



INFORMATIONAL BOARD LETTER

*Ann M. Santilli*  
Ann M. Santilli (Aug 21, 2024 14:20 PDT)

**ANN M. SANTILLI**  
Chief Financial Officer

*Janisse Quiñones*

**JANISSE QUIÑONES**  
Chief Executive Officer and Chief Engineer

**DATE:** August 19, 2024

**SUBJECT:** Financial Services Organization Monthly Activities Report – June 2024

**ACCOUNTING AND FINANCIAL REPORTING DIVISION**

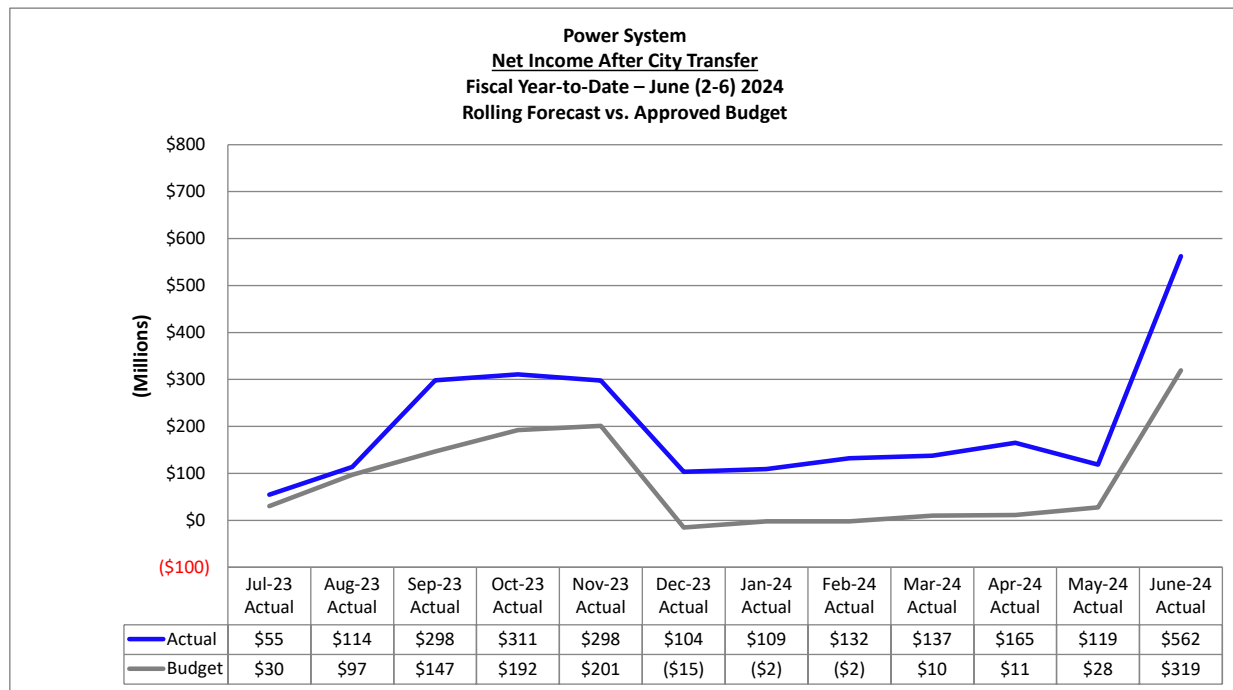
**Monthly Cash Activity for the Water and Power Revenue Funds – June 2024**

Receipts, disbursements, and cash balances of the Water and Power Revenue Funds are shown below for the month ending June 30, 2024. Substantially all cash balances in each of the funds are continuously invested by the City Treasurer.

REVENUE FUNDS (in thousands)			
		WATER	POWER
Beginning Balance - June 1, 2024		\$ 722,369	\$ 1,509,324
ADD:	Customer Collections	179,719	426,827
	DWP Interfund Transfers	84,295	7,505
	Other City Departments	3,098	16,602
	Interest on Pooled Cash	2,907	10,654
	Transfer from Restricted Cash	35	18,610
	Construction Fund	55,930	397,599
	Total Receipts	<u>325,984</u>	<u>877,797</u>
LESS:	Payments to Vendors	93,394	233,099
	Payroll	47,407	110,335
	DWP Interfund Transfers	21,255	127,324
	W&P Active Employees Health Benefits - Fund 922	8,297	16,235
	Bond Redemption and Interest	247,808	478,796
	Sewer, Utility Taxes & Refuse	61,645	65,869
	City Transfer	-	61,174
	Self Insurance Reserve	1,000	10,000
	Other City Departments	17,653	11,304
	Transfer to Restricted Cash		47,995
	Total Disbursements	<u>498,459</u>	<u>1,162,131</u>
Ending Balance - June 30, 2024		<u><u>\$ 549,894</u></u>	<u><u>\$ 1,224,990</u></u>

## **BUDGET, FINANCIAL PLANNING AND RATES DIVISION**

### **Power System**

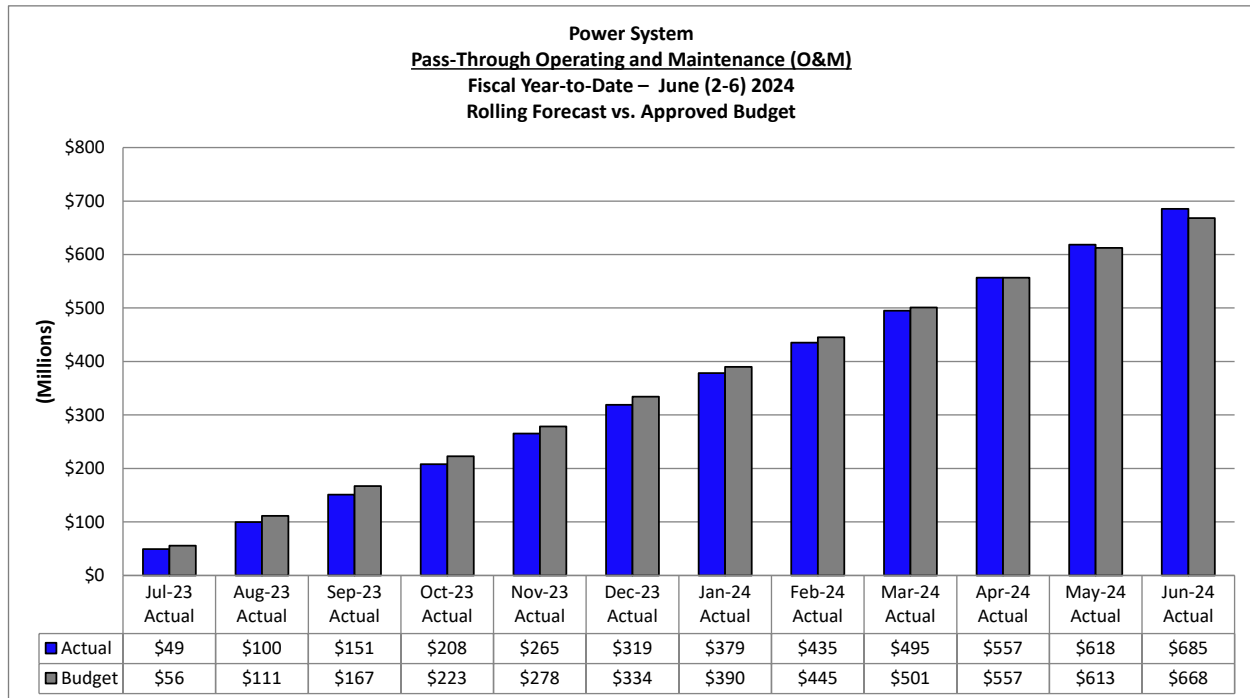


- FYTD actual net income is \$243M higher than budget, mainly due to underspending in operating expenses - \$194M.

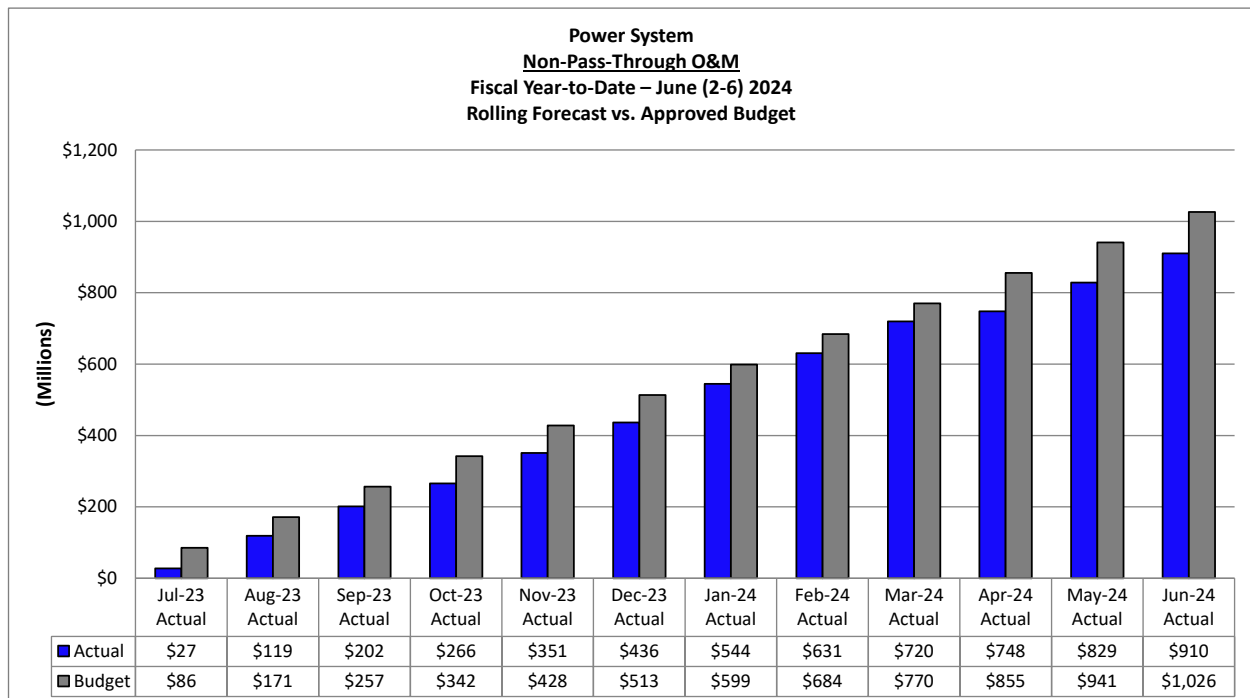
**Los Angeles Department of Water and Power**  
**Power System Income Statement**  
**as of June (2-6) 2024**  
(Amounts in millions)

