outstanding Power System Revenue Bonds, 2011 Series A, amounting to $93.0 million. A portion of the Power System Revenue Bonds, 2011 Series A was cash defeased, amounting to $370 thousand. The transaction resulted in a net present value savings of $35.5 million and a net gain for accounting purposes of $1.5 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunded bonds.

(c) Outstanding Debt Defeased

The Power System defeased certain revenue bonds in the current and prior years by placing cash and the proceeds of new revenue bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Power System's financial statements.

At June 30, 2022, the following revenue bonds outstanding are considered defeased (amounts in thousands):

Bond issues		Principal outstanding
Second issue of 1993	$	4,140
Issue of 1994		2,760
Issue of 2013 Series A		2,125
Issue of 2012 Series A		88,515
Issue of 2012 Series B		350,000
	$	447,540

(10) Variable Rate Bonds

As of June 30, 2022 and 2021, the Power System had variable rate bonds outstanding in the amounts of $991.7 million and $991.7 million, respectively. Of these variable rate bonds, $200 million is in direct placement bonds as discussed in note 11. In January 2021, the Power System issued $250.0 million of Power System Variable Rate Demand Revenue Bonds, 2021 Series A, to pay costs of capital improvements of the Power System. The variable rate bonds currently bear interest at weekly and daily rates ranging from 0.27% to 0.90% as of June 30, 2022 and 0.01% to 0.03% as of June 30, 2021. The Power System can elect to change the interest rate period of the bonds with certain limitations. The bondholders have the right to tender the bonds to the tender agent on any business day with seven days' prior notice. The Power System has entered into standby and line of credit agreements with a syndicate of commercial banks to provide liquidity for the variable rate bonds in the amount of $323 million, $219 million, and $250 million as of June 30, 2022. The extended standby agreements expire in January 2023 for the $323 million, May 2024 for the $219 million, and in July 2023 for the $250 million (see note 18(a)).

Under the agreements, $514 million variable rate bonds will bear interest that is payable monthly at the greatest of (a) the prime rate plus 1.00%; (b) the federal funds rate plus 2.00%; and (c) 7.50%, $59 million variable rate bonds will bear interest that is payable at the greatest of (a) the prime rate; and (b) the federal funds rate plus 0.5% , while $219 million variable rate bonds will bear interest that is payable monthly at the greatest of (a) the prime rate plus 1.00%; (b) the federal funds rate plus 2.00%; and (c) 7.00%. The unpaid principal of each liquidity advance made by the liquidity provider is payable in 10 equal semiannual installments 90 days immediately following the related liquidity advance. At its discretion, the Power System has the ability to convert the outstanding bonds to fixed-rate obligations, which cannot be tendered by the bondholders.

The variable rate bonds have been classified as long term in the statements of net position as the liquidity facilities give the Power System the ability to refinance on a long-term basis and the Power System intends to either renew the facility or exercise its right to tender the debt as a long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered

and purchased by the commercial banks under the standby agreements has been included in the current portion of long-term debt was $79 million at June 30, 2022 and 2021.

(11) Direct Placements and Line of Credit

Under GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the Power System has the following direct placement debt and unused line of credit:

In May 2020, the Power System entered into a Continuing Covenant Agreement (CCA) with Bank of America, N.A. (Bank of America) for the placement of the $200 million–Power System Revenue Bonds, 2014 Series A (Power 2014A Bonds) under a direct purchase structure. In May 2014, the Power System initially sold $200 million of Power 2014A Bonds in an index-floating rate mode under a direct purchase structure with Wells Fargo Municipal Capital Strategies, LLC (Wells Fargo) through a continuing covenant agreement that expired on May 5, 2017. The continuing covenant agreement with Wells Fargo was amended in May 2017 to extend for another three years and expired on May 4, 2020. The CCA with Bank of America will expire on May 2, 2025. Under the CCA with Bank of America, the Power 2014A Bonds will pay interest at a fixed spread of 27 basis points (0.27%) above the Securities Industry and Financial Markets Association Index for the five-year term. At the end of the five-year term, the Power System would have the option to either renegotiate and renew a new index floating rate term with Bank of America or another bank or convert the bonds to another mode, such as a fixed-rate mode or a traditional variable-rate mode, which utilizes a standby agreement. Certain default provisions under the CCA include, but are not limited to, failure to pay amounts due under the CCA and certain other obligations of the Power System, failure to perform certain covenants under the CCA, actions taken in connection with a debt restructuring or similar of the Department, significant rating downgrades of obligations payable from the Power Revenue Fund, and significant nonappealable judgments against the Department. Such defaults may result in a mandatory redemption of the Power 2014A Bonds or other remedial actions taken by Bank of America. The Power System does not have any assets pledged as collateral for direct placement debt, termination events with finance-related consequences, or subjective acceleration clauses as of June 30, 2022 and June 30, 2021.

On December 14, 2018, the Power System entered into an Amended and Restated Revolving Credit Agreement (Amended RCA) and the related Amended and Restated Fee and Interest Rate Agreement with Wells Fargo Bank, National Association with a $300 million–commitment and the option to request additional commitment, as needed up to a total commitment of $500 million. LADWP can request loans for Water System improvements, Power System improvements and/or such other lawful purposes of LADWP. The interest charged for tax-exempt loans is based on SIFMA plus a spread of 0.50% or 75% of one month LIBOR plus a spread of 0.45%. The interest charge for taxable loans is based on one month LIBOR plus a spread of 0.45%. The Amended RCA expires in December 2023. As of June 30, 2022 and 2021, the Power System has no obligations outstanding under the Amended RCA.

(12) Principal Maturities and Interest

As of June 30, 2022, annual principal maturities and interest on an accrual basis are as follows (amounts in thousands):

		Principal	Interest and amortization
Fiscal year(s) ending June 30:			
2023	$	190,315	391,616
2024		263,873	384,915
2025		245,536	377,230
2026		301,536	369,119
2027		356,296	358,535
2028–2032		2,007,407	1,569,964
2033–2037		2,151,681	1,236,590
2038–2042		2,114,535	840,053
2043–2047		2,094,950	345,649
2048–2052		1,126,100	56,461
2053–2057		17,050	—
Total requirements		10,869,279	5,930,132
Debt service payments already paid to sinking fund – 2010C bonds		70,701	—
	$	10,939,980	5,930,132

Interest and amortization are net of $1,435 million of unamortized discount/premium and gain/loss due to issuances of new and refunding bonds.

The schedule above is presented assuming that the tender options on the variable rate bonds, as discussed in notes 10 and 11 will not be exercised and should the bondholders exercise the tender options, the Power System would be required to redeem the $991.7 million in variable rate bonds and direct placement over the next six years, as follows: $79.2 million in fiscal year 2023, $158.3 million in each of the fiscal years 2024 through 2025, $198.3 million in each of the fiscal years 2026 through 2027, $119.2 million in fiscal year 2028, and $40 million in each of the fiscal years 2029 through 2030. Accordingly, the statements of net position recognize the possibility of the exercise of the tender options and reflect the $79.2 million that could be due in fiscal year 2023 as a current portion of long-term debt payable. Interest and amortization include interest requirements for variable rate bonds over the regularly scheduled maturity period. Variable debt interest rate in effect at June 30, 2022 averages 0.69%. Should the tender options be exercised, the interest would be payable at the rate in effect at the time the standby agreements are activated.

(13) Retirement Plan

(a) Plan Description

The Power system has a funded contributory retirement plan covering substantially all of its employees. The Water and Power Retirement Fund (The Fund Plan) operates as a single-employer defined-benefit plan to provide pension benefits to eligible department employees. The Retirement Fund's assets are held in a special trust fund of the City. Plan benefits are generally based on years of service, age at retirement, and the employee's highest 12 consecutive months of salary before retirement. Active participants who joined the Plan on or after June 1, 1984 are required to contribute 6% of their annual covered payroll. Participants who joined the Plan prior to June 1, 1984 contribute an amount based upon an entry-age percentage rate. A new Tier 2 was added to the Plan and applies to members hired on or after January 1, 2014. Tier 2 plan participants are required to contribute 10% of their salary, and plan benefits are based on a three-year final average salary period.

Under the provisions of the City Charter, the Retirement Board of Administration (the Retirement Board) has the responsibility and authority to administer the Plan and to invest its assets. The Retirement Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. The Retirement Board has seven members: one member of the Board of Water and Power Commissioners, the general manager, the chief accounting employee, three employee members who are elected for three-year terms by active members of the Plan, and one retiree who is appointed by the Board of Water and Power Commissioners for a three-year term.

Plan amendments must be approved by both the Retirement Board and the Board. The Plan issues separately available financial statements on an annual basis. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 North Hope, Room 357, Los Angeles, CA 90012.

(b) Benefits Provided

The Plan provides retirement benefits to eligible employees. Most employees of the Power System become members of the Plan effective on the first day of biweekly payroll following employment or immediately following transfer from another City department. Members employed prior to January 1, 2014 are designated as Tier 1, and those hired on or after January 1, 2014 are designated as Tier 2 (unless a specific exemption applies to employee providing a right to Tier 1 status).

Tier 1 members are eligible to retire once they attain the age of 60 with 5 or more years of service or at age 55 with 10 or more years of service acquired in the last 12 years prior to retirement. A Tier 1 member with 30 years of service is eligible to retire regardless of age. Tier 2 members are eligible to retire once they attain the age of 60 with at least 5 years of continuous Department service or at any age with 30 years of service. For both tiers, combined years of service between the Plan and the Los Angeles City Employees' Retirement System (LACERS) is used to determine retirement eligibility, and at least 5 years must be actual employment at the Department or City (not purchased). For both tiers, members receiving Permanent Total Disability benefits may retire regardless of age. For Tier 1, to be eligible for a Formula Pension, the employee must have worked or been paid disability 4 of the last 5 years immediately preceding eligibility to retire or while eligible to retire.

The Formula Pension benefit the member will receive is based upon the age at retirement, monthly average salary base, and years of retirement service credit. The Tier 1 Formula Pension is equal to 2.1% times years of service credit times monthly average salary base. In addition, members retiring after attaining age 55 with 30 years of service credit receive an increase in the benefit factor from 2.1% to 2.3%. A reduced early retirement benefit is paid for those members attaining age 55 with 10 years of service or any age (under 55) with 30 years of service. The reduction is 1.5% for each year of retirement age between 60 and 55 and 3.0% for each year of retirement before age 55.

Under Tier 2, there are various benefit factors that apply, as shown below:

- 1.5% at age 60 with 5 years of continuous Department service or 10 years of qualifying service
- 2.0% at age 55 with 30 years of service credit
- 2.0% with 30 years of qualifying service
- 2.0% at age 63 with 5 years of continuous Department service or 10 years of qualifying service
- 2.1% at age 63 with 30 years of qualifying service

Reduced early retirement benefits are still available at any age (under 55) with 30 years of service and the reduction factors are the same as Tier 1. Note that these reduction factors continue to include the reduction from age 60 to 55 and from 55 to age at retirement.

For Tier 1 members, the maximum monthly retirement allowance is 100% of monthly average salary base. For Tier 2 members, the maximum monthly retirement allowance is 80% of monthly average salary base. Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period. Under Tier 2, pension benefits are calculated based on the average salary earned during a 36-month period.

The member may elect the full allowance or choose an optional retirement allowance. The full allowance provides the highest monthly benefit and up to a 50% continuance to an eligible surviving spouse or domestic partner. There are five optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the full allowance in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

(c) Plan Membership

As of the June 30, 2021 and 2020 measurement dates for the June 30, 2022 and 2021 net pension liability (asset), pension plan membership, which consisted of Water and Power System members, consisted of the following:

	2022	2021
Retired members or beneficiaries currently receiving benefits	9,564	9,443
Vested terminated members entitled to, but not yet receiving, benefits	1,708	1,690
Active members	10,605	10,778
Total	21,877	21,911

(d) Contributions

The Department contributes $1.10 for each $1 contributed by participants plus an actuarially determined annual required contribution as determined by the Plan's independent actuary. The required contributions are allocated between the Power System and the Water System based on the current-year labor costs.

Employer contribution rates are adopted annually based upon recommendations received from the Plan's actuary after the completion of the annual actuarial valuation. The average employer contribution rates for fiscal years 2022, 2021, and 2020 (based on the July 1, 2021, 2020, and 2019 valuations) were 26.04%, 33.55%, and 37.97% of compensation, respectively. The average member contribution rates for fiscal years 2022, 2021, and 2020 (based on the July 1, 2021, 2020, and 2019 valuations) were 7.85%, 7.68% and 7.43% of compensation, respectively. Most Tier 1 members contribute at 6% of compensation, and all Tier 2 members contribute at 10% of compensation. Employer contributions in fiscal years 2022, 2021, and 2020 amounted to $218 million, $259 million, and $289 million, respectively.

(e) Net Pension Liability (Asset)

At June 30, 2022 and 2021, the Power System reported an asset of $1,121 million and a liability of $752 million, respectively, for its proportionate share of the net pension liability (asset), respectively. The net pension liability (asset) was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the same dates. The Power System's proportion of the net pension liability (asset) was based on the Power System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2022, the Power System's proportion was 67.6% compared to 67.7% and 68.4% as of June 30, 2021 and 2020, respectively.

(Continued)

(f) *Actuarial Assumptions*

The Department's net pension liability (asset) as of June 30, 2022 and 2021 was measured as of June 30, 2021 and 2020 using actuarial valuations as of July 1, 2021 and 2020, respectively. The actuarial assumptions used in the July 1, 2020 and 2019 valuations were based on the results of an experience study for the period from July 1, 2015 through June 30, 2018. The following assumptions were applied to all periods included in the measurement for the July 1, 2021 and 2020 actuarial valuations:

Actuarial assumptions	2021	2020
Inflation	2.75%	2.75%
Salary increases	4.50%–10.25%	4.50%–10.00%
Investment rate of return	7.00%	7.25%
Cost-of-living adjustments	2.75% (Actual increases are contingent upon CPI increases, with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)	2.75% (Actual increases are contingent upon CPI increases, with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)
Mortality	Postretirement: Pub-10 General Healthy Retiree Amount-Weighted Above Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018	Postretirement: Pub-10 General Healthy Retiree Amount-Weighted Above Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018

(g) *Discount Rate*

The discount rate used to measure the pension liability (asset) was 7.00% as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, which is estimated to be 104 years, to determine the total pension liability at June 30, 2022 and 2021.

(h) Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset proportionate share, adding expected inflation and subtracting expected investment expenses. The target allocation and projected best estimates of arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	June 2022		June 2021	
Asset class	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Large Cap U.S. Equity	22.95 %	5.44 %	22.95 %	5.44 %
Small Cap U.S. Equity	1.75 %	6.18 %	1.75 %	6.18 %
Developed International Large	13.06 %	6.54 %	13.06 %	6.54 %
Developed international Small	2.18 %	6.64 %	2.18 %	6.64 %
Global Equity	2.90 %	6.45 %	2.90 %	6.45 %
Emerging Market Equity	5.16 %	8.73 %	5.16 %	8.73 %
Real Estate	8.00 %	4.60 %	8.00 %	4.60 %
Cash and Equivalents	1.00 %	0.25 %	1.00 %	0.25 %
Private Equity	8.00 %	9.27 %	8.00 %	9.27 %
Hedge Funds	5.00 %	3.53 %	5.00 %	3.53 %
Custom Fixed Income	25.00 %	1.65 %	25.00 %	1.65 %
Custom Real Return	5.00 %	2.07 %	5.00 %	2.07 %
Total	100 %		100 %	

(Continued)

(i) Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Power System as of June 30, 2022 and 2021, calculated using the discount rate of 7.00%, as well as what the Department's pension liability (asset) would be as of June 30, 2022 if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts in thousands):

Net pension liability (asset)		1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
June 30, 2022	$	237,616	(1,120,640)	(2,241,562)

Net pension liability (asset)		1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
June 30, 2021	$	2,065,743	752,368	(332,281)

(j) Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. Pension plan investments are recorded at fair value except for short-term investments, which are recorded at amortized cost. Benefit payments include costs as designated by the plan document, refunds of employee contributions due to terminations and member deaths, and administrative expenses.

(k) Pension Expense, Deferred Outflow of Resources, and Deferred Inflow of Resources

In addition to amortization expense of the regulatory asset discussed in note 6, the Power System recognized pension expense of $(188,552) thousand and $243,664 thousand for the years ended June 30, 2022 and 2021, respectively. Pension expense is recorded as operation and maintenance expense or construction work in progress, depending on where the related payroll is charged. At June 30, 2022 and 2021, the Power System reported $42,862 thousand and $268,133 thousand, respectively, for deferred outflows of resources and deferred inflows of resources of $1,266,441 thousand and $67,081 thousand, respectively.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Notes to Financial Statements

June 30, 2022 and 2021

The below tables summarize the deferred inflows of resources and deferred outflows of resources related to pensions at June 30, 2022 and 2021 (amounts in thousands):

Deferred outflows of resources		June 30 2022	June 30 2021
Changes in proportion and differences between entity contributions and proportionate share of contributions	$	1,218	2,495
Net difference between projected and actual earnings on pension plan investments		—	157,364
Difference between actual and expected experience in the total pension liability		38,455	47,862
Changes of assumptions and other inputs		3,189	60,412
Total deferred outflows of resources	$	42,862	268,133

Deferred inflows of resources		June 30 2022	June 30 2021
Changes in proportion and differences between entity contributions and proportionate share of contributions	$	8,346	9,267
Difference between projected and actual earnings on pension plan investments		1,201,421	—
Difference between expected and actual experience in the total pension liability		56,674	57,814
Total deferred inflows of resources	$	1,266,441	67,081

In addition to the deferred outflows noted above, there are also $218,209 thousand and $258,574 thousand of deferred outflows related to pension contributions made after the measurement date as of June 30, 2022 and 2021, respectively. These deferred outflows of resources are recognized as a reduction of the net pension liability (asset) in the subsequent fiscal year.

