

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 9, 2026**

**NEW ISSUES – FULL BOOK-ENTRY ONLY**

**Rating: Moody's: "Aa2"  
(See "RATING" herein.)**

*In the opinion of Nixon Peabody LLP, Los Angeles, California, Special Tax Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority described herein, interest on the 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Special Tax Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Special Tax Counsel is further of the opinion that interest on the 2026 Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.*



**\$18,465,000\***

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

(a public entity organized under the laws of the State of California)

**\$10,295,000\***

**\$8,170,000\***

**Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A**

**Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside 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 these issues. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.**

The Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the "2026 Mead-Adelanto Bonds") are being issued by the Southern California Public Power Authority (the "Authority") pursuant to an Indenture of Trust, dated as of May 1, 2016, from the Authority to U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as supplemented and amended (the "Mead-Adelanto Indenture"), to (i) provide funds, together with certain other available amounts, to refund and redeem on the date of issuance of the 2026 Mead-Adelanto Bonds all of the Authority's outstanding \$11,955,000 Mead-Adelanto Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A (the "Refunded 2016 Mead-Adelanto Bonds"), and (ii) pay the costs of issuance of the 2026 Mead-Adelanto Bonds. The Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the "2026 Mead-Phoenix Bonds" and, together with the 2026 Mead-Adelanto Bonds, the "2026 Bonds") are being issued by the Authority pursuant to a separate Indenture of Trust, dated as of May 1, 2016, from the Authority to the Trustee, as supplemented and amended (the "Mead-Phoenix Indenture," and together with the Mead-Adelanto Indenture, the "Indentures"), to (i) provide funds, together with certain other available amounts, to refund and redeem on the date of issuance of the 2026 Mead-Phoenix Bonds all of the Authority's outstanding \$9,705,000 Mead-Phoenix Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A (the "Refunded 2016 Mead-Phoenix Bonds" and, together with the Refunded 2016 Mead-Adelanto Bonds, the "Refunded Bonds"), and (ii) pay the costs of issuance of the 2026 Mead-Phoenix Bonds. See "REFUNDING PLAN."

The Mead-Adelanto Project is a 202-mile, 500-kV, alternating current transmission line extending between southern Nevada and southern California, and related facilities, as more fully described herein. The Mead-Phoenix Project is a 256-mile, 500-kV, alternating current transmission line extending between central Arizona and southern Nevada, and related facilities, as more fully described herein. Ownership interests in the Mead-Adelanto Project and Mead-Phoenix Project were acquired by the Authority (each referred to herein as the "Authority Interest (LADWP)" in the respective project) in order to, among other things, assist the Department of Water and Power of The City of Los Angeles (the "Department" or the "Project Participant") in meeting its future power needs and provide it with additional transmission capability for transactions with others, including particularly, to assist it in bringing additional renewable power into its electric system and meet its future renewable portfolio standard goals. Pursuant to separate transmission service contracts, each dated as of March 17, 2016 (the "Mead-Adelanto Transmission Service Contract (LADWP)" and the "Mead-Phoenix Transmission Service Contract (LADWP)," respectively, and together, the "Transmission Service Contracts (LADWP)"), the Authority sold to the Department an entitlement to use of 100% of the capability of the Authority Interest (LADWP) in the respective projects. See "THE MEAD-ADELANTO PROJECT" and "THE MEAD-PHOENIX PROJECT" herein.

The 2026 Bonds are being issued as fully registered bonds and, when issued, 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 of the 2026 Bonds. Individual purchases of the 2026 Bonds will be made in book-entry form only. Purchasers of the 2026 Bonds will not receive securities certificates representing their interest in the 2026 Bonds purchased. Principal of and premium, if any, and interest on the 2026 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of such principal, premium, if any, and interest, DTC is obligated to remit such payments to its DTC participants for subsequent disbursement to the beneficial owners of the 2026 Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The 2026 Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. The 2026 Bonds will be dated their date of delivery and will bear interest at the respective rates set forth on the inside cover hereof. Interest on the 2026 Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2026, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2026 Bonds will mature on the dates and in the respective principal amounts set forth on the inside cover hereof. The 2026 Bonds are subject to redemption prior to maturity as described herein.

The 2026 Bonds are special, limited obligations of the Authority payable solely from and secured, as to payment of the principal or redemption price thereof, and interest thereon, solely by a pledge and assignment of the related Revenues and certain other moneys described herein. Revenues under the Mead-Adelanto Indenture and Mead-Phoenix Indenture consist primarily of payments to be made to the Authority by the Department, as Project Participant, pursuant to the related Mead-Adelanto Transmission Service Contract (LADWP) or Mead-Phoenix Transmission Service Contract (LADWP), as applicable, as more fully described herein. Pursuant to the Transmission Service Contracts (LADWP), such payments to be made by the Project Participant will constitute operating expenses of the Department's electric system. The payment obligations of the Project Participant under the Transmission Service Contracts (LADWP) are not contingent upon the operation of the Mead-Adelanto Project or the Mead-Phoenix Project, as applicable, or the performance or nonperformance by any party of any agreement for any cause whatsoever. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-ADELANTO BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-PHOENIX BONDS" herein.

The Authority has reserved its right under each of the Indentures to issue additional parity bonds thereunder and to enter into parity swaps on the terms and conditions provided for therein.

**The 2026 Bonds are not obligations of the State of California, any public agency thereof (other than the Authority), the Project Participant or any other member of the Authority, and neither the faith and credit nor the taxing power of any of the foregoing (including the Authority) is pledged for the payment of the 2026 Bonds. The 2026 Bonds shall not constitute a debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or statutes of the State of California and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit. The Authority has no taxing power.**

**Maturity Schedules  
(see inside cover)**

*The 2026 Bonds are expected to be sold by competitive sale on February 18, 2026, pursuant to the Notice Inviting Bids dated February 9, 2026. The 2026 Bonds are offered when, as and if issued and received by the Underwriter, and subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Authority by its General Counsel, Christine Godinez, Esq., and by Nixon Peabody LLP, Los Angeles, California, Special Tax Counsel. PFM Financial Advisors LLC is serving as Municipal Advisor to the Authority in connection with the issuance of the 2026 Bonds. Norton Rose Fulbright US LLP is also serving as Disclosure Counsel to the Authority in connection with the 2026 Bonds. It is expected that the 2026 Bonds will be available for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST) on or about March \_\_, 2026.*

Dated: \_\_\_\_\_, 2026

\* Preliminary, subject to change.

### **Maturity Schedules\***

**\$10,295,000\***

**Mead-Adelanto Project, Authority Interest (LADWP),  
Refunding Revenue Bonds, 2026 Series A**

<u>Due July 1*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2026	\$ 940,000	%	%	
2027	2,170,000			
2028	2,280,000			
2029	2,395,000			
2030	2,510,000			

**\$8,170,000\***

**Mead-Phoenix Project, Authority Interest (LADWP),  
Refunding Revenue Bonds, 2026 Series A**

<u>Due July 1*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2026	\$ 580,000	%	%	
2027	1,760,000			
2028	1,845,000			
2029	1,945,000			
2030	2,040,000			

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\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Project Participant or the Underwriter and are included solely for the convenience of the holders of the 2026 Bonds. None of the Authority, the Project Participant or the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2026 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the delivery of the 2026 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2026 Bonds.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

**BOARD OF DIRECTORS**

Dukku Lee (Anaheim)	Scott Mellon (Glendale)
Tikan Singh (Azusa)	Jamie L. Asbury (Imperial)
Fred Lyn (Banning)	Janisse Quiñones (Los Angeles)
Mandip Samra (Burbank)	David Reyes (Pasadena)
Robert Lopez (Cerritos)	David A. Garcia (Riverside)
Charles Berry (Colton)	Todd Dusenberry (Vernon)

**MANAGEMENT**

Mandip Samra – *President*  
Tikan Singh – *First Vice President*  
Dukku Lee – *Second Vice President*  
Janisse Quiñones – *Secretary*  
John Equina – *Assistant Secretary*  
Daniel E Garcia – *Executive Director, Treasurer/Auditor  
and Assistant Secretary*  
Aileen Ma – *Chief Financial and Administrative Officer*  
Christine Godinez, Esq. – *General Counsel*

**PROJECT PARTICIPANT**

Department of Water and Power of The City of Los Angeles

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
Los Angeles, California

**BOND COUNSEL AND  
DISCLOSURE COUNSEL**

Norton Rose Fulbright US LLP  
Los Angeles, California

**SPECIAL TAX COUNSEL**

Nixon Peabody LLP  
Los Angeles, California

**TRUSTEE AND PAYING AGENT**

U.S. Bank Trust Company, National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Authority or by the Underwriter 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 Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2026 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2026 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the Authority and the Project Participant, and includes information obtained from 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 Authority or the Project Participant since the date hereof.