Year-To-Date as of June (2-6) 2024				
	Actual	Budget	Variance	Variance %
<b>Consumption (GWh)</b>				
Retail Sales Consumption	20,829	22,251	(1,422)	(6.4%)
Net Energy for Load	22,877	25,394	(2,517)	(9.9%)
<b>Operating Revenues</b>				
Base Revenue – Billed	\$1,880.9	\$2,049.5	(\$168.7)	(8.2%)
Pass-Through Revenue – Billed	2,753.4	2,841.9	(88.5)	(3.1%)
Total Billed Revenue	\$4,634.2	\$4,891.4	(\$257.2)	(5.3%)
(Over)/Under Collection on Pass-Through Revenue	(1.2)	(64.2)	63.0	(98.2%)
<b>Total Retail Revenue</b>	<b>\$4,633.1</b>	<b>\$4,827.2</b>	<b>(\$194.2)</b>	<b>(4.0%)</b>
Bad Debt	(22.1)	(48.9)	26.8	(54.8%)
Other Revenue	164.9	92.1	72.9	79.1%
<b>Total Operating Revenues</b>	<b>\$4,775.9</b>	<b>\$4,870.4</b>	<b>(\$94.5)</b>	<b>(1.9%)</b>
<b>Operating Expenses</b>				
Fuel and Purchased Power Expenses	\$1,577.6	\$1,615.3	(\$37.6)	(2.3%)
Pass-Through Operations & Maintenance	685.4	668.2	17.2	2.6%
Non-Pass-Through Operations & Maintenance	910.1	1,026.0	(115.9)	(11.3%)
Total Operations and Maintenance	\$1,595.5	\$1,694.2	(\$98.7)	(5.8%)
Depreciation, Amortization & Decommissioning	791.6	849.0	(57.5)	(6.8%)
Property Tax	18.8	18.6	0.1	0.7%
<b>Total Operating Expenses</b>	<b>\$3,983.5</b>	<b>\$4,177.2</b>	<b>(\$193.6)</b>	<b>(4.6%)</b>
<b>Operating Income</b>	<b>\$792.4</b>	<b>\$693.2</b>	<b>\$99.2</b>	<b>14.3%</b>
<b>Other Income and Expenses</b>				
Other Income	\$361.5	\$242.7	\$118.8	49.0%
Net Debt Expenses	(408.4)	(431.0)	22.6	(5.2%)
Contributions in Aid of Construction	61.5	57.6	3.8	6.7%
<b>Total Other Income and Expenses</b>	<b>\$14.6</b>	<b>(\$130.7)</b>	<b>\$145.3</b>	<b>(111.2%)</b>
<b>Net Income Before City Transfer</b>	<b>\$807.0</b>	<b>\$562.6</b>	<b>\$244.4</b>	<b>43.4%</b>
City Transfer	(244.7)	(243.3)	(1.4)	0.6%
<b>Net Income</b>	<b>\$562.3</b>	<b>\$319.3</b>	<b>\$243.0</b>	<b>76%</b>

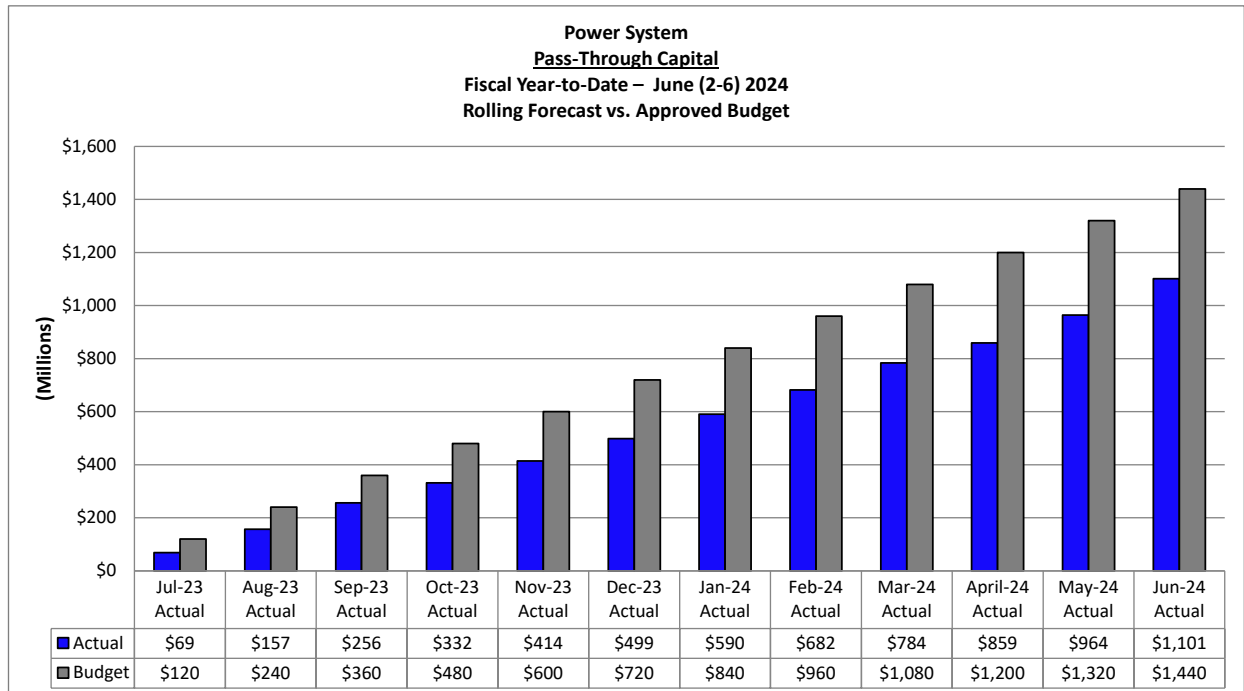
- FYTD actual for Retail Revenue is \$194M lower than budget, mainly due to lower-than-expected consumption.
- FYTD actual for Other Revenue is \$73M higher than budget, mainly due to higher-than-expected wholesale revenue.



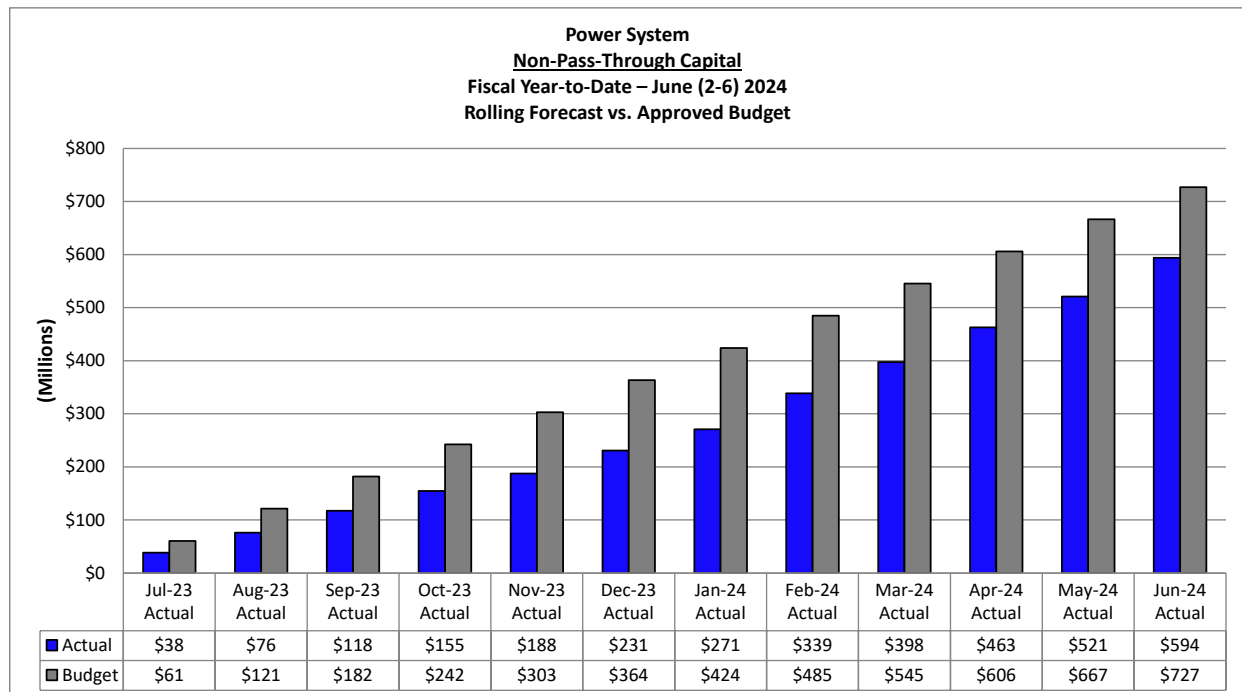
- FYTD actual pass-through O&M is \$17 higher than budget, mainly due to overspending in the Power System Reliability Program (PSRP) - \$23M offset by underspending in the Renewable Portfolio Standard (RPS) - \$ 6M.



