



INFORMATIONAL BOARD LETTER

Ann M. Santilli
Ann M. Santilli (Oct 23, 2024 09:26 PDT)

ANN M. SANTILLI
Chief Financial Officer

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: October 15, 2024

SUBJECT: Financial Services Organization Monthly Activities Report – August 2024

ACCOUNTING AND FINANCIAL REPORTING DIVISION

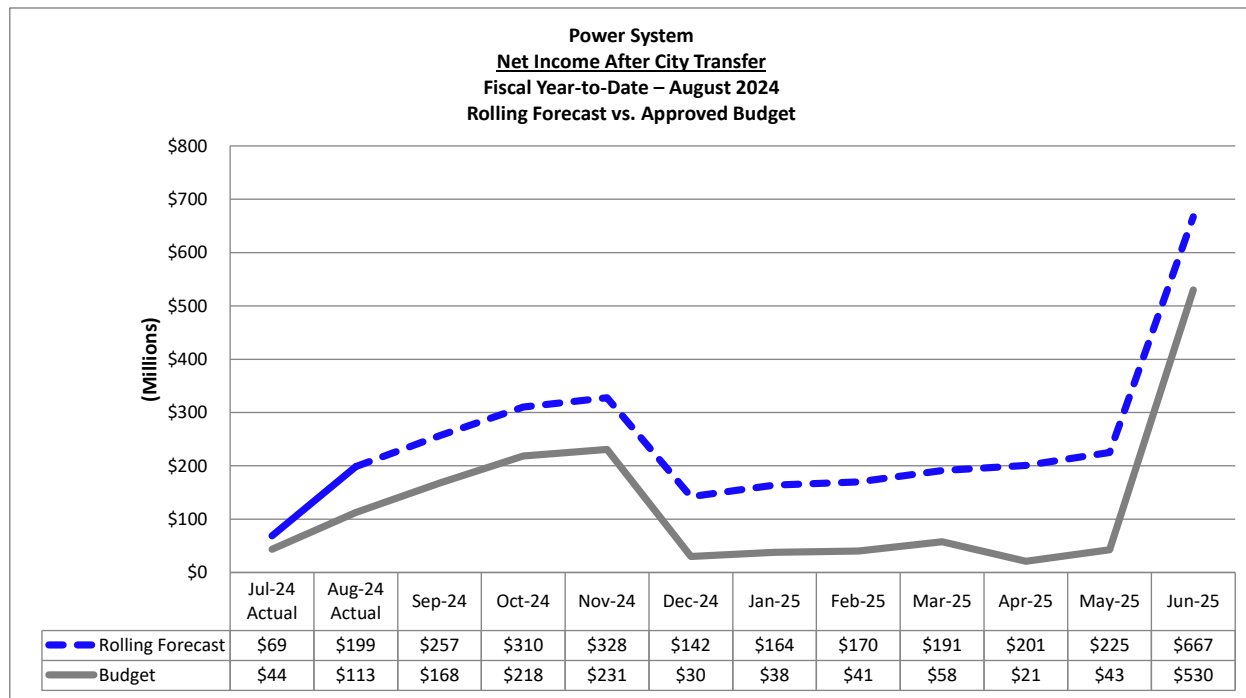
Monthly Cash Activity for the Water and Power Revenue Funds – August 2024

Receipts, disbursements, and cash balances of the Water and Power Revenue Funds are shown below for the month ending August 31, 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 - August 1, 2024	\$ 444,870	\$ 1,336,948
ADD: Customer Collections	218,347	588,148
DWP Interfund Transfers	119,789	118,411
Other City Departments	5,097	18,920
Interest on Pooled Cash	2,015	6,866
Construction Fund	-	1,735
Total Receipts	<u>345,248</u>	<u>734,080</u>
LESS: Payments to Vendors	69,570	311,996
Payroll	49,025	113,232
DWP Interfund Transfers	127,230	148,847
W&P Active Employees Health Benefits - Fund 922	9,268	18,559
Bond Redemption and Interest	1,231	2,822
Sewer, Utility Taxes & Refuse	54,662	70,329
Other City Departments	1,807	1,217
Transfer to Restricted Cash	2,386	4,902
Total Disbursements	<u>315,179</u>	<u>671,904</u>
Ending Balance - August 31, 2024	<u>\$ 474,939</u>	<u>\$ 1,399,123</u>

BUDGET, FINANCIAL PLANNING AND RATES DIVISION

Power System

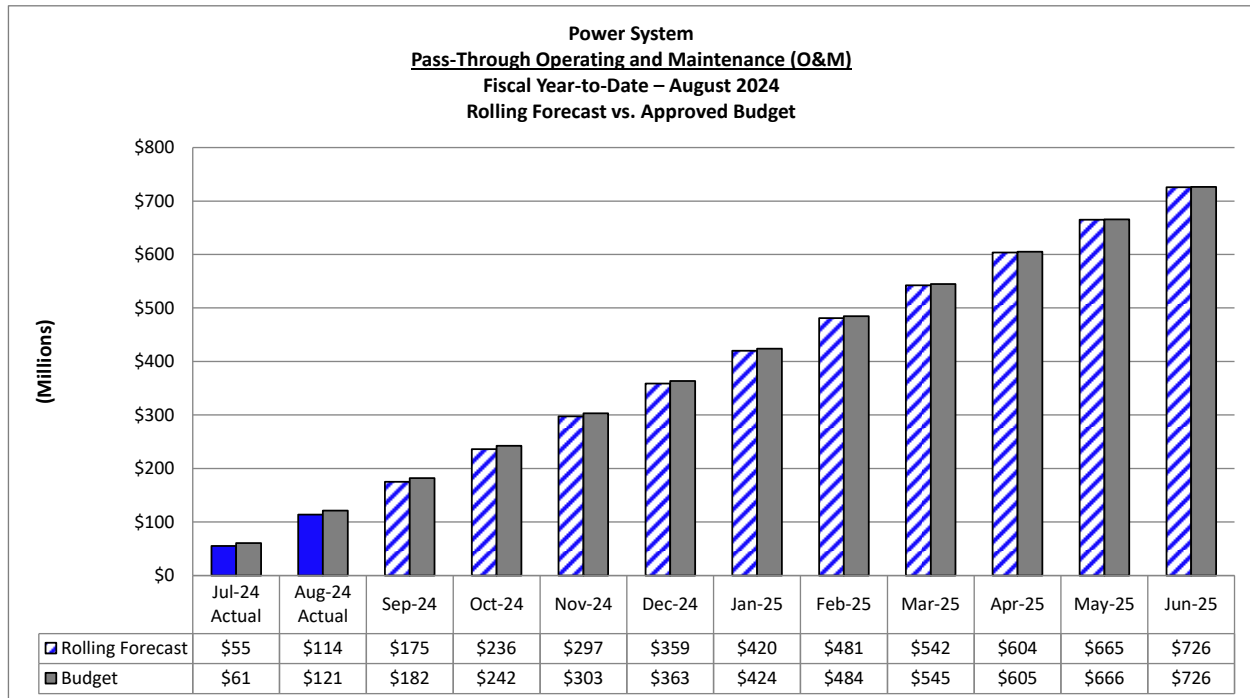


- FYTD actual net income is \$86M higher than budget, mainly due to higher-than-expected wholesales and other revenue and a decrease in operating expenses.
- The year-end forecast is expected to be \$137M higher than budget, mainly due to decrease in operating expenses - \$78M and reduction in purchase power expenses - \$24M.

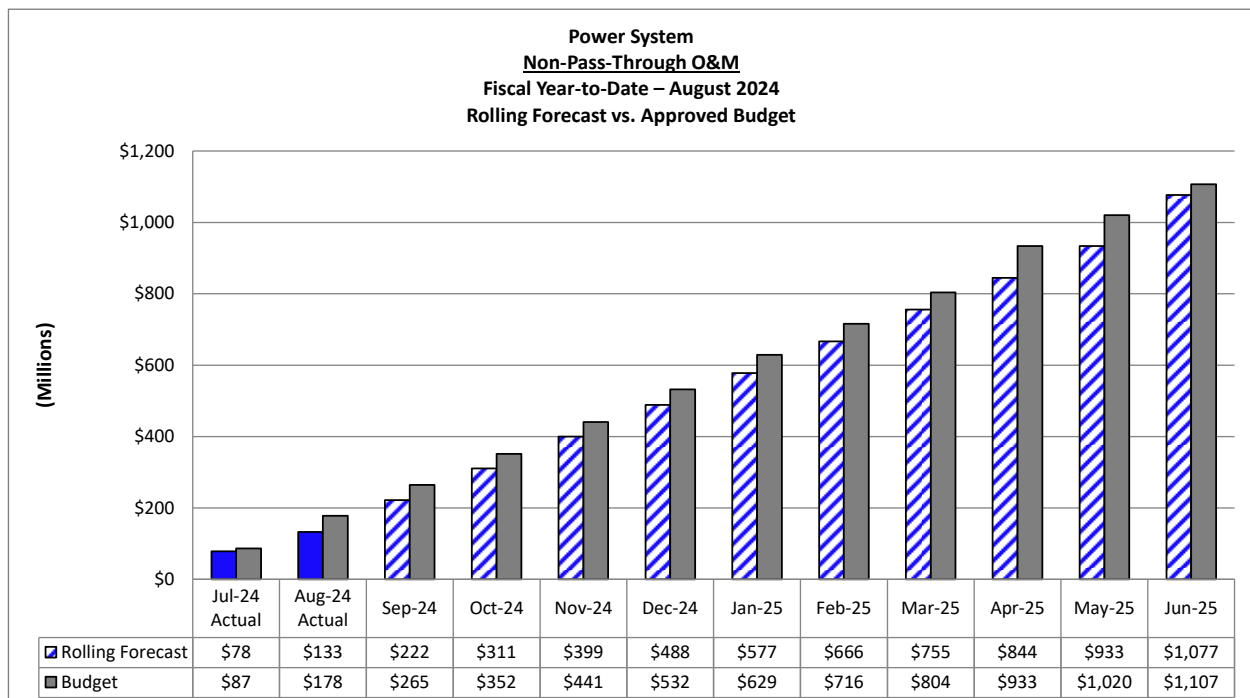
Los Angeles Department of Water and Power
Power System Income Statement
as of August 2024
(Amounts in millions)