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

IN CONNECTION WITH THE OFFERING OF THE 2026 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2026 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur.

This Official Statement, including any supplement or amendment hereto, is intended to be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) website. The Authority and the Project Participant each maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2026 Bonds.

The 2026 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The 2026 Bonds have not been registered or qualified under the securities laws of any state.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites

and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
Purpose; Authority for Issuance.....	1
The Projects and the Authority Interests (LADWP).....	2
The Transmission Service Contracts (LADWP).....	3
Security and Sources of Payment for the 2026 Bonds.....	4
The Authority and the Project Participant.....	5
Continuing Disclosure Undertakings .....	5
Certain Information; Summaries and References to Documents .....	6
REFUNDING PLAN .....	6
ESTIMATED SOURCES AND USES OF FUNDS .....	7
DEBT SERVICE REQUIREMENTS OF THE 2026 BONDS .....	7
DESCRIPTION OF THE 2026 MEAD-ADELANTO BONDS .....	7
General.....	7
No Optional Redemption of the 2026 Mead-Adelanto Bonds.....	8
DESCRIPTION OF THE 2026 MEAD-PHOENIX BONDS.....	8
General.....	8
No Optional Redemption of the 2026 Mead-Phoenix Bonds .....	8
BOOK-ENTRY ONLY SYSTEM.....	8
General.....	8
Discontinuation of the Book-Entry Only System .....	10
THE MEAD-ADELANTO PROJECT .....	11
Project Description .....	11
Operating Statistics Relating to the Mead-Adelanto Project .....	14
Certain Financial Statements Relating to the Mead-Adelanto Project.....	15
THE MEAD-PHOENIX PROJECT .....	16
Project Description .....	16
Operating Statistics Relating to the Mead-Pheonix Project.....	19
Certain Financial Statements Relating to the Mead-Pheonix Project .....	20
CURRENT OWNERS OF THE MEAD-ADELANTO PROJECT AND THE MEAD-PHOENIX PROJECT.....	21
SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-ADELANTO BONDS .....	22
Pledge Effected by the Mead-Adelanto Indenture .....	22
Mead-Adelanto Transmission Service Contract (LADWP) .....	23
Flow of Funds Under the Mead-Adelanto Indenture .....	26
Authority Rate Covenant .....	28
No Funded Debt Service Reserve Account.....	28
Additional Mead-Adelanto Bonds and Other Obligations.....	29
SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-PHOENIX BONDS .....	29
Pledge Effected by the Mead-Phoenix Indenture .....	29
Mead-Phoenix Transmission Service Contract (LADWP) .....	30
Flow of Funds Under the Mead-Phoenix Indenture.....	33
Authority Rate Covenant .....	35
No Funded Debt Service Reserve Account.....	35
Additional Mead-Phoenix Bonds and Other Obligations .....	36
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY .....	36

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Formation.....	36
Organization and Management .....	36
Other Bond-Financed Projects of the Authority .....	37
Other Projects of the Authority Not Financed by Bonds .....	44
Further Information.....	48
THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES .....	48
DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS .....	49
State Legislation and Regulatory Proceedings.....	49
Impact of California Energy Market Developments.....	57
Federal Executive Order Regarding State Laws .....	57
OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND INVESTMENT CONSIDERATIONS .....	57
Federal Energy Legislation .....	57
Federal Regulation of Transmission Access .....	58
Federal Policy on Cybersecurity .....	59
Environmental Issues .....	60
Changing Laws and Requirements Generally.....	62
General Economic Conditions .....	63
Cybersecurity Risks .....	63
Global Health Emergencies .....	64
Limitations on Remedies .....	64
Other Factors.....	64
CONSTITUTIONAL LIMITATIONS IN CALIFORNIA AFFECTING FEES AND CHARGES IMPOSED BY THE PROJECT PARTICIPANT .....	66
Proposition 218 and Proposition 26 .....	66
Other Initiatives .....	67
LITIGATION.....	67
TAX MATTERS.....	68
Federal Income Taxes .....	68
State Taxes .....	68
Original Issue Discount.....	68
Original Issue Premium .....	68
Ancillary Tax Matters .....	69
Changes in Law and Post Issuance Events .....	69
RATING .....	70
UNDERWRITING .....	70
MUNICIPAL ADVISOR.....	70
INDEPENDENT AUDITORS.....	70
CERTAIN LEGAL MATTERS.....	71
CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2026 BONDS.....	71
AVAILABLE INFORMATION .....	72

**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
APPENDIX A – THE PROJECT PARTICIPANT .....	A-1
APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES POWER SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024.....	B-1
APPENDIX C – SUMMARIES OF CERTAIN DOCUMENTS .....	C-1
APPENDIX D – FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2026 BONDS .....	D-1
APPENDIX E – PROPOSED FORM OF BOND COUNSEL OPINION.....	E-1
APPENDIX F – PROPOSED FORM OF SPECIAL TAX COUNSEL OPINION.....	F-1
APPENDIX G – DEBT SERVICE REQUIREMENTS FOR THE 2026 MEAD-ADELANTO BONDS .....	G-1
APPENDIX H – DEBT SERVICE REQUIREMENTS FOR THE 2026 MEAD-PHOENIX BONDS .....	H-1



Official Statement  
relating to

**\$18,465,000\***

**Southern California Public Power Authority**

(a public entity organized under the laws of the State of California)

**\$10,295,000\***

**Mead-Adelanto Project, Authority Interest  
(LADWP), Refunding Revenue Bonds,  
2026 Series A**

**\$8,170,000\***

**Mead-Phoenix Project, Authority Interest  
(LADWP), Refunding Revenue Bonds,  
2026 Series A**

**INTRODUCTION**

*This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the 2026 Bonds (as defined herein) to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement or in the hereinafter-referenced Mead-Adelanto Indenture or Mead-Phoenix Indenture or the Mead-Adelanto Transmission Service Contract (LADWP) or Mead-Phoenix Transmission Service Contract (LADWP), as applicable. See also APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS.”*

**Purpose; Authority for Issuance**

This Official Statement (which includes the cover page, the inside cover page, the table of contents and the appendices attached hereto) is furnished by the Southern California Public Power Authority (the “Authority”), a joint powers agency and a public entity organized under the laws of the State of California, to provide information concerning (i) the Mead-Adelanto Project and the corresponding Authority Interest (LADWP) therein and the related \$10,295,000\* aggregate principal amount of Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “2026 Mead-Adelanto Bonds”) to be issued by the Authority and (ii) the Mead-Phoenix Project and the corresponding Authority Interest (LADWP) therein and the related \$8,170,000\* aggregate principal amount of Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “2026 Mead-Phoenix Bonds”) to be issued by the Authority, all as more fully described herein. The 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds are collectively referred to herein as the “2026 Bonds” and are sometimes referred to herein separately as an “issue” of 2026 Bonds.