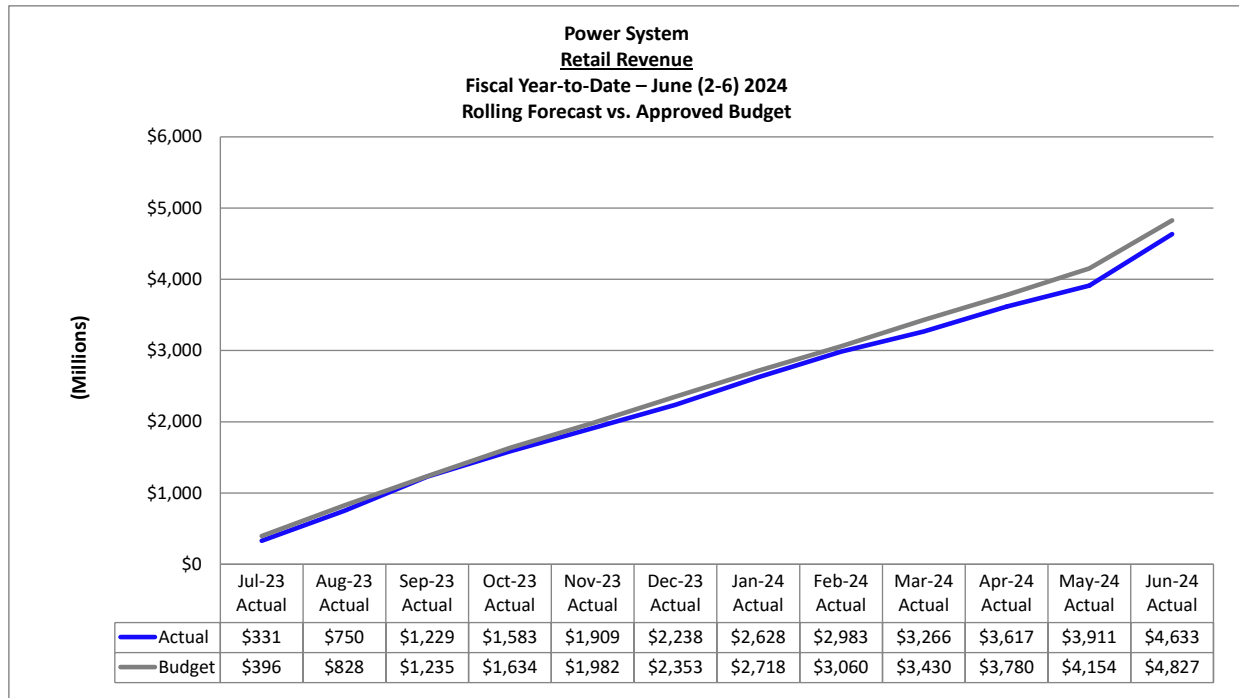
- FYTD actual non-pass-through O&M is \$116M lower than budget, mainly due to underspending in Operating Support - \$111M.



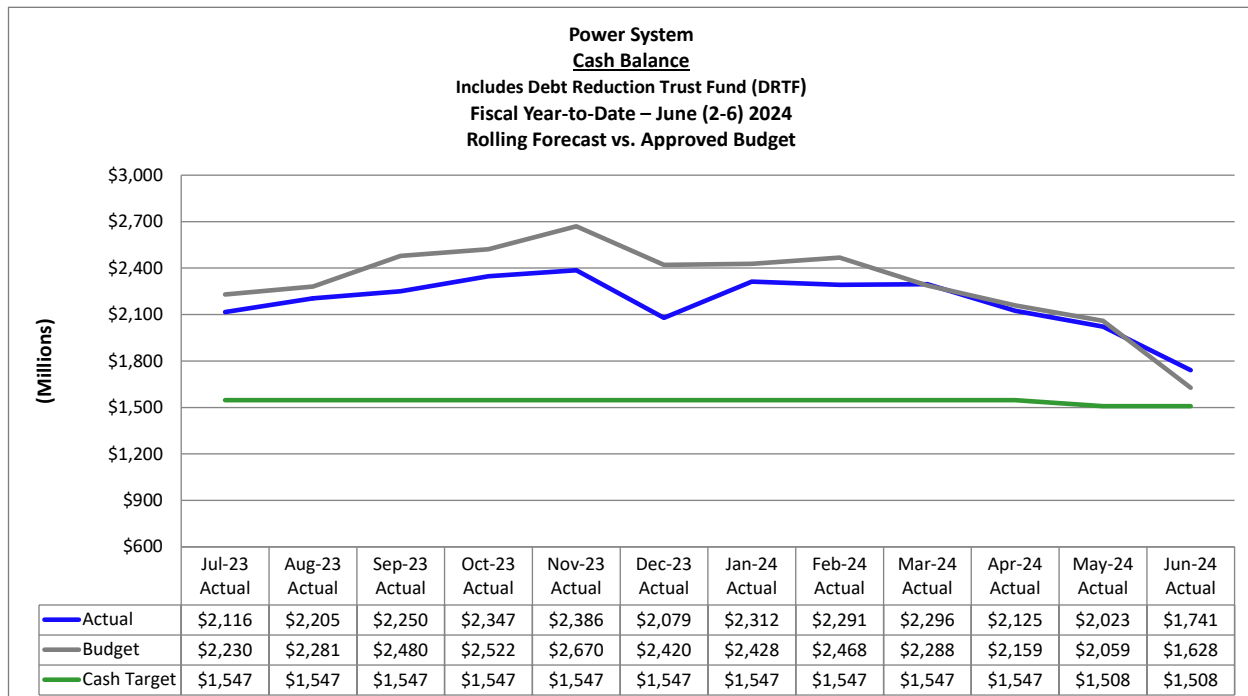
- FYTD actual pass-through capital expenditures are \$339M lower than budget, mainly due to underspending in the RPS - \$186M, PSRP - \$83M and Energy Efficiency (EE) - \$71M.



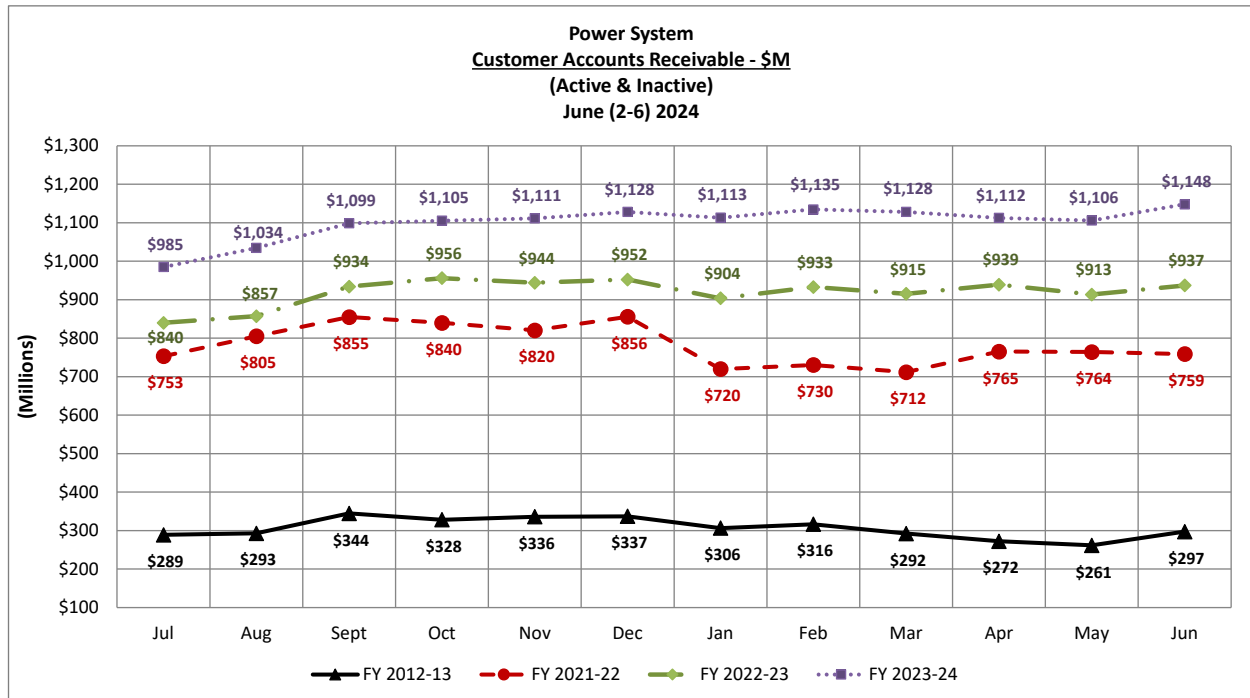
- FYTD actual non-pass-through capital expenditures are \$133M lower than budget, mainly due to underspending in Operating Support - \$125M and Infrastructure - \$13M.



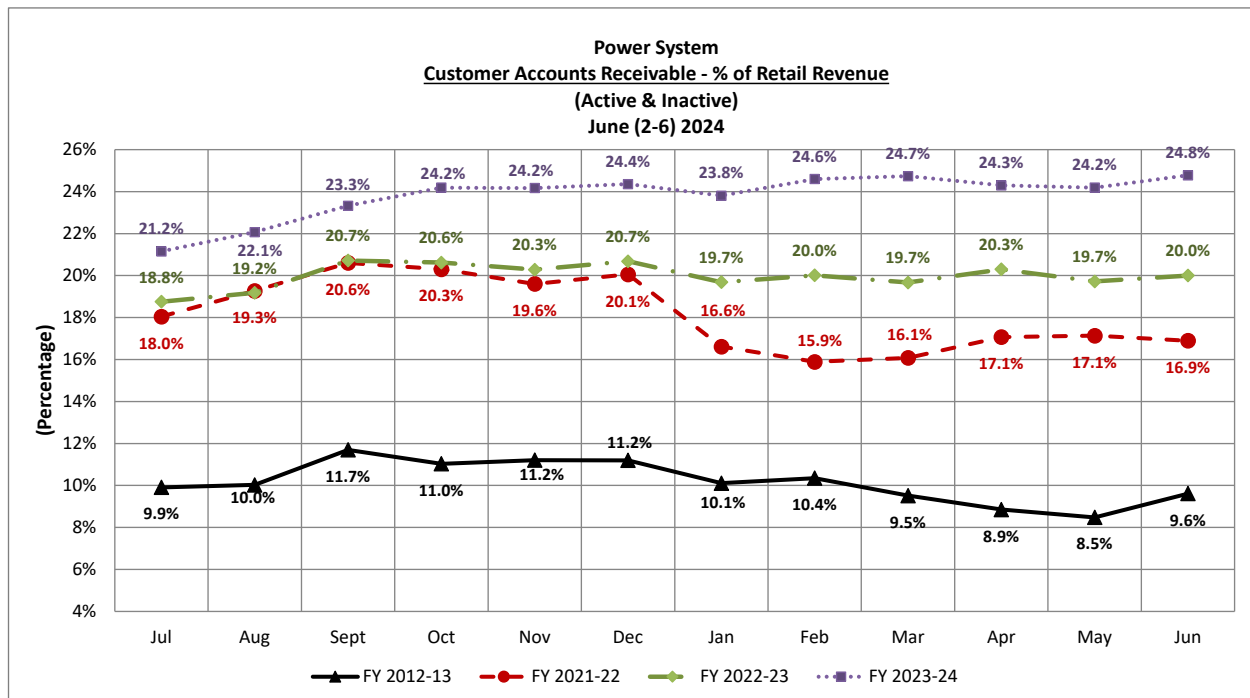
- FYTD actual and year-end forecast for retail revenue are \$194M lower than budget, mainly due to lower-than-expected consumption.



- FYTD actual cash is \$113M higher than budget and \$233M higher than the cash target.