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter by the Power System is as follows (in thousands):

Year		June 30	
		2022	2021
2022	$	—	3,084
2023		(315,262)	37,015
2024		(270,319)	82,036
2025		(283,455)	68,877
2026		(345,655)	6,569
2027		(2,743)	3,471
2028		(6,145)	—
Total	$	(1,223,579)	201,052

(14) Other Postemployment Benefit Plans

(a) General Information About the Plan

The Department provides retirees medical and dental benefits and death benefits to active and retired employees and their dependents. The retiree healthcare plan and death benefit plan are administered by the Department and the Retirement Board, respectively. The Retirement Board and the Board of Commissioners have the authority to approve provisions and obligations. Eligibility for benefits for retired employees is dependent on a combination of age and service of the participants pursuant to a predetermined formula. Any changes to these provisions must be approved by the Retirement Board and the Board.

The retiree healthcare and death benefit plans are single-employer, defined-benefit plans. Plan assets are administered through irrevocable trusts for each fund used solely for the benefit of providing benefits to eligible participants in the Plan. Assets of the trust are legally protected from creditors and dedicated to providing postemployment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan. Death benefits are provided to active and inactive employees in accordance with terms of the Plan.

The funds are administered in separate trust funds and presented as part of the retirement system financial statements. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 North Hope, Room 357, Los Angeles, California 90012.

(b) Benefits Provided

For retiree healthcare, a medical subsidy is computed by a formula related to years of service and attained age of retirement. The subsidy limit is applied to the combined medical carrier and Medicare Part B premium but not the dental premium. For Tier 1, the monthly medical subsidy ranges from $30.32 to $1,870.87 depending on age and service at retirement. Tier 2, the monthly medical subsidy ranges from $30.32 to $935.44, depending on age and service at retirement. The monthly dental subsidy for most retirees is $37.58. The dental subsidy is not available to pay for premiums for married and surviving spouses or domestic partners. All members hired before January 1, 2014 are Tier 1. All members hired after January 1, 2014 are Tier 2.

The death benefit fund pays death benefits to the beneficiaries of eligible employees. Generally, to be eligible for the family death benefit allowance, an employee must be a full member of the Plan and contributing to the Plan at the time of death. If death occurs after retirement, the retired member must be receiving a monthly retirement allowance from the Plan and had a least five years of department service at retirement. The Family Death Benefit program pays a monthly allowance of $416 to the surviving spouse of a member with minor (or disabled) children plus $416 for each minor (or disabled) child up to a maximum monthly allowance of $1,170. In addition, the spouse's portion will not be paid if the spouse is receiving a survivor's optional death benefit allowance or an eligible spouse allowance from the retirement plan.

The Supplemental Family Death Plan, which is part of the Death Benefit Fund, is optional and subject to making additional member contributions. The Supplemental Family Death Benefit Plan pays a monthly allowance of $520 for each surviving spouse or child, in addition to the amounts payable from the Family Death Benefit Plan, subject to a maximum of $1,066 for the additional benefits. The insured lives death benefit plan for contributing members provides death benefits to employees who die while employed by the Department. Generally, to be eligible, an employee must be a full member of the Plan and contributing to the Plan at the time of death. The benefit paid from the death benefit fund is a single sum that is equal to 14 times the member's monthly compensation with no maximum.

The insured lives death benefit plan for noncontributing members provides death benefits to employees who were employed by the Department for at least five years and death occurred after retirement. The death benefit is paid in a single sum that is equal to the lesser of 14 times the member's monthly full retirement allowance or $20,000.

(c) Employees Covered by Benefit Terms

At the Department's measurement date of June 30, 2021 for the June 30, 2022 reporting period, the following employees were covered by the benefit terms:

Plan membership	Retiree healthcare	Death benefit
Beneficiaries currently receiving benefits	—	82
Retired members currently receiving benefits	8,432	7,621
Vested terminated members not receiving benefits	—	599
Active members	10,605	10,605
Total	19,037	18,907

At the Department's measurement date of June 30, 2020 for June 30, 2021 reporting period, the following employees were covered by the benefit terms:

Plan membership	Retiree healthcare	Death benefit
Beneficiaries currently receiving benefits	—	88
Retired members currently receiving benefits	8,321	7,472
Vested terminated members not receiving benefits	—	619
Active members	10,778	10,778
Total	19,099	18,957

(d) Contributions

The Board of Commissioners establishes rates for retiree healthcare plan based on an actuarially determined rate. For the years ended June 30, 2022 and 2021, the Department's average contribution rate was 9.7% and 9.7% of covered-employee payroll, respectively. Employees are not required to contribute to the retiree healthcare plan. Power System contributions to the retiree healthcare plan were $73.7 million and $71.1 million including administrative expenses of $0.7 and $0.8 million for the fiscal years ended June 30, 2022 and 2021, respectively.

The Department contributes to the death benefit plan based on actuarially determined contribution rates adopted by the board of administration. Employer contribution rates are adopted annually based on recommendations received from the Plan's actuary after the completion of the review of the death benefit fund. The employer and member contribution rates as of June 30, 2022 are as follows:

		Members	
	Department	**Active**	**Retired**
Total death benefit fund	1.12% of Payroll	N/A	N/A
Supplemental family death			
benefit insured lives		$2.25 biweekly	$4.90 monthly
Contributing		$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Power System contributions to the death benefits plan were $10.1 million including administrative expenses of $1.3 million for the fiscal year ended June 30, 2022.

The employer and member contribution rates as of June 30, 2021 are as follows:

		Members	
	Department	**Active**	**Retired**
Total death benefit fund	1.18% of Payroll	N/A	N/A
Supplemental family death			
benefit insured lives		$2.25 biweekly	$4.90 monthly
Contributing		$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Power System contributions to the death benefits plan were $10.1 million including administrative expenses of $1.4 million for the fiscal year ended June 30, 2021.

(e) Net OPEB Liability (Asset)

The Power System reported an asset of $173 million and a liability of $191 million for its proportionate share of the net OPEB liability (asset) for retiree healthcare plan and the death benefit plan as of June 30, 2022 and 2021 reporting dates, respectively. The net OPEB liabilities (assets) for each of the plans was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by actuarial valuations as of June 30, 2020 and 2019. The Power System's proportion of the net OPEB liability (asset) was based on the Power System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2022 and 2021, the Power System's proportion of the retiree healthcare plan and the death benefit plan net OPEB liabilities was 67.6% and 67.7%, respectively.

(Continued)

The following table shows the Power System's proportionate share of the net OPEB liability (asset) for each of the plans as of June 30, 2022 and 2021 (amounts in thousands):

		2022	2021
OPEB liability (asset) for retiree healthcare plan	$	(235,689)	126,221
OPEB liability for death benefit plans		63,037	65,225
Net OPEB liability (asset)	$	(172,652)	191,446

The total OPEB liability in the June 30, 2021 actuarial valuations used for the Power System's June 30, 2022 financial statements was determined using the following actuarial assumptions:

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	7.00%	3.50%	3.50%	3.50%	3.50%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%
Real across the board salary increases	0.50%	0.50%	0.50%	0.50%	0.50%
Projected salary increase	4.50% to 10.25%	4.50% to 10.25%	4.50% to 10.25%	4.50% to 10.25%	4.50% to 10.25%
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date	—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.50%, graded down to 4.50% over 12 years				
Medicare medical plans	6.50%, graded down to 4.50% over 8 years	—	—	—	—
Dental and Medicare Part B	4.00 and 4.50%				
Member contribution rate	None	None	$2.25 per biweekly period or $4.90 per month if retired	$1.00 per biweekly payroll period	None
Department contribution rate	9.74 %	1.12% of Payroll	—	—	—

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years. of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Per capita cost development	The assumed per capita claims cost by age is calculated using age-based factors for retiree ranging from 90.4% to 122.7% and Spouse ranging from 71.2% to 122.7% and applying these factors to premiums (eligible spouses and survivors are not eligible for DWP dental subsidy)	—	—	—	—

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Monthly benefit	Tier 1 – $30.32 to $1,870.87. Tier 2 – $30.32 to $935.44	$416 per month to each surviving child plus $416 per month to eligible spouse	$520 per month to each surviving child plus $520 per month to eligible spouse	A single sum distribution equal to 14 times monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to $20,000
Participation rate	95% for medical and 95% for dental	—	—	—	—
Retirement rates	Based on 2019 experience study covering the period from July 1, 2015 through June 30, 2018	—	—	—	—

At June 30, 2022, mortality rates were based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. The actuarial assumptions used in the June 30, 2021 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

At June 30, 2022, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

Asset Class	Targeted allocation	Long-term expected arithmetic real rate of return
Large Cap U.S. Equity	22.95 %	5.44 %
Small Cap U.S. Equity	1.75 %	6.18 %
Developed International Large Cap Equity	13.06 %	6.54 %
Developed International Small Cap Equity	2.18 %	6.64 %
Global Equity	2.90 %	6.45 %
Emerging Market Equity	5.16 %	8.73 %
Real Estate	8.00 %	4.60 %
Cash and Equivalents	1.00 %	0.25 %
Private Equity	8.00 %	9.27 %
Hedge Funds	5.00 %	3.53 %
Custom Fixed Income	25.00 %	1.65 %
Custom Real Return	5.00 %	2.07 %
Total	100 %	

	Targeted allocation	Long-term expected arithmetic real rate of return
Death benefit:		
Fixed income	96 %	1.42 %
Cash and cash equivalents	4	0.25
	100 %	

At June 30, 2022, for the retiree healthcare fund, the discount rate used to measure the total OPEB liability was 7.00% for the year ended June 30, 2022. The projection of cash flows used to determine the discount rate assumed that Department’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2022, for the death benefit fund, projected investment earnings were based on the assumed investment rate of return of 3.50% per annum. The Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "cross-over date" when projected benefits are not covered by projected assets. The long-term expected rate of return on Plan investments of 3.50% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

The total OPEB liability in the June 30, 2020 actuarial valuations used for the Power System's June 30, 2021 financial statements was determined using the following actuarial assumptions:

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	7.0 %	3.5 %	3.5 %	3.5 %	3.5 %
Inflation rate	2.75 %	2.75 %	2.75 %	2.75 %	2.75 %
Real across the board salary increases	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %
Projected salary increase	4.50% to 10.25%	4.50% to 10.25%	4.50% to 10.25%	4.50% to 10.25%	4.50% to 10.25%
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date	—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	6.75%, graded down to 4.50% over 9 years	—	—	—	—
Medicare medical plans	6.25%, graded down to 4.50% over 7 years	—	—	—	—
Dental and Medicare Part B	4.00% and 4.50%	—	—	—	—
Member contribution rate	None	None	$2.25 per biweekly period or $4.90 per month if retired	$1 per biweekly payroll period	None
Department contribution rate	9.68 %	1.18% of Payroll	—	—	—

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years. of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Per capita cost development	The assumed per capita claims cost by age is calculated using age-based factors for retiree ranging from 77.6% to 123.4% and spouse ranging from 71.3% to 122.8% and applying these factors to premiums (eligible spouses and survivors are not eligible for DWP dental subsidy)	—	—	—	—
Monthly benefit	Tier 1 – $30.32 to $1,821.26. Tier 2 – $30.32 to $910.63	$416 per month to each surviving child plus $416 per month to eligible spouse	$520 per month to each surviving child plus $520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member’s full retirement allowance up to $20,000

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Participation rate	95% for medical and 95% for dental	—	—	—	—
Retirement rates	Based on 2019 experience study covering the period from July 1, 2015 through June 30, 2018	—	—	—	—

At June 30, 2021, mortality rates were based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. The actuarial assumptions used in the June 30, 2020 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

At June 30, 2021, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

	Targeted allocation	Long-term expected arithmetic real rate of return
Retiree healthcare:		
Domestic equity	25 %	5.44 %
Developed international equity	15	6.54
Fixed income	25	1.65
Real estate	8	4.60
Real return	5	2.07
Private equity	16	9.27
Covered calls	5	3.53
Cash and equivalents	1	0.25
	100 %	

	Targeted allocation	Long-term expected arithmetic real rate of return
Death benefit:		
Fixed income	96 %	1.42 %
Cash and cash equivalents	4	0.25
	100 %	

At June 30, 2021, for the retiree healthcare fund, the discount rate used to measure the total OPEB liability was 7.00% for the year ended June 30, 2021. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2021, for the death benefit fund, projected investment earnings were based on the assumed investment rate of return of 3.50% per annum. The Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "cross-over date" when projected benefits are not covered by projected assets. The long-term expected rate of return on Plan investments of 3.50% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

(f) *Sensitivity of Net OPEB Liability (asset) to Changes in the Discount Rate Rates*

The following table represents the net OPEB liability (asset) of the Power System, calculated using the stated discount rate assumption as well as what the Power System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (amounts in thousands):

	June 30, 2022		
	1% Decrease	Current	1% Increase
Discount rate	6.00 %	7.00 %	8.00 %
Net OPEB liability (asset)– Retiree healthcare plan	$ 3,745	(235,688)	(432,768)
Discount rate	2.50 %	3.50 %	4.50 %
Net OPEB liability – Death benefit plan	$ 77,575	63,036	51,464

		June 30, 2021		
		1% Decrease	Current	1% Increase
Discount rate		6.00 %	7.00 %	8.00 %
Net OPEB liability – Retiree healthcare plan	$	358,497	126,221	(64,922)
Discount rate		2.50 %	3.50 %	4.50 %
Net OPEB liability – Death benefit plan	$	79,737	65,225	53,678

(g) *Sensitivity to Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates*

The following table represents the net OPEB liability (asset) of the Power System, calculated using the stated healthcare cost trend assumption as well as what the Power System's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend that is one percentage point lower or one percentage point higher than the current healthcare cost trend rates (amounts in thousands):

		June 30, 2022		
		1% Decrease	Current*	1% Increase
Net OPEB liability (asset) – Retiree healthcare plan	$	(451,108)	(235,688)	32,247

* Current trend rates: 7.50% graded down to 4.50% over 12 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs, and 4.00% for all years for dental subsidy costs and 4.50% for all years for Medicare Part B subsidy costs

There is no trend rate assumption used in valuing the death benefit plan.

		June 30, 2021		
		1% Decrease	Current*	1% Increase
Net OPEB liability – Retiree healthcare plan	$	(82,808)	126,221	386,056

* Current trend rates: 5.90% graded down to 4.50% over 9 years for non-Medicare medical plan costs; 4.30% graded down to 4.50% over 7 years for Medicare medical plan costs, and 4.00 for all years for dental subsidy costs and 4.50% for all years for Medicare Part B subsidy costs

There is no trend rate assumption used in valuing the death benefit plan.

(h) OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued plan financial report. The OPEB plans' fiduciary net positions are determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. OPEB plan investments are recorded at fair value except for short-term investments, which are recorded at amortized cost. Benefit payments include costs designed by the plan document and administrative expenses.

(i) OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

In addition to amortization expense of the regulatory asset discussed in note 6, the Power System recognized OPEB expense of $(59.1) million and $4.9 million for its proportionate share of the retiree healthcare and death benefits plans, respectively for the year ended June 30, 2022. At June 30, 2022, the Power System reported deferred outflows and inflows of resources related to OPEB plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	$ 2,834	3,139	383	904	3,217	4,043
Changes of assumptions	54,129	34,884	—	4,741	54,129	39,625
Net difference between projected and actual earnings on OPEB plan investments	—	213,498	—	353	—	213,851
Differences between expected and actual experience	—	186,884	710	2,360	710	189,244
	56,963	438,405	1,093	8,358	58,056	446,763
Employer contributions subsequent to the measurement date	73,685	—	10,083	—	83,768	—
Totals	$ 130,648	438,405	11,176	8,358	141,824	446,763

For the year ended June 30, 2021, the Power System recognized OPEB expense of $17.7 million and $4.7 million for its proportionate share of the healthcare and death benefits plans, respectively. At June 30, 2021, the Power System reported deferred outflows and inflows of resources related to OPEB plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	$ 2,692	3,806	480	970	3,172	4,776
Changes of assumptions	66,700	41,543	—	5,806	66,700	47,349
Net difference between projected and actual earnings on OPEB plan investments	26,425	—	—	1,029	26,425	1,029
Differences between expected and actual experience	—	204,961	277	2,960	277	207,921
	95,817	250,310	757	10,765	96,574	261,075
Employer contributions subsequent to the measurement date	71,137	—	10,144	—	81,281	—
Totals	$ 166,954	250,310	10,901	10,765	177,855	261,075

Contributions after the measurement date shown above will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

	For the year ended June 30, 2022		
	Retiree healthcare plan	Death benefits plan	Total
Year ending June 30:			
2023	$ (87,749)	(1,736)	(89,485)
2024	(82,248)	(1,884)	(84,132)
2025	(74,339)	(1,733)	(76,072)
2026	(84,499)	(1,133)	(85,632)
2027	(28,479)	(688)	(29,167)
Thereafter	(24,128)	(91)	(24,219)
	$ (381,442)	(7,265)	(388,707)

	For the year ended June 30, 2021		
	Retiree healthcare plan	Death benefits plan	Total
Year ending June 30:			
2022	$ (36,440)	(1,792)	(38,232)
2023	(23,432)	(1,931)	(25,363)
2024	(17,900)	(2,080)	(19,980)
2025	(9,706)	(1,928)	(11,634)
2026	(20,385)	(1,327)	(21,712)
Thereafter	(46,630)	(949)	(47,579)
	$ (154,493)	(10,007)	(164,500)

(j) Healthcare Reform Legislation

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. One key provision of the PPACA is the assessment of the excise tax on high-cost plans beginning in 2018. Under this act, a 40% excise tax applies to plans with costs exceeding certain annual thresholds for non-Medicare retirees aged 55–64 ($11,850 for single coverage and $30,950 for family coverage). For all other retirees, the thresholds in 2019 and 2018 are $10,200 for single coverage and $27,500 for family coverage. Significant uncertainties exist regarding the impact of the excise tax on high-cost plans without further regulatory guidance. Management estimated the potential impact of this tax on the liability is based on unadjusted thresholds and assuming the tax is shared between the Department and its participants in the same way that the current costs are shared. The estimated impact of the 40% excise tax provision on high-cost plans beginning in 2018, under the healthcare reform, is reflected in all actuarial valuation reports after July 1, 2010. Subsequent to the June 30, 2019 valuation, the excise tax was repealed and is no longer reflected.

