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## KBRA Assigns AA Rating with Stable Outlook to the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2022 Series B

NEW YORK (March 18, 2022) – KBRA assigns a long-term rating of AA with a Stable Outlook to the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2022 Series B.

### Key Credit Considerations

The rating was assigned because of the following key credit considerations:

#### Credit Positives

- Efforts to transform resources and meet renewables mandates put the Department at the vanguard of U.S. public utilities in the transition to green energy and position it to benefit from evolving technologies.
- Electricity rates are affordable relative to other California utilities, allowing the flexibility to impose rate increases as necessary. The rate structure incorporates several pass-through adjustments that effectively decouple revenue generation from changes in customer demand.
- Strong liquidity helps to offset enterprise risks.

#### Credit Challenges

- The Department faces continued operating cost pressure and increased leverage as it works to meet myriad and evolving federal, state and local regulations and mandates relating to energy efficiency, GHG emissions, renewable energy standards, supplies and development, and environmental stewardship.
- Climate change creates the potential for increased frequency and severity of wildfires. Wildfire litigation claims could negatively impact the Department's financial position. Moreover, exposure to wildfire liability risk, which is influenced by the State's doctrine of inverse condemnation and its unique strict liability standard, may become increasingly costly to hedge against.

### Rating Sensitivities

#### For Upgrade

- Ability to maintain competitive and affordable rates while maintaining system reliability and meeting highly capital-intensive environmental goals and requirements.

#### For Downgrade

- Evolving state and local directives relating to the transformation of power system resources that impose unanticipated, material financial, leverage and rate pressures.
- Revenue reduction that results in a sustained decline in debt service coverage or liquidity.

To access ratings and relevant documents, click [here](#).

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## **Disclosures**

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located [here](#).

Information on the meaning of each rating category can be located [here](#).

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