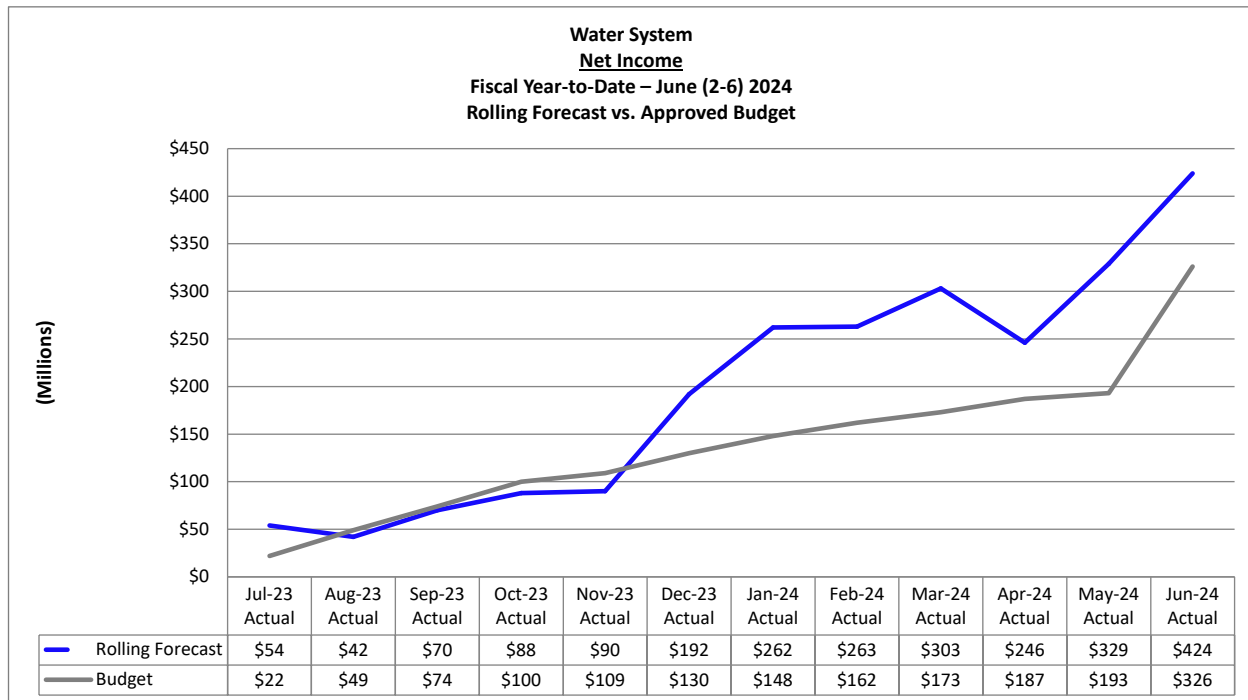


- June 2024 A/R balance is \$211M higher than June 2023 and \$389M higher than June 2022.



- Accounts receivable as a % of retail revenue in June 2024 is 4.8% higher than June 2023 and 7.9% higher than June 2022.

## Water System



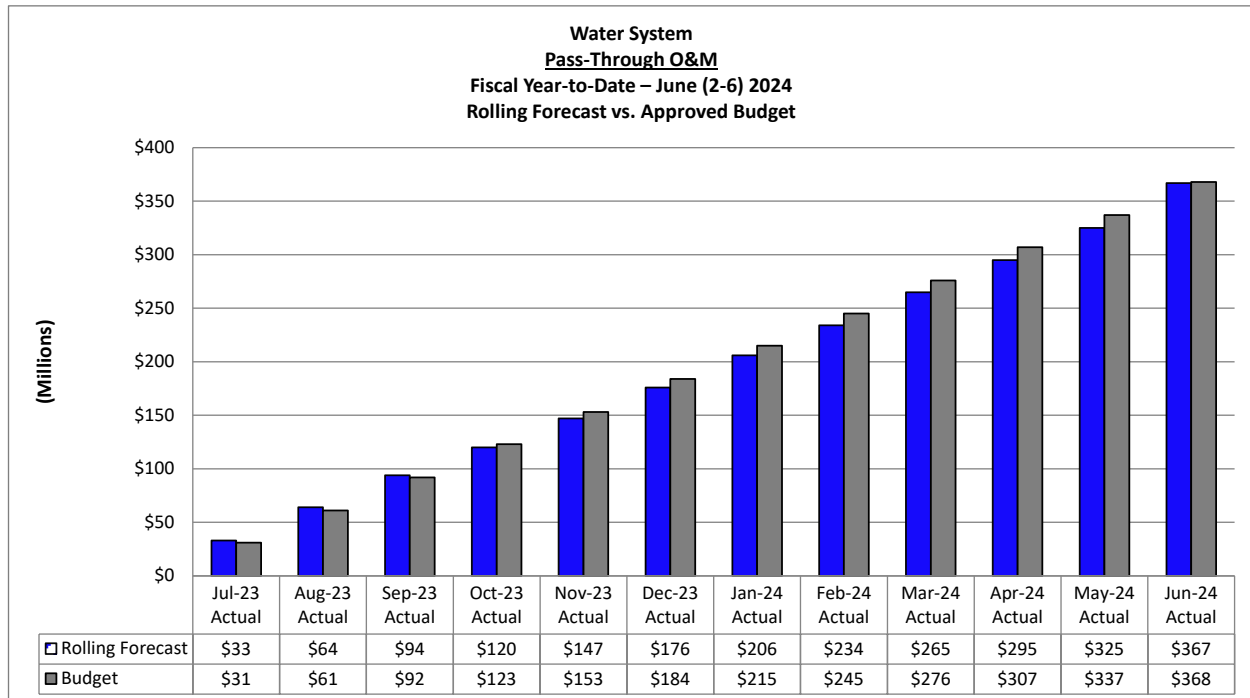
- FYTD actual net income is \$98M higher than budget mainly due to an increase in Contribution in Aid of Construction of \$131M, Other Income & Expenses of \$15M, Gain on Asset Sales of \$3M, a decrease in Interest Expense of \$18M and offset by a decrease in operating income \$69M. Net income includes a BRRTA shortfall of \$115M relating to the decoupling mechanism.



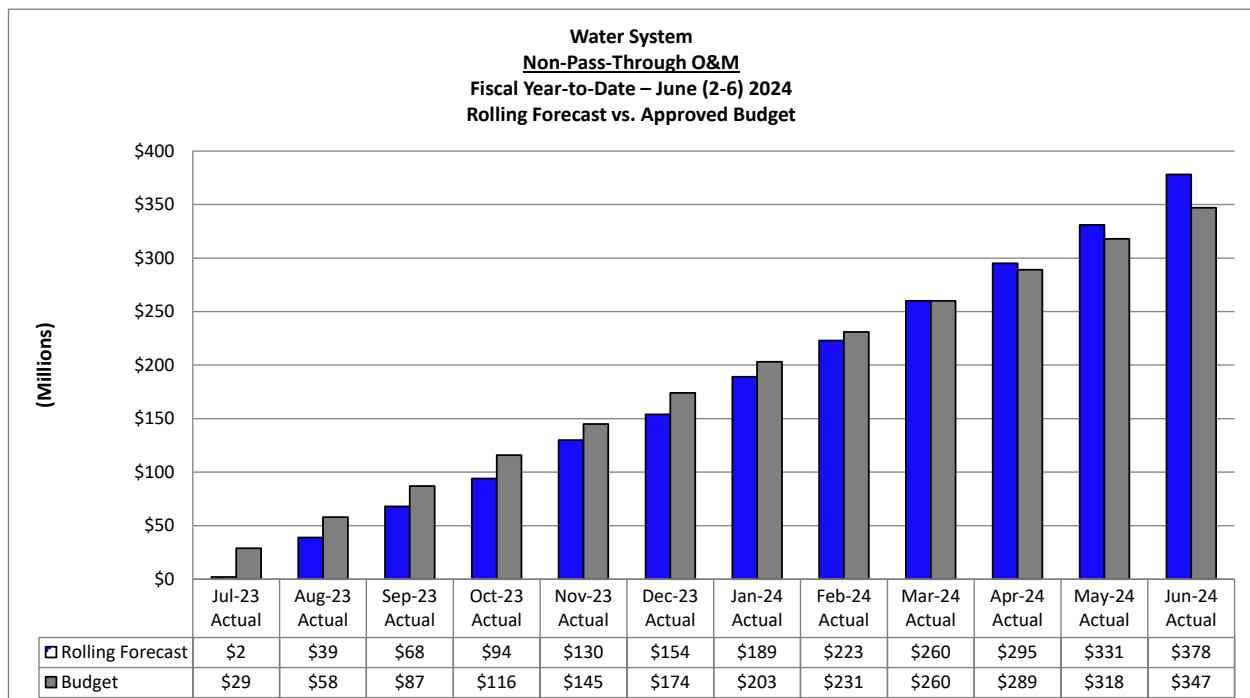
**Los Angeles Department of Water and Power**  
**Water System Income Statement**  
**As of June (2-6) 2024**  
**(Amounts in millions)**

Year To Date As of June (2-6) 2024				
	Actual	Budget	Variance	Variance %
<b>Consumption (MHCF)</b>				
Retail Sales Consumption	177.6	190.4	(12.8)	(6.7%)
<b>Operating Revenues</b>				
Base Revenue - Billed	\$432.2	\$430.2	\$2.1	0.5%
Pass-Through Revenue - Billed	1,133.3	1,212.0	(78.7)	(6.5%)
(Over)/Under Collection on Pass-Through Revenue	81.7	(26.3)	108.1	(410.4%)
<b>Retail Revenue</b>	<b>\$1,647.2</b>	<b>\$1,615.8</b>	<b>\$31.4</b>	<b>1.9%</b>
Bad Debt	(6.4)	(10.4)	4.0	(38.6%)
Other Revenue	20.5	11.9	8.6	72.6%
<b>Total Operating Revenue</b>	<b>\$1,661.3</b>	<b>\$1,617.2</b>	<b>\$44.1</b>	<b>2.7%</b>
<b>Operating Expenses</b>				
Purchased Water	\$261.0	\$168.5	\$92.5	54.9%
Pass-Through Operations & Maintenance	367.1	\$367.9	(0.8)	(0.2%)
Non-Pass-Through Operations & Maintenance	377.8	347.2	30.6	8.8%
<b>Total Operations and Maintenance</b>	<b>744.9</b>	<b>715.1</b>	<b>29.8</b>	<b>4.2%</b>
Depreciation & Amortization	248.2	257.7	(9.5)	(3.7%)
Property Taxes	21.8	21.4	0.4	2.0%
<b>Total Operating Expenses</b>	<b>\$1,275.9</b>	<b>\$1,162.7</b>	<b>\$113.2</b>	<b>9.7%</b>
<b>Operating Income</b>	<b>\$385.4</b>	<b>\$454.5</b>	<b>(\$69.1)</b>	<b>(15.2%)</b>
Other Income & Expenses	\$41.2	\$26.7	\$14.6	54.6%
Interest Expense	(236.6)	(254.9)	18.4	(7.2%)
Contribution in Aid of Construction (CIAC)	230.5	99.9	130.6	130.8%
Gain/Loss on Asset Sales	\$3.2	\$0.0	\$3.2	0.0%
<b>Net Income (Loss)</b>	<b>\$423.8</b>	<b>\$326.2</b>	<b>\$97.6</b>	<b>29.9%</b>