(k) Disability Benefits

The Power System’s allocated share of disability benefit plan costs and administrative expenses totaled $12 million for both fiscal year 2022 and 2021. Disability benefits are paid to active employees who qualify under the Plan’s provisions and terminate with the employee’s retirement.

(15) Other Long-Term Liabilities and Deferred Inflows

(a) Other Long-Term Liabilities and Deferred Inflows

The Power System has the following other long-term liabilities and deferred inflows (amounts in thousands):

		Balance, June 30, 2021	Additions	Reductions	Balance, June 30, 2022
Deferred inflows from regulated business activities:					
Rate stabilization	$	180,000	—	—	180,000
Green Power Program		6,473	717		7,190
	$	186,473	717	—	187,190
Accrued workers' compensation claims	$	46,451	3,783	—	50,234
Other noncurrent liabilities:					
Derivative instrument liabilities		—	12,779	—	12,779
Environmental remediation liability		87,887	—	(7,428)	80,459
	$	87,887	12,779	(7,428)	93,238

		Balance, June 30, 2020	Additions	Reductions	Balance, June 30, 2021
Deferred inflows from regulated business activities:					
Rate stabilization	$	140,000	40,000	—	180,000
Green Power Program		5,696	777	—	6,473
	$	145,696	40,777	—	186,473
Accrued workers' compensation claims	$	47,257	—	(806)	46,451
Other liabilities:					
Derivative instrument liabilities		3,928	—	(3,928)	—
Environmental remediation liability		92,894	14,384	(19,391)	87,887
	$	96,822	14,384	(23,319)	87,887

(b) *Deferred Inflows from Regulated Business Activities*

The Power System has deferred inflows that are related to revenue collected from customers but have not been earned. These funds are deferred and recognized as costs related to these deferrals are incurred.

(i) Rate Stabilization Account

In April 2008, the City Council approved an amendment to the electric rate ordinance, which required the balance of the rate stabilization account to be maintained separately from the energy cost adjustment account. The ordinance also directed that the deferred amount within the energy cost adjustment account be the beginning balance of the rate stabilization account.

In November 2021, the Board adopted a resolution setting the rate stabilization account target at $180 million as of June 30, 2022, deferring $40 million to the rate stabilization deferred revenue account, and restricting $40 million of cash to match the rate stabilization account balance. As of June 30, 2022 and 2021, the balance in the rate stabilization account was $180 million and $180 million, respectively.

(c) *Accrued Workers' Compensation Claims*

Liabilities for unpaid workers' compensation claims are recorded at their net present value when they are probable of occurrence and the amount can be reasonably estimated. The liability is actuarially determined based on an estimate of the present value of the claims outstanding and an amount for claim events incurred but not reported based on the Power System's loss experience, less the amount of claims and settlements paid to date. The discount rate used to calculate the accrued workers' compensation liability as presented in the statements of net position was 2% at both June 30, 2022 and

2021. The Power System has third-party insurance coverage for workers' compensation claims over $1 million.

Overall indicated reserves for workers' compensation claims for both the Water System and the Power System, undiscounted, have been estimated at $84 million and $76 million for both June 30, 2022 and 2021, respectively. Workers' compensation claims typically take longer than one year to settle and close out. The entire discounted liability is shown as long term on the statements of net position as of June 30, 2022 and 2021.

Changes in the Department's undiscounted workers' compensation liability since June 30, 2020 are summarized as follows (amounts in thousands):

	June 30		
	2022	**2021**	**2020**
Balance at beginning of year	$ 76,409	77,044	88,240
Current-year claims and changes in estimates	34,548	25,430	17,635
Payments applied	(27,388)	(26,065)	(28,831)
Balance at end of year	$ 83,569	76,409	77,044

The Power System's portion of the discounted accrued workers' compensation liability is estimated at $50 million and $46 million for the fiscal years ended June 30, 2022 and 2021, respectively.

(16) Related Parties

(a) City of Los Angeles

Under the provisions of the City's charter, the Power System transfers funds at its discretion to the reserve fund of the City. Pursuant to covenants contained in the bond indentures, the transfers may not be in excess of the increase in net position before transfers to the reserve fund of the City of the prior fiscal year. Management believes such payments are not in lieu of taxes and are recorded as a transfer in the statements of revenue, expenses, and changes in net position. The Power System also reimburses the City for administrative and Office of Public Accountability costs incurred on behalf of the Power System. During fiscal years 2022 and 2021, the Power System transferred $225 million and $218 million in transfers and $22.9 million and $7.8 million in payments for services rendered by the Office of Public Accountability and City, respectively. See note 17(a).

(b) Southern California Public Power Authority

SCPPA is a California Joint Powers Agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System is a member of SCPPA and records its transactions as purchased power expense. See note 5 of the financial statements for a description of the purchased power commitments the Power System has with SCPPA.

(c) Intermountain Power Agency

The Intermountain Power Agency (IPA) is an agency of the State of Utah established to own, acquire, construct, operate, maintain, and repair the Intermountain Power Project. The Power System serves as the project manager and operating agent of IPP. See note 5 of the financial statements for a description of the financial activities of IPA.

(d) La Kretz Innovative Campus

The Power System has entered into a 50-year prepaid lease agreement for $12 million to lease an office building to the La Kretz Innovative Campus (LKIC), a 501(c)(3) nonprofit organization. LKIC prepaid the lease in fiscal year 2015, and the $12 million is amortized to other nonoperating income starting February 2016. LKIC, in turn, leases some of the work spaces in the building to assist energy innovation companies with the resources needed to validate energy-efficient technology. The Power System has energy efficiency staff also located at the building to work with inventors and determine if there are new energy efficiency programs to launch.

(17) Commitments and Contingencies

(a) Transfers to the Reserve Fund of the City of Los Angeles

Under the provisions of the City’s charter, at the close of each fiscal year, the Power System transfers funds at its discretion to the reserve fund of the City. The transfer is based on the prior year’s operating revenue. Pursuant to covenants contained in the bond indentures, the transfers may not be in excess of the increase in fund net assets before transfers to the reserve fund of the City of the prior fiscal year. Such payments are not in lieu of taxes and are recorded as a transfer in the statements of revenue, expenses, and changes in fund net assets.

On September 14, 2017, the Los Angeles County Superior Court preliminarily approved a settlement of a class action lawsuit under which revenue collected under the 2016 Incremental Electric Rate Ordinance (the 2016 Ordinance) is precluded from being transferred to the reserve fund of the City. As of June 30, 2017, the Power System had billed approximately $52 million under the 2016 Ordinance that under-the-settlement agreement needed to be returned to customers’ net of attorneys’ fees and other administrative costs. Accordingly, for the fiscal year ended June 30, 2017, the Power System reduced retail revenue by the same $52 million and increased current accrued expenses accordingly. In October 2017, $52 million was placed in an escrow account for return to customers. Upon proof of such return, the Power System can request funds from the escrow account accordingly. Going forward, the 2016 Ordinance rates will be reduced through the variable energy cost adjustment so that no revenue for transfers is billed under the 2016 Ordinance.

During fiscal year 2022, the 2008 Electric Rate Ordinance (the 2008 Ordinance) and the 2016 Ordinance were in effect. Revenue from each ordinance is listed below as well as revenue from other sources, including contracts for wholesale energy and transmission revenue. The 12.628 cents under the 2008 Ordinance is determined based on the fiscal year’s revenue billed and kilowatt hour (kWh) usage as of November 3, 2010. The 2008 Ordinance was the only ordinance in effect at that time.

The following table relates to revenue billed to customers for the year ended June 30, 2022 (in thousands), which is the basis for the FY 2022-23 city transfer:

Revenue type	Basis of revenue	kWh	Rate per kWh under the 2008 ordinance		Revenue
Retail sales (2008 Ordinance)	The 2008 Ordinance	21,310,156	0.12628	$	2,691,046
Retail sales (2016 Ordinance)	The 2016 Ordinance	21,310,156			1,688,626
Wholesale sales	Contract				125,614
Transmission sales	Contract				93,152
Rent from electric property	Contract				205
Other service charges	Fee schedule				21,384
Unbilled sales	Estimated				86,339
Bad debt expense	Estimated				(112,606)
Total operating revenue				$	4,593,760

The following table relates to revenue billed to customers for the year ended June 30, 2021 (in thousands), which is the basis for the FY 2021-22 city transfer:

Revenue type	Basis of revenue	kWh	Rate per kWh under the 2008 ordinance		Revenue
Retail sales (2008 Ordinance)	The 2008 Ordinance	20,837,903	0.12628	$	2,631,410
Retail sales (2016 Ordinance)	The 2016 Ordinance	20,837,903			1,467,184
Wholesale sales	Contract				126,925
Transmission sales	Contract				49,630
Rent from electric property	Contract				2,435
Other service charges	Fee schedule				18,730
Unbilled sales	Estimated				49,693
Bad debt expense	Estimated				(77,529)
Total operating revenue				$	4,268,478

The Power System authorized total transfers of $225 million and $218 million in fiscal years 2022 and 2021, respectively, from the Power System to the reserve fund of the City.

(b) Asset Retirement Obligations

The Power System is a minority owner of Palo Verde Nuclear Generating System. The Power System's minority share interest is 5.7% of the total decommissioning liability of $3,168,241 thousand and $3,061,103 thousand at June 30, 2022 and 2021. Arizona Public Service has operating responsibility as well as minority interest (29.1%). Other minority owners are Salt River Project (17.5%), El Paso Electric Company (15.8%), Public Service Company of New Mexico (10.2%), and Southern California Public Power Authority (5.9%). The Power System recorded its proportionate share of the asset retirement obligation based on its ownership percentage of estimates made by the primary owner of the asset.

The Power System had the following asset retirement obligations at June 30, 2022 (in thousands):

Asset	Obligation event	Timeframe required for decommissioning	June 30, 2021	Additions	Payments	June 30, 2022
Navajo Generating Station	Legal agreements resulting from Sales Contract with Salt River Project	Plant was put out of commission as of December 2019	$ 47,504	—	(12,884)	34,620
Palo Verde Nuclear Generating Station	Ownership agreement	Unit 1: June 1, 2045 Unit 2: April 24, 2046 Unit 3: November 25, 2047	174,483	6,107	—	180,590
Other	Lessee or ownership agreements	2029 - 2064	14,609	—	(5,542)	9,067
Total asset retirement obligation liability			$ 236,596	6,107	(18,426)	224,277

The Power System had the following asset retirement obligations at June 30, 2021 (in thousands):

Asset	Obligating event	Timeframe required for decommissioning	June 30, 2020	Additions	Payments	June 30, 2021
Navajo Generating Station	Legal agreement resulting from sales contract with Salt River Project	Plant was put out of commission as of December 2019	$ 51,770	3,866	(8,132)	47,504
Palo Verde Nuclear Generating Station	Ownership agreement	Unit 1: June 1, 2045 Unit 2: April 24, 2046 Unit 3: November 25, 2047	168,583	5,900	—	174,483
Other	Lessee or ownership agreements	2029–2064	17,008	354	(2,753)	14,609
Total asset retirement			$ 237,361	10,120	(10,885)	236,596

The Power System has restricted investments in the amount of $140 million and $148.0 million for the years ended June 30, 2022 and 2021, respectively, related to this reserve.

Deferred outflows related to the Power System's assets retirement obligations are as follows for the year ended June 30, 2022:

Asset	Remaining useful life of asset/ lease term		June 30, 2021	Additions	Amortization	June 30, 2022
Palo Verde Nuclear Generating Station	26	$	19,343	6,107	(774)	24,676
Other	8–43		11,066	—	(6,523)	4,543
Total deferred outflows – asset retirement obligations		$	30,409	6,107	(7,297)	29,219

Deferred outflows related to the Power System's assets retirement obligations are as follows for the year ended June 30, 2021 (in thousands):

Asset	Remaining useful life of asset/ lease term		June 30, 2020	Additions	Amortization	June 30, 2021
Palo Verde Nuclear Generating Station	27	$	13,981	5,900	(538)	19,343
Other	9–44		14,479	354	(3,767)	11,066
Total deferred outflows – asset retirement obligations		$	28,460	6,254	(4,305)	30,409

In fiscal year 2019, the Power System amortized the remaining balance of its deferred outflow on the Navajo Generating Station due to the announcement of the plant's closure in December 2019.

(c) Environmental Liabilities

Numerous federal, state, and local environmental laws and regulations affect the Power System's facilities and operations. The Power System monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. The Power System follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution and Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups.

The Power System estimates its environmental liabilities using the expected cash flow method as required by GASB No. 49. This method estimates the current value of outlays expected to be incurred and measured as a sum of the probability weighted amounts in a range of possible estimated amounts. The Power System's environmental liabilities are primarily related to generating and service stations it owns that have had release of hazardous materials or waste it is obligated by a regulator to clean up.

The estimated timeframe for cleanup and monitoring of these sites is 5–25 years. The Power System's obligations are included in other noncurrent liabilities on the statements of net position and were approximately $80 million and $88 million as of June 30, 2022 and 2021, respectively. These estimates are reviewed and updated annually.

(d) Litigation

A number of claims and suits are pending against the Power System for alleged damages to persons and property and for other alleged liabilities arising out of its operations. In the opinion of management, any ultimate liability, which may arise from these actions, is not expected to materially impact the Power System's financial position, results of operations, or cash flows as of June 30, 2022.

(e) Risk Management

The Power System is subject to certain business risks common to the utility industry. The majority of these risks are mitigated by external insurance coverage obtained by the Power System. For other significant business risks, however, the Power System has elected to self-insure. Management believes that exposure to loss arising out of self-insured business risks will not materially impact the Power System's financial position, results of operations, or cash flows as of June 30, 2022.

(f) Credit Risk

Financial instruments, which potentially expose the Power System to concentrations of credit risk, consist primarily of retail and wholesale receivables. The Power System's retail customer base is concentrated on commercial, industrial, residential, and governmental customers located within the city. Although the Power System is directly affected by the city's economy, management does not believe significant credit risk exists as of June 30, 2022 except as provided in the allowance for losses. The Power System manages its credit exposure by requiring credit enhancements from certain customers and through procedures designed to identify and monitor credit.

(g) FBI Investigation

In July 2019, the Federal Bureau of Investigation began conducting an investigation of the Department and the Office of the City Attorney. The Department is cooperating fully with the investigators. The Department has been requested by the investigating agency to exercise confidentiality with respect to the investigation. The Department can generally state that the search warrants served by the Federal Bureau of Investigation on the Department and the Office of the City Attorney relate to issues that have arisen over the class action litigation and settlement regarding the Department's billing system and the lawsuit against PricewaterhouseCoopers. Based on the Department's understanding of the nature of the investigation and the current status of the lawsuits relating to the new billing system, the Department does not believe that the investigation or the billing-system-related lawsuits will have a material adverse effect on the Department's operations or financial position.

(Continued)

(18) Subsequent Events

(a) Variable Rate Bonds

In November 2022, the Board authorized the Power System to execute a substitute standby agreement for the $322.8 million standby agreements expiring in January 2023. The substitute standby agreement will expire in January 2027.

(b) Bond Issuance

In December 2022, the Power System issued $28.5 million of revenue bonds, 2022 Series D. The net proceeds of $30.0 million, including a $1.5 million issue premium net of underwriter's discount, will be used to refund a portion of the Power System 2018 Series B.

In December 2022, the Power System issued $238.1 million of revenue bonds, 2022 Series E. The net proceeds of $254.0 million, including a $15.9 million issue premium net of underwriter's discount, will be used to refund a portion of the Power System 2013 Series A.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Required Supplementary Information

June 30, 2022

(Unaudited)

Schedule of the Power System's Proportionate Share of the Net Pension Liability (Asset)**

Last 10 fiscal years*

(Amounts in thousands other than percentages)

	2022	2021**	2020	2019	2018	2017	2016	2015	2014
Power System's proportion of the collective net pension liability (asset)	67.564 %	67.681 %	68.390 %	67.879 %	26.252 %	68.108 %	67.397 %	67.656 %	67.427 %
Power System's proportionate share of the collective net pension liability (asset)	$ (1,120,640)	752,368	564,130	618,010	916,758	1,492,508	771,122	860,748	1,207,513
Power System's covered payroll	757,984	764,838	703,197	647,319	609,032	586,967	565,606	554,731	551,159
Power System's proportionate share of the collective net pension liability (asset) as a percentage of covered payroll	(148)%	98.00 %	80.00 %	95.00 %	151.00 %	254.00 %	136.00 %	155.16 %	219.08 %
Pension plan's fiduciary net position as a percentage of total pension liability (asset)	111.05	92.00	94.00	93.00	89.00	82.00	90.00	88.41 %	82.30 %

* The Power System implemented GASB Statement No. 68 effective July 1, 2013; therefore, no information is available for the measurement periods prior to July 1, 2013.

** The measurement period for each year presented is on a one-year lag and thus the measurement periods are June 30, 2013–2020 for the Power System's fiscal years of June 30, 2014–2022, respectively.