The 2026 Bonds are being issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of California, as amended (the “Act”). The 2026 Mead-Adelanto Bonds will be issued under an Indenture of Trust, dated as of May 1, 2016, relating to the Mead-Adelanto Project Authority Interest (LADWP), from the Authority to U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as previously supplemented and as supplemented by the Second Supplemental Indenture of Trust thereto, dated as of March 1, 2026, providing for the issuance of the 2026 Mead-Adelanto Bonds (as so supplemented, the “Mead-Adelanto Indenture”). The 2026 Mead-Phoenix Bonds will be issued under a separate Indenture of Trust, dated as of May 1, 2016, relating to the Mead-Phoenix Project Authority Interest (LADWP), from the Authority to the Trustee, as previously supplemented and as supplemented by the Second Supplemental Indenture of Trust thereto, dated as of March 1, 2026, providing for the issuance of the 2026 Mead-Phoenix Bonds (as so

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\* Preliminary, subject to change.

supplemented, the “Mead-Phoenix Indenture”). The Mead-Adelanto Indenture and the Mead-Phoenix Indenture, as the same may be supplemented and amended from time to time as therein permitted, are collectively referred to herein as the “Indentures.”

The 2026 Mead-Adelanto Bonds are being issued by the Authority to (i) provide funds, together with certain other available amounts, to refund and redeem on the date of issuance of the 2026 Mead-Adelanto Bonds all of the Authority’s outstanding \$11,955,000 Mead-Adelanto Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A (the “Refunded 2016 Mead-Adelanto Bonds”) and (ii) pay the costs of issuance of the 2026 Mead-Adelanto Bonds. See “REFUNDING PLAN.” The 2026 Mead-Phoenix Bonds are being issued by the Authority to (i) provide funds, together with certain other available amounts, to refund and redeem on the date of issuance of the 2026 Mead-Phoenix Bonds all of the Authority’s outstanding \$9,705,000 Mead-Phoenix Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A (the “Refunded 2016 Mead-Phoenix Bonds” and, together with the Refunded 2016 Mead-Adelanto Bonds, the “Refunded Bonds”) and (ii) pay the costs of issuance of the 2026 Mead-Phoenix Bonds. See “REFUNDING PLAN.”

### **The Projects and the Authority Interests (LADWP)**

The Mead-Adelanto Project generally consists of a 202-mile, 500-kV alternating current (“AC”) transmission line that extends between a southwest terminus at the existing Adelanto Substation in southern California and a northeast terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada, and related facilities. By connecting to Marketplace Substation, the transmission line interconnects with the Mead-Phoenix Project and the McCullough Substation. The transmission line has a transfer capability of 1,291 MW. Construction costs for the Mead-Adelanto Project were approximately \$204 million. The commercial operation date for the Mead-Adelanto Project was April 15, 1996. The Mead-Adelanto Project and the Marketplace Substation are operated by the Department of Water and Power of The City of Los Angeles (the “Department” or the “Project Participant”).

The Mead-Phoenix Project generally consists of a 256-mile, 500-kV AC transmission line that extends between a southern terminus at the Westwing Substation (in the vicinity of Phoenix, Arizona) and a northern terminus at Marketplace Substation, and related facilities. The transmission line is looped through the 500-kV switchyard constructed in the Mead Substation in southern Nevada with a current transfer capability of 1,923 MW (as a result of certain upgrades completed in 2009). By connecting to Marketplace Substation, the Mead-Phoenix Project interconnects with the Mead-Adelanto Project and with the existing McCullough Substation. The Mead-Phoenix Project is comprised of three project components: the Westwing-Mead Component, the Mead Substation Component and the Mead-Marketplace Component.

The “Authority Interest (LADWP)” in the Mead-Adelanto Project and the “Authority Interest (LADWP)” in the Mead-Phoenix Project (each such interest as described herein) were purchased by the Authority from M-S-R Public Power Agency (“M-S-R PPA”), pursuant to a Purchase and Sale Agreement, dated as of August 31, 2015 (as amended, the “Purchase and Sale Agreement”), between M-S-R PPA and the Authority. Pursuant to the Purchase and Sale Agreement, M-S-R PPA sold, conveyed, assigned, transferred and delivered to the Authority, and the Authority purchased and acquired from M-S-R PPA (subject to certain permitted encumbrances), all of M-S-R PPA’s undivided, tenants-in-common interest in each of the Mead-Adelanto Project and the Mead-Phoenix Project, and all of M-S-R PPA’s rights, title and interest in the related Project Agreements (as defined in the Purchase and Sale Agreement), subject to certain adjustments for allocated costs, expenses and receipts and prorations of taxes, fees, rents and other periodic charges as provided in the Purchase and Sale Agreement.

The Authority Interest (LADWP) in the Mead-Adelanto Project was acquired on May 25, 2016 pursuant to the Purchase and Sale Agreement and represents a 17.5000% ownership share in the Mead-

Adelanto Project. The Authority Interest (LADWP) in the Mead-Phoenix Project was acquired on May 25, 2016 pursuant to the Purchase and Sale Agreement and represents a 11.53850% ownership share in the Westwing-Mead Component and a 8.0993% ownership share in the Mead-Marketplace Component of the Mead-Phoenix Project.

The Authority Interest (LADWP) in the Mead-Adelanto Project and the Authority Interest (LADWP) in the Mead-Phoenix Project (sometimes collectively referred to herein as the “Authority Interests (LADWP)”) were acquired by the Authority in order to assist the Department. The Department has identified several benefits to having participation shares in the Mead-Adelanto Project and the Mead-Phoenix Project provided to it by the Authority Interests (LADWP), including but not limited to: (a) meeting its renewable portfolio standard (“RPS”) goals and having the capability provided by the Authority Interests (LADWP) to bring more renewable power into the Department’s electric system; (b) increased operational flexibility to move or import more renewable energy from the nearby Palo Verde Switchyard and the Mead Substation; (c) minimizing the need to build additional high voltage transmission lines in these areas in the future, which can be costly and challenging; and (d) enhancing the return of assets by generating electric system revenues for any unused transmission capacity.

Under the Mead-Adelanto Joint Ownership Agreement (hereinafter defined), the Authority and other parties separate and independent ownership interests in the Mead-Adelanto Project. See “THE MEAD-ADELANTO PROJECT - Joint Ownership Agreement; Acquisition of the Authority Interest (LADWP)” herein.

Under the Mead-Phoenix Joint Ownership Agreement (hereinafter defined), the Authority and other parties separate and independent ownership interests in the Mead-Phoenix Project. See “THE MEAD-PHOENIX PROJECT - Joint Ownership Agreement; Acquisition of the Authority Interest (LADWP)” herein.

The Mead-Adelanto Project was developed and constructed in conjunction with the Mead-Phoenix Project as described below. See “THE MEAD-ADELANTO PROJECT” and “THE MEAD-PHOENIX PROJECT” herein.

### **The Transmission Service Contracts (LADWP)**

The Authority and the Department have entered into the Mead-Adelanto Transmission Service Contract (LADWP) with respect to the Authority Interest (LADWP) in the Mead-Adelanto Project. Under the Mead-Adelanto Transmission Service Contract (LADWP), the Department is entitled to transmission service utilizing 100% of the available capability of the Authority Interest (LADWP) in the Mead-Adelanto Project, and is obligated to make payments therefor on a “take-or-pay” basis, that is, whether or not the Mead-Adelanto Project or any part thereof is operating or is operable, or its service is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The payment obligations of the Department under the Mead-Adelanto Transmission Service Contract (LADWP) constitute a cost of transmission service and an operating expense of the electric utility system of the Department, payable solely from its electric revenue funds. As an operating expense of its electric system, the payment obligations of the Department under the Mead-Adelanto Transmission Service Contract (LADWP) and all other of its “take-or-pay” contract obligations are payable on a parity with the Department’s electric system revenue bonds (see APPENDIX A – “THE PROJECT PARTICIPANT”). See also “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-ADELANTO BONDS – Mead-Adelanto Transmission Service Contract (LADWP)” and APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Adelanto Transmission Service Contract (LADWP).”

