

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2024

NEW ISSUE – FULL BOOK-ENTRY ONLY

RATINGS:
Moody's: "____"
S&P: "____"
Kroll: "____"

(See "RATINGS" herein.)

In the opinion of Stradling Yocca Carlson & Rauth LLP ("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 A/B 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 A/B Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to certain tax consequences relating to the Series A/B Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

[DWP Logo]

Department of Water and Power of the City of Los Angeles
Power System Revenue Bonds

\$ _____*
2024 Series A

\$ _____*
2024 Series B

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 (the "Department") is issuing its Power System Revenue Bonds, 2024 Series A (the "Series A Bonds") and its Power System Revenue Bonds, 2024 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Series A/B 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 A/B Bonds. See "PLAN OF REFUNDING" and "APPLICATION OF PROCEEDS."

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

The Series A/B Bonds will be dated the date of their 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 A/B 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 A/B 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 A/B Bonds purchased. Principal of and interest and premium, if any, on the Series A/B 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 A/B 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 A/B 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 A/B Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES A/B BONDS – Optional Redemption."

The Series A/B 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 A/B 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 A/B Bonds. See "SOURCE OF PAYMENT."

The Series A/B 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 LLP, 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 LLP, as Disclosure Counsel to the Department, and for the Underwriters by Hawkins Delafield & Wood LLP. It is expected that the Series A Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about _____, 2024, and that the Series B Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about _____, 2024.

Siebert Williams Shank & Co., LLC
(Series A Bonds Senior Managing Underwriter)

BofA Securities
(Series B Bonds Senior Managing Underwriter)

Alamo Capital
Stern Brothers

Cabrera Capital Markets, LLC

Morgan Stanley
TD Securities

Dated: _____, 2024

* Preliminary, subject to change.

MATURITY SCHEDULES*

\$ _____^{*}
Department of Water and Power of the City of Los Angeles
Power System Revenue Bonds
2024 Series A

<u>Maturity Date</u> <u>(July 1)*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] No.</u>
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\$ _____^{*}
Department of Water and Power of the City of Los Angeles
Power System Revenue Bonds
2024 Series B

<u>Maturity Date</u> <u>(July 1)*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] No.</u>
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* 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

[VACANT], *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, *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 LLP

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 A/B 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 A/B 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 A/B Bonds.

In connection with the offering of the Series A/B Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the Series A/B 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 A/B 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, and the impact of weather on operating results. The Department assumes no obligation to provide updates of forward-looking statements.

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

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
INTRODUCTION	1
The Department	1
Authority for Issuance	1
Purpose of the Series A/B Bonds	1
Source of Payment	2
Parity Obligations	2
Continuing Disclosure	2
Other Matters	2
Department Website and Media Accounts	2
THE MASTER RESOLUTION	3
PLAN OF REFUNDING	3
APPLICATION OF PROCEEDS	5
THE SERIES A/B BONDS	6
General	6
DTC Book-Entry System	6
Optional Redemption	6
SOURCE OF PAYMENT	8
Special Obligations of Department	8
Power Revenue Fund	8
Rate Covenant	8
Additional Obligations	8
Subordinated Obligations	9
Other Covenants	9
Limitations on Remedies	9
THE DEPARTMENT	10
General	10
Charter Provisions	10
Board of Water and Power Commissioners	10
Management of the Department	12
Employees	14
Retirement and Other Benefits	14
Transfers to the City	18
Insurance	19
Investment Policy and Controls	20
ELECTRIC RATES	24
Rate Setting	24
Rate Regulation	26
Billing and Collections	27
THE POWER SYSTEM	29
General	29
Generation and Power Supply	30
Department-Owned Generating Units	31
Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units	34
LA100 Study	40
Renewable Power Initiatives	41
Energy Efficiency	49
Fuel Supply for Department-Owned Generating Units and Apex Power Project	52
Water Supply for Department-Owned Generating Units	54
Spot Purchases	54
Cogeneration and Distributed Generation	54
Excess Capacity	55
Transmission and Distribution Facilities	55
Projected Capital Improvements	58
OPERATING AND FINANCIAL INFORMATION	61
Summary of Operations	61
Financial Information	62
Indebtedness	64
Take-or-Pay Obligations	65
FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY	66
California Climate Change Policy Developments	67
Environmental Regulation and Permitting Factors	72
Energy Regulatory Factors	77
Global Health Emergencies; COVID-19 Pandemic	79
Changing Laws and Requirements	79
Other General Factors	80
Seismic Activity	81
LITIGATION	82
General	82
Wildfire Litigation	82
CERTAIN LEGAL MATTERS	83
TAX MATTERS	84
RATINGS	85
CONTINUING DISCLOSURE	86
UNDERWRITING OF THE SERIES A/B BONDS	86
VERIFICATION AGENT	87
MUNICIPAL ADVISOR	87
INDEPENDENT AUDITORS	87
MISCELLANEOUS	87
APPENDIX A—FINANCIAL STATEMENTS	A-1
APPENDIX B—DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LOS ANGELES	B-1
APPENDIX C—DTC BOOK-ENTRY SYSTEM	C-1
APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION	D-1
APPENDIX E—FORM OF BOND COUNSEL OPINION	E-1
APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE	F-1
APPENDIX G—GLOSSARY OF DEFINED TERMS	G-1

OFFICIAL STATEMENT

Department of Water and Power of the City of Los Angeles Power System Revenue Bonds

\$ _____^{*}
2024 Series A

\$ _____^{*}
2024 Series B

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”), its Power System Revenue Bonds, 2024 Series A (the “Series A Bonds”) and its Power System Revenue Bonds, 2024 Series B (the “Series B Bonds” and, together with the Series A Bonds, the “Series A/B 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 A/B 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 A/B 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. 5049, adopted by the Board on _____, 2024, constituting the Sixty-First Supplemental Resolution to the Master Resolution (the “Sixty-First Supplemental Resolution”). The Master Resolution and the Sixty-First Supplemental Resolution are collectively referred to in this Official Statement as the “Bond Resolution.” See “THE SERIES A/B BONDS” and Appendix D.

Purpose of the Series A/B Bonds

The Department is issuing the Series A/B 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 A/B Bonds. See “PLAN OF REFUNDING” and “APPLICATION OF PROCEEDS.”

^{*} Preliminary, subject to change.

Source of Payment

The Series A/B 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 A/B 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 or will be pledged to the payment of the Series A/B Bonds. See “SOURCE OF PAYMENT.”

Parity Obligations

As of February 1, 2024, approximately \$11.3 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 A/B 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 A/B 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 A/B Bonds.

THE MASTER RESOLUTION

The Master Resolution provides for the issuance of Bonds, including the Series A/B Bonds, payable from the Power Revenue Fund and provides certain terms and conditions which shall apply to all such Bonds, including the Series A/B Bonds. The Series A/B Bonds are to be issued pursuant to the Master Resolution as supplemented by the Sixty-First 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 Sixty-First Supplemental Resolution, see Appendix D.

PLAN OF REFUNDING

The Series A/B Bonds will be issued by the Department to provide funds to refund all or a portion of the outstanding (A) Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds) (the “Refunded 2010 BABs”), and (B) (i) 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) Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2014 Series B (the “Refunded 2014 Series B Bonds”), (iii) Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2014 Series C (the “Refunded 2014 Series C Bonds”), (iv) Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2014 Series D (the “Refunded 2014 Series D Bonds”), and (v) Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2014 Series E (the “Refunded 2014 Series E Bonds,” and together with the Refunded 2012 Series A Bonds, Refunded 2014 Series B Bonds, Refunded 2014 Series C Bonds and Refunded 2014 Series D Bonds, the “Refunded Tax-Exempt Bonds”), all as more fully described below. Collectively, the Refunded 2010 BABs and the Refunded Tax-Exempt Bonds are referred to herein as the “Refunded Bonds.” **The following table details 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 respective Series of Series A/B Bonds.**

Refunded Bonds						
Series	Maturity Date	Outstanding Principal Amount	Principal Amount Paid or Redeemed	Interest Rate	CUSIP No. [†]	Payment or Redemption Date
Power System Revenue Bonds, 2010 Series A	July 1, 2039	\$316,000,000		5.716%	544495UG7	_____, 2024
Power System Revenue Bonds, 2012 Series A	July 1, 2034	\$ 2,065,000		3.000%	544495XT6	July 1, 2024
	July 1, 2035	2,130,000		3.000	544495XU3	July 1, 2024
Power System Revenue Bonds, 2014 Series B	July 1 2041	\$ 2,925,000		3.875%	544495D92	July 1, 2024

(Table continues on the next page)