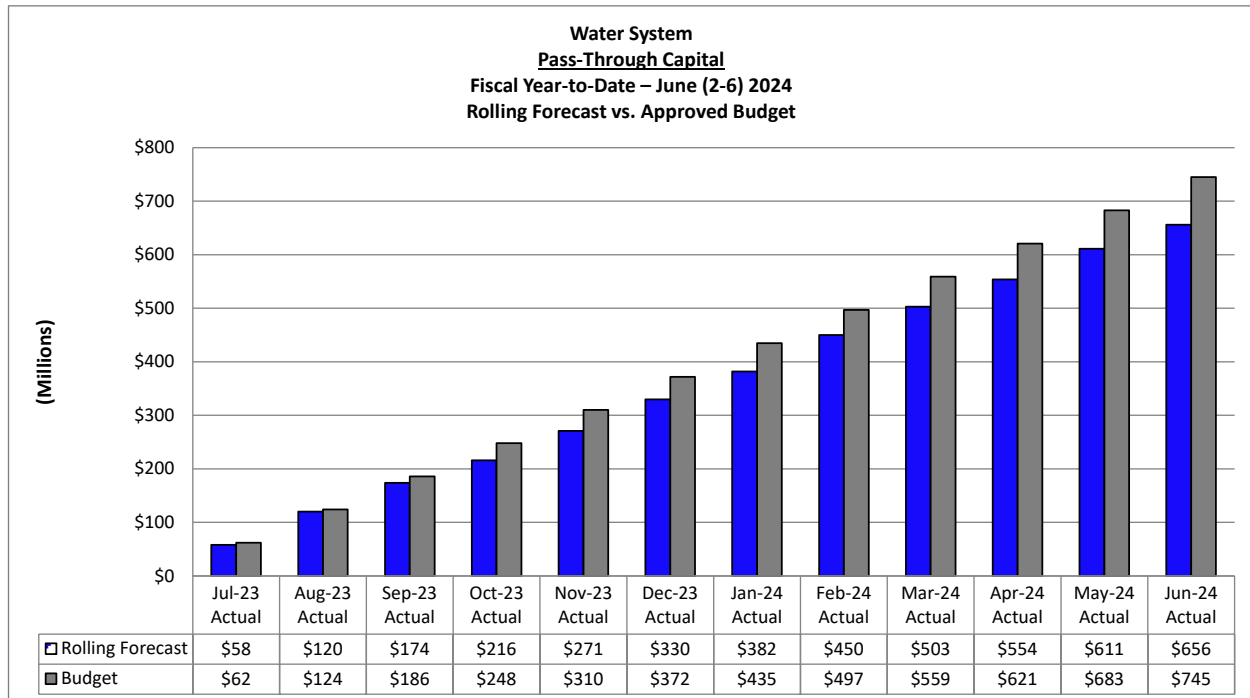
- FYTD actual retail revenue is \$31M higher than budget, mainly due to an increase of \$108M in under-collection pass-through revenue and offset by a decrease of \$77M in billed revenue resulting from lower-than-expected sales.
- FYTD Purchased water costs are \$92 million higher than budget, mainly due to lower supplies from the Los Angeles Aqueduct (LAA) because of turbidity issues and temporary power plant outages at the Los Angeles Aqueduct Filtration Plant (LAAFP) in April 2024. In addition, the Purchased Water variance contains an approximate overstated \$48.2M which will be corrected in the upcoming Accounting June 4-6 closing.
- FYTD Contribution in Aid of Construction (CIAC) is \$131M higher than budget mainly due to Prop 1 Grant receipts for the North Hollywood Central Remediation Project and Tujunga Remediation Project received earlier than budgeted.



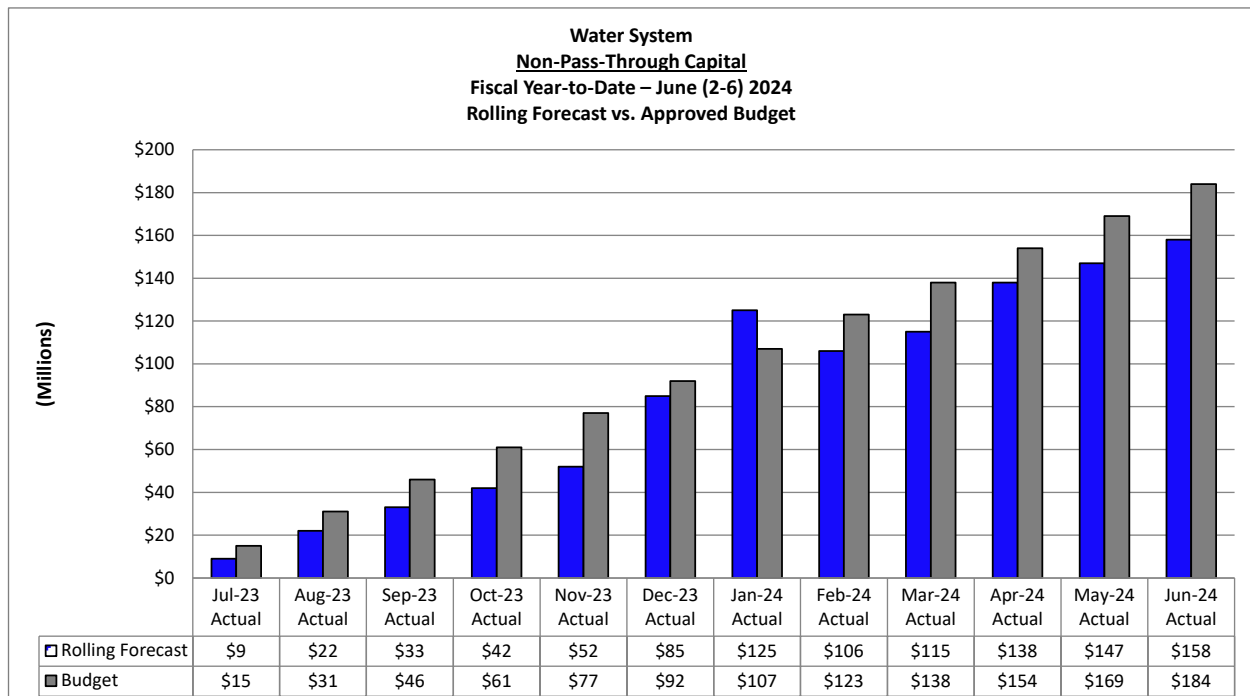
- FYTD actual pass-through O&M is inline with Budget.



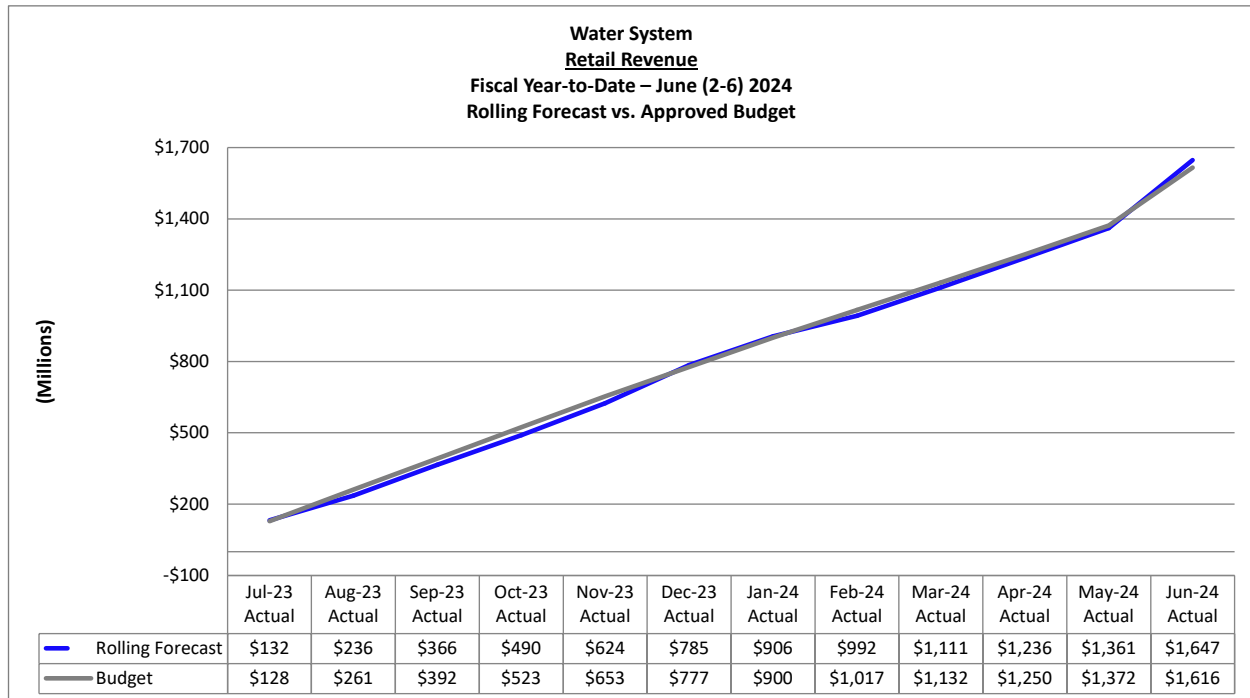
- FYTD actual non-pass-through O&M is \$31M higher than budget, mainly due to overspending in Infrastructure Base \$44M, and offset by underspending in Infrastructure Operating Support \$15M, and other miscellaneous accounting adjustments.