The Authority and the Department have entered into a separate Mead-Phoenix Transmission Service Contract (LADWP) with respect to the Authority Interest (LADWP) in the Mead-Phoenix Project.

Under the Mead-Phoenix Transmission Service Contract (LADWP), the Department is entitled to transmission service utilizing 100% of the available capability of the Authority Interest (LADWP) in the Mead-Phoenix Project, and is obligated to make payments therefor on a “take-or-pay” basis, that is, whether or not the Mead-Phoenix Project or any part thereof is operating or is operable, or its service is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The payment obligations of the Department under the Mead-Phoenix Transmission Service Contract (LADWP) constitute a cost of transmission service and an operating expense of the electric utility system of the Department, payable solely from its electric revenue funds. As an operating expense of its electric system, the payment obligations of the Department under the Mead-Phoenix Transmission Service Contract (LADWP) and all other of its “take-or-pay” contract obligations are payable on a parity with the Department’s electric system revenue bonds (see APPENDIX A – “THE PROJECT PARTICIPANT”). See also “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-PHOENIX BONDS – Mead-Phoenix Transmission Service Contract (LADWP)” and APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Phoenix Transmission Service Contract (LADWP).”

### **Security and Sources of Payment for the 2026 Bonds**

The 2026 Mead-Adelanto Bonds are special, limited obligations of the Authority payable solely from, and secured as to the payment of the principal or redemption price thereof, and interest thereon solely by, a pledge and assignment of Revenues (as defined in the Mead-Adelanto Indenture) and certain other moneys as described herein, subject only to the provisions of the Mead-Adelanto Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Revenues under the Mead-Adelanto Indenture consist primarily of payments to be made to the Authority by the Department, as Project Participant, pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-ADELANTO BONDS.”

The 2026 Mead-Phoenix Bonds are special, limited obligations of the Authority payable solely from, and secured as to the payment of the principal or redemption price thereof, and interest thereon solely by, a pledge and assignment of Revenues (as defined in the Mead-Phoenix Indenture) and certain other moneys as described herein, subject only to the provisions of the Mead-Phoenix Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Revenues under the Mead-Phoenix Indenture consist primarily of payments to be made to the Authority by the Department, as Project Participant, pursuant to the Mead-Phoenix Transmission Service Contract (LADWP), as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-PHOENIX BONDS.”

**The 2026 Bonds are not obligations of the State of California, any public agency thereof (other than the Authority), the Project Participant or any other member of the Authority, and neither the faith and credit nor the taxing power of any of the foregoing (including the Authority) is pledged for the payment of the 2026 Bonds. The Authority has no taxing power.**

The Authority has reserved its right under each of the Indentures to issue additional parity bonds, notes or other evidences of indebtedness thereunder and to enter into Parity Swaps on the terms and conditions and for the purposes stated therein. The 2026 Mead-Adelanto Bonds and any other bonds, notes or other evidence of indebtedness hereafter issued pursuant to the Act and the Mead-Adelanto Indenture on parity with the 2026 Mead-Adelanto Bonds are herein collectively referred to as the “Mead-Adelanto Bonds.” The 2026 Mead-Phoenix Bonds and any other bonds, notes or other evidence of indebtedness hereafter issued pursuant to the Act and the Mead-Phoenix Indenture on parity with the 2026 Mead-Phoenix Bonds are herein collectively referred to as the “Mead-Phoenix Bonds.”

Pursuant to the Indentures, each Series of Mead-Adelanto Bonds or Mead-Phoenix Bonds will, unless otherwise provided in the Supplemental Indenture relating to such Series of Mead-Adelanto Bonds or Mead-Phoenix Bonds, be “Participating Bonds” for purposes of the related Indenture and will be secured by the common debt service reserve account established thereunder for all Mead-Adelanto Bonds or Mead-Phoenix Bonds that are Participating Bonds, as applicable. **The Second Supplemental Indentures of Trust for the 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds provide that the 2026 Mead-Adelanto Bonds and 2026 Mead-Phoenix Bonds are not “Participating Bonds” under the respective Indentures and will not be secured by the Participating Bonds Debt Service Reserve Account created therefor under the related Indenture, and no Debt Service Reserve Account will be funded with respect to the 2026 Mead-Adelanto Bonds or the 2026 Mead-Phoenix Bonds.**

### **The Authority and the Project Participant**

The Authority, the membership of which is comprised of eleven California cities and one California irrigation district, was formed pursuant to the Act and the Joint Powers Agreement, dated as of November 1, 1980 (as amended, the “Joint Powers Agreement”). See “SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY – Formation.”

As described herein, the Department, as a member of the Authority, has entered into the respective Transmission Service Contract (LADWP) relating to the Authority Interest (LADWP) in the related Mead-Adelanto Project or Mead-Phoenix Project, as applicable. Pursuant to the respective Transmission Service Contract (LADWP), the Authority has sold to the Department 100% of the capability of the Authority Interest (LADWP) in the related project on a take-or-pay basis. See “SECURITY AND SOURCES OF PAYMENT OF THE 2026 MEAD-ADELANTO BONDS – Mead-Adelanto Transmission Service Contract (LADWP)” and “SECURITY AND SOURCES OF PAYMENT OF THE 2026 MEAD-PHOENIX BONDS – Mead-Phoenix Transmission Service Contract (LADWP),” respectively. The Department also performs certain duties and responsibilities of the Authority arising in connection with the Mead-Adelanto Project and the Mead-Phoenix Project (which will include certain duties and responsibilities in connection with the respective Authority Interests (LADWP) therein) pursuant to the Agency Agreements, dated August 4, 1992, between the Authority and the Department. The 11 remaining members of the Authority (*i.e.*, the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Riverside, Pasadena and Vernon, and the Imperial Irrigation District) are not participants with respect to the Authority Interest (LADWP) in the Mead-Adelanto Project or the Mead-Phoenix Project, are not participants in this current refinancing, and are not obligated to make any payments with respect to the 2026 Bonds.

For additional information regarding the Authority and its activities, see “SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY.” For additional information regarding the Department, see APPENDIX A – “THE PROJECT PARTICIPANT” and APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES POWER SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024.”

### **Continuing Disclosure Undertakings**

The Authority will enter into separate Continuing Disclosure Undertakings for the benefit of the beneficial owners of the 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds, respectively (each a “Continuing Disclosure Undertaking”), to send certain information annually and to provide notice of certain events to the MSRB’s EMMA system for municipal securities disclosures, pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (“Rule 15c2-12”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE

## UNDERTAKINGS FOR THE 2026 BONDS” and “APPENDIX D – FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2026 BONDS.”

### Certain Information; Summaries and References to Documents

In preparing this Official Statement, the Authority has relied upon, among other things, certain information relating to (i) the Mead-Adelanto Project and the Mead-Phoenix Project provided by the Department, (ii) certain information relating to the Authority Interests (LADWP) provided by M-S-R PPA as the current owner thereof, and (iii) certain information relating to the Department provided by the Department as Project Participant. This Official Statement also includes summaries of the terms of the 2026 Bonds, the Indentures, the Transmission Service Contracts (LADWP), the Mead-Adelanto Joint Ownership Agreement, the Mead-Phoenix Joint Ownership Agreement, the Mead-Adelanto Fiscal Agency Agreement, the Mead-Phoenix Fiscal Agency Agreement, the Mead-Adelanto Operation Agreement, the Mead-Phoenix Operation Agreement and the Land Rights Agreement, and certain contracts and other arrangements for the transmission of power and energy. 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 such document, statute, report or instrument.