Refunded Bonds						
Series	Maturity Date	Outstanding Principal Amount	Principal Amount Paid or Redeemed	Interest Rate	CUSIP No. [†]	Payment or Redemption Date
Power System Revenue Bonds, 2014 Series C	July 1, 2024	\$ 11,020,000		5.000%	544495E91	July 1, 2024
	July 1, 2025	44,365,000		5.000	544495F25	July 1, 2024
	July 1, 2026	36,995,000		5.000	544495F33	July 1, 2024
	July 1, 2027	33,450,000		5.000	544495F41	July 1, 2024
	July 1, 2029	24,945,000		5.000	544495F58	July 1, 2024
Power System Revenue Bonds, 2014 Series D	July 1, 2024	\$ 7,870,000		5.000%	544495G32	July 1, 2024
	July 1, 2025	8,285,000		5.000	544495G40	July 1, 2024
	July 1, 2026	8,720,000		5.000	544495G57	July 1, 2024
	July 1, 2027	9,180,000		5.000	544495G65	July 1, 2024
	July 1, 2028	9,665,000		5.000	544495G73	July 1, 2024
	July 1, 2029	10,170,000		5.000	544495G81	July 1, 2024
	July 1, 2030	10,710,000		5.000	544495G99	July 1, 2024
	July 1, 2031	11,270,000		5.000	544495H23	July 1, 2024
	July 1, 2032	11,865,000		5.000	544495H31	July 1, 2024
	July 1, 2033	33,540,000		5.000	544495H49	July 1, 2024
	July 1, 2034	14,255,000		5.000	544495H56	July 1, 2024
	July 1, 2035	30,795,000		5.000	544495H80	July 1, 2024
	July 1, 2039	105,265,000		5.000	544495H72	July 1, 2024
	July 1, 2044	144,175,000		5.000	544495H64	July 1, 2024
Power System Revenue Bonds, 2014 Series E	July 1, 2024	\$ 4,120,000		5.000%	544495J62	July 1, 2024
	July 1, 2025	4,335,000		5.000	544495J70	July 1, 2024
	July 1, 2026	4,560,000		5.000	544495J88	July 1, 2024
	July 1, 2027	4,805,000		5.000	544495J96	July 1, 2024
	July 1, 2028	5,050,000		5.000	544495K29	July 1, 2024
	July 1, 2029	5,320,000		5.000	544495K37	July 1, 2024
	July 1, 2030	6,125,000		5.000	544495K45	July 1, 2024
	July 1, 2031	1,000,000		5.000	544495K52	July 1, 2024
	July 1, 2032	2,500,000		5.000	544495K60	July 1, 2024
	July 1, 2033	2,705,000		5.000	544495K78	July 1, 2024
	July 1, 2034	12,005,000		5.000	544495K86	July 1, 2024
	July 1, 2035	12,145,000		5.000	544495K94	July 1, 2024
	July 1, 2039	30,250,000		5.000	544495L28	July 1, 2024
	July 1, 2044	116,145,000		5.000	544495L36	July 1, 2024

TOTAL REFUNDED
AMOUNT:

Certain proceeds of the Series A/B Bonds, together with certain moneys to be contributed by the Department, will be deposited into escrow funds for the Refunded Tax-Exempt Bonds (the “Escrow Funds”) to be established under the terms of one or more escrow agreements between the Department and U.S. Bank Trust Company, National Association, as escrow agent. A portion of the amounts deposited into the Escrow Funds will be invested in certain Defeasance Securities, and such amounts, together with the earnings thereon and the uninvested amounts held in such Escrow Funds, will be used on July 1, 2024 to

pay the redemption price (*i.e.*, 100% of the principal amount of the Refunded Tax-Exempt Bonds to be redeemed therefrom), and accrued interest due on such Refunded Tax-Exempt Bonds on the redemption date. Upon the delivery date of the respective Series of Series A/B 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 maturing principal of and interest on the investments and other amounts held in the applicable Escrow Funds to pay the redemption price of the Refunded Tax-Exempt Bonds to be redeemed therefrom, and accrued interest on such Refunded Tax-Exempt Bonds, on the redemption date therefor. See “VERIFICATION AGENT.”

Certain proceeds of the Series B Bonds, together with certain moneys to be contributed by the Department, will be deposited with the Paying Agent of the Refunded 2010 BABs and applied on the applicable date of delivery of the Series B Bonds to pay the redemption price (*i.e.*, 100% of the principal amount of the Refunded 2010 BABs to be redeemed plus the applicable make-whole premium) and accrued interest thereon due on such redemption date. Upon the delivery date of the Series B 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 redemption price of and accrued interest on the Refunded 2010 BABs. See “VERIFICATION AGENT” herein.

APPLICATION OF PROCEEDS

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

	Series A Bonds	Series B Bonds
Sources of Funds		
Principal Amount of Series A/B Bonds	\$	
Original Issue Premium		
Other Available Funds		
Total Sources	<u><u>\$</u></u>	<u><u> </u></u>
Uses of Funds		
Redemption of Refunded 2010 BABs	\$	
Deposit to Escrow Fund for the Refunded Tax-Exempt Bonds		
Cost of Issuance including Underwriters' Discount		
Total Uses	<u><u>\$</u></u>	<u><u> </u></u>

THE SERIES A/B BONDS

General

The Series A/B Bonds will be dated the respective date of their 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 on the Series A/B Bonds 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 A/B Bonds will be issued as book-entry bonds, in fully registered form. The Series A/B 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 A/B Bonds. Individual purchases of interests in Series A/B 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 A/B 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 A/B 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 A/B 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 A/B Bonds. In the event that such book entry system is discontinued with respect to the Series A/B Bonds, the Department will execute and deliver replacement Series A/B Bonds in the form of registered certificates. In addition, the following provisions would apply: the principal of and premium, if any, on the Series A/B 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 A/B 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 A/B Bonds as of the applicable Record Date. The Series A/B Bonds will then be transferable and exchangeable on the terms and conditions provided in the Master Resolution.

Optional Redemption*

Optional Redemption – Series A Bonds.* The Series A 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 A Bonds to be redeemed, plus accrued, unpaid interest to the redemption date, without premium.

Optional Redemption – Series B Bonds. The Series B 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

* Preliminary, subject to change.

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 B Bonds to be redeemed, plus accrued, unpaid interest to the redemption date, without premium.

Notice of Redemption. When redemption of Series A/B Bonds is authorized or required, notice of such redemption is to be given to the Owners of the Series A/B 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 A/B 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 A/B Bonds to the specified securities depositories and to an information service. ***Neither the failure of DTC or a Beneficial Owner of a Series A/B 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 A/B Bonds.***

The notice of redemption shall specify the maturities of the Series A/B 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 A/B Bonds of any maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series A/B Bonds to be redeemed, and, in the case of a Series A/B 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 A/B 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 A/B 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 A/B Bond, or the portion of such Series A/B Bond to be redeemed, shall cease to accrue and be payable.

Conditional Notice. Under the Master Resolution, a notice of redemption of Series A/B 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 A/B Bonds there are not sufficient funds to effect such redemption, the applicable Series A/B Bonds will not be redeemed as described in such notice and the Series A/B Bonds so called for redemption shall continue to be Outstanding on the terms and conditions contained in such Series A/B Bonds, the Master Resolution and the Sixty-First Supplemental Resolution and shall bear interest and to be subject to further calls for redemption as provided in the Master Resolution and the Sixty-First Supplemental Resolution as if such notice of redemption had not been given.

Selection of Series A/B Bonds for Redemption. Except as otherwise provided with respect to Series A/B Bonds held in book-entry form, if less than all of the Outstanding Series A/B Bonds of a maturity are to be redeemed, the Fiscal Agent will select the Series A/B 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 A/B Bond of a denomination greater than \$5,000 shall be treated as that number of Series A/B Bonds obtained by dividing the principal amount of such Series A/B Bonds by \$5,000. If less than all of the Series A/B Bonds of a maturity held in the DTC book-entry system are to be redeemed, the Series A/B 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 A/B 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 A/B 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 A/B Bonds.

Power Revenue Fund

The principal of, premium, if any, and interest on the Bonds, including the Series A/B 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 A/B 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 A/B 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 A/B 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 A/B Bonds have limited remedies. Enforceability of the rights and remedies of the owners of the Series A/B 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 A/B 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, but currently has one vacancy. The current members of the Board are:

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 Technology Applications. 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. The Mayor has announced that a nationwide recruitment process is being undertaken by the City for a successor General Manager.

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, Northridge and is a certified public accountant in the State and a certified internal auditor.