	Year-To-Date as of August 2024				Annual			
	Actual	Budget	Variance	Variance %	Year-end Forecast	Budget	Variance	Variance %
Consumption (GWh)								
Retail Sales Consumption	3,967	4,014	(47)	(1.2%)	21,527	21,574	(47)	(0.2%)
Net Energy for Load	4,845	4,833	12	0.3%	24,623	24,611	12	0.0%
Operating Revenues								
Base Revenue - Billed	\$393.8	\$391.5	\$2.3	0.6%	\$1,993.1	\$1,990.8	\$2.3	0.1%
Pass-Through Revenue - Billed	536.1	530.2	5.9	1.1%	3,069.5	2,999.4	70.1	2.3%
Total Billed Revenue	\$929.9	\$921.7	\$8.2	0.9%	\$5,062.6	\$4,990.2	\$72.4	1.5%
(Over)/Under Collection on Pass-Through Revenue	(80.2)	(54.5)	(25.7)	47.1%	147.3	227.9	(80.7)	(35.4%)
Total Retail Revenue	\$849.7	\$867.2	(\$17.5)	(2.0%)	\$5,209.8	\$5,218.1	(\$8.3)	(0.2%)
Bad Debt	(4.4)	(9.2)	4.8	(52.3%)	(45.7)	(49.9)	4.2	(8.4%)
Other Revenue	34.4	11.8	22.3	191.2%	127.9	65.2	62.6	96.0%
Total Operating Revenues	\$879.7	\$869.8	\$9.9	1.1%	\$5,292.0	\$5,233.5	\$58.5	1.1%
Operating Expenses								
Fuel and Purchased Power Expenses	\$257.9	\$284.4	(\$26.5)	(9.3%)	\$1,569.3	\$1,599.5	(\$30.2)	(1.9%)
Pass-Through Operations & Maintenance	113.7	121.2	(7.5)	(6.2%)	726.0	726.5	(0.5)	(0.1%)
Non-Pass-Through Operations & Maintenance	132.5	178.1	(45.6)	(25.6%)	1,076.7	1,106.7	(30.0)	(2.7%)
Total Operations and Maintenance	\$246.2	\$299.3	(\$53.1)	(17.7%)	\$1,802.7	\$1,833.2	(\$30.5)	(1.7%)
Depreciation, Amortization & Decommissioning	134.8	147.9	(13.1)	(8.9%)	873.1	890.2	(17.1)	(1.9%)
Property Tax	3.1	3.2	(0.1)	(3.8%)	18.9	19.1	(0.2)	(1.1%)
Total Operating Expenses	\$642.0	\$734.7	(\$92.8)	(12.6%)	\$4,264.0	\$4,342.0	(\$78.0)	(1.8%)
Operating Income	\$237.8	\$135.1	\$102.7	76.0%	\$1,028.0	\$891.5	\$136.5	15.3%
Other Income and Expenses								
Other Income	\$29.9	\$41.8	(\$11.9)	(28.4%)	\$230.7	\$250.6	(\$19.9)	(8.0%)
Net Debt Expenses	(67.4)	(74.2)	6.8	(9.2%)	(425.8)	(445.4)	19.6	(4.4%)
Contributions in Aid of Construction	(1.5)	10.2	(11.7)	(114.8%)	53.8	61.2	(7.3)	(12.0%)
Total Other Income and Expenses	(\$39.0)	(\$22.3)	(\$16.7)	75.2%	(\$141.3)	(\$133.6)	(7.7)	5.8%
Net Income Before City Transfer	\$198.7	\$112.8	\$85.9	76.2%	\$886.7	\$757.9	\$128.8	17.0%
City Transfer	0.0	0.0	0.0	0.0%	(219.9)	(228.0)	8.2	(3.6%)
Net Income	\$198.7	\$112.8	\$85.9	76.2%	\$666.8	\$529.9	\$136.9	25.8%

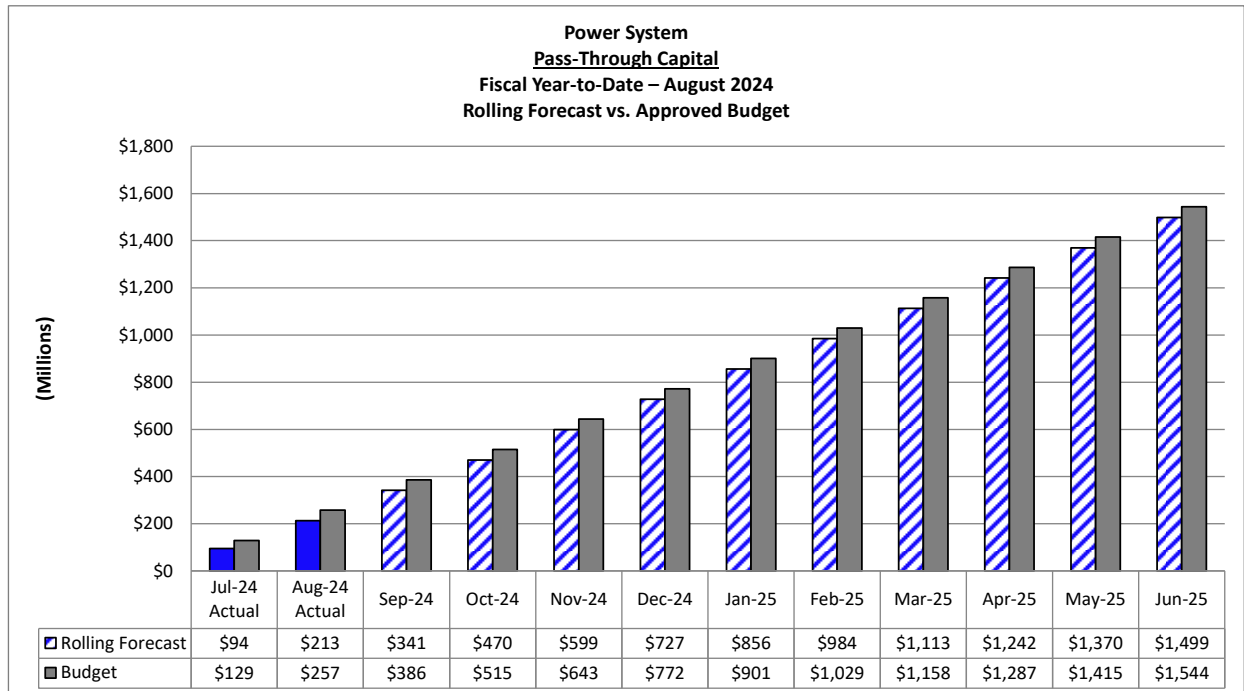
- FYTD actual and year-end forecast for Total Operating Expenses are \$93M and \$78 lower than budget, respectively, mainly due to lower-than-expected O&M expenses and Fuel and Purchase Power expenses.
- FYTD actual and year-end forecast for Contributions in Aid of Construction (CIAC) are \$12M and \$7M lower than budget, mainly due to accrued CIAC revenue for EOFY 2023-24, that was reversed this fiscal year.



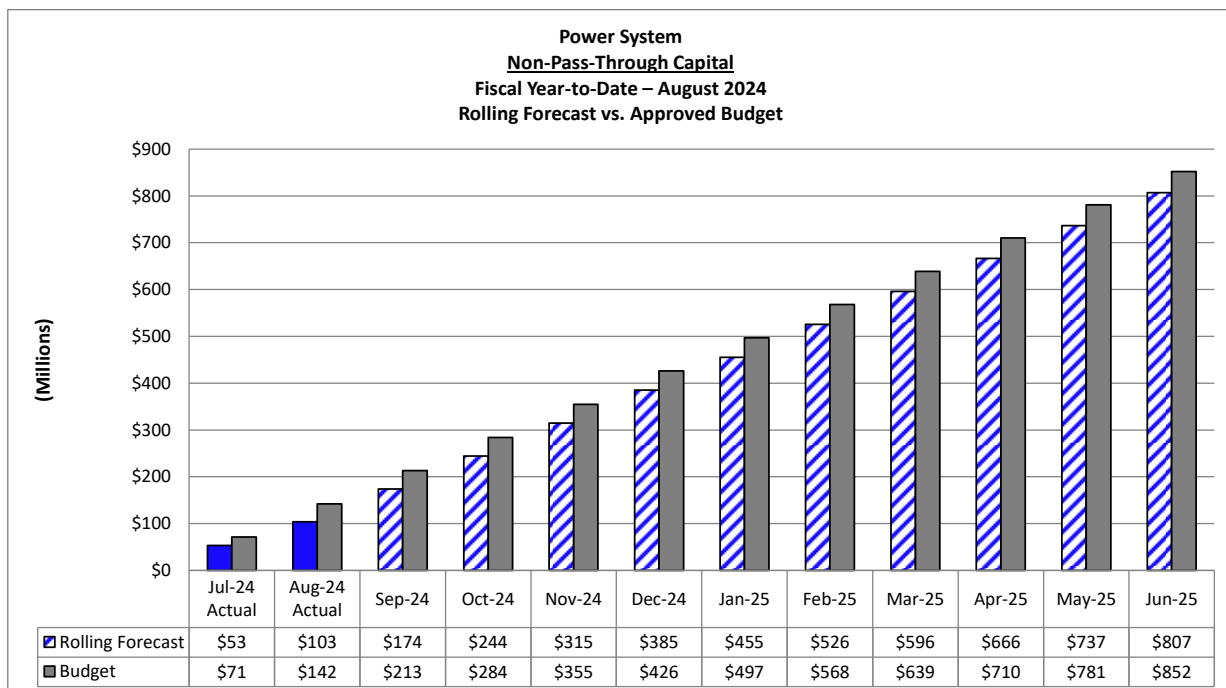
- FYTD pass-through O&M actual is \$7M lower than budget, mainly due to underspending in the Power System Reliability Program (PSRP) - \$6M.
- The year-end pass-through O&M forecast is in-line with budget.