### REFUNDING PLAN

The 2026 Bonds are being issued to provide funds, together with certain other available amounts, to refund and redeem on the date of issuance of the 2026 Bonds all of the outstanding \$11,955,000 Refunded 2016 Mead-Adelanto Bonds and all of the outstanding \$9,705,000 Refunded 2016 Mead-Phoenix Bonds. The Refunded 2016 Mead-Adelanto Bonds and the Refunded 2016 Mead-Phoenix Bonds are defined as the “Refunded Bonds.” The Refunded Bonds are further described in the tables below.

#### Refunded 2016 Mead-Adelanto Bonds

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP<sup>†</sup></b>
2026	\$2,165,000	5.00%	84247PJS1
2027	2,270,000	5.00	84247PJT9
2028	2,385,000	5.00	84247PJU6
2029	2,505,000	5.00	84247PJV4
2030	2,630,000	5.00	84247PJW2

#### Refunded 2016 Mead-Phoenix Bonds

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP<sup>†</sup></b>
2026	\$1,755,000	5.00%	84247PKG5
2027	1,845,000	5.00	84247PKH3
2028	1,935,000	5.00	84247PKJ9
2029	2,035,000	5.00	84247PKK6
2030	2,135,000	5.00	84247PKL4

<sup>†</sup> CUSIP® is a registered trademark of American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of American Bankers Association. None of the Authority, its Municipal Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

The Refunded 2016 Mead-Adelanto Bonds were issued on May 25, 2016. Proceeds of the Refunded 2016 Mead-Adelanto Bonds were used to pay the costs of acquisition of Authority Interest (LADWP) in the Mead-Adelanto Project. The Refunded 2016 Mead-Phoenix Bonds were issued on May 25, 2016. Proceeds of the Refunded 2016 Mead-Adelanto Bonds were used to pay the costs of acquisition of Authority Interest (LADWP) in the Mead-Phoenix Project.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds relating to the 2026 Bonds are shown below:

	<u>2026 Mead- Adelanto Bonds</u>	<u>2026 Mead- Phoenix Bonds</u>
Sources:		
Principal Amount.....	\$	\$
[Net] Original Issue Premium.....		
Transfer From Debt Service Fund .....		
Total Sources	<u>\$</u>	<u>\$</u>
Uses:		
Redemption of Refunded Bonds.....	\$	\$
Costs of Issuance <sup>(1)</sup> .....		
Total Uses	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Includes, among other things, Underwriter's discount, Trustee's fees, legal fees, Municipal Advisor fees, printing costs and rating agency fee.

## **DEBT SERVICE REQUIREMENTS OF THE 2026 BONDS**

See APPENDIX G – “DEBT SERVICE REQUIREMENTS FOR THE 2026 MEAD-ADELANTO BONDS” for the debt service requirements relating to the 2026 Mead-Adelanto Bonds. See APPENDIX H – “DEBT SERVICE REQUIREMENTS FOR THE 2026 MEAD-PHOENIX BONDS” for the debt service requirements relating to the 2026 Mead-Phoenix Bonds.

## **DESCRIPTION OF THE 2026 MEAD-ADELANTO BONDS**

### **General**

The 2026 Mead-Adelanto Bonds will be issued in fully registered form in authorized denominations of \$5,000 principal amount or any integral multiple thereof. The 2026 Mead-Adelanto Bonds will be issued in the aggregate principal amount indicated on the cover page of this Official Statement and will be dated their date of delivery. The 2026 Mead-Adelanto Bonds will bear interest at the rates per annum and will mature on July 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the 2026 Mead-Adelanto Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2026, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The 2026 Mead-Adelanto Bonds when initially issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or its nominee Cede & Co., is the registered owner of all the 2026 Mead-Adelanto Bonds, all payments of principal of and premium, if any, and interest on the 2026 Mead-Adelanto Bonds will be made directly to DTC. Disbursement of such payments to the DTC participants will be the responsibility of DTC. Disbursement of such payments to the applicable Beneficial Owners (as defined below) of the

2026 Mead-Adelanto Bonds will be the responsibility of the DTC participants as more fully described herein. See “BOOK-ENTRY ONLY SYSTEM.”

#### **No Optional Redemption of the 2026 Mead-Adelanto Bonds**

The 2026 Mead-Adelanto Bonds are not subject to redemption prior to maturity.

### **DESCRIPTION OF THE 2026 MEAD-PHOENIX BONDS**

#### **General**

The 2026 Mead-Phoenix Bonds will be issued in fully registered form in authorized denominations of \$5,000 principal amount or any integral multiple thereof. The 2026 Mead-Phoenix Bonds will be issued in the aggregate principal amount indicated on the cover page of this Official Statement and will be dated their date of delivery. The 2026 Mead-Phoenix Bonds will bear interest at the rates per annum and will mature on July 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the 2026 Mead-Phoenix Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2026, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The 2026 Mead-Phoenix Bonds when initially issued will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the 2026 Mead-Phoenix Bonds, all payments of principal of and premium, if any, and interest on 2026 Mead-Phoenix Bonds will be made directly to DTC. Disbursement of such payments to the DTC participants will be the responsibility of DTC. Disbursement of such payments to the applicable Beneficial Owners of the 2026 Mead-Phoenix Bonds will be the responsibility of the DTC participants as more fully described herein. See “BOOK-ENTRY ONLY SYSTEM.”

#### **No Optional Redemption of the 2026 Mead-Phoenix Bonds**

The 2026 Mead-Phoenix Bonds are not subject to redemption prior to maturity.

### **BOOK-ENTRY ONLY SYSTEM**

#### **General**

DTC will act as securities depository for the 2026 Bonds. The 2026 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 will be issued for each maturity of the 2026 Mead-Adelanto Bonds and for each maturity of the 2026 Mead-Phoenix Bonds, in the aggregate principal amount of each 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”). The DTC Rules applicable to DTC’s participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on such website is not incorporated herein by reference.

Purchases of the 2026 Bonds under the DTC book-entry system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of 2026 Bonds (“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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 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 2026 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 2026 Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants 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 the 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as redemptions, defaults and proposed amendments to the applicable Indenture. For example, Beneficial Owners of 2026 Bonds may wish to ascertain that the nominee holding the 2026 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 bond registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the maturity of the 2026 Bonds of an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2026 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 Authority 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 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal or redemption price of, and interest payments on, the 2026 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 Authority or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2026 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive 2026 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive 2026 Bonds will be printed and delivered.

*The foregoing description concerning DTC and DTC's book-entry system is based solely on information furnished by DTC. No representation is made herein by the Authority or the Underwriter as to the accuracy or completeness of such information, and the Authority and the Underwriter take no responsibility for the accuracy or completeness thereof.*

### **Discontinuation of the Book-Entry Only System**

If DTC determines not to continue to act as securities depository by giving notice to the Authority and the Trustee, and discharges its responsibilities with respect thereto under applicable law and there is not a successor securities depository, or the Authority determines not to continue the book-entry system through a securities depository, the Authority and the Trustee will cause the delivery of definitive 2026 Bonds to the Beneficial Owners of the 2026 Bonds registered in the names of such Beneficial Owners as shall be specified to the Trustee by DTC or the DTC participants.