SIMON ZEWDU, *Senior Assistant General Manager of the Power System*. Mr. Zewdu assumed his current position as Senior Assistant General Manager of the Power System in October 2023 after serving as Interim Senior Assistant General Manager of the Power System since 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, 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, 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 [December 31, 2023], the Department assigned approximately [5,182] Department employees to the Power System on a full time basis. Approximately [3,784] 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, 2024 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 \$249 million in Fiscal Year 2022-23 (as part of a total Department contribution of approximately \$369 million), and 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). 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 22, 2023, as of July 1, 2023, the market value of the assets in the Retirement Plan was approximately \$16.4 billion, which results in an unfunded actuarial accrued liability (based on the market value of assets) of approximately \$582.0 million; the actuarial value of the assets in the Retirement Plan as of such date was approximately \$16.6 billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$411.5 million. As of July 1, 2023, the Retirement Plan had unrecognized investment losses of approximately \$171.0 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, 2023 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2023-24 would increase from approximately 31.4% of total Department covered payroll to 32.6% 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, 2023 would decrease from approximately 97.6% to 96.6%.

According to the 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 would result 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%.

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 22, 2023, the estimated contribution for Fiscal Year 2023-24 required to fund the benefit allocated to the Normal Cost, as a percentage of payroll, was 11.29% for Tier 2 (as compared to 21.12% for Tier 1). As of the July 1, 2023 actuarial valuation report, 53% 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 \$75.9 million in Fiscal Year 2022-23 (as part of a total Department contribution of approximately \$113.2 million), and 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). 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 6, 2023, as of June 30, 2023, the market value of the assets

of the Healthcare Benefits was approximately \$3.0 billion, which would result in an overfunded actuarial accrued liability (based on the market value of assets) of approximately \$345.8 million; the actuarial value of the assets in the Healthcare Benefits as of such date was approximately \$3.0 billion, which would result in an overfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$371.7 million. As of June 30, 2023, the Healthcare Benefits had unrecognized investment gains of approximately \$25.9 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, 2023, the ratio of the actuarial value of assets to actuarial accrued liabilities increased from 106.84% as of June 30, 2022 to 114.16% as of June 30, 2023. On a market value of assets basis, the funded ratio increased from 104.95% as of June 30, 2022 to 113.17% as of June 30, 2023. The unfunded actuarial accrued liability (on an actuarial value of assets basis) decreased from a surplus of \$180.0 million as of June 30, 2022 to a surplus of \$371.7 million as of June 30, 2023.

According to the 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.

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 6, 2023, for Fiscal Year 2023-24, the Normal Cost, as a percentage of payroll, was estimated to be 4.36% for Tier 2 (as compared to 4.77% 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, 2023, the Power System had a net OPEB liability surplus of \$11.8 million comprised of \$87.4 million surplus of retiree medical and \$75.6 million liability in death benefits. 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 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. Subject to the restrictions of the Charter and the Master Resolution, the Board has most recently approved transfers totaling \$244,695,000 to the City during the Fiscal Year ending June 30, 2024.

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 \$31.5 million of wildfire coverage through a Catastrophe Bond ("CAT Bond"). The \$31.5 million indemnity wildfire CAT Bond, which is for the three-year period September 2021 to September 2024, 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. CAT Bonds are multi-year issuances and pay out based on a catastrophic fire event that occurs within the three-year period of the specific bond. 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 bond. Through the utilization of commercial insurance, the CAT Bond and self-insurance, the wildfire insurance program has a total limit of \$197 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, including following the expiration of the coverage period for the existing CAT Bond issuance, 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 existing CAT Bond issuance, the Department continues to maintain a bona fide program of self-insurance as well. As of [December 31, 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 \$[675.2] million (investments at fair market value) was on deposit as of [December 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 [December 31, 2023], the debt reduction trust fund had a balance of approximately \$[496.3] 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 [DECEMBER 31, 2023]
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	<u>Fair Market Value</u>
U. S. Government Securities	\$ 45,713
U. S. Sponsored Agency Issues	278,682
Supranationals	19,738
Medium term corporate notes	151,331
Municipal obligations	56,966
California state bonds	8,779
Other state bonds	42,707
Commercial paper	7,151
Certificates of deposit	28,688
Money market funds	35,415
Total	<u>\$675,169</u>

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 [December 31, 2023], the Power System had approximately \$[1.71] billion of unrestricted cash and approximately \$[757.6] million of restricted cash on deposit with the City. This month-end amount does not reflect the GASB Statement No. 31 fair market value adjustment. For information regarding the fair market value adjustment of the Department's pooled investment fund assets as of June 30, 2023, see Note 7(b) in the Department's Power System Financial Statements, attached hereto as Appendix A – "FINANCIAL STATEMENTS." 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, 20% of the pool, as of June 30, 2023, had maturities less than one month and 39% of the pool, as of June 30, 2023, had maturities of one year or less.

CITY OF LOS ANGELES POOLED INVESTMENT FUND
ASSETS AS OF JUNE 30, 2023
(Dollars in Thousands)
(Unaudited)

	<u>Amount</u>	<u>Percent of Total</u>	<u>Power System Share</u>
U.S. Treasury Notes	\$ 8,939,146	58.52%	\$ 1,591,211
Commercial Paper	987,939	6.47	175,925
Medium-Term Notes	1,709,101	11.19	304,266
U.S. Agencies Securities	1,918,910	12.56	341,517
Supranationals	219,575	1.44	39,155
Short-Term Investment Funds	1,134,771	7.43	202,028
Asset-Backed Securities	305,709	2.00	54,382
Securities Lending Short-Term Repurchase Agreement	59,668	0.39	10,604
Negotiable Certificates of Deposit	0	0.00	0
Total General and Special Pools*	<u>\$15,274,819</u>	<u>100.00%</u>	<u>\$2,719,088</u>

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, 2023.

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”) has been determined to be eligible for the November 2024 Statewide general election and, unless withdrawn by its proponent prior to June 27, 2024, or removed pursuant to the emergency petition for writ of mandate filed by the Governor of California with the California Supreme Court seeking

such removal, will be certified as qualified for the ballot in such election. Were it to be adopted by the voters in the Statewide general election, Initiative 1935 would amend the California Constitution to, among other things, provide that charges for services or products 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”); and on December 5, 2018, Dr. Pickel was reappointed as the Ratepayer Advocate for a five-year term. Dr. Pickel’s term as Executive Director of OPA and Ratepayer Advocate expired on December 5, 2023, however, Dr. Pickel will continue to serve in those roles until his retirement, which has been tentatively announced for April 2024. 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.

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. Within overdue receivables, payments received are applied in the same order for which payments are posted for current receivables.

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. 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. The 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 system.

Delinquencies. 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 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 \$280.4 million for the Fiscal Year ended June 30, 2023. The Power System's accounts receivable (including utility user's tax) as of June 30, 2023 were \$1.05 billion compared to \$855.7 million as of June 30, 2022. Of these amounts, \$608.6 million (58.05% of total receivables) and \$445.2 million (52.03% of total receivables) were 120 days or more past the payment due date as of June 30, 2023 and June 30, 2022, respectively. As of [December 31, 2023], the Power System's allowance for doubtful accounts was \$[280.4] million and accounts receivable were \$[1.16] billion (including utility user's tax). Of these amounts, \$[626.0] million ([54.15]% of total receivables) were 120 days or more past the payment due date. As of [August 31, 2022], the Power System's allowance for doubtful accounts was \$[316.9] million and accounts receivable were \$[959.8] million (including utility user's tax). Of these amounts, \$[444.0] million ([46.26]% of total receivables) were 120 days or more past the payment due date.

COVID-19 Effects. 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 described above under "Delinquencies." 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 – Global Health Emergencies; 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 POU's 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.

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 [December 31, 2023], and properties with a net book value of approximately \$[13.6]billion as of [December 31, 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 accordance with the Power System's recent resource plans, significant energy efficiency measures have been 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 [December 31, 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 [December 31, 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 [December 31, 2023].

Department-Owned Generating Units

The Department's solely owned generating facilities, as of [December 31, 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. Originally comprising six units, two of the original units were repowered in 2005 and replaced with a combined-cycle generating unit, which 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 2013, the Department completed the replacement of an additional two of the original units with six advanced simple-cycle gas turbine units. In 2022, the Department completed the demolition of the four Haynes Generating Station Units that were decommissioned to create a construction area for a future energy project. 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 currently comprised of a simple-cycle generating turbine unit and a combined-cycle generating unit, which consists 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 observed an increase of methane vent-off over the Valley Generating Station reciprocating natural gas compressor area. The Department installed new design rod packing seals in December 2020 that have been working as designed.

Five Los Angeles Superior Court cases were filed related to the referenced vent-off at the Valley Generating Station. The most significant of the cases, a class action lawsuit with a putative class of 30,000 individuals, was dismissed in December 2021. Additionally, 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, including *Pueblo y Salud, Inc, et. al. v. Los Angeles Department of Water and Power, et al.*, 21STCV04346, the lead case. The remaining cases have an aggregate of approximately 2,500 individual plaintiffs represented by various counsel. All pending cases have been deemed related by the court and are assigned to the same judge in the Los Angeles Superior Court.