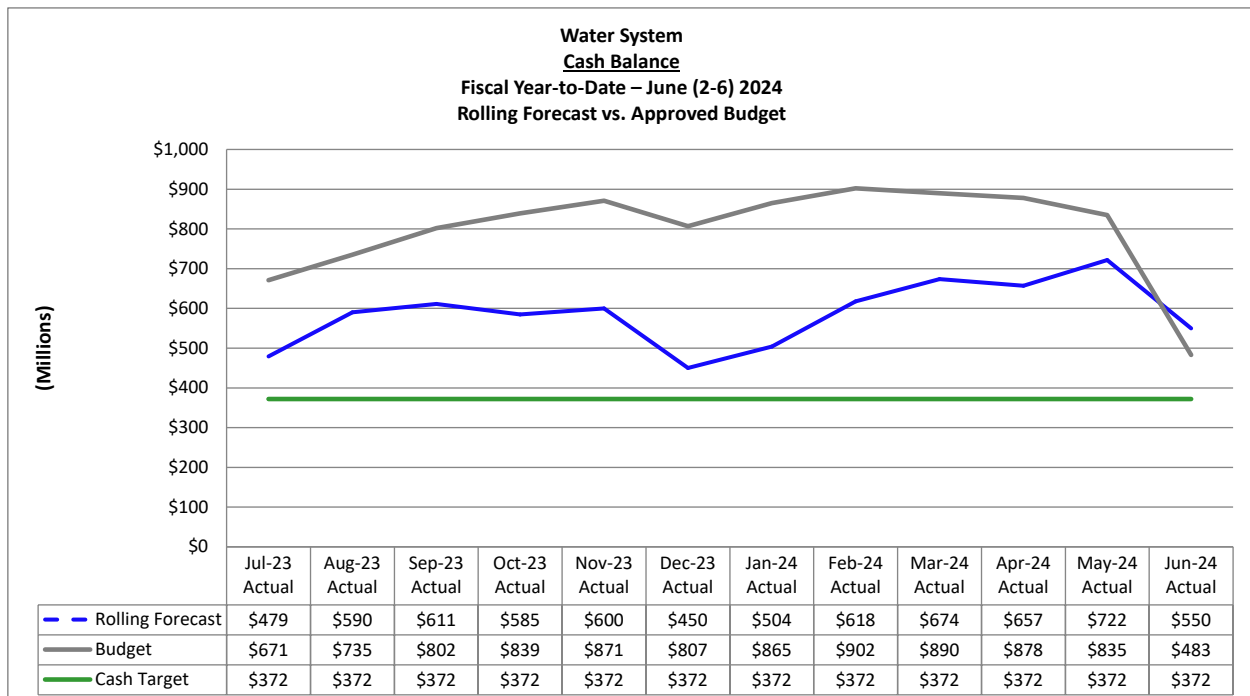
- FYTD actual pass-through capital expenditures are \$89M lower than budget, mainly due to underspending in Water Quality \$38M, Water Infrastructure \$22M, L.A. Aqueduct \$18M, Recycled Water \$14M and Water Conservation \$8M, and offset by overspending in Owens Valley Regulatory \$11M.



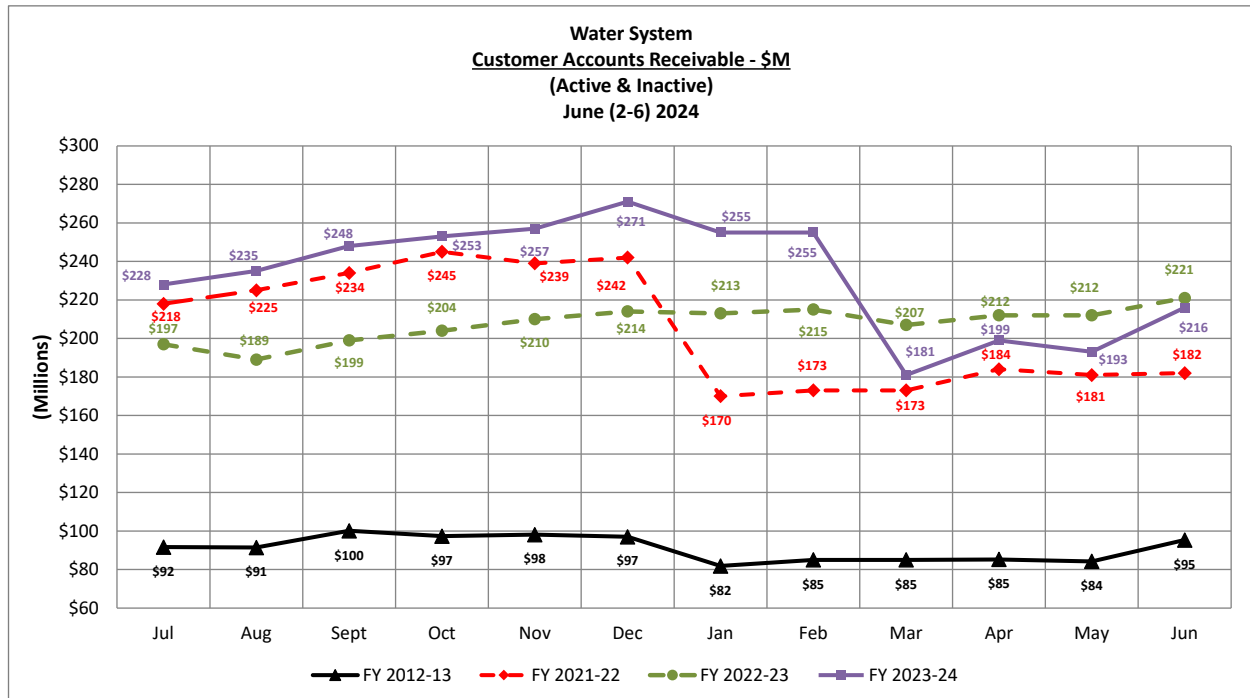
- FYTD actual non-pass-through capital expenditures are \$26M lower than budget, mainly due to underspending in Infrastructure Operating Support \$23M and Infrastructure Base \$3M.



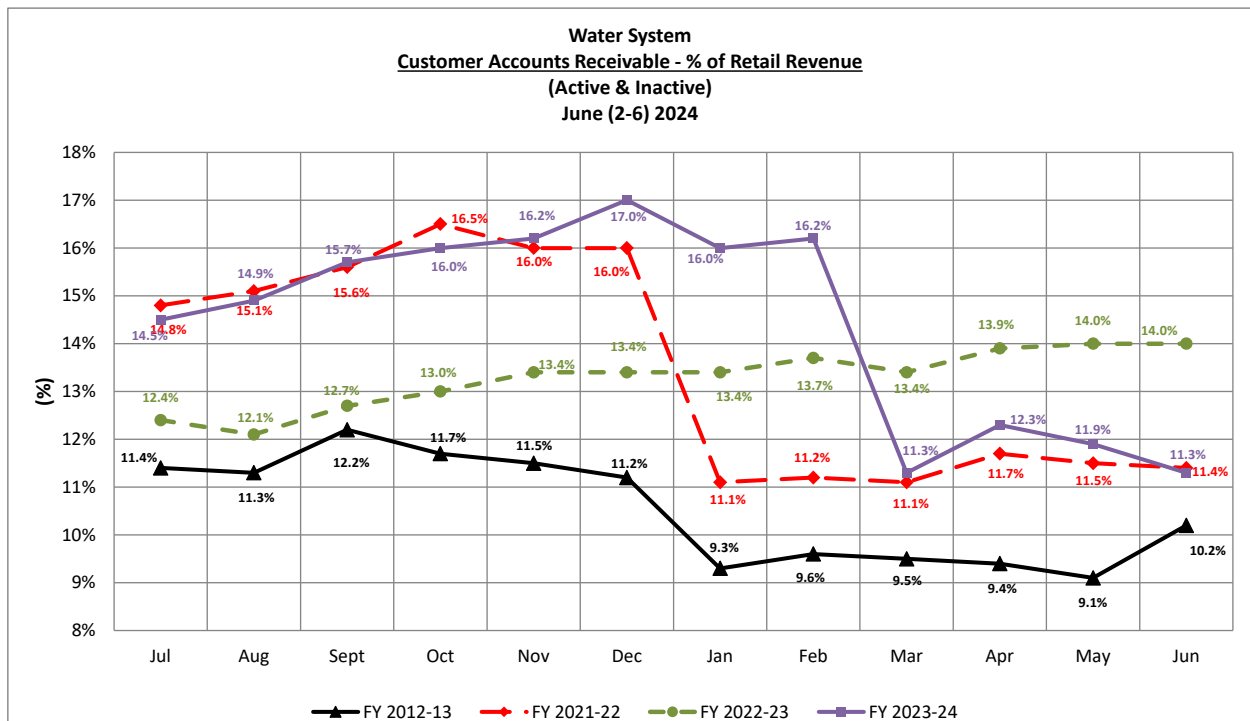
- FYTD actual retail revenue is \$31M higher than budget, mainly due to an increase of \$108M in under-collection pass-through revenue and offset by a decrease of \$77M in billed revenue resulting from lower-than-expected sales.



- FYTD actual cash balance is \$67M higher than budget and \$178M higher than the cash target.



- June 2024 Customer A/R balance is \$5M lower than June 2023 and \$34M higher than June 2022.



- Accounts receivable as a % of retail revenue in June 2024 is 2.7% lower than June 2023 and 0.1% lower than June 2022.