If the book-entry system is discontinued the following provisions would apply: (i) the principal and redemption price of the 2026 Bonds will be payable upon surrender of any such 2026 Bond at the principal corporate trust office of the Trustee (as paying agent for the 2026 Bonds) and at the office of any other paying agent hereafter appointed by the Authority; (ii) interest on the 2026 Bonds will be payable by check of the Trustee mailed by first-class mail, postage prepaid, on the applicable interest payment date to the Owner thereof at their respective addresses shown on the registration books maintained by the Trustee as of the 15th day of the calendar month immediately preceding such interest payment date (the "Record Date") or in immediately available funds by wire transfer on the interest payment date to a designated account, if payable to any Owner of a 2026 Bond or Bonds of an issue in an aggregate principal amount of \$1,000,000 or more, upon written request of such Owner to the Trustee received by the Trustee prior to the Record Date for the first interest payment date as to which such request shall be effective, specifying the account or accounts to which such payment shall be made (which request shall remain in effect until revoked or reversed by such Owner in a subsequent writing delivered to the Trustee); (iii) the transfer of

any 2026 Bond shall be registrable only upon the books of the Authority, which shall be kept for such purposes at the principal corporate trust office of the Trustee, as bond registrar, by the Owner thereof in person or by his or her attorney duly authorized in writing, upon surrender of such 2026 Bond, together with a written instrument of transfer satisfactory to the bond registrar duly executed by the Owner or his or her duly authorized attorney, and upon payment by such Owner of any charges which the Authority or the Trustee may impose to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such registration of transfer; (iv) 2026 Bonds may be exchanged for an equal aggregate principal amount of 2026 Bonds of the same issue, Series, tenor, maturity and interest rate in such other authorized denomination or denominations as shall be requested by such Owner, upon surrender of such 2026 Bonds at the principal corporate trust office of the Trustee, as bond registrar, and upon payment by such Owner of any charges which the Authority or the Trustee may impose to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange; and (v) the Trustee (as bond registrar for the 2026 Bonds) will not be required to register the transfer of, or exchange, any 2026 Bonds called for redemption, or any 2026 Bonds during the period of 15 days next preceding any selection of 2026 Bonds to be redeemed.

## **THE MEAD-ADELANTO PROJECT**

### **Project Description**

**General; Background.** The Mead-Adelanto Project consists of a 202-mile, 500-kV, AC transmission line that extends between a southwest terminus at the Adelanto Switching Station in southern California and a northeast terminus at the Marketplace Substation, located approximately 17 miles southwest of Boulder City, Nevada. The transmission line has a transfer capability of 1,291 MW. The Mead-Adelanto Project includes an undivided one-half interest in the Marketplace Substation and associated facilities. The Marketplace Substation is a 500-kV switchyard and includes the Marketplace-McCullough tie line, an approximately one mile transmission line between the Marketplace and McCullough Substations in southern Nevada. By connecting to the Marketplace Substation, the transmission line interconnects with the Mead-Phoenix Project (described below) and the McCullough Substation.

The Mead-Adelanto Project was developed and constructed by the Authority (for the benefit of certain of its members, namely, the Department and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena and Riverside), M-S-R PPA, the City of Vernon, California (“Vernon”) and Western Area Power Administration (“Western”), a federal agency under the United States Department of Energy. Construction costs for the Mead-Adelanto Project were approximately \$204 million. The commercial operation date for the Mead-Adelanto Project was April 15, 1996.

**Joint Ownership Agreement; Acquisition of the Authority Interest (LADWP).** In 1992, the Authority entered into a Joint Ownership Agreement with M-S-R PPA and Vernon (whose interest was subsequently transferred to Startrans IO, L.L.C. (“StarTrans”), relating to the Mead-Adelanto Project (the “Mead-Adelanto Joint Ownership Agreement”). Pursuant to the Mead-Adelanto Joint Ownership Agreement, the Authority acquired a 67.9167% member-related ownership share (the “Authority Interest (Members)”) in the Mead-Adelanto Project. Under the Mead-Adelanto Joint Ownership Agreement, in connection with the Authority Interest (Members), the Authority is entitled to use, schedule energy over, and sell to others 67.9167% of Available Transmission Capability of the Mead-Adelanto Project, and is responsible for the payment of certain costs associated with that capability. The Authority has sold, on a take-or-pay basis, entitlements to 100% of the capability of the Authority Interest (Members) in the Mead-Adelanto Project pursuant to certain transmission service contracts, each dated as of August 4, 1992 (the “1992 Mead-Adelanto Transmission Service Contracts (Members)”), with nine of its members (namely, the Department and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena and Riverside, the entities that participated in the Mead-Adelanto Project development). Under its 1992 Mead-

Adelanto Transmission Service Contract (Members), the Department has a 35.7055% entitlement share of the Authority's 67.9167% Authority Interest (Members) in the Mead-Adelanto Project. For additional information regarding the entitlement shares of the other Authority members with respect to the Authority Interest (Members) in the Mead-Adelanto Project, see APPENDIX C – "SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members) – Schedule of Authority Member-Participant Entitlement Shares." See also APPENDIX C – "SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement – Project Participants' Shares and Owners' Interest." In addition to the Authority Interest (Members), in connection with the development of the Mead-Adelanto Project, the Authority, at the request of Western, acquired an 8.3333% ownership share in the Mead-Adelanto Project on behalf of Western (the "Authority Interest (Western)" in the Mead-Adelanto Project). All costs associated with the Authority Interest (Western) in the Mead-Adelanto Project are funded by Western.

On May 25, 2016, the Authority acquired, for the benefit of the Department, from M-S-R PPA the Authority Interest (LADWP), which is separate and distinct from the Authority Interest (Members) and the Authority Interest (Western), in the Mead-Adelanto Project described above. Pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), the Authority sold, on a "take-or-pay" basis, the entire capability of its Authority Interest (LADWP) in the Mead-Adelanto Project to the Department as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-ADELANTO BONDS – Mead-Adelanto Transmission Service Contract (LADWP)."

The current Mead-Adelanto Project owners and their respective ownership shares are listed in the following table.

**Mead-Adelanto Project  
Ownership Shares**

Owner	Share	Transfer Capability (MW)
Authority Interest (LADWP).....	17.5000%	225.9
Authority Interest (Members).....	67.9167 <sup>(1)</sup>	876.8 <sup>(1)</sup>
Authority Interest (Western) .....	8.3333	107.6
StarTrans IO, L.L.C.....	<u>6.2500</u>	<u>80.7</u>
Total .....	<u>100.000%</u>	<u>1,291.0</u>

<sup>(1)</sup> As described herein, the Department also has a 35.7055% entitlement share of the Authority's member-related Authority Interest (Members) in the Mead-Adelanto Project.

The 2026 Mead-Adelanto Bonds are secured solely by the related Revenues, which consist primarily of payments to be made to the Authority by the Department pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), and other amounts pledged therefor under the Mead-Adelanto Indenture. Payments made by the Mead-Adelanto Project owners under the Mead-Adelanto Project Agreements do not in any manner secure the payment of principal of and interest on the 2026 Mead-Adelanto Bonds.

See APPENDIX C – "SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement" for additional information regarding the Mead-Adelanto Joint Ownership Agreement.

***Operation of the Mead-Adelanto Project.*** The Mead-Adelanto Project is currently operated by the Department, as Operation Manager, pursuant to an Operation Agreement, dated as of August 4, 1992, among the Mead-Adelanto Project owners and the Department (the “Mead-Adelanto Operation Agreement”). See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Adelanto Operation Agreement.” The Department also operates the Marketplace Substation as Operating Agent pursuant to the Marketplace Substation Participation Agreement among the Mead-Adelanto Project owners, the Mead-Phoenix Project owners and the Department.

The Mead-Adelanto Project was designed and constructed to operate in compliance with the applicable federal, state and local laws and regulations. The Authority believes that currently all necessary permits, licenses and approvals are in place for the operation of the Mead-Adelanto Project. In the future, one or more of these permits, licenses and approvals may need to be extended for the continued operation of the Mead-Adelanto Project. The Authority believes that it will be able to secure any such necessary extensions on a timely basis.

The Mead-Adelanto Project has operated reliably since its commercial operation.