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 eight generating units, including five simple-cycle generating turbine units and a combined-cycle unit, which 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). 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 currently comprised of two conventional steam boiler generating units, one combined-cycle unit, which consists of two generating units in a one-plus-one configuration, and two advanced simple-cycle gas turbines, for a total of six generating units, with a net maximum capacity of 778 MW and a net dependable capacity of 742 MW from natural gas. An original unit of the Scattergood Generating

Station was decommissioned in 2015 and has been demolished to create the construction area for a future energy project. 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 would 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. 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 expects to launch the DSGS Program in 2024. 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 have been 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 released a final version of the 2022 Strategic Long-Term Resource Plan in the second quarter of calendar year 2023. See also “–Renewable Power Initiatives – *L.A.’s Green New Deal*.”

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 [December 31, 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.

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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, administering, 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 2022-23, the IPP operated at a plant net capacity factor of 37.8% and provided approximately 5.9 million megawatt-hours (“MWhs”) of energy to its power purchasers, which includes approximately 3.9 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 executed 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 a portion of the costs of the upgrades to the Switchyard and converter station replacements. See “– Transmission and Distribution Facilities – *Southern Transmission System.*” See also “OPERATING AND FINANCIAL INFORMATION – Take-or-Pay Obligations.”

The original power sales contracts, including the IPP Contract, will terminate on June 15, 2027, at which point the IPP 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 IPP Renewal Power Sales Contracts. The cities of Anaheim, Riverside, and Pasadena will not be power purchasers under the IPP Renewal Power Sales Contracts. The city of Burbank will take a smaller share of generation capacity under the IPP Renewal Power Sales Contracts, and the Department and the city of Glendale both increased their respective generation shares. Under its IPP 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 IPP 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 IPP Renewal Power Sales Contracts take effect on June 16, 2027. Similar to its IPP Contract, the Department will be obligated to pay for the capacity and energy purchased under its IPP Renewal Power Sales Contract on a “take-or-pay” basis as operating expenses of the Power System.

The IPA has issued bonds to finance 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 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 IPP Agreement for Sale of Renewal Excess Power which will take effect on the same day as the IPP 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 IPP 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, as described below, supply chain issues resulting from the loss of coal production in the region and transportation challenges 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 and was planning to return to mining in 2024. However, it was announced in November, that the mine is closing indefinitely. The loss of the largest mine, combined with the logistics challenges in Utah, has dramatically reduced supply in the region including to IPA. As a whole, productions remains challenging for the remaining active mines in Utah.

The recent cost of coal delivered to the Intermountain Generating Station is substantially lower than current market prices for the region. However, IPA expects that the costs to fulfill IPP's coal demand will increase due to the scarcity of coal in the Western United States, if IPA is able to secure any additional coal as a replacement for the loss of sources under contract.

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 mid-December 2023, IPP maintained 39 days of coal in inventory.

The Department has operational flexibility with respect to its use of IPP; however, the supply chain issues referenced above are likely to impact the operations of IPP and may constrain the Department's ability to utilize such resource.

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 Development.*”

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 has 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 [December 31, 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 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 independent study was

conducted by the NREL and by UCLA with focused research in five priority areas: (1) affordability and energy burdens; (2) access to and use of energy technologies, programs, and infrastructure; (3) health, safety, and community resilience; (4) jobs and workforce development; and (5) inclusive community involvement. 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. The LA100 Equity Strategies study report was released in November 2023. The report details a number of findings, recommendations and strategies addressing inequities in the clean-energy transition and is designed to assist the Department to make data-driven, community-informed decisions for equitable investment and program development towards achieving a 100% carbon-free energy portfolio.

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”). 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 MWh 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. Following the bankruptcy of the operator and its parent company, 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. The Department has also 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*.”

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*.”

The Department issued a Standalone Energy Storage RFP, through SCPPA, for various technologies, including Long Duration Energy Storage (LDES). 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 9,228 Department customers subscribed to the Green Power Program as of September 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 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.

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 incorporating the Clean Grid LA Plan and key findings from the LA100 Study for Board consideration.

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 POU’s, 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 POU’s 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. 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, retrocommissioning, 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 [December 31, 2023], the Department had entered into financial natural gas hedges in various notional amounts per Fiscal Year for each Fiscal Year through Fiscal Year [2028-29] with an aggregate notional amount of approximately [77.6] million MMBtus. These financial hedges cover up to approximately [30]% of the Department's natural gas requirements based on the latest budget for the Fiscal Years through [2028-29]. 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, 2023 and 2022, 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 [December 31, 2023], approximately [33]% and [31]% of the Department's projected natural gas needs have been hedged for Fiscal Year [2024-25] and Fiscal Year [2025-26], respectively, through financial natural gas hedges and gas reserves. This ratio declines such that by Fiscal Year [2028-29], approximately [2]% 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 IPP 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 will tie into the existing AC switchyards and connect to the existing DC transmission line. As authorized by the IPA board of directors in November 2023, IPP is negotiating certain potential design changes to the STS renewal project that would facilitate an increase in the capacity of the STS from 2,400 to 3,000 MW to be undertaken in the future. The cost and scheduling impacts to the STS renewal project in connection with such design changes, if implemented, have not yet been determined. 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. SCPPA has issued bonds to finance a portion of the costs of the STS renewal project. 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)**

	<u>5-Year Totals</u>
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	<u>\$13,531</u>

* 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	<u>1,217</u>	<u>2,475</u>	<u>3,692</u>
	\$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 June 30, 2023, 33% of the Power System's total energy sales (measured in MWhs) were to residential customers, 60% to commercial and industrial customers and the remaining 7% to all other purchasers. Revenues from residential customers, commercial/industrial customers, and other customers were approximately 35%, 57%, 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	[Six] Month Period Ended [December 31]		Fiscal Year Ended June 30				
	2023 ⁽¹⁾	2022	2023	2022	2021	2020	2019
Net Energy Load ⁽²⁾			23,859	23,997	23,797	24,096	25,046
Net Hourly Peak Demand (MW)			6,216	4,911	6,106	5,637	6,201
Annual Load Factor (%)			43.81	55.79	44.49	48.66	46.11
Electric Energy Generation, Purchases and Interchanges ⁽²⁾							
Generation ⁽³⁾⁽⁴⁾			17,172	17,194	17,281	17,947	16,862
Purchases ⁽²⁾			9,148	9,440	8,988	7,295	8,966
Miscellaneous Energy Receipts ⁽²⁾			—	—	705	470	230
Total Energy ⁽²⁾			26,320	26,634	26,974	25,712	26,058
Less:							
Miscellaneous Energy Deliveries ⁽²⁾⁽⁵⁾			426	511	—	—	—
Losses and System Uses ⁽²⁾			2,386	2,595	4,479	3,879	3,507
On-System Sales ⁽²⁾			23,508	23,528	22,495	21,833	22,550
Sales of Energy ⁽²⁾							
Residential			7,736	7,383	7,707	7,218	7,303
Commercial and Industrial			13,959	14,092	13,220	14,030	14,661
All Other			1,722	1,891	2,087	1,050	626
Total			23,417	23,366	23,014	22,298	22,590
Number of Customers – (Average, in thousands):							
Residential			1,440	1,430	1,414	1,405	1,397
Commercial and Industrial			128	128	126	126	126
All Other			7	7	7	7	7
Total			1,575	1,565	1,547	1,538	1,529

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

⁽¹⁾ Data for the [six]-month period ended [December 31, 2023] is preliminary and subject to change. Results for the first [six] months of Fiscal Year 2023-24 may not be indicative of results for full Fiscal Year 2023-24.

⁽²⁾ Thousands of MWhs.

⁽³⁾ 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.

⁽⁴⁾ Purchases from SCPPA are classified as Generation for quarterly results and Purchases for Fiscal Year end results.

⁽⁵⁾ 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)

	[Six] Month Period Ended [December 31]		Fiscal Year Ended June 30 ⁽¹⁾				
	2023 ⁽²⁾	2022	2023	2022	2021	2020	2019
Operating Revenues							
Residential			\$1,717,646	\$1,637,120	\$1,614,033	\$1,360,648	\$1,376,341
Commercial and Industrial			2,857,601	2,784,691	2,492,138	2,372,533	2,560,098
Sales for resale ⁽³⁾			326,347	230,160	186,706	61,455	111,542
Other ⁽⁴⁾			56,945	(58,211)	(24,399)	12,655	22,949
Total Operating Revenues			\$4,958,539	\$4,593,760	\$4,268,478	\$3,807,291	\$4,070,930
Average Revenue per kWh Sold ⁽⁵⁾							
Residential			0.222	0.222	0.209	0.189	0.188
Commercial and Industrial			0.205	0.198	0.189	0.169	0.175
Average Annual Residential Usage ⁽⁶⁾			5	5	5	5	5
Operating income			\$ 742,176	\$ 800,988	\$ 744,139	\$ 363,981	\$ 512,310
As % of revenues			15.0%	17.4%	17.4%	9.6%	12.6%
Adjusted Change in Net Position, excluding Power Transfer and including accounting change ⁽⁷⁾			\$ 833,815	\$ 532,290	\$ 633,942	\$ 320,065	\$ 459,503
Adjusted Change in Net Position, including Power Transfer and accounting change ⁽⁷⁾			\$ 601,772	\$ 307,275	\$ 415,587	\$ 90,152	\$ 226,946

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

⁽¹⁾ Derived from the Power System Financial Statements (except for usage statistics).