See accompanying independent auditors' report Schedule of the Department's Pension Contributions*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for Power System June 30 (1)		Actuarially determined contributions (2)	Contributions in relation to the actuarially required contributions (3)	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2022	$	302,800	318,874	(16,074)	1,178,016	27.07 %
2021		373,374	378,991	(5,616)	1,121,884	33.78
2020		424,375	422,017	2,358	1,130,066	37.34
2019		408,750	410,165	(1,415)	1,028,212	39.89
2018		425,512	433,413	(7,901)	953,636	45.45
2017		403,780	391,717	12,063	892,331	43.90
2016		368,600	362,360	6,240	861,819	42.05
2015		387,465	376,902	10,563	839,213	44.91
2014		387,824	384,266	3,558	819,924	46.87
2013		376,668	368,426	8,242	817,421	45.07

(1) The measurement date under GASB Statement No. 68 is on a one-year lag.

(2) All actuarially determined contributions through June 30, 2014 were determined as the annual requirement under GASB Statements No. 25 and No. 27.

(3) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not separately available for the Power System.

See accompanying independent auditors' report.

(Continued)

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Required Supplementary Information

June 30, 2022

(Unaudited)

Schedule of Power System's Proportionate Share of the Net OPEB Liability (Asset) – Retiree Healthcare Plan

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate share of net OPEB liability (asset)	Proportionate share of net OPEB liability (asset)	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	Plan's fiduciary net position as a percentage of the total OPEB liability (asset)
June 30, 2022	June 30, 2021	67.56 %	$ (235,688)	833,238	$ 757,984	(31.09) %	113.58 %
June 30, 2021	June 30, 2020	67.68	126,221	820,155	764,838	16.50	92.51
June 30, 2020	June 30, 2019	68.39	316,575	780,931	703,197	45.02	82.75
June 30, 2019	June 30, 2018	67.88	260,393	728,719	647,319	40.23	84.46
June 30, 2018	June 30, 2017	68.25	297,306	676,930	609,032	48.82	81.44

See accompanying independent auditors' report.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Required Supplementary Information

June 30, 2022

(Unaudited)

Schedule of Power System's Proportionate Share of the Net OPEB Liability – Death Benefit Plan

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate share of net OPEB liability	Proportionate share of net OPEB liability	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability as a percentage of covered payroll	Plan's fiduciary net position as a percentage of the total OPEB liability
June 30, 2022	June 30, 2021	67.56 %	$ 63,036	833,238	$ 757,984	8.32 %	30.39 %
June 30, 2021	June 30, 2020	67.68	65,225	820,155	764,838	8.53	27.94
June 30, 2020	June 30, 2019	68.39	72,118	780,931	703,197	10.26	21.46
June 30, 2019	June 30, 2018	67.88	79,188	728,719	647,319	12.23	18.91
June 30, 2018	June 30, 2017	68.25	81,373	676,930	609,032	13.36	18.79

See accompanying independent auditors' report.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Required Supplementary Information

June 30, 2022

(Unaudited)

Schedule of Department Contributions – Retiree Healthcare Plan*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Power System June 30	Actuarially determined contributions [1]	Contributions in relation to the actuarially required contributions [2]	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2022	$ 49,688	112,081	(62,393)	1,178,016	9.51 %
2021	63,165	109,282	(46,117)	1,121,884	9.74
2020	95,375	109,401	(14,026)	1,130,066	9.68
2019	80,851	101,595	(20,744)	1,028,212	9.88
2018	85,339	95,233	(9,894)	953,635	9.99
2017	93,920	90,310	3,610	892,332	10.12
2016	61,971	79,896	(17,925)	861,819	9.27
2015	70,748	78,497	(7,749)	839,214	9.35
2014	58,453	74,106	(15,653)	819,924	9.04
2013	36,908	67,563	(30,655)	817,421	8.27

[1] All actuarially determined contributions through June 30, 2016 were determined as the annual requirement under GASB Statements No. 43 and No. 45.

[2] Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not separately available for the Power System.

See accompanying independent auditors' report.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
POWER SYSTEM

Required Supplementary Information

June 30, 2022

(Unaudited)

Schedule of Department Contributions – Death Benefit Plan*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Power System June 30	Actuarially determined contributions (1)	Contributions in relation to the actuarially required contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2022	$ 13,076	13,134	(58)	1,178,016	1.11 %
2021	12,565	12,899	(334)	1,121,884	1.15
2020	13,335	13,300	35	1,130,066	1.18
2019	7,260	7,260	—	1,028,212	0.71
2018	7,137	7,137	—	953,636	0.75
2017	7,138	7,138	—	892,332	0.80
2016	7,207	7,207	—	861,819	0.84

(1) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not available separately for the Power System.

See accompanying independent auditors' report.

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APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LOS ANGELES

Introduction

The City of Los Angeles (the "City") is the second most populous city in the United States, with an estimated 2023 population of 3.8 million. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960. By 2022, the population grew another 1.4 million, and the City experienced further growth in its demographic and economic diversity.

The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. There were more than 300,000 manufacturing jobs in the County in 2022. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes City, County, and State population, estimated as of January 1 of each year.

Table 1
CITY, COUNTY AND STATE POPULATION STATISTICS

	City of Los Angeles	***Percentage Change(1)***	***County of Los Angeles***	***Percentage Change(1)***	***State of California***	***Percentage Change(1)***
2000	3,694,742	--	9,519,330	--	33,873,086	--
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,794,586	0.67	9,822,121	0.06	37,223,900	3.78
2015	3,938,939	3.80	10,124,800	3.08	38,865,532	4.41
2020	3,975,234	0.92	10,135,614	0.11	39,648,938	2.02
2021	3,859,192	(2.92)	9,942,011	(1.91)	39,286,510	(0.91)
2022	3,802,725	(1.46)	9,834,503	(1.08)	39,078,674	(0.53)
2023	3,766,109	(0.96)	9,761,210	(0.75)	38,940,231	(0.35)

(1) For five-year time periods, figures represent cumulative change over such five year period.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2, 2022. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2023, with 2020 Census Benchmark. Sacramento, California, May, 2023.

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Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual "benchmark," an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The "benchmark" data is typically released in March for the prior calendar year.

Table 2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE(1)

	2018	*2019*	*2020*	*2021*	*2022*
Civilian Labor Force					
City of Los Angeles					
Employed	1,983,600	2,007,000	1,787,300	1,868,300	1,947,300
Unemployed	96,800	94,500	251,500	181,900	102,600
Total	2,080,400	2,101,400	2,038,800	2,050,200	2,049,900
County of Los Angeles					
Employed	4,882,300	4,920,800	4,350,500	4,547,600	4,739,900
Unemployed	237,500	230,700	609,800	445,900	244,900
Total	5,119,800	5,151,500	4,960,300	4,993,500	4,984,800
Unemployment Rates					
City	4.7%	4.5%	12.3%	8.9%	5.0%
County	4.6%	4.5%	12.3%	8.9%	4.9%
State	4.2%	4.1%	10.1%	7.3%	4.2%
United States	3.9%	3.7%	8.1%	5.3%	3.6%

(1) March 2022 Benchmark report as of February 2023, not seasonally adjusted.
Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.
Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for February 2023 of 4.8 percent statewide, 5.3 percent for the County, and 5.4 percent for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department's estimated annual employment for the County as of March 2022, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE[1]

	County of Los Angeles 2022	*% of Total*	*State of California 2022*	*% of Total*
Agricultural	4,900	0.1%	422,900	2.3%
Mining and Logging	1,600	0.0	19,700	0.1
Construction	150,900	3.3	913,400	5.0
Manufacturing	321,800	7.1	1,336,900	7.4
Trade, Transportation and Utilities	837,400	18.4	3,133,000	17.3
Information	235,200	5.2	608,200	3.4
Financial Activities	215,900	4.8	844,700	4.7
Professional and Business Services	668,900	14.7	2,872,700	15.9
Educational and Health Services	873,600	19.2	2,936,300	16.2
Leisure and Hospitality	511,300	11.3	1,931,600	10.7
Other Services	153,500	3.4	563,300	3.1
Government	568,500	12.5	2,529,000	14.0
Total[2]	4,543,400		18,111,800	

[1] The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.
[2] May not add due to rounding.
Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.
Source: California Employment Development Department, Labor Market Information Division. Based on March 2022 Benchmark report as of April 12, 2023.

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Major Employers

The estimated top 25 major non-governmental employers in the County in 2022 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 6.9 percent of the labor force.

Table 4
LOS ANGELES COUNTY
2022 MAJOR NON-GOVERNMENTAL EMPLOYERS

Employer	*Product/Service*	*Employees*
Kaiser Permanente	Nonprofit health care plan	40,303
University of Southern California	Private university	22,735
Northrop Grumman Corp.	Defense contractor	18,000[1]
Cedars-Sinai	Health system	16,659
Target Corp.	Retailer	15,888
Allied Universal	Security professionals	15,326[1]
Providence	Health care	14,935[1]
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000
Walmart Inc.	Retailer	14,000
Walt Disney Co.	Media and entertainment	12,200[1]
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005
UPS	Logistics, transportation and freight	11,643[1]
Home Depot	Home improvement specialty retailer	11,200[1]
NBCUniversal	Media and entertainment	11,000[1]
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500[1]
Albertsons Cos.	Grocery retailer	10,406
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,830
Edison International	Electric utility, energy services	7,672[1]
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,404
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400[1]
FedEx Corp.	Shipping and logistics	6,750[1]
Children's Hospital Los Angeles	Hospital	6,644
Dignity Health	Health care	6,263
Costco Wholesale	Membership chain of warehouse stores	6,002
Space Exploration Technologies	Rockets and spacecraft	6,000[1]

[1] Business Journal estimate.
Source: Los Angeles Business Journal, Weekly Lists, originally published August 22, 2022.

The estimated top 25 major governmental employers in the County in 2022 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.6 percent of the labor force.

Table 5
LOS ANGELES COUNTY
2022 LARGEST PUBLIC SECTOR EMPLOYERS

Employers	***Employees***
Los Angeles County	100,729
Los Angeles Unified School District	73,805
Federal Executive Board[1]	50,000
University of California, Los Angeles	48,743
City of Los Angeles[2]	33,562
State of California[3]	32,300
Long Beach Unified School District	12,000
Los Angeles County Metropolitan Transportation Authority	11,700
Los Angeles Community College District	11,618
Los Angeles Department of Water and Power	11,000
Cal State Long Beach	8,477
City of Long Beach	6,300
Mt. San Antonio Community College District	4,400
Los Angeles World Airports	4,000
Cal State Northridge	3,992
Compton Unified School District	3,071
Montebello Unified School District	2,885
Pomona Unified School District	2,800
Cal State Los Angeles	2,624
Cal Poly Pomona	2,603
City of Pasadena	2,314
City of Glendale	2,077
Santa Monica Community College District	2,023
City of Santa Monica	1,979
Torrance	1,456
	436,458

(1) Excludes law enforcement and judiciary employees.
(2) Excludes proprietary departments (DWP, LAWA, Port of L.A.).
(3) Excludes education employees.
Source: Los Angeles Business Journal, Weekly Lists, originally published August 22, 2022.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of "net earnings," rental income, dividend income, interest income, and transfer receipts. "Net earnings" is defined as wages and salaries, supplements to wages and salaries, and proprietors' income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 6
COUNTY, STATE AND U.S.
PERSONAL INCOME

Year and Area	***Personal Income (thousands of dollars)***	***Per Capita Personal Income[1] (dollars)***
2017		
County[2]	$ 580,335,216	$57,325
State[3]	2,318,280,900	58,804
United States[3]	16,837,337,000	51,550
2018		
County[2]	$ 601,947,888	$59,617
State[3]	2,431,773,900	61,508
United States[3]	17,671,054,000	53,786
2019		
County[2]	$ 635,759,588	$63,252
State[3]	2,567,425,600	64,919
United States[3]	18,575,467,000	56,250
2020		
County[2]	$ 684,663,140	$68,541
State[4]	2,790,523,500	70,643
United States[4]	19,812,171,000	59,763
2021		
County[2]	$ 728,772,915	$74,141
State[4]	3,006,183,900	76,800
United States[4]	21,288,709,000	64,117
2022		
County[5]	n/a	n/a
State[4]	$ 3,018,471,100	$77,339
United States[4]	21,804,787,500	65,423

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2017-2020 reflect county population estimates available as of March 2021. These population estimates are based on the 2010 census. BEA will incorporate Census Bureau midyear population estimates based on the 2020 census results when they become available.
(2) Last updated: November 16, 2022 – new statistics for 2021; revised statistics for 2017 – 2020.
(3) Last updated: March 9, 2023 – revised statistics for 2017 – 2021.
(4) Last updated: March 31, 2023 – new statistics for 2022; revised statistics for 2020-2021.
(5) County information for 2022 not yet available.

Source: U.S. Bureau of Economic Analysis, "Table SAINC1: Personal Income Summary" and "Table CAINC1: Personal Income Summary" (accessed April 12, 2023).

Retail Sales

As the largest city in the County, the City accounted for $58.0 billion (or approximately 27.3 percent) of the total $212.8 billion in County taxable sales for 2022. The following table sets forth a history of taxable sales for the City for calendar years 2018 through 2022.

Table 7
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	2018	*2019*	*2020*	*2021*	*2022*
Motor Vehicle and Parts Dealers	$ 4,953,943	$ 4,920,618	$ 4,585,480	$ 5,927,499	$ 6,559,410
Home Furnishings and Appliance Stores	1,994,456	1,879,295	1,523,470	2,025,904	1,963,826
Bldg. Materials and Garden Equip. and Supplies	2,604,997	2,633,786	2,774,916	3,040,639	3,191,779
Food and Beverage Stores	2,965,281	3,003,306	3,045,666	3,154,313	3,289,286
Gasoline Stations	4,577,433	4,634,896	2,903,295	4,469,765	5,870,477
Clothing and Clothing Accessories Stores	3,358,528	3,392,114	2,302,122	3,632,876	3,687,708
General Merchandise Stores	2,901,449	2,908,563	2,494,747	3,037,363	3,295,629
Food Services and Drinking Places	9,704,572	10,214,928	6,320,584	8,881,294	10,808,809
Other Retail Group	4,582,036	4,686,277	4,462,925	5,286,747	5,274,889
Subtotal Retail and Food Services	37,642,695	38,273,783	30,413,205	39,456,400	43,941,813
All Other Outlets	11,862,801	11,900,668	9,241,031	11,296,267	14,074,885
TOTAL ALL OUTLETS	**$49,505,496**	**$ 50,174,451**	**$39,654,236**	**$ 50,752,667**	**$ 58,016,698**
Year-over-year change	N/A	1.4%	(21.0%)	28.0%	14.3%

Source: California Department of Tax and Fee Administration, Research and Statistics.(last updated April 3, 2023)

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Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 8
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	2022-23 Assessed Valuation[1]	***% of Total***	***No. of Parcels***	***% of Total***
Non-Residential				
Commercial Office	$ 114,121,438,050	15.21%	26,321	3.36%
Vacant Commercial	2,475,236,601	0.33	1,297	0.17
Industrial	49,106,181,441	6.54	17,569	2.24
Vacant Industrial	2,029,728,201	0.27	4,214	0.54
Recreational	2,844,281,839	0.38	784	0.10
Government/Social/Institutional	4,163,944,109	0.55	3,641	0.46
Miscellaneous	393,388,074	0.05	1,817	0.23
Subtotal Non-Residential	$ 175,134,198,315	23.34%	55,643	7.10%
Residential				
Single Family Residence	$ 390,697,407,814	52.06%	506,284	64.57%
Condominium/Townhouse	49,553,166,029	6.60	90,014	11.48
Mobile Homes and Lots	179,011,134	0.02	3,489	0.44
Mobile Home Park	255,581,722	0.03	93	0.01
2-4 Residential Units	39,203,311,258	5.22	74,982	9.56
5+ Residential Units/Apartments	92,043,511,682	12.26	35,560	4.54
Vacant Residential	3,421,387,930	0.46	18,033	2.30
Subtotal Residential	$ 575,353,377,569	76.66%	728,455	92.90%
Total	**$ 750,487,575,884**	**100.00%**	**784,098**	**100.00%**

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 9
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

	No. of Parcels	*2022-23 Assessed Valuation*	*Average Assessed Valuation*	*Median Assessed Valuation*
Single Family Residential Properties	506,284	$390,697,407,814	$771,696	$427,890

2022-23 Assessed Valuation	*No. of Residential Parcels* [1]	*% of Total*	*Cumulative % of Total*	*Total Valuation*	*% of Total*	*Cumulative % of Total*
$0 - $49,999	6,386	1.261%	1.261%	$ 229,193,540	0.059%	0.059%
$50,000 - $99,999	15,201	3.002	4.264	1,193,916,942	0.306	0.364
$100,000 - $149,999	17,403	3.437	7.701	2,290,182,591	0.586	0.950
$150,000 - $199,999	28,329	5.595	13.297	5,168,484,405	1.323	2.273
$200,000 - $249,999	36,625	7.234	20.531	8,615,738,250	2.205	4.479
$250,000 - $299,999	42,384	8.372	28.902	11,932,367,520	3.054	7.533
$300,000 - $349,999	48,734	9.626	38.528	16,330,032,390	4.180	11.712
$350,000 - $399,999	49,705	9.818	48.346	18,857,232,015	4.827	16.539
$400,000 - $449,999	26,981	5.329	53.675	11,830,359,070	3.028	19.567
$450,000 - $499,999	29,934	5.912	59.588	14,569,117,272	3.729	23.296
$500,000 - $549,999	29,298	5.787	65.374	15,768,740,262	4.036	27.332
$550,000 - $599,999	27,653	5.462	70.836	16,063,572,394	4.112	31.443
$600,000 - $649,999	20,106	3.971	74.808	12,695,491,368	3.249	34.693
$650,000 - $699,999	15,499	3.061	77.869	10,678,516,519	2.733	37.426
$700,000 - $749,999	13,014	2.570	80.439	9,627,718,158	2.464	39.890
$750,000 - $799,999	12,088	2.388	82.827	9,440,607,120	2.416	42.307
$800,000 - $849,999	10,209	2.016	84.843	8,349,318,351	2.137	44.444
$850,000 - $899,999	8,809	1.740	86.583	7,814,296,529	2.000	46.444
$900,000 - $949,999	7,656	1.512	88.096	7,293,741,048	1.867	48.311
$950,000 - $999,999	6,636	1.311	89.406	6,551,377,728	1.677	49.988
$1,000,000-and greater	53,634	10.594	100.000	195,397,404,342	50.012	100.000
	506,284	100.000%		$ 390,697,407,814	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 10
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	2018	*2019*	*2020*	*2021*	*2022*
Valuation[1]	$ 8,654	$ 8,520	$ 6,285	$ 6,091	$ 7,968
Residential[2]	3,940	3,437	2,930	2,743	3,690
Non-Residential[3]	1,256	1,091	1,187	871	1,196
Miscellaneous Residential[4]	180	173	129	232	365
Miscellaneous Non-Residential[5]	40	146	46	18	2
Number of Residential Units:					
Single family[6]	3,598	3,739	2,685	3,122	4,430
Multi-family[7]	12,659	10,693	9,171	10,898	12,324
Subtotal Residential Units	16,257	14,432	11,856	14,020	16,754
Number of Non-Residential Units[8]	12	1	0	512	504
Miscellaneous Residential Units[9]	4,614	5,014	3,017	4,664	6,320
Miscellaneous Non-Residential Units[10]	493	475	257	480	46
Total Units	**21,376**	**19,922**	**15,130**	**19,676**	**23,624**

(1) In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.
(2) Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.
(3) Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non- Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.
(4) Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."
(5) Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."
(6) Number of dwelling units permitted for Single-Family Dwellings and Duplexes.
(7) Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.
(8) Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.
(9) Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."
(10) Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

Source: City of Los Angeles, Department of Building and Safety.