***Proposal for DC Conversion.*** StarTrans, as the owner of a 6.25% undivided ownership interest in the Mead-Adelanto Project, is a party to the Mead-Adelanto Joint Ownership Agreement and the Mead-Adelanto Operation Agreement. Startrans has proposed converting the Mead-Adelanto Project’s existing 500kV AC transmission line to a +/- 500 kV direct current transmission line, with a goal of increasing the capacity of the transmission line from 1,291 MW to between 3,200 and 3,500 MW. Such an undertaking will require major capital additions and improvements to the Mead-Adelanto Project Transmission Line. An engineering firm has been retained to conduct a feasibility study of the DC conversion proposal. The undertaking of the proposed DC conversion is subject to authorization under, and compliance with, the applicable provisions of the Mead-Adelanto Project Agreements. See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement – Upgrade or Enhancement of the Transmission Line” and “– Summary of Certain Provisions of the Mead-Adelanto Operation Agreement – Increasing the Available Transmission Capability of the Transmission Line” for a description of provisions of the Mead-Adelanto Project Agreements that are applicable to the DC conversion proposal. The Authority is not able to predict whether the proposal will meet the requirements of the Mead-Adelanto Project Agreements or will be approved or undertaken.

## Operating Statistics Relating to the Mead-Adelanto Project

The operating results of the Mead-Adelanto Project (LADWP only) during the prior four fiscal years are shown in the following table.

### Southern California Public Power Authority Mead-Adelanto Project (LADWP only) Operating Statistics

	2021-22		2022-23		2023-24		2024-25	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
O&M	\$708,000	\$648,000	\$684,000	\$649,000	\$732,000	\$1,026,000	\$768,000	\$757,000
Capital								
Improvements	24,000	22,000	12,000	(12,000)	396,000	98,000	348,000	16,000
Net A&G	72,000	57,000	60,000	60,000	72,000	58,000	72,000	61,000
Property Taxes	96,000	73,000	96,000	69,000	96,000	66,000	72,000	61,000
Working Capital	-	-	504,000	504,000	-	-	-	-
Net Debt Service	<u>2,760,000</u>	<u>2,761,000</u>	<u>2,748,000</u>	<u>2,728,000</u>	<u>2,700,000</u>	<u>2,672,000</u>	<u>2,688,000</u>	<u>2,670,000</u>
Total	<u>\$3,660,000</u>	<u>\$3,561,000</u>	<u>\$4,104,000</u>	<u>\$3,998,000</u>	<u>\$3,996,000</u>	<u>\$3,920,000</u>	<u>\$3,948,000</u>	<u>\$3,565,000</u>

## Certain Financial Statements Relating to the Mead-Adelanto Project

The following Statement of Net Position has been prepared by the Authority based upon audited financial statements of the Authority for the fiscal years ended June 30, 2025 and June 30, 2024.

### Southern California Public Power Authority Mead-Adelanto Project Statement of Net Position (In Thousands)

	<b>Fiscal Year Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Noncurrent assets		
Net utility plant	\$62,645	\$68,906
Investments – restricted	<u>1,270</u>	<u>1,459</u>
Total noncurrent assets	<u>63,915</u>	<u>70,365</u>
Current assets		
Cash and cash equivalents – restricted	3,706	2,644
Cash and cash equivalents – unrestricted	477	278
Interest receivable	7	8
Accounts receivable	-	108
Prepaid and other assets	<u>639</u>	<u>626</u>
Total current assets	<u>4,829</u>	<u>3,664</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$68,744</u>	<u>\$74,029</u>
<b>LIABILITIES</b>		
Noncurrent liabilities		
Long-term debt	<u>\$12,737</u>	<u>\$15,137</u>
Total noncurrent liabilities	<u>12,737</u>	<u>15,137</u>
Current liabilities		
Debt due within one year	2,060	1,965
Advances from participants due within one year	504	504
Accrued interest	350	400
Accounts payable and accruals	<u>2,306</u>	<u>1,375</u>
Total current liabilities	<u>5,220</u>	<u>4,244</u>
Total liabilities	<u>17,957</u>	<u>19,381</u>
<b>NET POSITION</b>		
Net investment in capital assets	47,849	51,803
Restricted	4,125	3,205
Unrestricted	<u>(1,187)</u>	<u>(360)</u>
Total net position	<u>50,787</u>	<u>54,648</u>
Total liabilities and net position	<u>\$68,744</u>	<u>\$74,029</u>

The following Statement of Revenues, Expenses and Changes in Net Position has been prepared by the Authority based upon audited financial statements of the Authority for the fiscal years ended June 30, 2025 and June 30, 2024.

**Southern California Public Power Authority  
Mead-Adelanto Project  
Statement of Revenues, Expenses and Changes in Net Position  
(In Thousands)**

	<b>Fiscal Year Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Operating revenues:		
Sale of transmission services	<u>\$6,790</u>	<u>\$8,482</u>
Total operating revenues	<u>6,790</u>	<u>8,482</u>
Operating expenses:		
Operations and maintenance	4,120	5,440
Depreciation, depletion, and amortization	<u>6,339</u>	<u>6,331</u>
Total operating expenses	<u>10,459</u>	<u>11,771</u>
Operating income (loss)	<u>(3,669)</u>	<u>(3,289)</u>
Non-operating revenues (expenses)		
Investment and other income	168	202
Other interest and debt expense	<u>(360)</u>	<u>(391)</u>
Net non-operating revenues (expenses)	<u>(192)</u>	<u>(189)</u>
Change in net position	(3,861)	(3,478)
Net position – beginning of year	<u>54,648</u>	<u>58,126</u>
Net position – end of year	<u>\$50,787</u>	<u>\$54,648</u>

**THE MEAD-PHOENIX PROJECT**

**Project Description**

**General; Background.** The Mead-Phoenix Project consists of a 256-mile, 500-kV, AC transmission line that extends between a southern terminus at the Westwing Substation (in the vicinity of Phoenix, Arizona) and a northern terminus at Marketplace Substation (in southern Nevada). The transmission line is looped through the 500-kV switchyard constructed at the Mead Substation in southern Nevada with a current transfer capability of 1,923 MW. The Mead-Phoenix Project is comprised of three project components: the Westwing-Mead Component, the Mead Substation Component and the Mead-Marketplace Component. The Westwing-Mead Component generally includes the transmission line between the Westwing Substation and the Mead Substation, an undivided one-third interest in the 500 kV Mead Switchyard facilities, and related land rights, equipment and facilities. The Mead Substation Component generally includes the 500/230 kV transformation facilities at the Mead Substation, an undivided one-third interest in the Mead Switchyard facilities, and related land rights, equipment and



facilities. The Mead-Marketplace Component generally includes the transmission line between the Mead Substation and the Market Substation, an undivided one-half interest in the Marketplace Substation (including the Marketplace-McCullough tie line) and associated facilities, an undivided one-third interest in the Mead Switchyard facilities, and related land rights, equipment and facilities. By connecting to the Marketplace Substation, the Mead-Phoenix Project interconnects with the Mead-Adelanto Project and the McCullough Substation.

The Mead-Phoenix Project was developed and constructed by the Authority (for the benefit of certain of its members, namely, the Department and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena and Riverside), M-S-R PPA, Arizona Public Service Company (“APS”), Salt River Project Agricultural Improvement and Power District (“Salt River Project”), Vernon and Western. Construction costs for the Mead-Phoenix Project were approximately \$228.6 million. The commercial operation date for the Mead-Phoenix Project was April 15, 1996.