⁽²⁾ Data for the [six]-month period ended [December 31, 2023] is preliminary and subject to change. Results for the first [six] months of Fiscal Year 2023-24 may not be indicative of results for full Fiscal Year 2023-24.

⁽³⁾ Includes sales of power and transmission services to other utilities.

⁽⁴⁾ Net of Uncollectible Accounts.

⁽⁵⁾ 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.

⁽⁶⁾ MWh use per residential customer.

⁽⁷⁾ "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)

	[Six] Month Period Ended [December 31]		Fiscal Year Ended June 30 ⁽¹⁾				
	2023 ⁽²⁾	2022	2023	2022	2021	2020	2019
Operating Revenues							
Sales of Electric Energy:							
Residential			\$1,717,646	\$1,637,120	\$1,614,033	\$1,360,648	\$1,376,341
Commercial and industrial			2,857,601	2,784,691	2,492,138	2,372,533	2,560,098
Sales for resale			326,347	230,160	186,706	61,455	111,542
Other ⁽³⁾			56,945	(58,211)	(24,399)	12,655	22,949
Total Operating Revenues			<u>\$4,958,539</u>	<u>\$4,593,760</u>	<u>\$4,268,478</u>	<u>\$3,807,291</u>	<u>\$4,070,930</u>
Operating Expenses							
Production:							
Fuel for Generation			\$ 435,524	\$ 327,813	\$ 228,697	\$ 207,043	\$ 296,506
Purchased Power			1,448,692	1,309,505	1,301,394	1,242,068	1,264,133
Energy Cost			1,884,216	1,637,318	1,530,091	1,449,111	1,560,639
Maintenance and Other							
Operating Expenses			1,570,429	1,430,993	1,323,158	1,364,303	1,412,750
Adjusted Operating Expenses ⁽⁴⁾⁽⁶⁾			<u>\$3,454,645</u>	<u>\$3,068,311</u>	<u>\$2,853,249</u>	<u>\$2,813,414</u>	<u>\$2,973,389</u>
Adjusted Operating Income ⁽⁴⁾⁽⁶⁾			\$1,503,894	\$1,525,449	\$1,415,229	\$ 993,877	\$1,097,541
Other non-operating income and expenses, net			413,808	1,482	145,303	268,502	239,211
Contributions in aid of construction			76,942	100,865	103,459	57,692	58,373
Adjusted Change in Net Position⁽⁵⁾⁽⁶⁾			<u>\$1,994,644</u>	<u>\$1,627,796</u>	<u>\$1,663,991</u>	<u>\$1,320,071</u>	<u>\$1,395,125</u>
Debt Service							
Adjusted Interest ⁽⁶⁾⁽⁷⁾			517,818	479,482	459,413	454,074	426,577
Principal			190,315	187,683	179,405	171,925	153,664
Total debt service			<u>\$ 708,133</u>	<u>\$ 667,165</u>	<u>\$ 638,818</u>	<u>\$ 625,999</u>	<u>\$ 580,241</u>
Debt Service Coverage Ratio			2.82	2.44	2.60	2.11	2.40
Depreciation, amortization and accretion			\$761,718	\$ 724,461	\$ 671,090	\$ 629,896	\$ 585,231
Transfers to the Reserve Fund of the City			\$232,043	\$ 225,015	\$ 218,355	\$ 229,913	\$ 232,557

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

(1) Derived from the Power System Financial Statements.

(2) Data for the [six]-month period ended [December 31, 2023] is preliminary and subject to change. Results for the first [six] months of Fiscal Year 2023-24 may not be indicative of results for full Fiscal Year 2023-24.

(3) Net of Uncollectible Accounts.

(4) Represents total operating expenses and operating income, excluding depreciation, amortization, accretion and loss on asset impairment and abandoned projects.

(5) Represents change in net position before depreciation, amortization, accretion, interest, extraordinary loss and the Power Transfer.

(6) "Adjusted" indicates measurements of financial and/or operating performance that are not specifically disclosed in the Power System Financial Statements.

(7) Interest expense excluding amortization of debt premium.

Indebtedness

As of February 1, 2024, approximately \$11.32 billion in principal amount of debt of the Department payable from the Power Revenue Fund was outstanding. Of such amount, approximately \$9.98 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. As described under "PLAN OF REFUNDING," a portion of the Department's outstanding federally subsidized direct-pay bonds may be refunded with proceeds of the Series B Bonds.

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 February 1, 2024, the Department has no obligations outstanding under the Wells RCA payable from the Power Revenue Fund. As of February 1, 2024, the Department had \$50 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 February 1, 2024, 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 \$2.46 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 February 1, 2024. 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 February 1, 2024, 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 February 1, 2024
(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	75	100.00 ⁽⁴⁾	75
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	162	100.00 ⁽⁴⁾	162
Apex Power Project	230	100.00 ⁽⁵⁾	230
Total	<u>\$3,074</u>		<u>\$2,462</u>

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 A/B 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, the Global Warming Solutions Act was signed into law. 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, SB 32, an amendment to the Global Warming Solutions Act, was signed into law, and established a new target to reduce Statewide GHG emissions 40% below 1990 levels by 2030. In September 2022, AB 1279, the California Climate Crisis Act, was signed into law. AB 1279 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 emissions 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 continue 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, AB 398 was signed into law 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 was 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 is to 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 that its continued compliance with these amendments will have a material adverse effect on the operations or financial condition of the Power System.

In February 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 is expected to be posted for public review and comment in early 2024.

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 CO₂ 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.

In April 2011, SBX 1-2, the California Renewable Energy Resources Act, was signed into law. 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. The Department satisfied the procurement target for each compliance period.

In October 2015, SB 350 was signed into law, which requires retail sellers and POUs, such as 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, SB 100 was signed into law, further increasing statewide RPS targets by requiring retail electric sellers and POU, 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 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, SB 1020 was 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, SB 859 was signed into law. Among other things, SB 859 required 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, SCPA and the other POU, 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. In October 2017, SB 801 was signed into law, 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, SB 1440 was signed into law, which requires the CPUC and CARB to consider adopting biomethane targets or goals applicable to gas service providers. The CPUC has held a number of workshops and working group meetings to consider SB 1440 implementation and renewable gas procurement as a cost-effective strategy to reduce methane emissions, including

standards required to interconnect and inject renewable methane and hydrogen projects into the natural gas pipeline system and 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, SB 1028 was signed into law. SB 1028 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. SB 1028 required 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 (discussed below). 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. Under SB 901, among other things, POUs, such as the Department, are required to prepare a wildfire mitigation plan, initially before January 1, 2020, and annually thereafter. 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 Department’s 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.

AB 1054 was signed into law by Governor Newsom in July 2019. AB 1054 requires POUs to submit their wildfire mitigation plans for annual review to a newly created California Wildfire Safety Advisory Board (the "CWSAB"), with comprehensive revisions submitted every three years. The Department continues to submit its wildfire mitigation plan to the CWSAB 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. In December 2023, the CWSAB published its guidance advisory opinion for the recently submitted wildfire mitigation plans. The CWSAB's advisory opinion to each POU was to embark on a collaborative approach as set forth in the advisory opinion designed to improve POU reporting on its wildfire prevention efforts and the CWSAB's ability to comprehend and advise on those reports. Previous reviews by the CWSAB 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 CWSAB by July 1, 2024.

AB 1054 also establishes a new wildfire fund for IOUs to pay for eligible, uninsured third-party damage claims arising from future covered wildfires. Participation in the wildfire fund is exclusive to IOUs. Each of the major IOUs in California are now participating in the Wildfire Fund. POUs, such as the Department, are not eligible to participate in or receive funding for wildfire claims from the Wildfire Fund

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, AB 617 was signed into law, 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 market-based RECLAIM program is being transitioned 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 in November 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. Failure to meet the NOx limits by the compliance date will prohibit out-of-compliance generating units from operating. 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 upgrades are expected to be completed by the original Rule 1135 compliance date of December 31, 2023.] 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. On January 7, 2022, Rule 1135 was amended to reference startup and shutdown provisions as defined in SCAQMD Rule 429.2, which establishes requirements during startup and shutdown and exempts units regulated under Rule 1135 from NOx emission limits during startup and shutdown. In January 2023, SCAQMD released a proposed amended rule, which includes an extended compliance deadline of April 1, 2024. [The proposed amended rule has yet to be adopted by SCAQMD.]