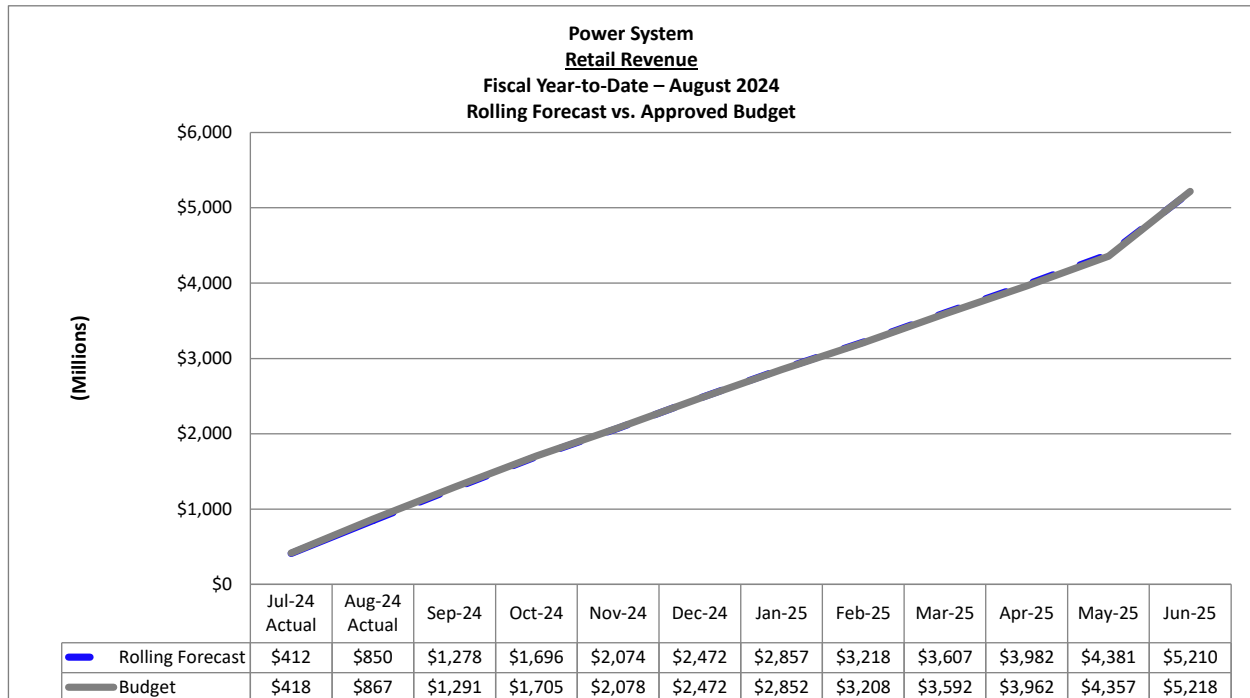
- FYTD non-pass-through O&M is \$45M lower than budget, mainly due to underspending in Operating Support - \$11M, underspending in Infrastructure - \$4M and other miscellaneous accounting adjustments.
- The year-end non-pass-through O&M is \$30M lower than budget, mainly due to underspending in Operating Support - \$23M, and Infrastructure - \$7 M.



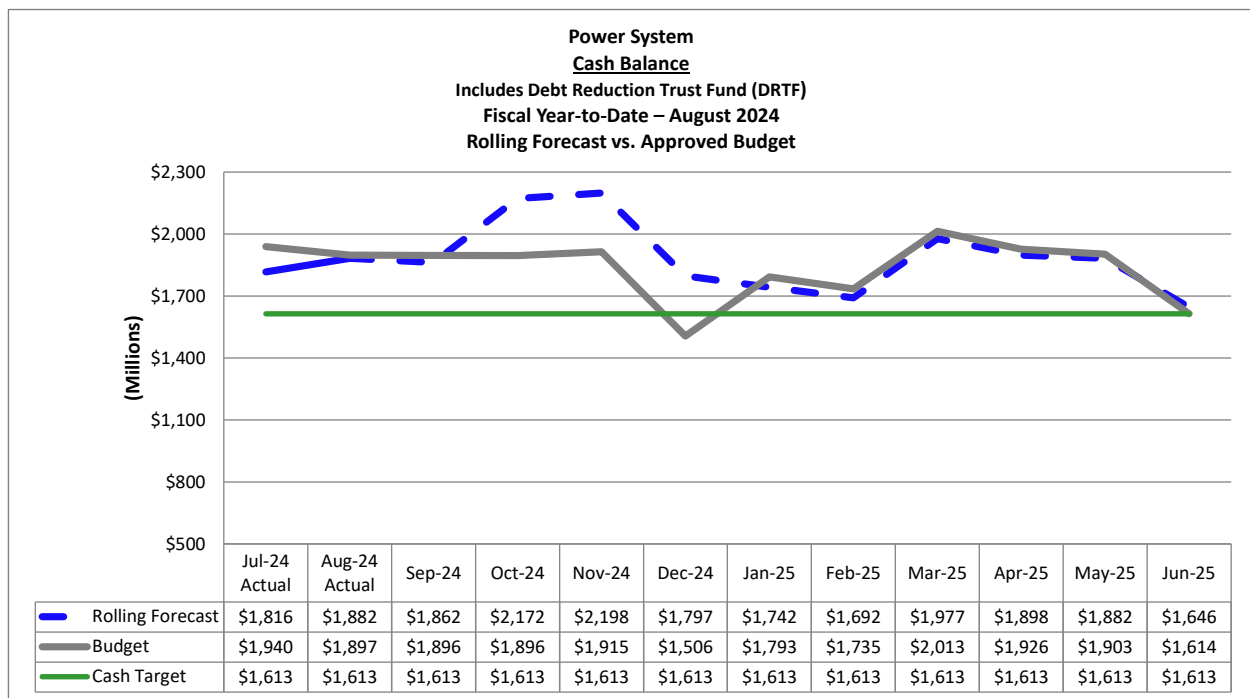
- FYTD pass-through capital expenditures is \$44M lower than budget, mainly due to underspending in PSRP - \$17M, Energy Efficiency (EE) - \$16M and RPS - \$11M.
- The year-end pass-through capital expenditures is \$45M lower than budget, mainly due to underspending in PSRP - \$19M, Energy Efficiency (EE) - \$15M and RPS - \$11M.



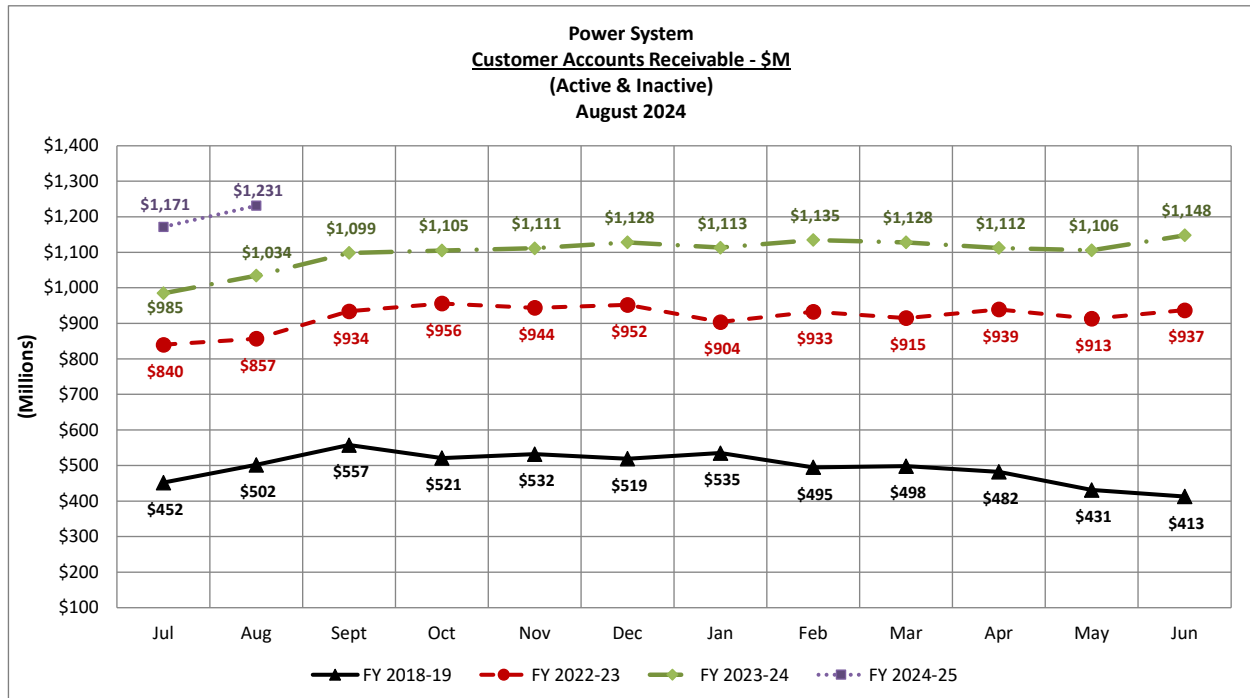
- FYTD non-pass-through capital expenditures is \$39M lower than budget, mainly due to underspending in Operating Support - \$28M and Infrastructure - \$11M.
- The year-end non-pass-through capital expenditures is \$45M lower than budget, mainly due to underspending in Operating Support - \$32M and Infrastructure - \$13M.