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Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.

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APPENDIX C

DTC BOOK-ENTRY SYSTEM

The information in this Appendix C regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the Department takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series D Bonds. The Series D Bonds 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 bond certificate will be issued for each maturity of Series D Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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.

Purchases of the Series D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series D Bond ("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 Series D Bonds 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 Series D Bonds, except in the event that use of the book-entry system for the Series D Bonds is discontinued.

To facilitate subsequent transfers, all Series D Bonds 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 Series D Bonds 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 Series D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series D Bonds 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 Series D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series D Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series D Bond documents. For example, Beneficial Owners of Series D Bonds may wish to ascertain that the nominee holding the Series D Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series D Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series D Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department 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 Series D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and interest payments on the Series D Bonds 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 Department or the Fiscal 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 Fiscal Agent, or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series D Bonds at any time by giving reasonable notice to the Department or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Series D Bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series D Bond certificates will be printed and delivered to DTC.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to each Bond Resolution in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Bond Resolution.

CERTAIN DEFINITIONS

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant of recognized national standing selected by the Department.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

"Additional Bonds" means Bonds issued in accordance with the terms and conditions of the Master Resolution for the purpose of providing for the payment of the Costs of Capital Improvements.

"Additional Parity Obligations" means Parity Obligations, including Additional Bonds, issued for the purpose of providing for the payment of the Costs of Capital Improvements and satisfying the conditions set forth in the Master Resolution.

"Adjusted Net Income" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations and for any Calculation Period to which such certificate relates and as calculated by the Department or a Consultant, the Net Income for such Calculation Period plus an amount equal to depreciation, amortization, interest on debt and Unrealized Items for such Calculation Period, in each case determined in accordance with Generally Accepted Accounting Principles, less any portion of such Net Income which has been deposited in the Expense Stabilization Fund, plus at the option of the Department, any or all of the following: (i) an allowance for any estimated increase in such Net Income from any revenue producing additions or improvements to or extensions of the Power System, made but not in service during the applicable Calculation Period or to be made with the proceeds of the Additional Parity Obligations with respect to which such certificate relates, with the proceeds of other Obligations theretofore issued by the Department and available for such purpose or with other available funds of the Department reserved by the Department for such purpose, such allowance to be in an amount equal to the estimated additional average annual Net Income to be derived from such additions, improvements and extensions during the twelve month period after placing such addition, improvement or extension in service, all as shown by a certificate of the Department or a Consultant; (ii) an allowance for any increases in rates and charges which relate to the Power System and which have been approved by the Board and the City Council but which during all or any part of the Calculation Period were not in effect, such allowance to be in an amount equal to seventy-five percent (75%) of the amount by which the Net Income for the

Calculation Period would have increased if such increase in rates and charges had been in effect for that portion of the Calculation Period during which such increase was not in effect; and (iii) the amount withdrawn from the Expense Stabilization Fund during such Calculation Period.

"Applicable Parity Obligations" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations and as of the date of such certificate, all of the Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

"Assistant Auditor" means an Assistant Auditor of the Department.

"Auditor" means the Auditor of the Department.

"Authorized Denominations" means, with respect to the Series D Bonds, $5,000 or any integral multiple of thereof.

"Authorized Department Representative" means the President or Vice President of the Board, the General Manager, the Auditor and each Assistant Auditor and any other officer of the Department duly authorized to act as an Authorized Department Representative for purposes of the Bond Resolution by resolution of the Board or written authorization of the General Manager.

"Balloon Indebtedness" means, with respect to any Series of Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Board" means the Board of Water and Power Commissioners of the City of Los Angeles.

"Bond" means any of the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds authorized pursuant to the Master Resolution and a Supplemental Resolution.

"Bond Register" means the registration books for the ownership of Bonds maintained by the Fiscal Agent pursuant to the Master Resolution.

"Bond Resolution" means the Master Resolution as supplemented by the Fifty-Eighth Supplemental Resolution.

"Bond Service Fund" means the Power System Revenue Bonds Bond Service Fund established pursuant to the Master Resolution.

"Bondowner" or "Owner" means, with respect to a Bond, the registered owner of such Bond in the Bond Register.

"Book-Entry Bonds" means, with respect to the Series D Bonds, the Series D Bonds registered in the name of DTC's nominee, as the initial Securities Depository, or any successor Securities Depository for the Series D Bonds, as the registered owner thereof.

"Business Day" means, unless otherwise provided with respect to a Series of Bonds in the Supplemental Resolution authorizing the issuance of such Series, any day, other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

"Calculation Period" means, with respect to any certificate to be provided pursuant to the Master Resolution in connection with Additional Parity Obligations, any twelve consecutive month period within the eighteen consecutive months ending immediately prior to the issuance of the Additional Parity Obligations to which such certificate relates.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capital Improvement" means any addition, betterment, replacement, renewal, extension or improvement of or to the Power System, including, without limitation, the acquisition of land or any interests therein, which under Generally Accepted Accounting Principles are chargeable to a capital account and capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests therein, whether or not included as part of the Power System, determined by the Department to be necessary or convenient in connection with the utilization of the Power System.

"Charter" means The Charter of The City of Los Angeles.

"Chief Financial Officer" means: (i) the Chief Financial Officer of the Department; and (ii) in the event that at the applicable time of performance of an action under the Bond Resolution there is a vacancy in the office of Chief Financial Officer, or the Chief Financial Officer is outside the City, the Chief Accounting Employee of the Department.

"City" means the City of Los Angeles, a chartered city, duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"City Council" means the Council of the City established pursuant to the Charter.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Master Resolution and the Fifty-Eighth Supplemental Resolution shall be deemed to include United States Treasury Regulations thereunder applicable to the Bonds issued pursuant to the Fifty-Eighth Supplemental Resolution or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Parity Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Department to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Master Resolution or any Supplemental Resolution. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for work of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California.

“Cost” means, with respect to any Capital Improvement, all costs and expenses of planning, designing, acquiring, constructing, installing and financing such Capital Improvement, placing such Capital Improvement in operation, disposal of such Capital Improvement, and obtaining governmental approvals, certificates, permits and licenses with respect thereto heretofore or hereafter paid or incurred by the Department. Payment of Cost shall include the reimbursement to the Department for any of the costs included in this definition of Cost paid by the Department which have not previously been reimbursed to the Department and which are not to be reimbursed from contributions in aid of construction. The term Cost shall include, but shall not be limited to, funds required for: (a) costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies, and the securing of regulatory approvals, as well as costs for land and land rights, engineering and contractors’ fees, labor, materials, equipment, utility services and supplies, legal fees and financing expenses; (b) working capital and reserves therefor in such amounts as shall be determined by the Department; (c) interest accruing in whole or in part on Parity Obligations prior to and during construction of a Capital Improvement or any portion thereof, and for such additional period as the Department may determine; (d) the deposit or deposits from the proceeds of the Bonds in any funds or accounts which deposit or deposits are required by the Master Resolution or any Supplemental Resolution; (e) the payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption or otherwise) of any note or other evidence of indebtedness the proceeds of which were applied to any of the costs of a Capital Improvement described in the Master Resolution; (f) training and testing costs which are properly allocable to the acquisition, placing in operation, or construction of a Capital Improvement; (g) all costs of insurance applicable to the period of construction and placing a Capital Improvement in operation; (h) all costs relating to injury and damage claims arising out of the acquisition or construction of a Capital Improvement less proceeds of insurance; (i) legally required or permitted federal, state and local taxes and payments in lieu of taxes applicable to the period of construction and placing a Capital Improvement in operation; (j) amounts due the United States of America as rebate of investment earnings with respect to the proceeds of Parity Obligations or as penalties in lieu thereof; (k) amounts payable with respect to capital costs for the expansion, reinforcement, enlargement or other improvement of facilities determined by Department to be necessary in connection with the utilization of a Capital Improvement and the costs associated with the removal from service or reductions in service of any facilities as a result of the expansion, reinforcement, enlargement or other improvement of such facilities or the construction of a Capital Improvement; (l) Costs of Issuance of any Parity Obligations; (m) fees and expenses pursuant to any lending or credit facility or agreement applicable to the period for construction and placing a Capital Improvement in operation; and (n) all other costs incurred by the Department and properly allocable to the acquisition, construction, or placing in operation of a Capital Improvement or any portion thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Department and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

“Credit Provider Bonds” means any Bonds purchased with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider in accordance with the Fifty-Eighth Supplemental Resolution.

"Credit Provider Reimbursement Obligations" means obligations of the Department to pay from the Power Revenue Fund amounts under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Department and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal or the Purchase Price of any Parity Obligations.

"Crossover Date" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Escrow" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which will provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Instructions" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate order, escrow deposit agreement, or other direction from an Authorized Department Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"Crossover Refunding Obligations" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"Crossover Refunding Requirements" means, with respect to a Series of Parity Refunding Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Parity Refunding Obligations coming due on and before

the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"Debt Service" means, for any Fiscal Year, the sum of (a) the interest payable during such Fiscal Year on all Outstanding Parity Obligations, assuming that all Outstanding Serial Parity Obligations are retired as scheduled and that all Outstanding Term Parity Obligations are redeemed or paid from Sinking Fund Installment as scheduled, (b) that portion of the principal amount of all Outstanding Serial Parity Obligations maturing on each principal payment date which falls in such Fiscal Year, including the Final Compounded Amount of any Capital Appreciation Obligations which are Series Parity Obligations, (c) that portion of the principal amount of all Outstanding Term Parity Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such Fiscal Year (together with the redemption premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Parity Obligations.

"Defeasance Securities" means any of the following securities, if and to the extent the same are at the time any legal investments for funds of the Department: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or obligations unconditionally guaranteed by, the United States of America, including obligations of any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America; and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are rated "AAA" by Standard and Poor's, "AAA" by Fitch or "Aaa" by Moody's, (b) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions, (c) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (b) of this clause (ii), as appropriate, and (d) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an Accountant's Certificate as being sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (b) of this clause (ii), as appropriate.

"Delivery Certificate" means, with respect to a Series of Bonds or any Subseries thereof, a certificate of an Authorized Department Representative establishing certain terms and conditions for such Series or Subseries and specifying the application of the proceeds of such Series or Subseries, all as authorized by the Supplemental Resolution authorizing such Series of Bonds.

"Electronic" means, with respect to notice, notice through the internet or a time-sharing terminal.

"Escrow Agent" means the Fiscal Agent or a bank or trust company organized under the laws of any state of the United States, or a national association, appointed by the Department to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to Article IX of the Master Resolution; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"Expense Stabilization Fund" means the Power System Expense Stabilization Fund established pursuant to the Master Resolution.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Master Resolution or the Supplemental Resolution requiring such an opinion.

"Fiduciary" means, with respect to each Series of Bonds, the Fiscal Agent, and each Paying Agent and Escrow Agent for such Series of Bonds.

"Fifty-Eighth Supplemental Resolution" means Resolution No. 5039 of the Board, as the provisions thereof may be amended or supplemented from time to time in accordance with the terms thereof.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"Fiscal Agent" means, the agent appointed by the Department pursuant to the Master Resolution to perform the duties and obligations ascribed to the Fiscal Agent with respect to each Series of Bonds pursuant to the applicable Supplemental Resolution.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Department.

"Fitch" means Fitch Ratings and any successor entity rating Parity Obligations at the request of the Department.

"General Manager" means the General Manager of the Department.

"Generally Accepted Accounting Principles" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by the Department, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"Interest Account" means the account by that name in the Bond Service Fund established pursuant to the Master Resolution.

"Interest Payment Date" means, with respect to the Series D Bonds, January 1 and July 1 of each year, commencing July 1, 2024.

"Issuing Instrument" means any resolution, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Maximum Annual Adjusted Debt Service" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Master Resolution, as of any date and with respect to the Applicable Parity Obligations, the maximum amount of Debt Service becoming due on the Applicable Parity Obligations in the then current or any future Fiscal Year, as adjusted as provided in this definition and calculated by the Department or by a Consultant. For purposes of calculating Maximum Annual Adjusted Debt Service, the following adjustments and assumptions shall be made with respect to Debt Service on the Applicable Parity Obligations coming due in each Fiscal Year:

(a) in determining the amount of Debt Service constituting principal due in each Fiscal Year, principal payments with respect to Applicable Parity Obligations which are or upon issuance will be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Parity Obligations were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date the calculation of Maximum Annual Adjusted Debt Service is made:

(b) if all or any portion or portions of the Applicable Parity Obligations constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Maximum Annual Adjusted Debt Service, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date which is the first anniversary of the initial issuance of such Applicable Parity Obligations;

(c) if any Outstanding Parity Obligations constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Parity Obligations during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Parity Obligations shall have been Outstanding;

(d) if any Outstanding Parity Obligations constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Maximum Annual Adjusted Debt Service is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Department.

(e) if the Additional Parity Obligations proposed to be issued will be Tax-Exempt Variable Rate Indebtedness (except to the extent subsection (h) applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Maximum Annual Adjusted Debt Service is made, or if that index is no longer published, seventy-five percent (75%)

of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Department;

(f) if the Additional Parity Obligations proposed to be issued will be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent subsection (h) applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Department;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Parity Obligations, the interest rate on such Outstanding Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Maximum Annual Adjusted Debt Service by adding: (1) the amount of Debt Service paid or to be paid by the Department as interest on the Outstanding Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Parity Obligations constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Department under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Department under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Parity Obligations constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Department with respect to any Additional Parity Obligations proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Annual Adjusted Debt service by adding: (1) the amount of Debt Service to be paid by the Department as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Department under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Department under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest; and

(i) if any of the Applicable Parity Obligations are, or upon issuance will be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Department.

"Net Income" means, for any period of time, the net income of the Power System for such period determined in accordance with Generally Accepted Accounting Principles; provided, however, that in no event shall any transfer from the Power Revenue Fund to the reserve fund of the City pursuant to Section 344 of the Charter be considered an expense of the Power System in determining such net income.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Power Revenue Fund, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Department described in (a) above; (c) obligations secured by or payable from any of obligations of the Department described in (a) above; and (d) obligations payable from the Power Revenue Fund and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under (1) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (2) any contract to exchange cash flows or a series of payments, or (3) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest rate swap agreements and interest rate cap agreements; and (e) Credit Provider Reimbursement Obligations.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Department.

"Opinion of Bond Counsel" means a written opinion signed by an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Department.

"Outstanding" when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Master Resolution, all Obligations theretofore or thereupon executed, authenticated and delivered by the Department or any trustee or other fiduciary, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions thereof; (c) Obligations in lieu of or in substitution for which other Obligations have been executed and delivered; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"Paired Obligations" shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Department for the terms of such Paired Obligations.

"Parity Obligations" means (a) Bonds and (b) Obligations which are payable from the Power Revenue Fund on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Master Resolution, including payments due under Qualified Swap Agreements.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Paying Agent" means, with respect to the Series D Bonds, the City Treasurer of the City, or its agent thereof, and its successor or successors appointed in the manner provided in the Fifty-Eighth Supplemental Resolution for the Series D Bonds.

"Power Revenue Fund" means the fund by that name established by the Charter.

"Power System" means the electric energy rights, lands, facilities and all other interests of the City related to the energy business under the possession, management and control of the Board.

"Preceding Fiscal Year" means the latest prior Fiscal Year with respect to which books of the Department showing Net Income of the Power System have been examined and reported upon by Independent Certified Public Accountants engaged by the Department.

"Principal Account" means the account by that name in the Bond Service Fund established pursuant to the Master Resolution.

"Principal Office" means, with respect to: (i) the Fiscal Agent, the principal office of such Fiscal Agent in Los Angeles, California, except that if a Paying Agent has been appointed as agent for the Fiscal Agent to perform certain of the Fiscal Agent's duties with respect to a Series of Bonds pursuant to the Master Resolution, references to the Principal Office of the Fiscal Agent for purposes of such duties shall refer to the Principal Office of such Paying Agent; (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Fiscal Agent.