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.

In May 2023, the EPA proposed new carbon pollution standards for coal and natural gas-fired power plants. The proposed rule would establish CO₂ 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. The proposal includes the following elements, in each case reflecting the application of best systems for emissions reduction (“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 CO₂ emissions control at fossil fuel-fired power plants that operate more frequently and for more years and would phase in increasingly stringent CO₂ 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 Department submitted comments 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. In February 2012, the 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.

In April 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. The final rule is expected to be published in March 2024.

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. The AQMP is a regional and multi-agency effort. In 2021, the Department participated in the stakeholder working group meetings dedicated to the development of the 2022 AQMP and the rules and rule amendments to implement the control measures included in the 2022 AQMP that could potentially impact the Department's operations. In December 2, 2022, the SCAQMD Board approved the 2022 AQMP, which aims for a 45% reduction in NOx emissions through this plan. In January 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 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.

In July 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. In August 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 through 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. During portions of 2000 and 2001, wholesale market prices in the State became highly volatile. 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.”

Energy Policy Act of 1992. The Energy Policy Act of 1992 (“EPAAct 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. EPAAct 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 (“EPAAct 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 penalties. NERC and WECC audit the Department’s compliance with the reliability standards once every three years and, as indicated above, impose penalties for non-compliance. The Department has from time to time fallen short in meeting its regulatory and reporting requirements on a timely basis and either has self-reported or responded to audit findings from WECC. The Department does not believe that pending reporting and audit matters will have a material adverse effect on the Department’s operations or financial position.

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.

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

ultimate 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.

Global Health Emergencies; COVID-19 Pandemic

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies. For example, beginning in 2020, the COVID-19 pandemic negatively affected economic activity throughout the world, including the United States and the State of California. The initial impacts of stay-at home orders globally was unprecedented, with commerce, travel, asset values and financial markets experiencing disruptions worldwide. The COVID-19 pandemic impacted the Department in certain respects, however, 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. 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. In response to the COVID-19 outbreak, the Department implemented a number of temporary measures intended to mitigate operational and financial impacts to the Department, and to assist the Department's customers. In light of the measures taken by the Department to mitigate the economic impact of COVID-19 on its customers, including extended payment options and deferrals of disconnections of water and power services for non-payment, 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 Effects*."

The declarations of the COVID-19 pandemic as a public health emergency have been lifted. However, future pandemics and other widespread public health emergencies can and do arise from time to time. 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 another national or localized outbreak of highly contagious or epidemic disease occurs 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 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.

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. 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 a number of cases pending in the Los Angeles Superior Court. The state court cases are brought by attorneys representing individual plaintiffs for alleged property damage and business losses. The cases have all been consolidated for litigation with a single judge. Edison is also a party in the state court cases, and is a focus of the fire ignition. Edison was named as a co-defendant by the individual plaintiff and insurance subrogation plaintiffs. Edison has filed an indemnity cross-complaint against the Department. All equitable allegations/comparative fault allegations would be part of the state court trial. On September 15, 2023, as a result of the court’s ruling on a joint motion by the Department and Edison to dismiss certain plaintiff cases, approximately 370 individual plaintiff cases were dismissed, leaving approximately 90 individual plaintiff cases. The dismissals significantly reduce the Department’s financial exposure for the wildfire.

If liability is found against the Department in connection with the Creek fire, 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.

Getty Fire. The Power System matters associated with the Getty fire currently involve multiple cases all alleging inverse condemnation and tort causes of action. The state court actions were filed on behalf of individual plaintiffs and insurance subrogation parties. The cases are pending in the Los Angeles Superior Court Complex Division with all cases ordered consolidated/related before a single judge.

Cross-complaints have been filed by the Department 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.

The court has set a September 18, 2024, 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 or about October 16, 2023, the insurance subrogation plaintiffs and the Department reached a settlement of the insurance subrogation plaintiffs' claims for \$36,786,657.50. The individual plaintiff cases remain. The total financial exposure of the Getty fire cannot now be specifically determined.

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 A/B Bonds and certain other legal matters are subject to the approval of Stradling Yocca Carlson & Rauth LLP, Bond Counsel to the Department. See "TAX MATTERS." The form of the opinion to be delivered by Bond Counsel upon the delivery of the Series A/B Bonds of the respective Series 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 A/B Bonds will be passed upon for the Department by the Office of the City Attorney of the City and by Stradling Yocca Carlson & Rauth LLP, 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 A/B Bonds are contingent upon the issuance and delivery of such Series A/B Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, 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 A/B 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 A/B 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 A/B Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Series A/B Bond over the issue price of such Series A/B Bond (the first price at which a substantial amount of the Series A/B 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 A/B Bond owner, is treated as interest on the Series A/B 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 A/B 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 A/B Bond. Owners of the Series A/B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A/B Bonds with original issue discount, including the treatment of Series A/B Bond owners who do not purchase such Series A/B Bonds in the original offering to the public at the first price at which a substantial amount of such Series A/B Bonds is sold to the public.

The amount by which a Series A/B Bond owner’s original basis for determining loss on sale or exchange in the applicable Series A/B 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 A/B Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series A/B Bond to the owner. Purchasers of the Series A/B 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 A/B 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 A/B Bonds to assure that interest on the Series A/B 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 A/B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A/B 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 A/B Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series A/B Bonds might be affected as a result of such an audit of the Series A/B 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 A/B Bonds to the extent that it materially adversely affects the exclusion from gross income of interest on the Series A/B Bonds or their market value.

Subsequent to the issuance of the Series A/B 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 A/B Bonds including the imposition of additional federal income or state taxes on owners of tax-exempt state or local obligations, such as the Series A/B Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series A/B Bonds. No assurance can be given that subsequent to the issuance of the Series A/B 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 A/B 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 A/B Bonds.

Bond Counsel's opinion with respect to the Series A/B Bonds may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series A/B 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 A/B 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 A/B Bonds for federal income tax purposes with respect to any Series A/B Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered its opinion that interest on the Series A/B 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 A/B Bonds and the accrual or receipt of interest on the Series A/B 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 A/B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series A/B Bonds.

A copy of the proposed form of opinion of Bond Counsel relating to the Series A/B 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 A/B Bonds ratings of "___," "___" and "___," 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 A/B Bonds any announcement regarding the rating or outlook of any rating agency with respect to the Series A/B 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 A/B

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 A/B 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, 2024, 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 A/B Bonds in complying with Rule 15c2-12.

UNDERWRITING OF THE SERIES A/B BONDS

The Department has entered into a contract for the purchase of the Series A Bonds with Siebert Williams Shank & Co., 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 A Bonds from the Department at a purchase price of \$_____, which represents the aggregate principal amount of the Series A Bonds, [plus/less] an original issue premium of \$_____, less an underwriters’ discount of \$_____. The initial public offering prices of the Series A Bonds may be changed from time to time by the Underwriters. The purchase contract relating to the Series A Bonds provides that (i) the Underwriters will purchase all of the Series A Bonds if any of the Series A 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.

The Department has entered into a contract for the purchase of the Series B Bonds with BofA Securities, Inc., as representative of the Underwriters, pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Series B Bonds from the Department at a purchase price of \$_____, which represents the aggregate principal amount of the Series B Bonds, plus an original issue premium of \$_____, less an underwriters’ discount of \$_____. The initial public offering prices of the Series B Bonds may be changed from time to time by the Underwriters. The purchase contract relating to the Series B Bonds provides that (i) the Underwriters will purchase all of the Series B Bonds if any of the Series B 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 A/B 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 the delivery date of the respective Series of Series A/B 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 redemption price of and accrued interest on the Refunded Bonds refunded by such Series A/B 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 A/B 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 A/B 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, 2023 and 2022, 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 A/B Bonds are set forth in the Master Resolution and the Sixty-First Supplemental Resolution, and reference is made to such resolutions for a statement of the rights of the Owners of the Series A/B Bonds and the covenants and obligations of the Department. All references to the Series A/B Bonds are qualified in their entirety to the definitive form thereof and the information with respect thereto included in the Master Resolution and the Sixty-First Supplemental Resolution.

This Official Statement is not a contract with the Owners of any of the Series A/B 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, 2023 and 2022

(With Independent Auditors' Report Thereon)

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 historic City, County, and State population estimates since 2000.