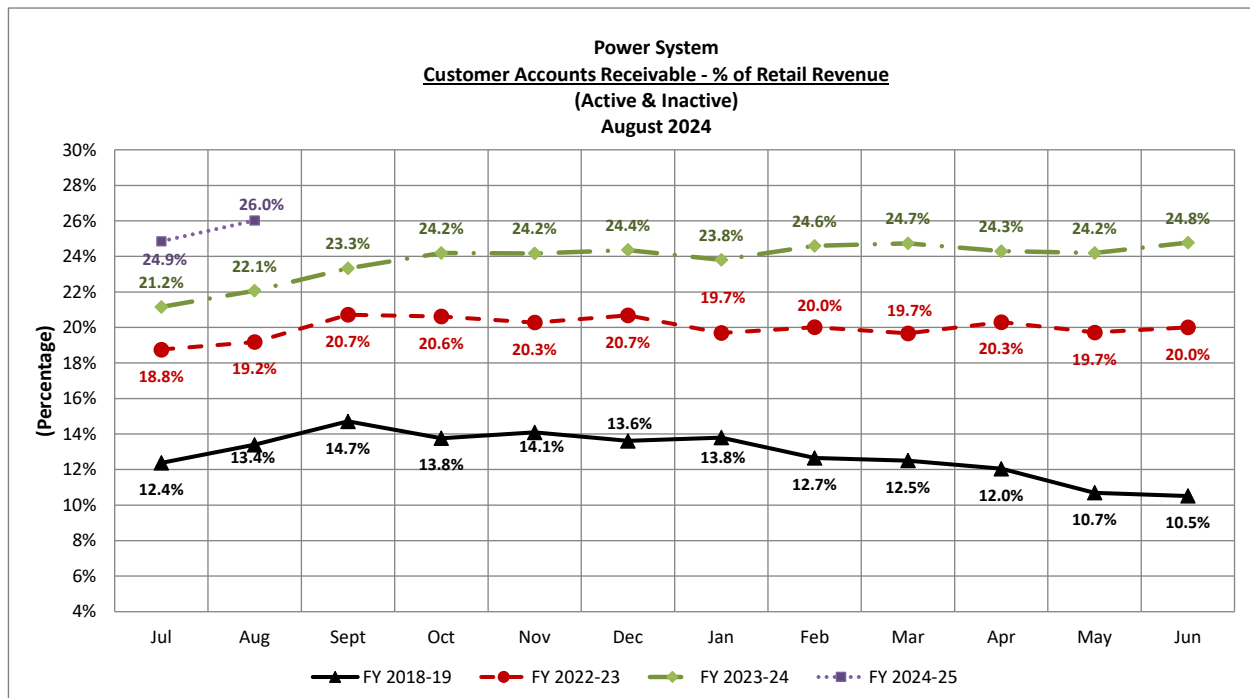
- Actual retail revenue is \$17M lower than budget, mainly due to higher-than-expected Energy Cost Adjustment Factor (ECAF) over-collection.
- FYTD retail revenue is \$8M lower than budget, mainly due to a lower-than-expected ECAF under-collection.



- FYTD actual cash is \$15M lower than budget and \$269M above the cash target.
- The year-end forecast cash balance is expected to be \$32M above the budget and \$33M above the cash target.

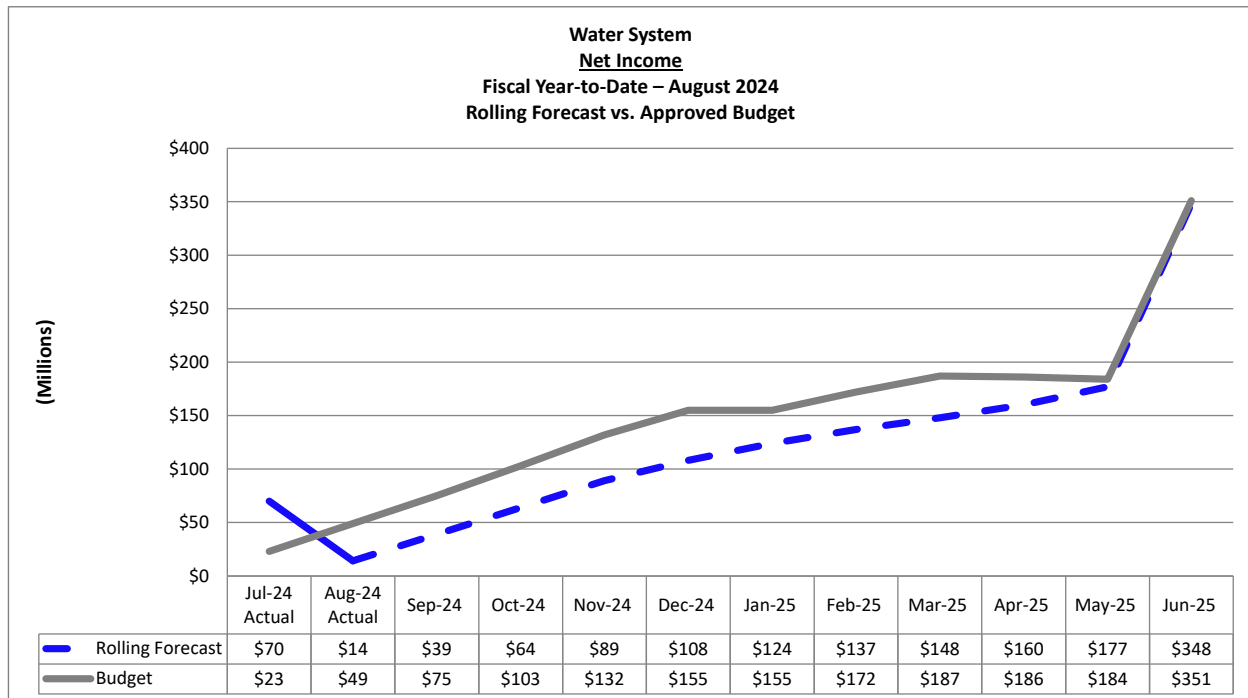


- August 2024 A/R balance is \$197M higher than August 2023 and \$374M higher than August 2022.



- Accounts receivable as a % of retail revenue in August 2024 is 3.9% higher than August 2023 and 6.8% higher than August 2022.

Water System

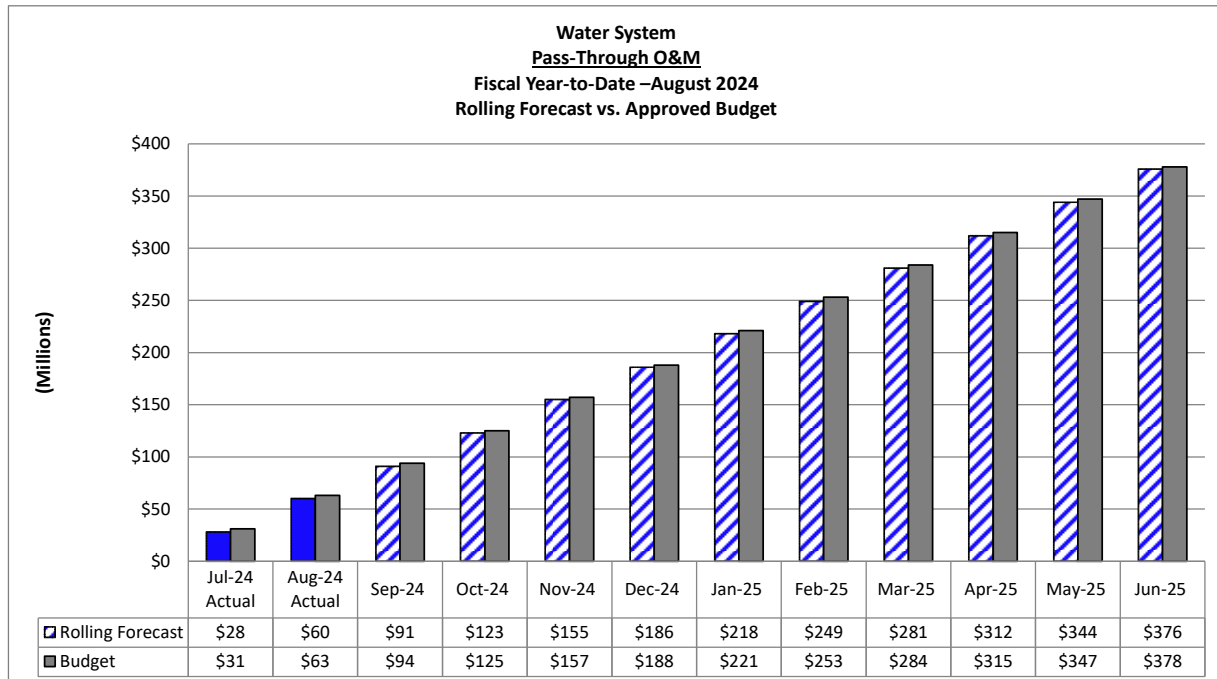


- FYTD actual net income is \$35M lower than budget, mainly due to a decrease in Operating Income of \$29M, a decrease in Contribution in Aid of Construction of \$12M and offset by a decrease in Interest Expense of \$6M.
- The year-end forecast is \$3M lower than the budget, which includes an estimated BRRTA shortfall of \$150M related to the decoupling mechanism.