"Procedural Ordinance" means Ordinance No. 172,353 of the City, which appears as Article 6.5 of the Administrative Code of the City, as the same may be amended and supplemented, and any other ordinance which shall constitute the "Procedural Ordinance" for purposes of Section 609 of the Charter.

"Qualified Swap Agreement" means a contract or agreement, payable from the Power Revenue Fund on a parity with the payment of Parity Obligations and satisfying the conditions of the Master Resolution, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or other basis desired by the Department, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Department and a counterparty.

"Rating Agency" means each of Fitch, Moody's or Standard & Poor's to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Department, or in the event that Fitch, Moody's or Standard & Poor's no longer maintains a rating on Parity Obligations , any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Department.

"Rating Category" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Department to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation will not be lowered or withdrawn solely as a result of the occurrence of such event.

"Record Date" means, with respect to an Interest Payment Date for the Current Interest Series D Bonds, the fifteenth day of the month preceding the month in which such Interest Payment Date occurs.

"Redemption Fund" means the Power System Revenue Bonds Redemption Fund established pursuant to the Master Resolution.

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of the Master Resolution for the purposes, and satisfying the conditions of the Master Resolution.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for the purposes, and satisfying the conditions set forth in the Master Resolution.

"Representation Letter" the letter or letters of representation from the Department to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Department, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Reserve Fund" means the Power System Revenue Bonds Reserve Fund established pursuant to the Master Resolution.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Sinking Fund Account" means the account by that name in the Bond Service Fund established pursuant to the Master Resolution.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Department from the Power Revenue Fund to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Department.

"State" means the State of California.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Power Revenue Fund to the payment of Parity Obligations and which complies with the provisions of the Master Resolution.

"Subseries" means, with respect to any Series of Bonds, a portion of the Bonds of such Series identified as a Subseries in the Supplemental Resolution authorizing such Series or the Delivery Certificate relating to such Series or Subseries, which Bonds may bear interest at a different rate or based on a different

interest rate determination method or otherwise have terms and conditions which vary from other Bonds of such Series, all to the extent provided in or authorized by the Supplemental Resolution authorizing such Series of Bonds.

"Supplemental Resolution" means any resolution supplemental to or amendatory of the Master Resolution as theretofore in effect, adopted by the Board in accordance with the Master Resolution.

"Surplus" means the equity in the Power System, consisting of the retained income invested in the business and contributions in aid of construction, determined in accordance with Generally Accepted Accounting Principles.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Department and delivered in connection with the issuance of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"TBMA Index" means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then "TBMA Index" shall mean such other reasonably comparable index selected by the Department.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Department, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"Treasurer" means the Treasurer of the City, who is also the General Manager of the City's Office of Finance.

"Unrealized Items" mean, with respect to the calculation of Adjusted Net Income for any Calculation Period, any revenues or expenses recognized in accordance with Generally Accepted Accounting Principles which are due to unrealized gains or losses caused by marking assets or liabilities of the Power System to market.

"Variable Rate Indebtedness" means any portion of indebtedness evidenced by Parity Obligations the interest rate on which is not established at the time of incurrence of such indebtedness and has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment, excluding Paired Obligations.

MASTER RESOLUTION

Authorization of Bonds

The Master Resolution provides certain terms and conditions upon which Bonds of the Department to be designated as "Power System Revenue Bonds" may be issued from time to time as authorized by Supplemental Resolutions. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Master Resolution as supplemented by Supplemental Resolutions is not limited except as may be provided therein or as may be limited by law.

Bonds Payable From Specified Sources

The Bonds shall constitute and evidence special obligations of the Department payable as to principal, premium, if any, and interest only from the Power Revenue Fund and, with respect to any particular Series or Subseries of Bonds, from such other sources as shall be specified in the Supplemental Resolution authorizing the issuance of such Series or Subseries, and the Bonds shall not be payable out of any other fund or moneys of the Department or the City. The Purchase Price for the Bonds of any Series or Subseries shall be payable from such sources as are specified in the Supplemental Resolution authorizing the issuance of such Series or Subseries. The provisions of the Master Resolution shall not preclude the payment or redemption of Bonds, at the election of the Department, from any other legally available funds. As required by Section 609 of the Charter, the Bonds of each Series shall not constitute or evidence an indebtedness of the City, or a lien or charge on any property or the general revenues of the City but shall constitute and evidence special obligations of the Department payable only from the sources specified in the Master Resolution and the Supplemental Resolution authorizing the issuance of such Series of Bonds. Neither the faith and credit nor the taxing power of the City is or shall be pledged to the payment of the Bonds.

Bond Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds of each Series by those who shall own the same from time to time, the provisions of the Bonds of such Series, the Master Resolution and the Fifty-Eighth Supplemental Resolution shall be deemed to be and shall constitute a contract between the Department and the Owners of the Bonds of such Series and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction.

No Recourse on Bonds

Neither the members of the Board nor the officers or employees of the Department shall be individually liable on the Bonds or in respect of any undertakings by the Department under the Master Resolution, any Supplemental Resolution or any Bond.

Fiscal Agent

The Treasurer is appointed as the Fiscal Agent for the Bonds of each Series for the purposes of payment of principal of, premium, if any, and interest on such Bonds and for the purpose of administering

all funds required to be maintained by the Fiscal Agent for the Bonds of each Series and for all other purposes the Auditor of the Department shall serve as Fiscal Agent.

In connection with the issuance of a Series of Bonds, the Supplemental Resolution authorizing the issuance of such Series may provide for the appointment of a Paying Agent to act as the agent of the Fiscal Agent for the purpose of authentication and transfer of such Series of Bonds, including maintaining that portion of the Bond Register relating to such Series of Bonds, receiving, holding and disbursing funds for the payment of the principal and Purchase Price of, premium, if any, and interest on the Bonds of such Series and performing such other functions with respect to such Series of Bonds as may be provided in the Supplemental Resolution authorizing the issuance of such Series.

General Provisions for Issuance of Bonds

All (but not less than all) the Bonds of each Series shall be executed by the Department for issuance under the Fifty-Eighth Supplemental Resolution and delivered to the Fiscal Agent and thereupon shall be authenticated by the Fiscal Agent and by it delivered to the Department or upon its order, but only upon the receipt by the Fiscal Agent of the following items (upon which the Fiscal Agent may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) A copy of the Master Resolution, as amended to the date of the initial delivery of such Series of Bonds, and a copy of the Supplemental Resolution authorizing the issuance of such Series of Bonds, each certified by an Authorized Department Representative to be in full force and effect, which Supplemental Resolution shall specify, or provide for the specification in a Delivery Certificate of: (i) the sources of payment for the Bonds of such Series other than the Power Revenue Fund, if any; (ii) the Series designation of such Bonds; (iii) whether the Bonds of such Series are to be divided into Subseries and the manner of designating such Subseries; (iv) the authorized principal amount of the Bonds of such Series and each Subseries thereof; (v) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in Section 2.05 or 2.06 of the Master Resolution; (vi) the date or manner of determining the date of the Bonds of such Series and each Subseries thereof; (vii) the maturity date or dates of the Bonds of such Series and each Subseries thereof and the principal amount of the Bonds of such Series or Subseries maturing on each such maturity date; (viii) which, if any, of the Bonds of such Series will constitute Serial Obligations and which, if any, will constitute Term Obligations; (ix) the interest rate or rates on the Bonds of such Series and each Subseries thereof or the manner of determining such interest rate or rates; (x) the Interest Payment Dates for the Bonds of such Series and each Subseries thereof or the manner of establishing such Interest Payment Dates; (xi) the Authorized Denominations of, and the manner of numbering and lettering, the Bonds of such Series and each Subseries thereof; (xii) the redemption price or prices, if any, and, subject to the applicable provisions of the Master Resolution, the redemption terms for the Bonds of such Series and each Subseries thereof; (xiii) the Sinking Fund Installments, if any, for the Bonds of such Series and each Subseries thereof which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series or Subseries; (xiv) if any of the Bonds of such Series or any Subseries thereof constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series or Subseries will be subject to mandatory tender for purchase; (xv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xvi) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Fifty-Eighth Supplemental Resolution; (xvii) the forms of the Bonds of such Series and each Subseries

thereof and of the certificate of authentication thereon; and (xviii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Resolution;

(2) The Delivery Certificate, if any, relating to such Series of Bonds or each Subseries thereof, executed on behalf of the Department by an Authorized Department Representative;

(3) An Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Master Resolution, as amended to such date, and the Supplemental Resolution authorizing the issuance of such Series of Bonds, as amended to such date, have been duly adopted by the Board and are in full force and effect;

(4) With respect to any Additional Bonds, the Fiscal Agent shall have received the certificate with respect to the satisfaction of the conditions for the issuance of Additional Parity Obligations contained in the Master Resolution;

(5) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Fiscal Agent shall have received a copy of the Opinion of Bond Counsel with respect to the payment of the Parity Obligations to be refunded required by the Master Resolution or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by the Master Resolution, as applicable; and

(6) Such further documents, moneys and securities as are required by the applicable provisions of Master Resolution or of the Supplemental Resolution authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Fifty-Eighth Supplemental Resolution.

Additional Bonds

One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Costs of any Capital Improvement. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including making of any deposits into the funds or accounts required by the provisions of the Fifty-Eighth Supplemental Resolution.

Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Fifty-Eighth Supplemental Resolution.

Refunding Bonds of each Series shall be authenticated and delivered by the Fiscal Agent only upon receipt by the Fiscal Agent (in addition to the documents required by the Master Resolution and except as otherwise described below with respect to Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Fiscal Agent may conclusively rely on such Opinion of Bond Counsel in determining whether the

conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Fiscal Agent upon the receipt of the Fiscal Agent (in addition to the documents required by the Master Resolution) of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

Conditions to Issuance of Parity Obligations

Without regard to the last paragraph under this heading, the Department may at any time issue or enter into an obligation or commitment which is a Qualified Swap Agreement, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Department Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; and (iii) the Department has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement.

Without regard to the last paragraph under the heading, the Department may at any time issue Refunding Parity Obligations provided that the Fiscal Agent receives an Opinion of Bond Counsel to the effect that the Parity Obligations to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations; except that, with respect to Refunding Parity Obligations which constitute Crossover Refunding Obligations, in lieu of such Opinion of Bond Counsel, the Fiscal Agent shall have received an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due and a copy of the requested Crossover Escrow Instructions relating to such Refunding Parity Obligations and the Parity Obligations to be refunded.

Without regard to the last paragraph under this heading, the Department may enter into Credit Support Instruments or otherwise become obligated for Credit Provider Reimbursement Obligations from time to time.

The Department may, at any time and from time to time, issue any Additional Parity Obligations, provided the Department obtains or provides a certificate or certificates, prepared by the Department or at the Department's option by a Consultant, showing that the Adjusted Net Income for the applicable Calculation Period, which Calculation Period shall be selected by the Department in its sole discretion, shall have amounted to at least 1.25 times the Maximum Annual Adjusted Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations. For purposes of preparing the certificate or certificates described in the foregoing, the Department and any Consultant may rely upon the books and records of the Department or any financial statements prepared by the Department which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the particular Calculation Period selected by the Department are not available.

Conditions of Issuance of Subordinated Obligations

The Department may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements relating to Prior Obligations for any purpose in connection with the Power System, including, without limitation, the financing of a part of the cost of acquisition and construction of

any additions to or improvements of the Power System or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts in the Power Revenue Fund as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

The resolution, indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the City, the Department or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the City or the Department, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full of all principal and interest due on all such Parity Obligations in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Power Revenue Fund on account of principal (and premium, if any) or interest upon the Subordinated Obligations.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from the Power Revenue Fund of principal (and premium, if any) or interest upon such Subordinated Obligation.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full of all principal and interest on all such Parity Obligations as the same become due and payable before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Power Revenue Fund of principal (and premium, if any) or interest upon the Subordinated Obligations.

(4) No Bondowner shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Department or the Fiscal Agent.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Department and the owners of the Subordinated Obligations, the obligation of the Department, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1),

(2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Power Revenue Fund otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the resolution, indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Master Resolution.

Credit Provider Bonds. Subject only to the provisions of the Master Resolution relating to bonds payable from specified sources, notwithstanding any other provision contained in the Master Resolution to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

Funds and Accounts

Establishment. To ensure the payment when due and payable, whether at maturity or upon redemption, of the principal of, premium, if any, and interest on the Bonds, the Master Resolution establishes the following funds and accounts, to be maintained and applied as in the Master Resolution provided for so long as any of the Bonds are Outstanding: the Power System Revenue Bonds Reserve Fund to be held in the City Treasury by the Treasurer; the Power System Revenue Bonds Bond Service Fund to be held in the City Treasury by the Treasurer, comprised of an Interest Account, a Principal Account and a Sinking Fund Account; and the Power System Revenue Bonds Redemption Fund to be held in the City Treasury by the Treasurer.

In connection with the operation, maintenance, modification, renewal and expansion of the Power System, the Master Resolution establishes the Power System Expense Stabilization Fund, to be held by such bank, trust company or other depository, including the Treasurer, as the Department shall select, to be maintained and applied pursuant to the Master Resolution for so long as any Bonds remain Outstanding.

Reserve Fund. The Treasurer shall, from time to time, set aside and place in the Reserve Fund from the Power Revenue Fund, sums such that the full amount which the Treasurer is required to transfer to the Bond Service Fund and the Redemption Fund pursuant to the Fifty-Eighth Supplemental Resolution, shall be so set aside in the Reserve Fund, in cash, at the time such transfers are required to be made. Moneys set aside and placed in the Reserve Fund shall be separately invested and remain therein until from time to time transferred to the Fiscal Agent as provided in the Master Resolution, and shall not be used for any other purpose whatsoever except as otherwise permitted by the Master Resolution.

Bond Service Fund. (a) From sums set aside and placed in the Reserve Fund, the Treasurer shall transfer the following amounts at the following times for deposit in the following specified accounts within the Bond Service Fund: (1) for deposit in the Interest Account, on the first Business Day prior to each Interest Payment Date for any Bonds and on the first Business Day prior to each redemption date for any Bonds which is not an Interest Payment Date, an amount equal to the interest payable on the Outstanding Bonds on such Interest Payment Date, or the accrued interest to the redemption date on the Bonds to be redeemed, as applicable; provided, however, that such transfers shall be reduced by any available amounts on deposit in the Interest Account which are to be applied to such upcoming interest payment; (2) for deposit

in the Principal Account, on the first Business Day prior to each date on which the principal of Outstanding Bonds which are Serial Obligations mature, an amount equal to the principal of such Outstanding Bonds maturing on such date; provided, however, that such transfers shall be reduced by any available amounts on deposit in the Principal Account which are to be applied to the upcoming principal payment; and (3) for deposit in the Sinking Fund Account, on the first Business Day prior to each Sinking Fund Installment due date for Outstanding Bonds which are Term Bonds, an amount equal to the Sinking Fund Installment due on such Sinking Fund Installment due date; provided, however, that such transfers shall be reduced by any available amounts on deposit in the Sinking Fund Account which are to be applied to the redemption or payment of such Bonds on such Sinking Fund Installment due date and by the amount by which the Department's obligations to place moneys in the Reserve Fund for transfer to the Sinking Fund Account has been satisfied pursuant to paragraph (b) under this heading.

(b) In the event that Bonds for which Sinking Fund Installments have been established are purchased or redeemed at the option of the Department, such Bonds may be cancelled. If such cancelled Bonds are deposited with the Fiscal Agent for the credit of the Sinking Fund Account not less than forty-five 45 days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit will satisfy (to the extent of 100% of the principal amount thereof) any obligation of the Department to set aside and place moneys in the Reserve Fund for transfer to the Sinking Fund Account with respect to such Sinking Fund Installments, and any Bond so cancelled shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Fiscal Agent of Bonds for which Sinking Fund Installments have been established as provided in paragraph (b) under this heading, the Department may specify the dates and amounts of Sinking Fund Installments for such Bonds by which the Department's obligations to place moneys in the Reserve Fund for transfer to the Sinking Fund Account as Sinking Fund Installments for such Bonds shall be satisfied.

(c) Except as hereafter in this paragraph provided: (i) amounts deposited in the Interest Account shall remain therein until expended for the payment of interest on the Bonds; (ii) amounts deposited in the Principal Account shall remain therein until expended for the payment of principal on the Bonds which are Serial Obligations; and (iii) amounts deposited in the Sinking Fund Account shall remain therein until expended for the redemption or payment at maturity of Bonds which are Term Obligations.

In the event one or more Paying Agents have been appointed for a Series of Bonds, moneys may be transferred by the Treasurer to such Paying Agent from the appropriate account in the Bond Service Fund for deposit into a special trust account to ensure the payment when due of the principal of, premium, if any, and interest on such Bonds. In the event that any principal of or interest on any Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Bond Service Fund with respect to such Bond, and any such amounts transferred by the Treasurer from the Bond Service Fund to a Paying Agent for such Bond pursuant to the Master Resolution, shall be paid to such Credit Provider as a reimbursement of the amounts so paid.

Redemption Fund. At least one Business Day prior to each date fixed for the redemption of Bonds other than from Sinking Fund Installments, the Treasurer shall transfer from the Reserve Fund to the Redemption Fund, an amount equal to the principal of, and any applicable redemption premium on, the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of principal of, and premium, if any, on the Bonds to be redeemed and, except as otherwise provided in the Master Resolution, shall be used only for that purpose. Any interest on the Bonds due on or prior to the redemption date shall be paid from the Interest Account in the Bond Service Fund. In the event one or more Paying Agents have been appointed for Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Treasurer to a Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the principal of and premium, if any, on the Bonds to be redeemed. In the event that the principal of or any premium on a Bond due upon the redemption

thereof has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such principal and premium, and any such amounts transferred by the Treasurer from the Redemption Fund to a Paying Agent for such Bonds pursuant to the Master Resolution, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Power Revenue Fund; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Expense Stabilization Fund. Moneys shall be deposited in the Expense Stabilization Fund in such amounts, at such times and from such sources as shall be determined by the Department in its sole discretion. Moneys on deposit in the Expense Stabilization Fund may be withdrawn at any time upon the order of the Auditor or Assistant Auditor and applied to any lawful purpose in connection with the Power System, including without limitation payment of the costs and expenses of operating and maintaining of the Power System, payment of Debt Service on Parity Obligations, payments of principal, premium or interest on Subordinated Obligations, payment of Costs of Capital Improvements, payment of the Costs of Issuance of Parity Obligations or payment of the costs of issuance of Subordinated Obligations.