Table 1
CITY, COUNTY AND STATE POPULATION STATISTICS

<i>Year⁽¹⁾</i>	<i>City of Los Angeles</i>	<i>Percentage Change⁽²⁾</i>	<i>County of Los Angeles</i>	<i>Percentage Change⁽²⁾</i>	<i>State of California</i>	<i>Percentage Change⁽²⁾</i>
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	3,792,621	0.62	9,818,605	0.02	37,253,956	3.86
2015	3,938,939	3.86	10,124,800	3.12	38,865,532	4.33
2020	3,896,077	(1.09)	10,014,009	(1.09)	39,538,223	1.73
2021	3,859,192	(0.95)	9,942,011	(0.72)	39,286,510	(0.64)
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⁾ As of April 1 for 2000, 2010 and 2020 based on the Census benchmarks for such years. Estimated as of January 1 for other years.

⁽²⁾ 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 for years 2000 and 2005; 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 for years 2010 and 2015; 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 for years 2020 through 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⁾

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<u>Civilian Labor Force</u>					
City of Los Angeles					
Employed	1,983,600	2,007,000	1,787,300	1,868,300	1,947,300
Unemployed	<u>96,800</u>	<u>94,500</u>	<u>251,500</u>	<u>181,900</u>	<u>102,600</u>
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	<u>237,500</u>	<u>230,700</u>	<u>609,800</u>	<u>445,900</u>	<u>244,900</u>
Total	5,119,800	5,151,500	4,960,300	4,993,500	4,984,800
<u>Unemployment Rates</u>					
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 July 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⁾

	<i>County of Los Angeles 2022</i>	<i>% of Total</i>	<i>State of California 2022</i>	<i>% of Total</i>
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	<u>568,500</u>	12.5	<u>2,529,000</u>	14.0
Total	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.

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 July 21, 2023.

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Major Employers

The estimated top 25 major non-governmental employers in the County in 2023 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
2023 MAJOR NON-GOVERNMENTAL EMPLOYERS

<i>Employer</i>	<i>Product/Service</i>	<i>Employees</i>
Kaiser Permanente	Nonprofit health care plan	44,769
University of Southern California	Private university	23,227
Northrop Grumman Corp.	Systems and products in aerospace and information systems	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,730
Allied Universal	Security professionals	15,326 ⁽¹⁾
Target Corp.	Retailer	15,000
Providence	Health care	14,395 ⁽¹⁾
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000 ⁽¹⁾
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005 ⁽¹⁾
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
Amazon	Online retailer	10,500 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	10,406 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	9,224
Edison International	Electric utility, energy services	7,672 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,535
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 ⁽¹⁾
Dignity Health	Health care	6,263 ⁽¹⁾
Costco Wholesale	Membership chain of warehouse stores	6,002 ⁽¹⁾
Space Exploration Technologies Corp.	Rockets and spacecraft	6,000 ⁽¹⁾

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

The estimated top 25 major governmental employers in the County in 2023 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 9.7 percent of the labor force.

Table 5
LOS ANGELES COUNTY
2023 LARGEST PUBLIC SECTOR EMPLOYERS

<i>Employers</i>	<i>Employees</i>
Los Angeles County	100,729 ⁽¹⁾
Los Angeles Unified School District	74,000
University of California, Los Angeles	51,597
Federal Executive Board ⁽²⁾	50,000
City of Los Angeles ⁽³⁾	34,421
State of California ⁽⁴⁾	32,300
Long Beach Unified School District	12,000 ⁽¹⁾
Los Angeles County Metropolitan Transportation Authority	11,700 ⁽¹⁾
Los Angeles Community College District	11,618 ⁽¹⁾
Los Angeles Department of Water and Power	11,000 ⁽¹⁾
California State University – Long Beach	8,477 ⁽¹⁾
City of Long Beach	5,395
Mt. San Antonio Community College District	4,400 ⁽¹⁾
California State University – Northridge	4,276
Glendale Unified School District	4,000
Los Angeles World Airports	3,662
Cal Poly Pomona	3,094
Compton Unified School District	3,071 ⁽¹⁾
Montebello Unified School District	2,885 ⁽¹⁾
Pomona Unified School District	2,800 ⁽¹⁾
California State University – Los Angeles	2,621
City of Pasadena	2,314 ⁽¹⁾
Santa Monica Community College District	2,023 ⁽¹⁾
City of Santa Monica	1,979 ⁽¹⁾
City of Glendale	1,774

(1) Business Journal estimate.

(2) Excludes law enforcement and judiciary employees.

(3) Excludes proprietary departments (DWP, LAWA, Port of L.A.).

(4) Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

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

<i>Year and Area</i>	<i>Personal Income (thousands of dollars)</i>	<i>Per Capita Personal Income⁽¹⁾ (dollars)</i>
2017		
County ⁽²⁾	\$ 580,335,216	\$57,325
State ⁽³⁾	2,295,048,700	58,214
United States ⁽³⁾	16,658,962,000	51,004
2018		
County ⁽²⁾	\$ 601,947,888	\$59,617
State ⁽³⁾	2,411,055,100	60,984
United States ⁽³⁾	17,514,402,000	53,309
2019		
County ⁽²⁾	\$ 635,759,588	\$63,252
State ⁽³⁾	2,537,950,600	64,174
United States ⁽³⁾	18,343,601,000	55,547
2020		
County ⁽²⁾	\$ 684,663,140	\$68,541
State ⁽³⁾	2,767,521,400	70,061
United States ⁽³⁾	19,609,985,000	59,153
2021		
County ⁽²⁾	\$ 728,772,915	\$74,141
State ⁽³⁾	3,013,676,900	76,991
United States ⁽³⁾	21,392,812,000	64,430
2022		
County ⁽⁴⁾	n/a	n/a
State ⁽³⁾	\$ 3,006,647,300	\$77,036
United States ⁽³⁾	21,820,248,000	65,470

⁽¹⁾ Per capita personal income is total personal income divided by total midyear population.

⁽²⁾ Last updated: November 16, 2022 – new statistics for 2021; revised statistics for 2010 – 2020.

⁽³⁾ Last updated: September 29, 2023 – revised statistics for 1979-2022.

⁽⁴⁾ County information for 2022 not yet available.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” for information for the State and the United States and “Table CAINC1: Personal Income Summary” for information for the County (accessed October 9, 2023).

Retail Sales

As the largest city in the County, the City accounted for \$58.4 billion (or approximately 27.3 percent) of the total \$213.7 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)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Motor Vehicle and Parts Dealers	\$4,953,943	\$4,920,618	\$4,585,480	\$5,927,499	\$6,558,134
Home Furnishings and Appliance Stores	1,994,456	1,879,295	1,523,470	2,025,904	1,974,419
Bldg. Materials and Garden Equip. and Supplies	2,604,998	2,633,786	2,774,916	3,040,639	3,207,718
Food and Beverage Stores	2,965,281	3,003,306	3,045,666	3,154,313	3,357,996
Gasoline Stations	4,577,433	4,634,896	2,903,295	4,469,765	5,873,754
Clothing and Clothing Accessories Stores	3,358,528	3,392,114	2,302,122	3,632,876	3,714,074
General Merchandise Stores	2,901,449	2,908,563	2,494,747	3,037,363	3,297,351
Food Services and Drinking Places	9,704,572	10,214,928	6,320,584	8,881,294	10,921,768
Other Retail Group	<u>4,582,036</u>	<u>4,686,277</u>	<u>4,462,925</u>	<u>5,286,747</u>	<u>5,282,976</u>
Subtotal Retail and Food Services	37,642,695	38,273,783	30,413,205	39,456,400	44,188,190
All Other Outlets	<u>11,862,801</u>	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,296,267</u>	<u>14,218,524</u>
TOTAL ALL OUTLETS	\$49,505,496	\$50,174,451	\$39,654,237	\$50,752,667	\$58,406,714
Year-over-year change	N/A	1.4%	(21.0%)	28.0%	15.1%

Source: California Department of Tax and Fee Administration, Research and Statistics (last updated September 22, 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

	<i>2023-24 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential				
Commercial Office	\$ 123,594,027,700	15.57%	26,523	3.36%
Vacant Commercial	2,548,137,269	0.32	1,342	0.17
Industrial	59,295,429,779	7.47	17,784	2.26
Vacant Industrial	2,108,370,020	0.27	4,229	0.54
Recreational	2,956,403,429	0.37	779	0.10
Government/Social/Institutional	4,323,927,005	0.54	3,599	0.46
Miscellaneous	<u>412,868,651</u>	<u>0.05</u>	<u>1,872</u>	<u>0.24</u>
Subtotal Non-Residential	\$ 195,239,163,853	24.60%	56,128	7.12%
Residential				
Single Family Residence	\$ 406,072,545,247	51.16%	508,959	64.54%
Condominium/Townhouse	52,218,443,518	6.58	90,640	11.49
Mobile Homes and Lots	183,955,801	0.02	3,492	0.44
Mobile Home Park	265,659,820	0.03	93	0.01
2-4 Residential Units	40,999,689,306	5.17	75,013	9.51
5+ Residential Units/Apartments	95,306,649,303	12.01	35,601	4.51
Vacant Residential	<u>3,512,123,137</u>	<u>0.46</u>	<u>18,620</u>	<u>2.36</u>
Subtotal Residential	\$ 598,559,066,132	75.40%	732,418	92.88%
Total	\$ 793,798,229,985	100.00%	788,546	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