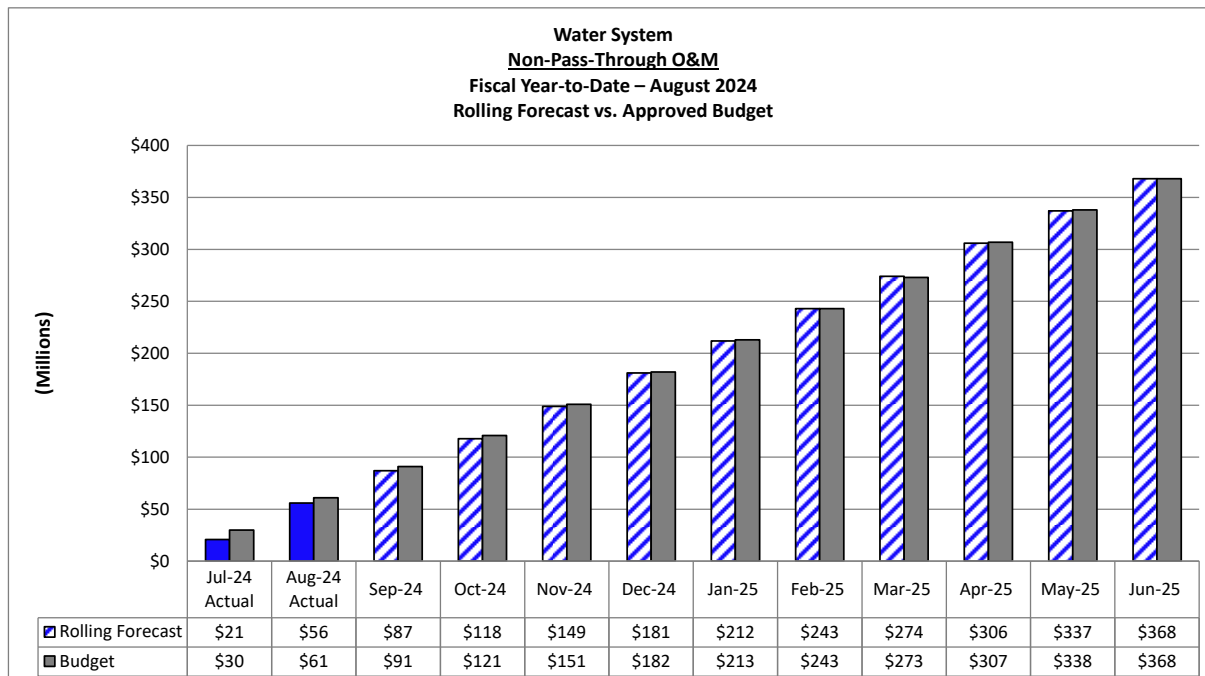
Los Angeles Department of Water and Power
Water System Income Statement
As of August 2024
(Amounts in millions)

	Year To Date As of August 2024				Annual			
	Actual	Budget	Variance	Variance %	Year-end Forecast	Approved Budget	Variance	Variance %
Consumption (MHCF)								
Retail Sales Consumption	34.3	34.6	(0.2)	(0.7%)	177.1	178.2	(1.1)	(0.6%)
Operating Revenues								
Base Revenue - Billed	\$82.9	\$78.1	\$4.8	6.1%	\$405.5	\$402.6	\$2.9	0.7%
Pass-Through Revenue - Billed	265.3	271.1	(5.8)	(2.1%)	1,503.8	1,511.6	(7.8)	(0.5%)
(Over)/Under Collection on Pass-Through Revenue	(98.7)	(75.3)	(23.5)	31.2%	(228.5)	(179.0)	(49.5)	27.7%
Retail Revenue	\$249.4	\$273.9	(\$24.5)	(8.9%)	\$1,680.8	\$1,735.2	(\$54.4)	(3.1%)
Bad Debt	(1.2)	(1.3)	0.1	(9.6%)	(7.7)	(7.7)	0.0	(0.1%)
Other Revenue	4.8	1.8	2.9	159.3%	14.0	11.1	2.9	26.3%
Total Operating Revenue	a \$253.1	\$274.5	(\$21.4)	(7.8%)	\$1,687.1	\$1,738.6	(\$51.5)	(3.0%)
Operating Expenses								
Purchased Water	\$49.5	\$30.8	\$18.7	60.7%	\$203.0	\$214.8	(\$11.8)	(5.5%)
Pass-Through Operations & Maintenance	59.7	\$62.7	(2.9)	(4.7%)	375.6	378.1	(2.5)	(0.7%)
Non-Pass-Through Operations & Maintenance	55.6	60.7	(5.1)	(8.5%)	368.1	367.7	0.4	0.1%
Total Operations and Maintenance	115.3	123.4	(8.0)	(6.5%)	743.8	745.9	(2.1)	(0.3%)
Depreciation & Amortization	42.2	45.5	(3.3)	(7.3%)	253.1	273.0	(19.9)	(7.3%)
Property Taxes	3.6	3.7	(0.0)	(0.8%)	22.0	22.0	0.0	0.0%
Total Operating Expenses	b \$210.7	\$203.3	\$7.3	3.6%	\$1,221.8	\$1,255.7	(\$33.9)	(2.7%)
Operating Income	(a-b) \$42.4	\$71.1	(\$28.7)	(40.4%)	\$465.3	\$482.9	(\$17.7)	(3.7%)
Other Income & Expenses	\$4.4	\$4.6	(\$0.2)	(4.2%)	\$27.8	\$27.6	\$0.2	0.7%
Interest Expense	(36.7)	(42.6)	5.9	(13.8%)	(229.4)	(255.6)	26.3	(10.3%)
Contribution in Aid of Construction (CIAC)	4.1	16.1	(12.0)	(74.4%)	84.5	96.5	(12.0)	(12.4%)
Net Income (Loss)	\$14.2	\$49.2	(\$35.0)	(71.1%)	\$348.3	\$351.4	(\$3.2)	(0.9%)

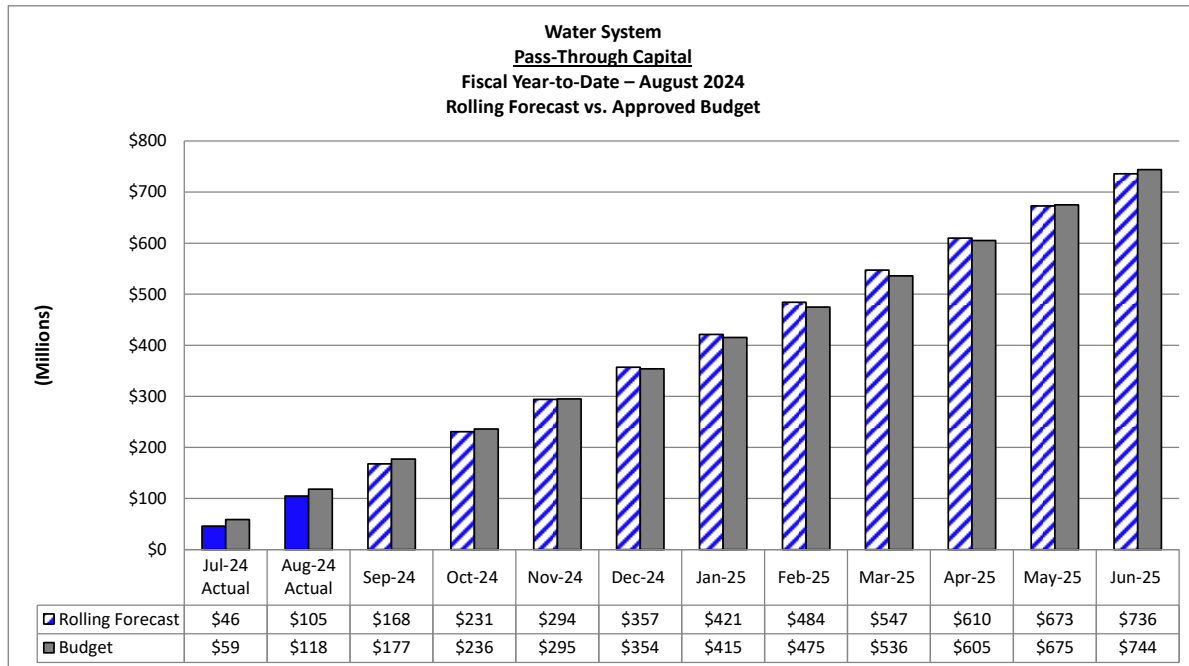
- FYTD actual retail revenue is \$25M lower than budget, mainly due to an increase of \$24M in over collection pass-through revenue.
- FYTD purchased water is \$19M higher than budget, mainly due to an overstated amount of approximately \$22.2M, which will be corrected in the upcoming September 2024 Accounting closing.
- FYTD actual O&M expenses are \$8M lower than budget, mainly due to underspending of \$5M in non-pass-through operations and maintenance and \$3M in pass-through operations and maintenance.
- FYTD Contribution in Aid of Construction (CIAC) is \$12M lower than the budget.