Moneys Held for Certain Bonds. Moneys held by the Treasurer in the Bond Service Fund and the Redemption Fund, and moneys transferred by the Treasurer to any Paying Agent for Bonds from the Bond Service Fund or the Redemption Fund, in each case for the payment of the interest, principal or redemption premium due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust without liability for further interest thereon for the Owners entitled thereto.

Investments. Moneys held in the Reserve Fund, the Bond Service Fund, the Redemption Fund and the Expense Stabilization Fund may, subject to the Tax Certificates, be invested and reinvested to the fullest extent practicable in any investment in which the City can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Any investment earnings on moneys on deposit in the Reserve Fund, the Bond Service Fund, the Redemption Fund and the Expense Stabilization Fund shall be deposited in such respective Funds and be used in the same manner as other amounts on deposit in such Funds.

Covenants

No Priority. The Department shall not issue any Obligation the payments from the Power Revenue Fund with respect to which from the Power Revenue Fund are senior or prior in right to the payment from the Power Revenue Fund of the Bonds.

Sale of Power System. The Power System shall not be sold or otherwise disposed of, as a whole or substantially as a whole, unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Power Revenue Fund sufficient in amount to permit payment therefrom when due, at maturity or upon redemption, of the principal of, premiums, if any, and interest on all Outstanding Bonds, or to provide for a continuance of payments sufficient for such purposes into some other fund charged with the payment of such principal, interest and premiums.

Restrictions on Transfers. No transfers out of the Power Revenue Fund under the provisions of Section 344 of the Charter shall be made in any Fiscal Year: (1) in excess of the Net Income of the Power System, after depreciation, amortization and interest chargeable to income account, as shown by the books of the Department for the Preceding Fiscal Year; or (2) which would result in the amount of the Surplus derived from the operation of the Power System as shown by the books of the Department as of the end of the Preceding Fiscal Year, less the aggregate of all such transfers which have been made since the close of

the Preceding Fiscal Year and of all such transfers not then made, but to the making of which the consent of the Board has been given, being less than thirty-three and one-third percent (33-1/3%) of the total indebtedness, including current liabilities, payable out of the Power Revenue Fund and outstanding as of the date not more than ten days prior to the date of such transfer.

Audits. The Department will cause the books and accounts of the Power System, including the Power Revenue Fund, to be audited annually by Independent Certified Public Accountants and will make available for inspection by the Owners of the Outstanding Bonds, at the Principal Office of the Fiscal Agent, a copy of the report of such accountants and will also furnish a copy thereof, upon request, to any Owner of an Outstanding Bond.

Payments From Power Revenue Fund. All revenues from every source collected by the Department in connection with its possession, management and control of the Power System will be deposited in the City Treasury to the credit of the Power Revenue Fund. From amounts in the Power Revenue Fund, the Department will pay, without priority: (a) the costs and expenses of operating and maintaining the Power System; (b) the principal, redemption premium, if any, and interest on the Outstanding Bonds and other Parity Obligations; and (c) all other obligations payable from the Power Revenue Fund which are not, by their terms, Subordinated Obligations.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds which are Tax-Exempt Securities, the Department covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the Department agrees to comply with the covenants contained in each of the Tax Certificates. The Fiscal Agent shall comply with any instructions received from the Department in order to comply with the Tax Certificates.

Punctual Payment. The Department will punctually pay or cause to be paid the principal and interest to become due on the Outstanding Parity Obligations in strict conformity with the terms of the applicable Issuing Instrument, and will faithfully observe and perform all of the conditions, covenants and requirements of the Outstanding Parity Obligations and the applicable Issuing Instruments.

Against Encumbrances. The Department will not create, or permit the creation of, any mortgage, pledge, encumbrance or lien upon the Power System or any property essential to the proper operation of the Power System or to the maintenance of the Power Revenue Fund.

Maintenance and Operation of the Power System. The Department will cause the Power System to be maintained in good repair, working order and condition at all times, and will continuously operate the Power System in an efficient and economical manner, and so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be compiled with, but the Department shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Power System. The Department further covenants and agrees that it will at all times maintain and comply with all necessary permits and licenses issued by governmental authorities having jurisdiction unless the lawful requirement thereof is being contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Power System.

Payment of Taxes and Claims. The Department will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Power System or upon the Power Revenue Fund when the same shall become due (except to the extent such charges may be contested in good faith), as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Power Revenue Fund or the Power System.

Amendments to Master Resolution

The provisions of the Master Resolution may be modified, amended or supplemented from time to time and at any time when the written consent of each Credit Provider whose consent is required by a Supplemental Resolution or Credit Support Agreement and of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, shall have been filed with the Fiscal Agent; or if less than all of the Outstanding Bonds are affected the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series, Subseries and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions described below with respect to Tender Indebtedness are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Outstanding Bonds. No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

Notwithstanding anything to the contrary under this heading, the provisions of the Master Resolution may also be modified, amended or supplemented by a Supplemental Resolution or Supplemental Resolutions, including amendments which would otherwise be described in the first paragraph under this heading, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Resolution is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Fifty-Eighth Supplemental Resolution or (ii) the notice provided in the Master Resolution is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Resolution, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Fifty-Eighth Supplemental Resolution.

For purposes of the foregoing, it shall not be necessary that consents with respect to any particular percentage of Outstanding Bonds be obtained but it shall be sufficient for such purposes if consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds (or the affected Outstanding Bonds) shall be obtained.

Prior to the adoption of any Supplemental Resolution requiring Bondowner consent, the Department shall cause notice of the proposed adoption of such Supplemental Resolution to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the office of the Fiscal Agent for inspection by each Owner of an Outstanding Bond.

The Master Resolution may be supplemented, without the consent of any Owner of Bonds, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Master Resolution, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Fifty-Eighth Supplemental Resolution except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Resolution authorizing such Bond and subject to the satisfaction of the conditions of the Master Resolution, reduce any redemption

premium due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

The Master Resolution and the rights and obligations of the Department, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented in any respect with the consent of each Credit Provider whose consent is required by a Supplemental Resolution or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds.

Notwithstanding anything to the contrary in the Master Resolution, the provisions of the Master Resolution may also be modified, amended or supplemented, including amendments which would otherwise require Bondowner consent, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such modification or amendment is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Fifty-Eighth Supplemental Resolution or (ii) the notice provided in the Master Resolution is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Resolution, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Fifty-Eighth Supplemental Resolution.

If the Supplemental Resolution authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Resolutions which require Bondowner consent, then for the purposes of sending notice of any proposed Supplemental Resolution and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Resolution, but references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

Upon the adoption of any Supplemental Resolution pursuant to the applicable provisions of the Master Resolution, the Master Resolution shall be deemed to be modified, amended and supplemented in accordance therewith, and the respective rights, duties and obligations under the Master Resolution of the Department, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of the Master Resolution for any and all purposes.

For purposes of modifications, amendments and supplements to the Master Resolution, Bonds owned or held by or for the account of the Department, the City, or any funds of the Department or the City, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds, and neither the Department nor the City shall be entitled with respect to such Bonds to give any consent or take any other action provided for in the Master Resolution with respect to Bondowner consent.

Notwithstanding anything to the contrary described under this heading, if authorized by the Supplemental Resolution authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified, amended or supplemented as provided in such Supplemental Resolution if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Resolution; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Resolution.

Defeasance

Bonds (or portions of Bonds), or interest installments on Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a Supplemental Resolution of funds for such payment or redemption or otherwise) at the maturity, redemption date, or interest payment date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the Master Resolution. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to the Master Resolution shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Master Resolution (except that the obligations under the applicable Bond Resolution with respect to the payment of the principal amount of, and any redemption premiums on, and the interest on the Bonds from the sources provided, to the transfer and exchange of Bonds and to the giving of the notices of the redemption of Bonds to be redeemed as provided in the Master Resolution shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Department shall have given the Fiscal Agent irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Master Resolution, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, deposited with such Escrow Agent at the same time, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Department shall have given the Fiscal Agent, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with the Master Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series, Subseries and maturity shall specify the letter and number or other distinguishing mark of each such Bond.

Any notice given pursuant to clause (3) of the preceding paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid and notify the Owner of such Bond that such Bond must be surrendered as provided in the Master Resolution. The receipt of any notice required by the Master Resolution in connection with the defeasance of Bonds shall not be a condition precedent to any Bond being deemed paid in accordance with the applicable Bond Resolution and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds.

Neither Defeasance Securities nor moneys deposited with an Escrow Agent for the payment of Bonds or the interest thereon, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Defeasance Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Department Representative, free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Department Representative, be reinvested in Defeasance Securities

maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Master Resolution shall prevent the Department from substituting for the Defeasance Securities held for the payment or redemption of Bonds (or portions thereof) other Defeasance Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal of, and any redemption premiums and the interest on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Defeasance Securities for such purpose provided that the Department shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

If there shall be deemed paid pursuant to the Master Resolution less than all of the full principal amount of a Bond, the Department shall execute and the Fiscal Agent shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Master Resolution and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, Subseries, maturity and other terms, and in any of the Authorized Denominations.

Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Defeasance Securities in the necessary amount to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Master Resolution or provision satisfactory to the Fiscal Agent shall have been made for giving such notice), all liability of the Department in respect of such Bonds shall cease, terminate and be completely discharged, except that the Department shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Defeasance Securities deposited with the Escrow Agent as aforesaid for their payment; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the applicable Bond Resolution unless the Purchase Price of such Bond, if tendered for purchase in accordance with the applicable Bond Resolution, could be paid when due from such moneys or Defeasance Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument provided in connection with the Purchase Price.

Credit Providers

Except as limited by the Master Resolution, a Supplemental Resolution authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Master Resolution or the Supplemental Resolution authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates.

Unclaimed Moneys

Anything in the Master Resolution or any Supplemental Resolution to the contrary notwithstanding, any moneys held by the Fiscal Agent, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Fiscal Agent, an Escrow Agent or a Paying Agent at such date, or for two

years after the date of deposit of such moneys if deposited with the Fiscal Agent, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Department Representative be repaid by such Fiscal Agent, Escrow Agent or Paying Agent to the Department, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Fiscal Agent, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Department for the payment of such Bonds; provided, however, that before being required to make any such payment to the Department, the Fiscal Agent, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Department, mail, postage prepaid, to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Department.

FIFTY-EIGHTH SUPPLEMENTAL RESOLUTION

References to Auditor

Whenever in the Master Resolution reference is made to the Auditor, such references are deemed to refer to the Chief Financial Officer.

Amendments Permitted

The provisions of the Fifty-Eighth Supplemental Resolution, and the rights and obligations of the Department and of the Owners of the Outstanding Series D Bonds and of the Fiduciaries for the Series D Bonds, may be modified, amended or supplemented from time to time and at any time when the written consent of each Credit Provider and the Owners of at least a majority in aggregate principal amount of the Series D Bonds then Outstanding shall have been filed with the Fiscal Agent, or if less than all of the Outstanding Series D Bonds are affected the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Series D Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Series D Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Series D Bonds shall not be required and such Series D Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Series D Bonds Outstanding. No such modification, amendment or supplement shall (1) extend the fixed maturity of any Series D Bond, or reduce the principal amount thereof or any redemption premium thereon, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any Sinking Fund Installment, or reduce the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of each Series D Bond so affected; or (2) reduce the aforesaid percentage of Series D Bonds, the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Series D Bonds then Outstanding; or (3) modify the rights or obligations of any Fiduciary for the Series D Bonds without the consent of such Fiduciary.

The Fifty-Eighth Supplemental Resolution and the rights and obligations of the Department, the Fiduciaries and the Owners of the Series D Bonds may also be modified or amended in any respect with the consent of each Credit Provider whose consent is required by the Fifty-Eighth Supplemental Resolution but without the consent of any Owners of Series D Bonds (but with the consent of any affected Fiduciary), so long as such modification or amendment shall not materially, adversely affect the interests of the Owners of the Series D Bonds.

Prior to the adoption of any Supplemental Resolution for any purpose, the Department shall cause notice of the proposed adoption of such Supplemental Resolution to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Series D Bonds (or the affected Outstanding Series D Bonds) at

their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the Principal Office of the Fiscal Agent for inspection by each Owner of an Outstanding Series D Bond.

Upon the adoption of any Supplemental Resolution amending, modifying or supplementing the provisions of the Fifty-Eighth Supplemental Resolution, the Fifty-Eighth Supplemental Resolution shall be deemed to be modified, amended and supplemented in accordance therewith, and the respective rights, duties and obligations under the Fifty-Eighth Supplemental Resolution of the Department, the Fiduciaries for the Series D Bonds and all Owners of Outstanding Series D Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of the Fifty-Eighth Supplemental Resolution for any and all purposes.

For purposes of obtaining consents to amendments to the Fifty-Eighth Supplemental Resolution, Series D Bonds owned or held by or for the account of the Department, the City, or any funds of the Department or the City, shall not be deemed Outstanding.

Credit Providers

The Fifty-Eighth Supplemental Resolution provides that certain rights, including the right to consent to amendments, modifications, and supplements to the Master Resolution and the Fifty-Eighth Supplemental Resolution, of Owners of Series D Bonds secured by a Credit Support Instrument shall instead be exercised by the Credit Provider of such Credit Support Instrument.

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon the delivery of the Series D Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Department, proposes to deliver its final approving opinion with respect to the Series D Bonds in substantially the following form:

[Date of Delivery]

Board of Water and Power Commissioners
of the City of Los Angeles

Department of Water and Power of the City of Los Angeles
Power System Revenue Bonds, 2023 Series D
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Water and Power of the City of Los Angeles (the "Department") in connection with the issuance of $___________ aggregate principal amount of its Power System Revenue Bonds, 2023 Series D (the "2023 Series D Bonds"), issued pursuant to The Charter of The City of Los Angeles and pursuant to Resolution No. 4596, adopted by the Board of Water and Power Commissioners of the City of Los Angeles (the "Board") on February 6, 2001 (the "Master Resolution"), as supplemented by Resolution No. 5039, adopted by the Board on September 26, 2023 (the "Fifty-Eighth Supplemental Resolution" and, together with the Master Resolution, the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

In such connection, we have reviewed the Bond Resolution, the 2023 Series D Bonds Tax Certificate, certificates of the Department and others, opinions from the Office of the City Attorney of the City of Los Angeles and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Bond Resolution provides that the 2023 Series D Bonds are special obligations of the Department payable from the Power Revenue Fund on a parity with the costs and expenses of operating and maintaining the Power System, the Outstanding Parity Obligations and any Parity Obligations that may be issued hereafter, and all other obligations payable from the Power Revenue Fund which are not Subordinated Obligations.

The opinions expressed herein are based on our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2023 Series D Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2023 Series D Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2023 Series D Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery

thereof by, and validity against, any parties other than the Department. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Resolution and the 2023 Series D Bonds Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2023 Series D Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2023 Series D Bonds, the Bond Resolution and the 2023 Series D Bonds Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Department in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of venue, choice of forum, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2023 Series D Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bond Resolution has been duly adopted by the Board and constitutes the valid and binding obligation of the Department enforceable against the Department in accordance with its terms.

2. The 2023 Series D Bonds constitute the valid and binding special obligations of the Department payable only from the Power Revenue Fund and not out of any other fund or moneys of the Department or the City. The 2023 Series D Bonds do not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the 2023 Series D Bonds.

3. Interest on the 2023 Series D Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended, interest on the 2023 Series D Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the 2023 Series D Bonds is exempt from State of California personal income tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2023 Series D Bonds.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Department of Water and Power of the City of Los Angeles (the "Department") in connection with the issuance of $____________ aggregate principal amount of the Department's Power System Revenue Bonds, 2023 Series D (the "Bonds"). The Bonds are being issued pursuant to Section 609 of The Charter of The City of Los Angeles, Resolution No. 4596 of the Board of Water and Power Commissioners of the City of Los Angeles (the "Board") and Resolution No. 5039 of the Board relating to the Bonds (collectively, the "Bond Resolution"). The Department covenants and agrees as follows:

SECTION 1. *Purpose of this Disclosure Certificate*. This Disclosure Certificate is being executed and delivered by the Department for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. *Definitions*. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Department pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Department, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Department.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Financial Obligation" shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8) of this Disclosure Certificate, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Department as its Fiscal Year.

"GASB" shall mean the Governmental Accounting Standards Board.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Official Statement" shall mean the final official statement of the Department relating to the Bonds.

"Owner" shall mean a registered owner of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

SECTION 3. *Provision of Annual Reports*.

(a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than 270 days following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year 2023, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Department changes, the Department shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If in any year, the Department does not provide the Annual Report to the MSRB by the time specified above, the Department shall instead file a notice to the MSRB through the EMMA System stating that the Annual Report has not been timely completed and, if known, stating the date by which the Department expects to file the Annual Report.

(c) If the Dissemination Agent is not the Department, the Dissemination Agent shall:

1. file a report with the Department certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and

2. take any other actions mutually agreed to between the Dissemination Agent and the Department.

SECTION 4. *Content of Annual Reports*. The Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Department's Power System for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB. If the Department's Power System audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. An update of the information contained in the table entitled "POWER SYSTEM – SELECTED OPERATING INFORMATION" under "OPERATING AND FINANCIAL INFORMATION – Summary of Operations" in the Official Statement, for the most recently completed fiscal year.