## Labor

**Los Angeles Department of Water and Power**  
**Monthly Financial Report**  
**Labor and Overtime Report by System**  
**FY 2023-2024 - Current Yr (Year To Date as of Jun 2024)**  
**(CY Re-Estimate Working includes actuals through Feb)**  
**(\$ in Thousands)**

Labor and Overtime Summary (Excludes Daily Exempts and UPCTs)		Year to Date as of Jun FY 2023-2024 - Current Yr						FY 2023-2024 - Current Yr Budget - Year-End Forecast					
		Actual Year To Date		Budget Year To Date				ReEstimate		Budget			
						Overrun / (Underrun)						Overrun / (Underrun)	
		Final	OT %	Final	OT %	Variance (%)		Working	OT %	Final	OT %	Variance (%)	
CY - Power System	CE 10 LABOR REGULAR	\$756,658		\$767,070		(\$10,412)	(1.4%)	\$753,176		\$767,070		(\$13,894)	(1.8%)
	CE 11 LABOR OVERTIME	\$345,781	45.7%	\$203,726	26.6%	\$142,055	69.7%	\$304,161	40.4%	\$203,726	26.6%	\$100,435	49.3%
	<b>System Total</b>	<b>\$1,102,439</b>		<b>\$970,796</b>		<b>\$131,643</b>	<b>13.6%</b>	<b>\$1,057,337</b>		<b>\$970,796</b>		<b>\$86,541</b>	<b>8.9%</b>
CY - Water System	CE 10 LABOR REGULAR	\$282,808		\$294,973		(\$12,166)	(4.1%)	\$280,026		\$294,973		(\$14,947)	(5.1%)
	CE 11 LABOR OVERTIME	\$76,800	27.2%	\$46,807	15.9%	\$29,993	64.1%	\$66,708	23.8%	\$46,807	15.9%	\$19,901	42.5%
	<b>System Total</b>	<b>\$359,607</b>		<b>\$341,780</b>		<b>\$17,827</b>	<b>5.2%</b>	<b>\$346,734</b>		<b>\$341,780</b>		<b>\$4,954</b>	<b>1.4%</b>
CY - Joint System	CE 10 LABOR REGULAR	\$459,991		\$501,592		(\$41,601)	(8.3%)	\$468,482		\$501,592		(\$33,110)	(6.6%)
	CE 11 LABOR OVERTIME	\$79,476	17.3%	\$60,795	12.1%	\$18,682	30.7%	\$72,022	15.4%	\$60,795	12.1%	\$11,228	18.5%
	<b>System Total</b>	<b>\$539,467</b>		<b>\$562,386</b>		<b>(\$22,919)</b>	<b>(4.1%)</b>	<b>\$540,505</b>		<b>\$562,386</b>		<b>(\$21,882)</b>	<b>(3.9%)</b>
Current Year Total Org	CE 10 LABOR REGULAR	\$1,499,457		\$1,563,635		(\$64,178)	(4.1%)	\$1,501,684		\$1,563,635		(\$61,951)	(4.0%)
	CE 11 LABOR OVERTIME	\$502,057	33.5%	\$311,327	19.9%	\$190,730	61.3%	\$442,892	29.5%	\$311,327	19.9%	\$131,564	42.3%
	<b>Overall Total</b>	<b>\$2,001,514</b>		<b>\$1,874,962</b>		<b>\$126,551</b>	<b>6.7%</b>	<b>\$1,944,576</b>		<b>\$1,874,962</b>		<b>\$69,613</b>	<b>3.7%</b>

Overall Total Excludes Daily Exempts: Org 62405, 76490, 77402, 77303 and 79410, and Retirement Office (FY APR of 93)

### Total LADWP Staffing

Organization	APR	Funded FTE	YTD Budget	YTD Actuals	Variance	Year-End Forecast	Approved	Variance
Power System	6,054	5,375	\$767,070	\$756,658	(\$10,412)	\$753,176	\$767,070	(\$13,894)
Water System	2,521	2,259	\$294,973	\$282,808	(\$12,166)	\$280,026	\$294,973	(\$14,947)
Chief Financial Officer	331	295	\$44,819	\$42,827	(\$1,992)	\$43,447	\$44,819	(\$1,372)
Chief Operating Officer	1,499	1,327	\$143,695	\$127,710	(\$15,986)	\$130,874	\$143,695	(\$12,822)
COO: Information Technology Services	803	642	\$96,886	\$101,750	\$4,863	\$98,908	\$96,886	\$2,022
General Manager & Other Direct Reports	413	258	\$39,606	\$29,171	(\$10,435)	\$32,331	\$39,606	(\$7,275)
Customer Service, Communications and Corporate Strategy								
Corporate Strategy & Communications	62	60	\$8,933	\$10,519	\$1,586	\$9,799	\$8,933	\$866
Customer Service Division	1,182	887	\$94,056	\$91,327	(\$2,729)	\$90,950	\$94,056	(\$3,106)
Meter Service & Field Operations	590	531	\$55,315	\$42,680	(\$12,636)	\$46,997	\$55,315	(\$8,318)
Diversity, Equity and Inclusion	125	106	\$15,354	\$12,363	(\$2,991)	\$13,016	\$15,354	(\$2,339)
Inspector General Office	40	15	\$2,927	\$1,646	(\$1,281)	\$2,160	\$2,927	(\$767)
<b>LADWP Total (Excluding Retirement Office)</b>	<b>13,620</b>	<b>11,755</b>	<b>\$1,563,635</b>	<b>\$1,499,457</b>	<b>(\$64,178)</b>	<b>\$1,501,684</b>	<b>\$1,563,635</b>	<b>(\$61,951)</b>

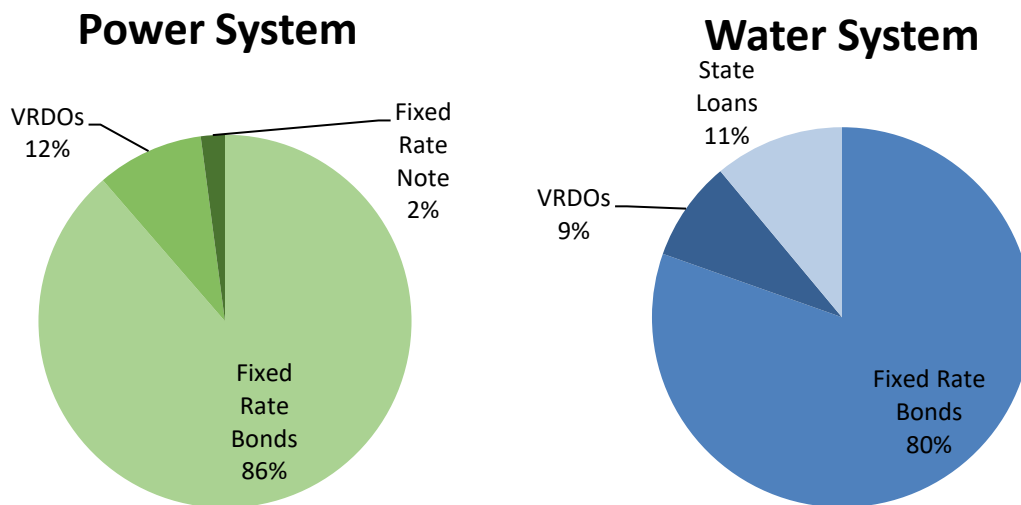
## **INTERNAL AUDIT DIVISION**

### **Debt Management**

The Power System has approximately \$11.38 billion in debt outstanding, with 88.2 percent consisting of fixed-rate debt (comprised of 86.3 percent revenue bonds and 1.9 percent short-term notes), and 11.8 percent consisting of variable-rate debt obligations.

The Water System has approximately \$6.76 billion in debt outstanding, with 91.4 percent consisting of fixed-rate debt (comprised of approximately 80.3 percent revenue bonds and 11.1 percent State Loans) and 8.6 percent consisting of variable-rate debt obligations.

The overall debt profiles of the Power and Water Systems are shown in the charts below.



The average interest cost of debt (on an accounting basis) for the month of June 2024 was 3.66 percent for the Power System and 3.46 percent for the Water System.

On June 27, 2024, LADWP successfully issued \$507.31 million of fixed rate, tax-exempt Power System Revenue Bonds, 2024 Series C (the "Power 2024 C Bonds"). The Power 2024 C Bonds had an all-in true interest cost of 3.96 percent and an average life of 14.81 years. The proceeds of the Power 2024 C Bonds were used to pay for budgeted capital improvements to the Power System, refund all of the outstanding Power System Revenue Bonds, 2014 Series C, refund all of the outstanding Power System Revenue Bonds, 2014 Series D, and pay certain costs of issuance. The refinancing resulted in net present value savings of approximately \$38.78 million, equivalent to 11.09 percent of the refunded bonds. The Power 2024 C Bonds will be payable out of the Power Revenue Fund.

## **Investments**

LADWP manages the investments of certain Trust Fund Accounts. These funds are separate from funds held in the Power Revenue Fund and Water Revenue Fund, which are managed along with other City Departments' funds by the City Treasurer in a pooled investment program. Activities related to these Trust Fund Accounts include:

<b>Trust Fund</b>	<b>Market Value June 30, 2024</b>	<b>Reinvestments</b>	<b>Interest Received</b>	<b>Month-End Yield</b>
<b>Debt Reduction Trust Fund</b>	\$ 515,741,998	\$ 31,917,090	\$ 1,414,502	4.57%
<b>Palo Verde Nuclear Decommissioning</b>	156,152,855	6,234,753	310,333	2.72%
<b>Water Expense Stabilization</b>	56,794,496	6,455,218	152,817	5.13%
<b>Natural Gas</b>	12,785,162	-	46,377	5.18%
<b>Treatment Storage and Disposal</b>	2,527,316	305,000	7,524	5.40%
<b>CAISO Markets Trust Fund</b>	10,513,945	-	51,615	5.18%
<b>Total</b>	<b>\$ 754,515,772</b>	<b>\$ 44,912,061</b>	<b>\$ 1,983,168</b>	<b>4.25%</b>

## **Risk Control/Credit**

LADWP maintains a natural gas hedging program to mitigate volatility of gas prices and stabilize customer rates.

Below is the natural gas hedging status as of June 30, 2024.

<b>Delivery Period</b>	<b>Percent of Total Budgeted Volume ( % )*</b>
FY 2024-25	40%
FY 2025-26	28%
FY 2026-27	22%
FY 2027-28	13%
FY 2028-29	3%

*\*Based on the Board-approved Budget as of June 11, 2024*



## **SCPPA Accounting & Investments**

On June 4, 2024, SCPPA (the “Authority”) issued \$192,625,000 of Apex Power Project Refunding Revenue 2024 Series A Bonds (the “2024A Bonds”). The 2024A Bonds are being issued to refund the Authority’s outstanding Apex Power Project Refunding Revenue Bonds, 2014 Series A and Apex Power Project Refunding Revenue Bonds, 2014 Series B and pay costs of issuance relating to the 2024A Bonds. The refinancing resulted in net present value savings of approximately \$27.93 million, equivalent to 12.14 percent of the refunded bonds.

## **INTERNAL AUDIT DIVISION**

### **Audits Started in June 2024**

1. Compliance Audit of LADWP over California Public Records Act (CPRA) for Calendar Year 2024

In accordance with our audit plan, we have started a compliance audit of LADWP over CPRA for calendar year 2024. The audit is required to ensure that the LADWP’s CPRA Clearinghouse is in compliance with the CPRA Government Code 7920 et seq., and to fulfill the requirement to conduct an annual audit as part of a legal settlement related to the CPRA (settlement). This audit is the second of the three annual audits required by the settlement.