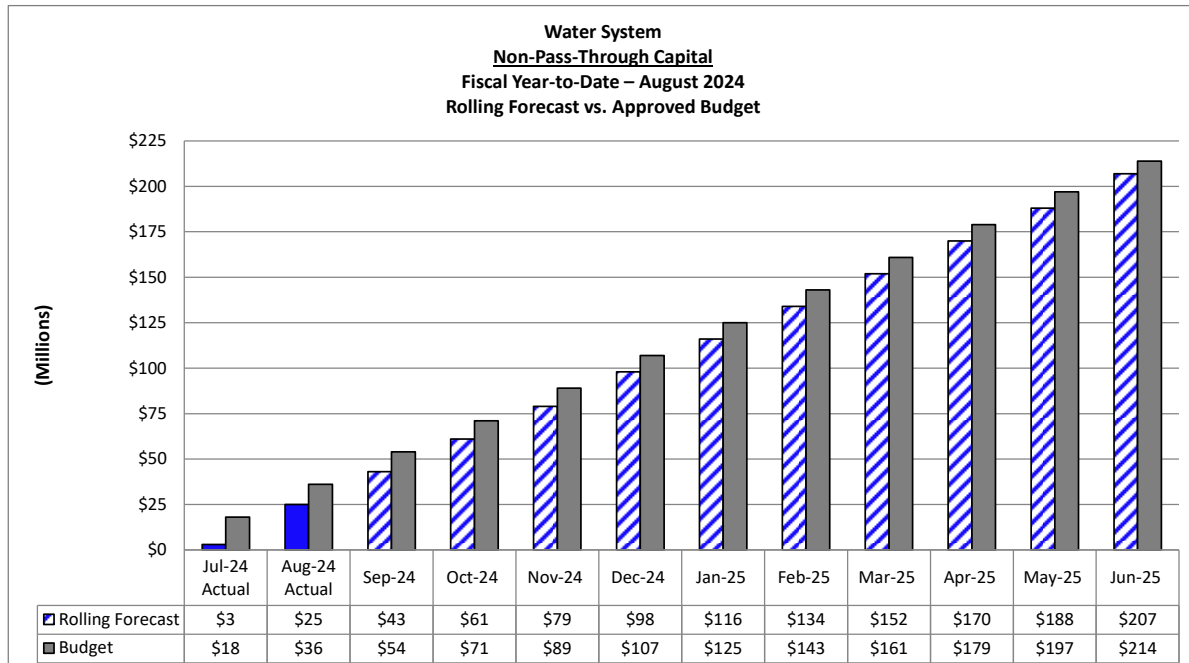
- FYTD actual pass-through O&M is \$3M lower than budget, mainly due to underspending in Water Quality \$4M, Groundwater \$3M, and Water Conservation \$1M and offset by overspending in L.A. Aqueduct \$2M, Recycled Water \$2M, and Owens Valley Regulatory \$1M.
- The year-end forecast is expected to be \$2M lower than budget, mainly due to underspending in Water Quality \$4M, Groundwater \$3M, and offset by overspending in L.A. Aqueduct \$2M, Recycled Water \$2M, and Owens Valley Regulatory \$1M.



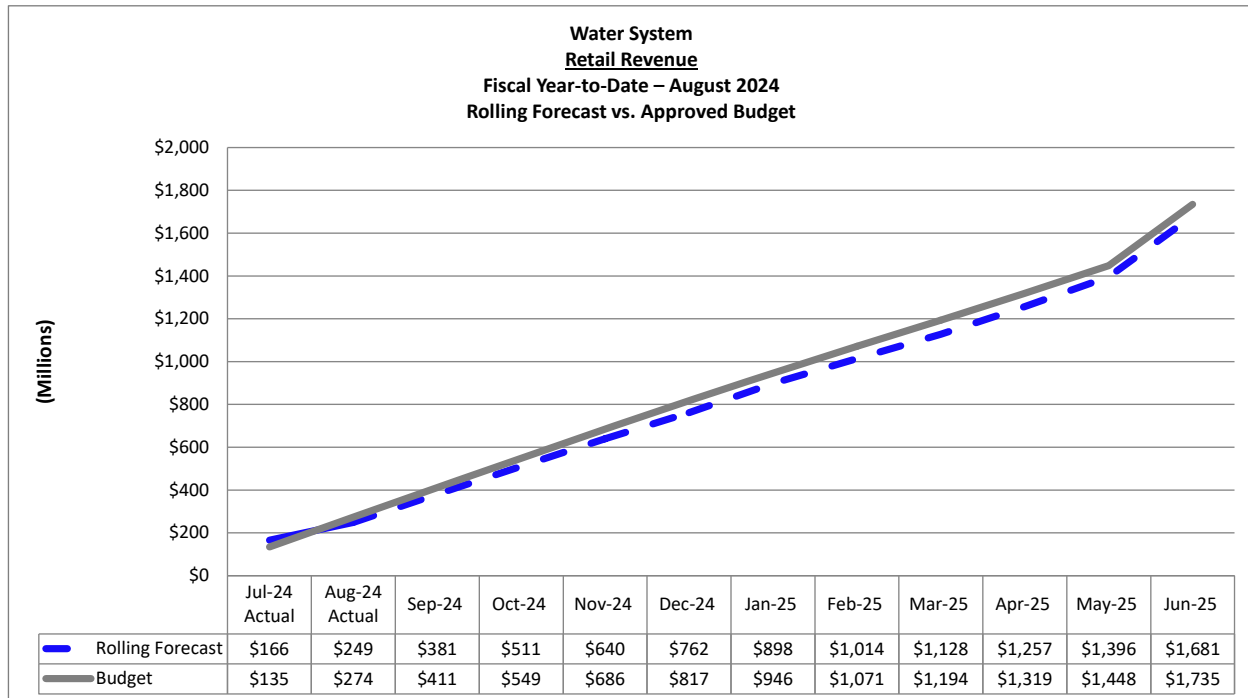
- FYTD actual non-passthrough O&M is \$5M lower than budget, mainly due to miscellaneous accounting adjustments, offset by overspending in Infrastructure Base by \$6M.
- The year-end non-pass-through forecast is in line with the budget.



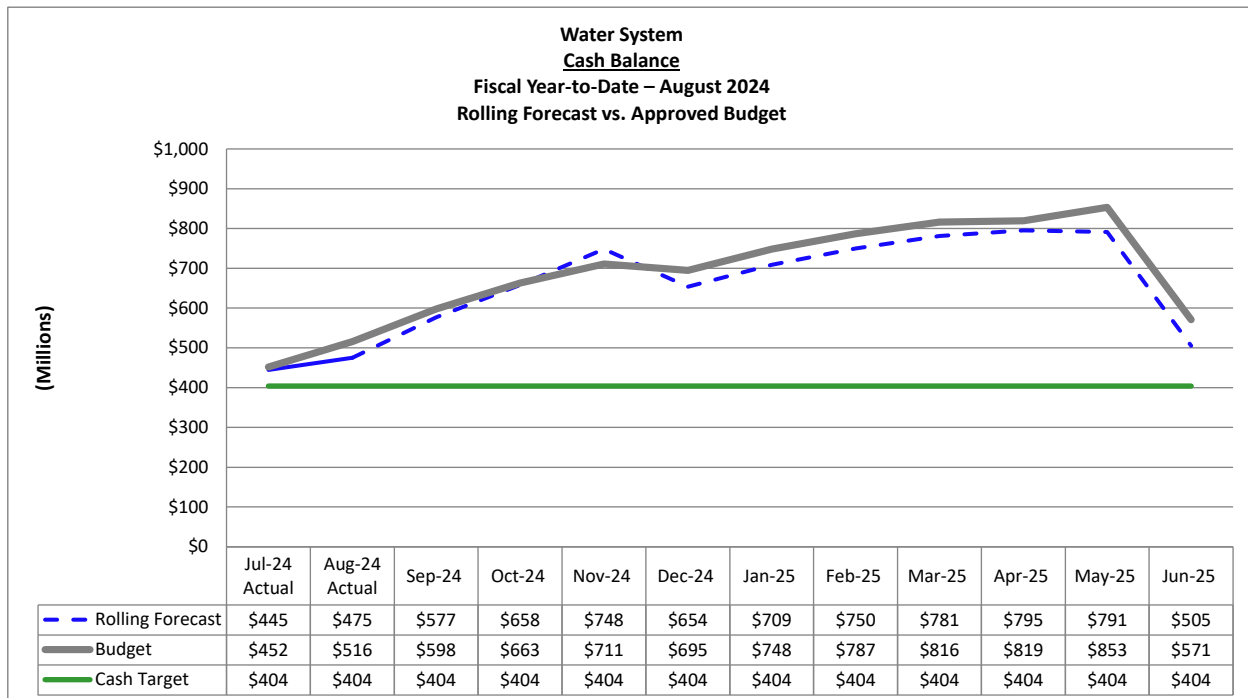
- FYTD actual pass-through capital expenditures are \$13M lower than budget, mainly due to underspending in Recycled Water \$11M, Water Quality \$3M, Water Conservation \$2M, L.A. Aqueduct \$2M, and Owens Valley Regulatory \$2M, and offset by overspending in Water Infrastructure \$7M.
- The year-end forecast is expected to be \$8M lower than budget, mainly due to underspending in Recycled Water \$11M, Water Quality \$2M, Water Conservation \$2M, L.A. Aqueduct \$2M, and Owens Valley Regulatory \$1M, and offset by overspending Water Infrastructure \$10M.