3. An update of the information contained in the table entitled "POWER SYSTEM – SELECTED FINANCIAL INFORMATION" under "OPERATING AND FINANCIAL INFORMATION – Financial Information" in the Official Statement for the most recently completed fiscal year.

4. An update of the information contained in the table entitled "POWER SYSTEM – SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE" under "OPERATING AND FINANCIAL INFORMATION – Financial Information" in the Official Statement for the most recently completed fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Department or related public entities, that have been submitted to the MSRB through the EMMA System.

SECTION 5. *Reporting of Significant Events.*

(a) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. An adverse tax opinion or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Department, any of which reflect financial difficulties;

Note: For the purposes of the event identified in subsection (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and

orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of the Owners of the Bonds;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the Department, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Department, any of which affect security holders.

(c) The Department shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3.

(d) Whenever the Department obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Department shall determine if such event would be material under applicable federal securities laws.

(e) If the Department learns of an occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Department shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Bond Resolution.

(f) The Department intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of "Financial Obligation" in Section 2, with reference to the Rule,

any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

SECTION 6. *Customarily Prepared and Public Information*. Upon request, the Department shall provide to any person financial information and operating data regarding the Department which is customarily prepared by the Department and is publicly available at a cost not exceeding the reasonable cost of duplication and delivery.

SECTION 7. *Termination of Obligation*. The Department's obligations under this Disclosure Certificate shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department's obligations hereunder shall terminate to a like extent. If such termination occurs prior to the final maturity of the Bonds, the Department shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 8. *Dissemination Agent*. The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall be the Department.

SECTION 9. *Amendment or Waiver*. Notwithstanding any other provision of this Disclosure Certificate, the Department may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The Department shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e).

SECTION 10. *Additional Information*. Nothing in this Disclosure Certificate shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Department chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Department shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 11. *Default*. In the event of a failure of the Department to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Bond Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the Department to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Department to comply with this Disclosure Certificate.

No Owner or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their

status as such, and a written notice of and request to cure such failure, and the Department shall have refused to comply therewith within a reasonable time.

SECTION 12. *Duties, Immunities and Liabilities of Dissemination Agent*. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Department and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

SECTION 13. *Beneficiaries*. This Disclosure Certificate shall inure solely to the benefit of the Department, the Dissemination Agent, if any, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

SECTION 14. *Partial Invalidity*. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Department shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Bonds shall retain all the benefits afforded to them hereunder. The Department hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 15. *Governing Law*. This Disclosure Certificate was made in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Disclosure Certificate or otherwise arising out of, or relating to this Disclosure Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State of California. By its acceptance of the benefits hereof, any person or entity bringing any such litigation, action or proceeding submits to the exclusive jurisdiction of the State of California and waives any defense of forum non conveniens.

SECTION 16. *Electronic Signatures*. Facsimile signatures or signatures scanned into .pdf (or signatures in another electronic format designated by the Department) and sent by e-mail shall be deemed original signatures.

IN WITNESS WHEREOF, the Department has executed this Disclosure Certificate this ___st day of __________, 2023.

DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

By: ___________________________________

Title: _________________________________

APPENDIX G

GLOSSARY OF DEFINED TERMS

The following terms used in this Official Statement and not defined in the Bond Resolution shall have the meanings specified in this Appendix G. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – CERTAIN DEFINITIONS" for terms defined in the Bond Resolution).

"AB" refers to a California Assembly Bill.

"AB 32" or the "Global Warming Solutions Act" means the California Global Warming Solutions Act of 2006 codified at Division 25.5 of the California Health and Safety Code, Section 38500 and following.

"AC" means alternating current.

"Annual Report" means the annual report containing certain financial information and operating data relating to the Power System to be delivered by the Department pursuant to the Continuing Disclosure Certificate described in Appendix F.

"Apex Power Project" means the Apex Power Project located in unincorporated Clark County, Nevada

"APS" means Arizona Public Service Company.

"AQMP" means an Air Quality Management Plan prepared by the SCAQMD.

"BACT" means best available control technology for purposes of a PSD permit issued by the EPA.

"BART" means Best Available Retrofit Technology for purposes of the Clean Air Visibility Rule.

"BCPS" means the Boulder Canyon Pumped Storage Project.

"Beacon Property" means the 2,500-acre property purchased from Beacon Solar LLC in 2012, which is near the Pine Tree Wind Project north of Mojave, California.

"Biological Assessment" means the Bureau of Reclamation's assessment on endangered species in the lower Colorado River with respect to, among other things, the operations of the Hoover Power Plant.

"Board" means the Board of Water and Power Commissioners of the City of Los Angeles.

"Board Action" means an action by a City commission or board.

"Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, bond counsel to the Department for the Series D Bonds.

"BPA" means Bonneville Power Administration.

"BRRTP" means the Department's Barren Ridge Renewable Transmission Project.

"BTS" means SoCalGas's Basic Transportation Service program for the transportation of natural gas.

"Bureau of Reclamation" means the United States Bureau of Reclamation.

"California Thermal Plan" means the State Water Resources Control Board's Water Quality Control Plan for Control of Temperature in the Coastal and Interstate Waters and Enclosed Bay and Estuaries of California.

"Cal ISO" means the California Independent System Operator Corporation.

"Cal ISO Grid" means the electric transmission facilities controlled by Cal ISO.

"Cap-and-Trade Regulations" means the cap-and-trade regulations adopted by CARB which became effective on January 1, 2012 and impose a "cap" for cumulative GHG emissions from all of the regulated entities.

"CARB" means the California Air Resources Board.

"Castaic Plant" means the Castaic Pump Storage Power Plant, the seven unit hydroelectric generating plant located in Castaic, California.

"CCR" means coal combustion residuals.

"CDI" means the Commercial Direct Install Program.

"CDWR" means the California Department of Water Resources.

"CEC" means the California Energy Resources Conservation and Development Commission, commonly referred to as the California Energy Commission.

"Charter" means The Charter of The City of Los Angeles.

"Chief Financial Officer" means the Chief Financial Officer of the Department.

"CII" means commercial, industrial and institutional.

"City" means the City of Los Angeles, California.

"Civil Service System" means the Charter-established civil service system.

"Clean Air Act" means the Clean Air Act of 1970, as amended, codified at 42 U.S.C.A. Section 7401 and following.

"Clean Air Visibility Rule" means an alternative emissions trading program that gives flexibility for states and tribal governments in ways to apply BART, adopted pursuant to the Clean Air Act.

"Clean Water Act" means the Water Pollution Control Act, as amended, codified at 33 U.S.C.A. Section 1251 and following.

"CLIP" means Commercial Lighting Incentive Program.

"CMUA" means the California Municipal Utilities Association.

"CO_2" means carbon dioxide.

"Code" means the Internal Revenue Code of 1986.

"Continuing Covenant Agreement" means the Continuing Covenant Agreement, dated as of May 1, 2020, between the Department and Bank of America, N.A. relating to the 2014 Series A Bonds.

"County" means the County of Los Angeles, California.

"CPUC" means the California Public Utilities Commission.

"CRPSEA" means the capped renewable portfolio standard energy adjustment under the Incremental Electric Rate Ordinance.

"DC" means direct current.

"Department Investment Committee" means the Investment Committee for the Department's Trust Funds, comprised of the City Controller, a Board member designated by the Board President, the General Manager and the Chief Financial Officer.

"Devers-Palo Verde Agreement" means the exchange agreement between the Department and Edison with respect to the Devers-Palo Verde Transmission Line.

"DG" means the Distributed Generation.

"Don Campbell Phase I Project" means Phase I of the Don A. Campbell Geothermal Energy Project.

"Don Campbell Phase II Project" means Phase II of the Don A. Campbell Geothermal Energy Project.

"Don Campbell Projects" means the Don Campbell Phase I Project and the Don Campbell Phase II Project.

"DTC" means The Depository Trust Company, New York, New York.

"DTCC" means The Depository Trust & Clearing Corporation.

"ECA" means the energy cost adjustment of the Rate Ordinance adopted in 2008.

"Edison" means the Southern California Edison Company.

"EGUs" means electric generating units.

"EIM" means Cal ISO's Western Energy Imbalance Market.

"Electric Rates" means the rates for electric service from the Power System as set forth in the Rate Ordinance.

"EM" means entrainment mortality for purposes of Rule 316(b).

"EMMA" means the MSRB's Electronic Municipal Market Access system.

"EPA" means the United States Environmental Protection Agency.

"EPAct 1992" means the Energy Policy Act of 1992, codified at 42 U.S.C.A. Section 1301 and following.

"EPAct 2005" means the Energy Policy Act of 2005, codified at 42 U.S.C.A. Section 15801 and following.

"EPS" means the emissions performance standard established by CARB for purposes of SB 1368.

"FERC" means the Federal Energy Regulatory Commission.

"Fifty-Eighth Supplemental Resolution" means Resolution No. 5039, adopted by the Board on September 26, 2023.

"FiT" means Feed in Tariff.

"FiT Program" means the Department's program for connecting renewable energy projects to the Power System.

"Fitch" means Fitch Ratings.

"General Manager" means the General Manager of the Department.

"GHG" means greenhouse gases for purposes of AB32.

"GWhs" means gigawatt-hours.

"HAPS" means hazardous air pollutants for purposes of the Clean Air Visibility Rule.

"Harbor Generating Station" means the Harbor Generating Station located in Wilmington, California.

"Haynes Generating Station" means the Haynes Generating Station located in Long Beach, California.

"Heber-1 Project" means the Heber-1 Geothermal Project.

"IBEW" means the International Brotherhood of Electrical Workers.

"IM" means impingement mortality for purposes of Rule 316(b).

"Incremental Electric Rate Ordinance" means City Ordinance No. 184133.

"Intermountain Generating Station" means the IPA two-unit coal-fired, steam-electric generating plant located near Delta, Utah.

"IOUs" means investor owned utilities.

"IPA" means the Intermountain Power Agency.

"IPP" means the Intermountain Power Project.

"IPP Contract" means the Power Sales Contract between the Department and IPA with respect to the IPP.

"IPP Excess Power Sales Agreement" means the excess power sales agreement between the Department and certain other IPP participants with respect to the IPP.

"IRCA" means the incremental reliability cost adjustment under the Incremental Electric Rate Ordinance.

"IRS" means the United States Internal Revenue Service.

"K-12" means school grades kindergarten through 12th grade.

"Kroll" means Kroll Bond Rating Agency, LLC.

"kV" means kilovolts.

"LARWQCB" means the Los Angeles Regional Water Quality Control Board.

"LAUSD" means the Los Angeles Unified School District.

"Linden Project" means the Linden Wind Energy Project.

"Los Angeles Basin Stations" means the Department's Harbor Generating Station, Haynes Generating Station, Scattergood Generating Station and Valley Generating Station.

"Master Resolution" means Resolution No. 4596, adopted by the Board on February 6, 2001.

"MATS" means the Mercury and Air Toxics Standards rule promulgated by the EPA.

"Milford I Facility" means the 203.5 MW nameplate capacity wind farm comprised of 97 wind turbines located near Milford, Utah.

"Milford I Project" means the Milford Wind Corridor Phase I Project.

"Milford II Facility" means the 102 MW nameplate capacity wind farm comprised of 68 wind turbines located near Milford, Utah.

"Milford II Project" means the Milford Wind Corridor Phase II Project.

"MMBtus" means Million Metric British Thermal Units.

"Moody's" means Moody's Investors Service.

"M-S-R" means the M-S-R Public Power Agency.

"MSRB" means the Municipal Securities Rulemaking Board.

"Municipal Advisor" means Public Resources Advisory Group, as municipal advisor to the Department with respect to the Series D Bonds.

"MW" means megawatts.

"MWhs" means megawatt-hours.

"NERC" means the North American Electric Reliability Corporation.

"Northwest Wind" means Northwest Wind Partners, LLC.

"NOx" means nitrogen oxide.

"NPDES" means National Pollutant Discharge Elimination System of the EPA pursuant to the Clean Air Act.

"NRC" means the United States Nuclear Regulatory Commission.

"NTS" or the "Northern Transmission System" means the two approximately 50-mile, 345 kV transmission lines from IPP to the Mona Substation in Northern Utah, and one approximately 144-mile, 230 kV transmission line from IPP to the Gonder Substation in Nevada.

"OPA" means the City's Office of Public Accountability.

"Ormesa Project" means the Ormesa Geothermal Complex Project located in Imperial County, California.

"Owens Gorge and Owens Valley Hydroelectric Generation" means the Department's Owens Gorge and Owens Valley Hydroelectric generating units.

"Owens Gorge Hydroelectric Generation" means the Department's Owens Gorge Hydroelectric generating units.

"PG&E" means Pacific Gas & Electric Company.

"Pine Tree Wind Project" means the 135 MW nameplate capacity wind generating facility north of Mojave, California, consisting of 90 wind turbines owned and operated by the Department.

"POUs" means publicly owned electric utilities.

"Power Transfer" means the transfer of surplus money in the Power Revenue Fund to the City's reserve fund.

"Power Reliability Program" means the Department's comprehensive, long-term power reliability program for the Power System.

"Power System Reliability Program" means the Department's Power System Reliability Program which is expected to replace the Power Reliability Program.

"PPA" means power purchase agreement.

"Premium Bonds" means Series D Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date).

"Proposition 26" means the California voter approved initiative measure which amended Article XIII C of the State Constitution to add a new definition of "tax."

“PSD” means the Prevention of Significant Deterioration Permit Program of the EPA pursuant to the Clean Air Act.

“Public Utilities Code” means the California Public Utilities Code.

“PURPA” means the Public Utility Regulatory Policies Act of 1978, codified at 16 U.S.C.A. Section 2601 and following.

“PVNGS” means the Palo Verde Nuclear Generating Station.

“QFs” means qualified facilities for purposes of PURPA.

“Rate Ordinance” means a City ordinance approving rates for service from the Power System.

“Ratepayer Advocate” means the Executive Director of the OPA.

“RCA” means the reliability cost adjustment of the Rate Ordinance adopted in 2008.

“RCRA” means the Resource Conservation and Recovery Act of 1976, codified at 42 U.S.C.A. Section 6901 and following.

“RECLAIM” means the Regional Clean Air Incentives Market established by CARB pursuant to AB32.

“Regulation Section 2922” means Section 2922 of Chapter 22 of Division 3 of Title 23 of the California Code of Regulations adopted by the State Water Resources Control Board.

“Retirement Plan” means the Water and Power Employees’ Retirement Fund which is part of the Water and Power Employees’ Retirement, Disability, and Death Benefit Insurance Plan, a retirement system of employee benefits.

“RPS” means the Renewable Portfolio Standard.

“RTCs” means RECLAIM trading credits.

“RTOs” means regional transmission organizations for purposes of the EPAct 2005.

“Rule 15c2-12” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act.

“Rule 316(b)” means EPA Rule 316(b) under the Clean Water Act.

“S&P” means S&P Global Ratings.

“Salt River Project” means the Salt River Project Agricultural Improvement and Power District, a political subdivision of the state of Arizona, and the Salt River Valley Water Users’ Association, a corporation.

“SB” refers to a California Senate Bill.

“SB-1” means the California Solar Initiative codified at California Public Resources Code Section 25780 and following.

"SB 100" means The 100 Percent Clean Energy Act of 2018, enacted as Chapter 312 of the California Statutes of 2018.

"SB 1368" means the California Renewable Energy Resources Program codified at California Public Resources Code Section 25740 and following.

"SB 350" means the California Clean Energy and Pollution Reduction Act of 2015, enacted as Chapter 547 of the California Statutes of 2015.

"SBX 1-2" means the California Renewable Energy Resources Act, enacted as Chapter 1 of First Extra Session of the California Legislature for 2011-2012.

"SCAQMD" means the South Coast Air Quality Management District.

"Scattergood Generating Station" means the Scattergood Generating Station located in El Segundo, California.

"SCPPA" means the Southern California Public Power Authority.

"SEC" means the United States Securities and Exchange Commission.

"Securities Exchange Act" means the United States Securities Exchange Act of 1934, as amended, codified at 15 U.S.C.A. Section 78 and following.

"SEIU" means the Service Employees International Union.

"Series D Bonds" means the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2023 Series D.

"SoCalGas" means the Southern California Gas Company.

"State" means the State of California.

"State Water Project" means the water conveyance system operated by the CDWR for the transfer of water from the northern portion of the State to the southern portion of the State.

"STS" or the "Southern Transmission System" means the +/- 500 kV electric transmission line from the Intermountain Generating Station to Adelanto, California.

"SWRCB" means the California State Water Resources Control Board.

"Trust Funds" means special-purpose trust or escrow funds more fully described in "Note (7) Cash, Cash Equivalents, and Investments" in Appendix A.

"Trust Funds Investment Policy" means the Department's investment policy for the Trust Funds.

"2014 Series A Bonds" means the Department's Power System Revenue Bonds, 2014 Series A.

"Underwriters" means the underwriters listed on the front cover of the Official Statement for the Series D Bonds.

"U.S.C.A." means the United States Code Annotated.

"USFWS" means the United States Fish and Wildlife Service.

"Valley Generating Station" means the Valley Generating Station located in the San Fernando Valley.

"VEA" means the variable energy adjustment under the Incremental Electric Rate Ordinance.

"VRPSEA" means the variable renewable portfolio standard energy adjustment under the Incremental Electric Rate Ordinance.

"WECC" means the Western Electricity Coordinating Council.

"Wells RCA" means the Department's revolving credit agreement with Wells Fargo Bank, National Association which expires on May 22, 2026.

"Western" means the United States Department of Energy Western Area Power Administration.

"Windy Flats" means Windy Flats Partners, LLC.

"Windy Point Project" means the 262.2 MW nameplate capacity wind farm comprised of 114 wind turbines located in the Columbia Hills area of Klickitat County, Washington near the city of Goldendale.

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