The CPRA Government Code Section 7922.535 establishes timelines, notification requirements, and assistance provisions for agencies to comply when handling public record requests. When a request for public records is received, LADWP is to determine within ten days whether requested records, in whole or in part, are disclosable as public records and in its possession. LADWP must notify the requestor of the determination and provide reasons for any denials within the scope of the CPRA. Additionally, in exceptional circumstances, LADWP may extend the time limit by up to 14 days. If the records are disclosable, the agency must provide an estimated date and time for access. The requester may also need to submit a written request if the records are not easily identifiable. Overall, CPRA Government Code Section 7922.535 ensures transparency and establishes procedures for agencies to handle public records requests.

The purpose of this audit is to determine whether LADWP has appropriately met the established timelines and notification requirements in responding to public records requests as required by the CPRA Government Section Code 7922.535, and report to the LADWP Board of Commissioners by February 1, 2025: 1) the actual calculated accuracy with which the LADWP met the 10-day response deadline set forth as a percentage of the total response to CPRA requests during the calendar year 2024. The expected accuracy rate for calendar year 2024 is 85 percent; 2) The actual calculated number of times the LADWP utilized a 14-day extension in response to a CPRA request, set forth as calculated as a percentage of the total

responses to CPRA requests during calendar year 2024; and 3) The actual mean, mode, and median number of days required for LADWP to produce responsive records to the CPRA requests during calendar year 2024.

## 2. Scheduling Coordinator of Self-Audit of Energy Imbalance Market

In accordance with our Audit Plan, we have started the Scheduling Coordinator Self-Audit of Energy Imbalance Market (EIM) for the audit period of September 1, 2022 through July 31, 2024. The audit is required to comply with the California Independent System Operator (CAISO) Tariff requirement as part of LADWP's participation in the CAISO EIM. LADWP has been certified by CAISO as an EIM Entity Scheduling Coordinator.

Per CAISO Tariff 10.3.10.1, at least every two years, each Scheduling Coordinator shall (or engage an independent, qualified entity to conduct) audit and test the Metering Facilities of the Scheduling Coordinator Metered Entities that it represents and the Meter Data provided to the Scheduling Coordinator in order to ensure compliance with all applicable requirements of any relevant Local Regulatory Authorities and the Scheduling Coordinator Metered Entity's Settlement Quality Meter Data (SQMD) Plan. The Scheduling Coordinator shall undertake any other actions that are reasonably necessary to ensure the accuracy and integrity of the SQMD (actual or estimated) provided by them to the CAISO. In addition, the Scheduling Coordinator will submit a management attestation asserting audit completion and as evidence that the Scheduling Coordinator is meeting the Tariff requirement. The management attestation is due to the CAISO on October 31, 2024.

The purposes of our audit are to verify that SQMD data obtained through qualifying revenue meters and metering facilities complied with standards, policies, and procedures established by the LADWP Bulk Electric System Meter Policy and to verify the electrical engineering design drawing submissions to CAISO were accurate and appropriate. Additionally, we want to determine whether internal controls over meter testing, data collection, and data reconciliation were adequate to ensure the SQMD data submitted to CAISO were accurate, complete, and appropriate.

## 3. Audit of LADWP Power Source Disclosure Program Annual Reports Calendar Year 2023

At the request of the Power System, we have started an annual independent audit of the LADWP Annual Report of Power Source Disclosure for the calendar year 2023. The audit report will be submitted to the California Energy Commission (CEC).

The audit will follow the agreed-upon procedures established by CEC in accordance with the standards for Attestation Engagements, Section 600, Statements on Auditing Standards, Section 622, promulgated by the American Institute of Certified Public Accountants.

The 2023 Annual Power Content Label and our independent audit reports are due to CEC by October 1, 2024.

The 2023 Annual Power Content Label will include two products, namely the LADWP Power Mix and the Green Power for Green LA Power Mix. An audit report will be issued for each of the products

### Audits in Progress

There were ten audits in progress.

### Audits Completed in June 2024

1. Audit of Compliance with the Loan Program Requirements under Los Angeles Administrative Code Section 23.141 for the Calendar Year Ended December 31, 2023

As required by Los Angeles Administrative Code (LAAC) Section 23.141(i), we have completed an audit of compliance with the Loan Program Requirements under LAAC Section 23.141, for the calendar year ended December 31, 2023.

LAAC Section 23.141 Subsection (i) requires that audits be conducted to validate the number of loan agreements entered into, to analyze and summarize delinquency and default rates by customers, to determine the amount of administrative costs and expenses, and to verify whether the conditions described in LAAC Section 23.141 have been satisfied. The Chief Executive Officer and Chief Engineer, and Chief Financial Officer shall report the audit findings to the Board of Water and Power Commissioners (Board) and the City Council on at least an annual basis.

Our objectives were to validate the number of loans awarded, to analyze and summarize delinquency and default rates by customers, to determine the amount of administrative costs and expenses, and to verify whether the requirements described in the LAAC Section 23.141 (b) through (h), relating to the qualification of borrowers, interest rates charged, loan amount limits, credit checking and other requirements, have been met.

Based on our audit, we noted that under the Loan Program, 80 loans totaling \$81.4 million were awarded from 2002 to 2023. As of December 31, 2023, all three outstanding loans totaling \$640,255 were made to qualified LADWP commercial customers.

Additionally, noted that the aggregate outstanding loans made to LADWP customers other than the City of Los Angeles did not exceed the \$15 million limit, as stipulated under LAAC Section 23.141 (g), and no outstanding loans were found to exceed the term limits set by LAAC Section 23.141 (e).

We also noted that the total LADWP percentage costs of processing and servicing the loans for the last three calendar years were significantly below the average interest rates charged by the LADWP.

The audit concludes that the Loan Program complied with the requirements stipulated in LAAC Section 23.141.

## 2. Audit of Vehicle Take-Home Authority (VTHA)

At the request of the Chief Operating Officer and in accordance with our audit plan, we have completed an audit of the VTHA program for Fiscal Years 2020-21 through 2022-23.

In 1978, the Board adopted Board Resolution 077 (BR077) to provide uniform standards for the use of LADWP vehicles during other than regular working hours. BR077 indicates that the number of vehicles used during other than working hours should be minimal and consistent with the need to provide essential services. BR077 also states that LADWP “vehicles are working tools required by the individual job assignment and not part of compensation, an inducement to employment, or a means of transportation from home to the workplace.” Based on these premises and other criteria set forth in BR077, the LADWP established the VTHA program to allow employees to use LADWP vehicles during other than regular working hours.

The purposes of the audit were to evaluate whether internal controls over the authorization, assignment, usage and monitoring of take-home vehicles were adequate and being followed; determine if the approval processes were consistently applied throughout LADWP; determine if VTHA program policies and procedures were adequate and in compliance with federal and state regulations, city and department policies, and labor agreements; and determine if timekeeping records reflected appropriate time codes and employees’ take-home vehicle usage was reported in accordance with IRS taxation rules and regulations, as applicable. Furthermore, we examined policies concerning timekeeping requirements, and whether associated internal controls were in place.

Based on our audit, we concluded that while the VTHA program policies and procedures were adequate and in compliance with federal and state regulations, city and department policies, and labor agreements, they were not consistently enforced or followed. Additionally, internal controls over the authorization, assignment, usage, and monitoring of take-home vehicles need improvement. More specifically, we noted the following areas for improvement:

1. Information for the vehicles and employees in the VTHA Web and Fleet Application were incomplete and inaccurate, resulting in employees to possess a take-home vehicle without an approved VTHA application.

- 1.1 Ten employees had take-home vehicles without an approved VTHA application.
  - 1.2 Thirteen employees listed on the Fleet Application with assigned take-home vehicles were no longer active employees.
  - 1.3 Thirty-eight units marked as assigned take-home vehicles in the Fleet Application remained open.
  - 1.4 Fifty-nine employees had a take-home vehicle unit number in the Fleet Application that did not agree with the vehicle unit number noted in the VTHA Web.
2. Employees had take-home vehicles without obtaining Executive approval as required by the VTHA Policy.
3. There were discrepancies in the reporting of timekeeping code and commuter mileage that may have impacted the calculation of employees' taxable benefits for the VTHA program.
    - 3.1 Twenty-eight employees with take-home vehicles that were not exempt from reporting taxable compensation did not enter timekeeping code CMVH for the 2023 tax year to indicate that the take-home vehicle was used for commuting purposes under the VTHA program.
    - 3.2 There were inconsistencies between the commuting mileage reported on employees' Form A versus the commuting mileage reported on employees' VTHA applications.
3. Audit of Purchasing Card Program for the period from April 1, 2021 through April 30, 2023

The Purchasing Card (P-Card) Program of LADWP is a credit card-based system that allows cardholders to procure item(s) that are low cost, non-inventory, non-capital, and non-contract on an as-needed basis. Supply Chain Services publishes a P-Card Handbook, which provides an overview of the P-Card Program, associated roles and responsibilities, guidelines for card use, information on prohibited purchases and practices, controls, and securities, and more.

LADWP's P-Card Program contract is a piggyback off the City Controller's Program, and the P-Card program policies, rules, and guidelines are set by the Los Angeles City Controller.

The purposes of this audit were to determine whether the LADWP's purchasing policies and P-Card guidelines were followed; to validate all purchases were allowable for LADWP business use only and in accordance with the P-Card guidelines; to ensure purchases were for low-dollar, non-inventory, non-capital and non-contract items; and to verify that internal controls over the P-Card administration were in place and functioning effectively.

Based on our audit, we concluded that in general, LADWP's P-Card purchasing policies, P-Card guidelines, and internal controls over P-Card administration were followed and working as intended.

However, we observed the following areas for improvement:

1. Split purchases were not identified or flagged by the P-Card Administration.
2. Nineteen purchase transactions' supporting documentation were either missing or inadequate to validate that purchases were lowest price or properly approved, in accordance with the P-Card policies and guidelines.
3. One P-Card purchase was inappropriately delivered to an address outside a verified LADWP location, or the shipping location could not be verified.
4. A P-Card Purchasing Record packet and supporting documentation could not be located on FileNet, resulting in insufficient support to validate or determine the appropriateness of transactions.
5. Recurring purchases for ergonomic equipment and purchases that could be made through an authorized vendor or existing LADWP contract were made instead on P-Card.

#### Other Activities in June 2024

1. The Palo Verde Generating Station Operations & Maintenance and Capital Improvement Audit of Calendar Year 2023 was started, LADWP is the audit coordinator.