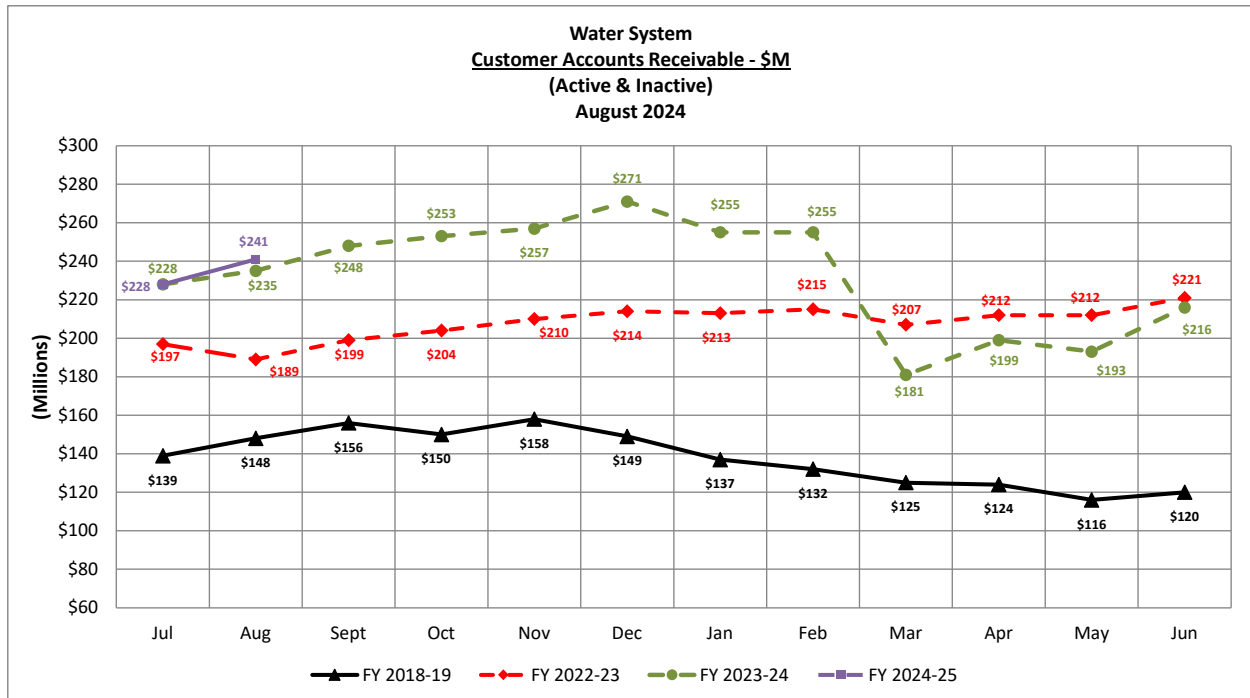
- FYTD actual non-pass-through capital expenditures are \$11M lower than budget, mainly due to underspending in Infrastructure Operating Support of \$14M and offset by overspending in Infrastructure Base of \$3M.
- The year-end forecast is expected to be \$7M lower than budget, mainly due to underspending in Infrastructure Operating Support of \$11M and offset by overspending in Infrastructure Base of \$4M.



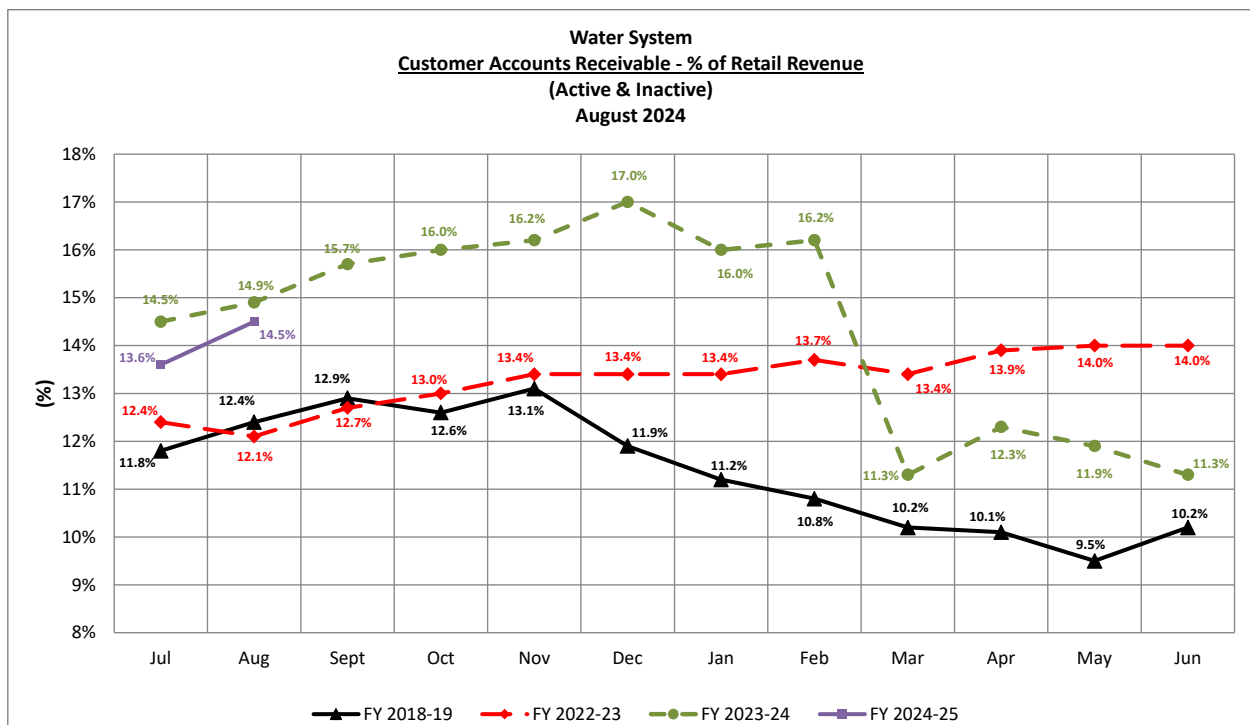
- FYTD actual retail revenue is \$25M lower than budget, mainly due to an increase of \$24M in over collection pass-through revenue.
- The year-end forecast is expected to be \$54M lower than budget, mainly due to a decrease of \$49M in under collection pass-through revenue and a decrease in \$5M in billed revenue resulting from lower-than-expected sales.



- FYTD actual cash balance is \$41M lower than budget and \$71M higher than the cash target.
- The year-end forecast cash balance is expected to be \$66M lower than the budget and \$101M higher than the cash target.



- August 2024 Customer A/R balance is \$6M higher than August 2023 and \$52M higher than August 2022.



- Accounts receivable as a % of retail revenue in August 2024 is 0.4% lower than August 2023 and 2.4% higher than August 2022.

Labor

Los Angeles Department of Water and Power
Monthly Financial Report
Labor and Overtime Report by System
FY 2024-2025 - Current Yr (Year To Date as of Aug 2024)
(CY Re-Estimate Working includes actuals through Aug)
(\$ in Thousands)

Labor and Overtime Summary (Excludes Daily Exempts and UPCTs)		Year to Date as of Aug FY 2024-2025 - Current Yr						FY 2024-2025 - Current Yr Budget - Year-End Forecast					
		Actual Year To Date		Budget Year To Date				ReEstimate		Budget			
		Final	OT %	Final	OT %	Overrun / (Underrun)	Variance (%)	Working	OT %	Final	OT %	Overrun / (Underrun)	Variance (%)
Power_System-	CE 10 LABOR REGULAR	\$117,579		\$125,047		(\$7,468)	(6.0%)	\$742,815		\$750,283		(\$7,468)	(1.0%)
	CE 11 LABOR OVERTIME	\$51,496	43.8%	\$36,325	29.0%	\$15,171	41.8%	\$233,127	31.4%	\$217,956	29.0%	\$15,171	7.0%
	System Total	\$169,075		\$161,372		\$7,703	4.8%	\$975,942		\$968,239		\$7,703	0.8%
Water_System-	CE 10 LABOR REGULAR	\$50,617		\$51,739		(\$1,121)	(2.2%)	\$309,310		\$310,431		(\$1,121)	(0.4%)
	CE 11 LABOR OVERTIME	\$12,421	24.5%	\$8,031	15.5%	\$4,391	54.7%	\$52,585	17.0%	\$48,195	15.5%	\$4,391	9.1%
	System Total	\$63,038		\$59,769		\$3,269	5.5%	\$361,895		\$358,626		\$3,269	0.9%
Joint_System-	CE 10 LABOR REGULAR	\$91,527		\$101,749		(\$10,222)	(10.0%)	\$600,269		\$610,493		(\$10,224)	(1.7%)
	CE 11 LABOR OVERTIME	\$17,882	19.5%	\$12,125	11.9%	\$5,757	47.5%	\$78,508	13.1%	\$72,751	11.9%	\$5,757	7.9%
	System Total	\$109,409		\$113,874		(\$4,465)	(3.9%)	\$678,777		\$683,244		(\$4,467)	(0.7%)
Overall Total	CE 10 LABOR REGULAR	\$259,723		\$278,535		(\$18,812)	(6.8%)	\$1,652,394		\$1,671,207		(\$18,814)	(1.1%)
	CE 11 LABOR OVERTIME	\$81,799	31.5%	\$56,480	20.3%	\$25,319	44.8%	\$364,220	22.0%	\$338,902	20.3%	\$25,319	7.5%
	Overall Total	\$341,522		\$335,015		\$6,507	1.9%	\$2,016,614		\$2,010,109		\$6,505	0.3%

Overall Total Excludes Daily Exempts: Org 50200, 62405, 76490, 77303 and 77402 and Retirement Office (FY APR of 93)