	<i>No. of Parcels</i>	<i>2023-24 Assessed Valuation</i>	<i>Average Assessed Valuation</i>	<i>Median Assessed Valuation</i>
Single Family Residential Properties	508,959	\$406,072,545,247	\$797,849	\$447,189

<i>2023-24 Assessed Valuation</i>	<i>No. of Residential Parcels ⁽¹⁾</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$49,999	6,115	1.201%	1.201%	\$ 212,380,065	0.052%	0.052%
\$50,000 - \$99,999	13,986	2.748	3.949	1,056,068,874	0.260	0.312
\$100,000 - \$149,999	16,365	3.215	7.165	2,048,767,080	0.505	0.817
\$150,000 - \$199,999	25,083	4.928	12.093	4,422,383,730	1.089	1.906
\$200,000 - \$249,999	32,991	6.482	18.575	7,433,961,003	1.831	3.737
\$250,000 - \$299,999	41,330	8.120	26.696	11,339,794,760	2.793	6.529
\$300,000 - \$349,999	47,539	9.340	36.036	15,432,252,797	3.800	10.330
\$350,000 - \$399,999	48,812	9.591	45.627	18,290,393,332	4.504	14.834
\$400,000 - \$449,999	27,734	5.449	51.076	11,777,021,228	2.900	17.734
\$450,000 - \$499,999	30,245	5.943	57.018	14,362,715,355	3.537	21.271
\$500,000 - \$549,999	29,979	5.890	62.909	15,732,769,347	3.874	25.145
\$550,000 - \$599,999	28,002	5.502	68.410	16,085,636,892	3.961	29.107
\$600,000 - \$649,999	20,311	3.991	72.401	12,683,143,017	3.123	32.230
\$650,000 - \$699,999	15,882	3.120	75.522	10,712,043,714	2.638	34.868
\$700,000 - \$749,999	14,829	2.914	78.435	10,744,693,017	2.646	37.514
\$750,000 - \$799,999	12,606	2.477	80.912	9,757,321,332	2.403	39.917
\$800,000 - \$849,999	10,444	2.052	82.964	8,609,312,964	2.120	42.037
\$850,000 - \$899,999	10,213	2.007	84.971	8,931,339,991	2.199	44.236
\$900,000 - \$949,999	9,494	1.865	86.836	8,777,953,026	2.162	46.398
\$950,000 - \$999,999	8,063	1.584	88.420	7,858,627,139	1.935	48.333
\$1,000,000-and greater	<u>58,936</u>	<u>11.580</u>	100.000	<u>209,803,966,584</u>	<u>51.667</u>	100.000
	508,959	100.000%		\$ 406,072,545,247	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

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
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⁾	<u>12,659</u>	<u>10,693</u>	<u>9,171</u>	<u>10,898</u>	<u>12,324</u>
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 A/B Bonds. The Series A/B 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 A/B Bonds of each Series, 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 A/B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A/B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series A/B 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 A/B 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 A/B Bonds, except in the event that use of the book-entry system for the Series A/B Bonds is discontinued.

To facilitate subsequent transfers, all Series A/B 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 A/B 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 A/B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series A/B 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 A/B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A/B Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series A/B Bond documents. For example, Beneficial Owners of Series A/B Bonds may wish to ascertain that the nominee holding the Series A/B 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 A/B 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 A/B 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 A/B 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 A/B 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 A/B 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 A/B 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 A/B 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 A/B 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 Sixty-First 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 A/B Bonds, the Series A/B Bonds registered in the name of DTC’s nominee, as the initial Securities Depository, or any successor Securities Depository for the Series A/B 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 Sixty-First Supplemental Resolution shall be deemed to include United States Treasury Regulations thereunder applicable to the Bonds issued pursuant to the Sixty-First 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 Sixty-First 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.

“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 A/B 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 A/B Bonds, the City Treasurer of the City, or its agent thereof, and its successor or successors appointed in the manner provided in the Sixty-First Supplemental Resolution for the Series A/B 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 A/B 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.

“Sixty-First Supplemental Resolution” means Resolution No. 5049 of the Board, as the provisions thereof may be amended or supplemented from time to time in accordance with the terms 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 Supplemental Resolution authorizing the issuance of such Series of Bonds 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 Master Resolution and the applicable 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 Master Resolution and the applicable 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 Master Resolution and the applicable 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 Master Resolution and the applicable 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 Master Resolution and the applicable 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 Master Resolution and the applicable 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 complied 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 applicable Supplemental Resolution authorizing such Bonds 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 applicable Supplemental Resolution authorizing such Bonds.

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 Master Resolution and the applicable Supplemental Resolution authorizing the issuance of such Series of Bonds 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.

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.

SIXTY-FIRST 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 Sixty-First Supplemental Resolution, and the rights and obligations of the Department and of the Owners of the Outstanding Series A/B Bonds and of the Fiduciaries for the Series A/B 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 A/B Bonds of the affected Series then Outstanding shall have been filed with the Fiscal Agent, or if less than all of the Outstanding Series A/B Bonds are affected the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Series A/B Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Series A/B Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Series A/B Bonds shall not be required and such Series A/B Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Series A/B Bonds Outstanding. No such modification, amendment or supplement shall (1) extend the fixed maturity of any Series A/B 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 A/B Bond so affected; or (2) reduce the aforesaid percentage of Series A/B 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 A/B Bonds then Outstanding; or (3) modify the rights or obligations of any Fiduciary for the Series A/B Bonds without the consent of such Fiduciary.

The Sixty-First Supplemental Resolution and the rights and obligations of the Department, the Fiduciaries and the Owners of the Series A/B Bonds may also be modified or amended in any respect with the consent of each Credit Provider whose consent is required by the Sixty-First Supplemental Resolution but without the consent of any Owners of Series A/B 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 A/B 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, or provided electronically to the Owners of all Outstanding Series A/B Bonds (or, if less than all

of the Outstanding Series A/B Bonds are affected, the affected Outstanding Series A/B 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 A/B Bond.

Upon the adoption of any Supplemental Resolution amending, modifying or supplementing the provisions of the Sixty-First Supplemental Resolution, the Sixty-First Supplemental Resolution shall be deemed to be modified, amended and supplemented in accordance therewith, and the respective rights, duties and obligations under the Sixty-First Supplemental Resolution of the Department, the Fiduciaries for the Series A/B Bonds and all Owners of Outstanding Series A/B 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 Sixty-First Supplemental Resolution for any and all purposes.

For purposes of obtaining consents to amendments to the Sixty-First Supplemental Resolution, Series A/B 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 Sixty-First Supplemental Resolution provides that certain rights, including the right to consent to amendments, modifications, and supplements to the Master Resolution and the Sixty-First Supplemental Resolution, of Owners of Series A/B 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 respective Series of Series A/B Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel to the Department, proposes to deliver its final approving opinion with respect to such Series of Series A/B 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, 2024 Series [A][B]
(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, 2024 Series [A][B] (the “2024 Series [A][B] 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. 5049, adopted by the Board on _____, 2024 (the “Sixty-First 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] Bonds, the Bond Resolution and the 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] Bonds.
3. Interest on the 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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 2024 Series [A][B] 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, 2024 Series [A][B] (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. 5049 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 2024, 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 ____ day of _____, 2024.

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 LLP, bond counsel to the Department for the Series A/B Bonds.

“BPA” means Bonneville Power Administration.

“BR RTP” 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.

“CO₂” means carbon dioxide.

“Code” means the Internal Revenue Code of 1986.

“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.

“EPA 1992” means the Energy Policy Act of 1992, codified at 42 U.S.C.A. Section 1301 and following.

“EPA 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.

“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.

“GWs” 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 Agreement for Sale of Renewal Excess Power” means the excess power sales agreement between the Department and certain other IPP participants with respect to the IPP, which will take operational effect concurrently with the IPP Renewal Power Sales Contract.

“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.

“IPP Renewal Power Sales Contract” means the Renewal Power Sales Contract between the Department and IPA with respect to the IPP, which will take operational effect upon the termination date of the IPP Contract.

“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 A/B 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.

“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 A Bonds” means the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2024 Series A.

“Series B Bonds” means the Department of Water and Power of the City of Los Angeles Power System Revenue Bonds, 2024 Series B.

“Series A/B Bonds” means collectively, the Series A Bonds and the Series B Bonds.

“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.

“Underwriters” means the underwriters listed on the front cover of the Official Statement for the Series A/B 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.