Total LADWP Staffing

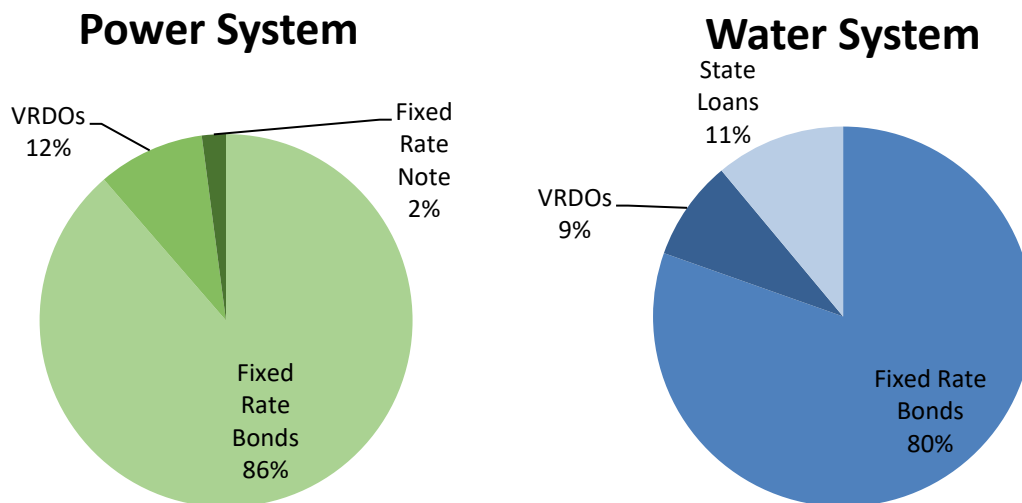
Organization	APR	Funded FTE	YTD Budget	YTD Actuals	Variance	Year-End Forecast	Approved	Variance
Power System	5,564	5,020	\$125,047	\$117,579	(\$7,468)	\$742,815	\$750,283	(\$7,468)
Water System	2,744	2,301	\$51,739	\$50,617	(\$1,121)	\$309,310	\$310,431	(\$1,121)
Chief Administrative Officer	1,799	1,573	\$29,213	\$28,971	(\$2,243)	\$173,037	\$175,279	(\$2,243)
CEO & Other Direct Reports	319	244	\$8,501	\$8,145	(\$356)	\$38,652	\$39,008	(\$356)
CEO: Information Technology Services	695	588	\$15,687	\$14,663	(\$1,024)	\$93,098	\$94,123	(\$1,024)
Chief Financial Officer	365	322	\$8,252	\$7,460	(\$792)	\$48,718	\$49,511	(\$792)
Chief Operating Officer	172	162	\$4,051	\$3,054	(\$997)	\$23,309	\$24,306	(\$997)
Chief People Officer	190	166	\$3,940	\$3,290	(\$650)	\$22,989	\$23,640	(\$650)
Customer Service, Communications and Corporate Strategy								
Corporate Strategy & Communications	83	80	\$1,966	\$1,945	(\$21)	\$11,775	\$11,796	(\$21)
Customer Service Division	1,206	1,013	\$18,452	\$16,152	(\$2,301)	\$108,414	\$110,715	(\$2,301)
Distributed Energy Solutions	167	156	\$4,217	\$3,881	(\$336)	\$24,965	\$25,301	(\$336)
Meter Service & Field Operations	571	457	\$8,210	\$7,170	(\$1,040)	\$48,218	\$49,258	(\$1,040)
Inspector General Office	35	11	\$315	\$69	(\$246)	\$1,643	\$1,888	(\$246)
Office of Diversity, Equity and Inclusion	33	30	\$945	\$729	(\$216)	\$5,452	\$5,668	(\$216)
LADWP Total (Excluding Retirement Office)	13,943	12,123	\$278,535	\$259,723	(\$18,812)	\$1,652,394	\$1,671,207	(\$18,814)

FINANCE AND RISK CONTROL DIVISION

Debt Management

The Power System has approximately \$11.43 billion in debt outstanding, with 88.3 percent consisting of fixed-rate debt (comprised of 86.3 percent revenue bonds and 2.0 percent short-term notes), and 11.7 percent consisting of variable-rate debt obligations. The Water System has approximately \$6.65 billion in debt outstanding, with 91.2 percent consisting of fixed-rate debt (comprised of approximately 80.0 percent revenue bonds and 11.2 percent State Loans) and 8.8 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 August 2024 was 3.69 percent for the Power System and 3.47 percent for the Water System.

On August 29, 2024, LADWP successfully issued \$270.45 million of fixed rate, tax exempt Power System Revenue Bonds, 2024 Series D (the "Power 2024 D Bonds"). The Power 2024 D Bonds had an all-in true interest cost of 4.18 percent and an average life of 22.04 years. The proceeds of the Power 2024 D Bonds will be used to pay for cost of capital improvements to the Power System and pay certain costs of issuance. The Power 2024 D 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:

Trust Fund	Market Value August 31, 2024	Reinvestments	Interest Received	Month-End Yield
Debt Reduction Trust Fund	\$ 523,036,767	\$ 62,457,590	\$ 2,329,135	4.66%
Palo Verde Nuclear Decommissioning	159,132,820	9,975,000	431,084	2.97%
Water Expense Stabilization	57,546,480	2,994,530	302,334	5.13%
Natural Gas	16,815,896	-	50,870	5.17%
Treatment Storage and Disposal	2,569,957	-	27,111	5.44%
CAISO Markets Trust Fund	14,020,373	-	50,829	5.17%
Total	\$ 773,122,293	\$ 75,427,120	\$ 3,191,363	4.37%

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 August 31, 2024.

Delivery Period	Percent of Total Budgeted Volume (%)*
FY 2025-26	42%
FY 2026-27	31%
FY 2027-28	22%
FY 2028-29	13%
FY 2029-30	3%

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

INTERNAL AUDIT DIVISION

Audits Started in July and August 2024

1. Audit of the Energy Efficiency Trust Fund

As requested by the Board of Water and Power Commissioners Audit Committee to prioritize audits of the Department's Trust Funds, and in accordance with our audit plan, we have started a compliance audit of the Energy Efficiency Trust Fund. The audit will cover the period from January 1, 2023 through June 30, 2024.

The Energy Efficiency Trust Fund is to provide funds to pay for miscellaneous items required in the performance of assigned duties. The fund provides payments for expenditures that are generally incurred when payments are not feasible through the Accounts Payable Section, when it is cost-effective, when it is more economical to purchase miscellaneous material directly, or when such purchases will improve customer services. According to the Energy Efficiency approved guidelines, these expenditures are payments of rebates meeting non-residential energy efficiency program requirements.

The purposes of our audit are to verify whether payments were appropriate, reasonable, and properly supported; to determine whether payments were in accordance with the Energy Efficiency Trust Fund policy; and to review whether the internal controls over the trust fund and reimbursements were adequate and being followed.

2. Audit of Billings of Itron, Inc., under Agreement No. 47616-1

In accordance with our audit plan, we have started an audit of the billings of Agreement No. 47616-1 for Licenses, Software and Hardware Maintenance, Upgrades and Professional Services with Itron, Inc. (Itron). The audit will cover a period from January 21, 2021 to July 31, 2024.

Itron was awarded the agreement on January 19, 2021, for a term of three years with a one-year renewal option, for a total amount not to exceed \$2,888,000. The agreement is a single-source contract under Request for Single Source Proposal No. 90553. As of July 31, 2024, payments made to Itron totaled \$2,159,758.

The purpose of the agreement was for Itron to furnish and deliver licenses, software and hardware purchase and maintenance, training, and professional services. The agreement allows Itron to provide its proprietary software and hardware to support LADWP's meter reading and associated field activities. Additionally, the agreement allows Itron to provide training to LADWP staff on using Itron's proprietary software application and equipment and professional services such as systems integration and migration to support LADWP staff in transitioning to Itron's new meter reading technology. LADWP has been utilizing Itron meter reading software and hardware to enhance meter reading accuracy and efficiency in related field activities.

The purposes of the audit are to determine whether billings by Itron were proper, reasonable and in compliance with the agreement terms and conditions, to determine whether awarding the single-source agreement to Itron was proper and in compliance with established policies and procedures, and to determine whether internal controls over the contract administration were adequate.

3. Audit of Billings of Cheryong Electric Co., Ltd, under Agreement No. 00214

In accordance with our Audit Plan, we have started an audit of the billings of Cheryong Electric Co., Ltd (Cheryong), under Agreement No. 00214 (contract). Our audit will cover the period from September 26, 2021 to June 30, 2024.

On July 1, 2021, the contract was executed for a collective maximum expenditure not to exceed \$15,861,879, for a term of one year starting September 26, 2021, through September 25, 2022, with two one-year renewal options. The two options were exercised with the last renewal period ending September 25, 2024.

The purpose of the contract is to furnish and deliver 4.8-kV, Three-Phase, Dead-Front, Padmount Transformers. The transformers will be used to step-down the voltage from 4.8-kV to the customer voltage requirement. The new transformers are for warehouse stock and will be used to replace failed transformers, upgrade existing transformers, and provide electrical service to new customers.

The purposes of the audit are to determine whether billings by Cheryong are proper, reasonable and in compliance with the contract terms and conditions; to verify that the quarterly price adjustments were calculated and billed correctly; to determine whether other contract requirements are being complied with as appropriate, including equipment inspections and performance of factory testing; and to determine whether internal controls over the contract administration are in place and functioning adequately.

Audits in Progress

There were 14 audits in progress.

Audits Completed in July and August 2024

No audits were completed in July and August.