***Joint Ownership Agreement; Acquisition of the Authority Interest (LADWP).*** In 1992, the Authority entered into a Joint Ownership Agreement with M-S-R PPA, APS, Salt River Project and Vernon (whose interest was subsequently transferred to StarTrans), relating to the Mead-Phoenix Project (the “Mead-Phoenix Joint Ownership Agreement”). Pursuant to the Mead-Phoenix Joint Ownership Agreement, the Authority acquired an 18.3077% member-related ownership share in the Westwing-Mead Component, a 17.7563% member-related ownership share in the Mead Substation Component, and a 22.4082% member-related ownership share in the Mead-Marketplace Component (collectively, the “Authority Interest (Members)”) in the Mead-Phoenix Project. Under the Mead-Phoenix Joint Ownership Agreement, the Authority is entitled to use, schedule energy over, and sell to others 18.3077% of Available Transmission Capability with respect to the Westwing-Mead Component, 17.7563% of Available Transmission Capability with respect to the Mead Substation Component and 22.4082% of Available Transmission Capability with respect to the Mead-Marketplace Component, and is responsible for the payment of certain costs associated with that capability. The Authority has sold, on a take-or-pay basis, entitlements to 100% of the capability of the Authority Interest (Members) in the Mead-Phoenix Project pursuant to certain transmission service contracts, each dated as of August 4, 1992 (the “1992 Mead-Phoenix Transmission Service Contracts (Members)”), with nine of its members (namely, the Department and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena and Riverside, the entities that participated in the Mead-Phoenix Project development). Under its 1992 Mead-Phoenix Transmission Service Contract (Members), the Department has a 31.0924% entitlement share of the Authority’s 18.3077% member-related ownership share of the Westwing-Mead Component and a 17.8313% entitlement share of the Authority’s 22.4082% member-related ownership share of the Mead-Marketplace Component of the Mead-Phoenix Project. For additional information regarding the entitlement shares of the other Authority members with respect to the Authority Interest (Members) in the Mead-Phoenix Project, see APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the 1992 Mead-Phoenix Transmission Service Contracts (Members) – Schedule of Authority Member-Participant Entitlement Shares.” See also APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Phoenix Joint Ownership Agreement – Project Participants’ Shares and Owners’ Interest.” In addition to the Authority Interest (Members), in connection with the development of the Mead-Phoenix Project, the Authority, at the request of Western, acquired a 31.69230% ownership share in the Westwing-Mead Component, a 40.3551% ownership share in the Mead Substation Component, and a 31.3175% ownership share in the Mead-Marketplace Component of the Mead-Phoenix Project on behalf of Western (the “Authority Interest (Western)”) in the Mead-Phoenix Project). All costs associated with the Authority Interest (Western) in the Mead-Phoenix Project are funded by Western.

On May 25, 2016, the Authority acquired, for the benefit of the Department, from M-S-R PPA the Authority Interest (LADWP), which is separate and distinct from the Authority Interest (Members) and the Authority Interest (Western), in the Mead-Phoenix Project described above. Pursuant to the Mead-Phoenix

Transmission Service Contract (LADWP), the Authority sold, on a “take-or-pay” basis, the entire capability of its Authority Interest (LADWP) in the Mead-Phoenix Project to the Department as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-PHOENIX BONDS – Mead-Phoenix Transmission Service Contract (LADWP).”

The current Mead-Phoenix Project owners and their respective ownership shares are listed in the following table.

<b>Mead-Phoenix Project Ownership Shares</b>			
<b>Owner</b>	<b>Project Component</b>		
	<b>Westwing-Mead</b>	<b>Mead Substation</b>	<b>Mead-Marketplace</b>
Authority Interest (LADWP) .....	11.53850%	0	8.0993%
Authority Interest (Members) .....	18.30770 <sup>(1)</sup>	17.7563%	22.4082 <sup>(1)</sup>
Authority Interest (Western) .....	31.69230	40.3551	31.3175
Arizona Public Service Company .....	18.15385	19.0476	12.7430
Salt River Project .....	18.15385	19.0476	21.3823
StarTrans IO, L.L.C. ....	<u>2.15380</u>	<u>3.7934</u>	<u>4.0497</u>
Total .....	<u>100.00000%</u>	<u>100.0000%</u>	<u>100.0000%</u>

<sup>(1)</sup> As described herein, the Department also has a 31.0924% entitlement share in the Authority’s 18.3077% member-related ownership share of the Westwing-Mead Component and a 17.8313% entitlement share in the Authority’s 22.4082% member-related ownership share of the Mead-Marketplace Component of the Mead-Phoenix Project.

The 2026 Mead-Phoenix Bonds are secured solely by the related Revenues, which consist primarily of payments to be made to the Authority by the Department pursuant to the Mead-Phoenix Transmission Service Contract (LADWP), and other amounts pledged therefor under the Mead-Phoenix Indenture. Payments made by the Mead-Phoenix Project owners under the Mead-Phoenix Project Agreements do not in any manner secure the payment of principal of and interest on the 2026 Mead-Phoenix Bonds.

See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Phoenix Joint Ownership Agreement” for additional information regarding the Mead-Phoenix Joint Ownership Agreement.

**Operation of the Mead-Phoenix Project.** The Mead-Phoenix Project is currently operated by Salt River Project and Western, each as an Operation Manager, pursuant to an Operation Agreement, dated as of August 4, 1992, among the Mead-Phoenix Project owners and Western (the “Mead-Phoenix Operation Agreement”). See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Phoenix Operation Agreement.” As previously noted, the Department also operates the Marketplace Substation as Operating Agent pursuant to the Marketplace Substation Participation Agreement among the Mead-Adelanto Project owners, the Mead-Phoenix Project owners and the Department.

The Mead-Phoenix Project was designed and constructed to operate in compliance with the applicable federal, state and local laws and regulations. The Authority believes that currently all necessary permits, licenses and approvals are in place for the operation of the Mead-Phoenix Project. In the future, one or more of these permits, licenses and approvals may need to be extended for the continued operation of the Mead-Phoenix Project. The Authority believes that it will be able to secure any such necessary extensions on a timely basis.

The Mead-Phoenix Project has operated reliably since its commercial operation.

### Operating Statistics Relating to the Mead-Pheonix Project

The operating results of the Mead-Phoenix Project (LADWP only) during the prior four fiscal years are shown in the following table.

#### Southern California Public Power Authority Mead-Phoenix Project (LADWP only) Operating Statistics

	<b>2021-22</b>		<b>2022-23</b>		<b>2023-24</b>		<b>2024-25</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
O&M	\$444,000	\$(14,000)	\$468,000	\$343,000	\$492,000	\$384,000	\$492,000	\$441,000
Capital Improvements	144,000	25,000	588,000	98,000	192,000	119,000	48,000	144,000
Net A&G	60,000	55,000	60,000	59,000	72,000	56,000	72,000	58,000
Property Taxes	252,000	230,000	252,000	195,000	252,000	176,000	204,000	151,000
Working Capital	-	-	504,000	504,000	-	-	-	-
Net Debt Service	<u>2,244,000</u>	<u>2,243,000</u>	<u>2,244,000</u>	<u>2,195,000</u>	<u>2,184,000</u>	<u>2,135,000</u>	<u>2,172,000</u>	<u>2,173,000</u>
Total	<u>\$3,144,000</u>	<u>\$2,539,000</u>	<u>\$4,116,000</u>	<u>\$3,394,000</u>	<u>\$3,192,000</u>	<u>\$2,870,000</u>	<u>\$2,988,000</u>	<u>\$2,967,000</u>

## Certain Financial Statements Relating to the Mead-Phoenix Project

The following Statement of Net Position has been prepared by the Authority based upon audited financial statements of the Authority for the fiscal years ended June 30, 2025 and June 30, 2024.

### Southern California Public Power Authority Mead-Phoenix Project Statement of Net Position (In Thousands)

	<b>Fiscal Year Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Noncurrent assets		
Net utility plant	\$31,479	\$33,904
Investments – restricted	<u>1,030</u>	<u>877</u>
Total noncurrent assets	<u>32,509</u>	<u>34,781</u>
Current assets		
Cash and cash equivalents – restricted	2,046	2,532
Cash and cash equivalents – unrestricted	446	1,090
Interest receivable	4	12
Accounts receivable	-	31
Prepaid and other assets	<u>2</u>	<u>1</u>
Total current assets	<u>2,498</u>	<u>3,666</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$35,007</u>	<u>\$38,447</u>
<b>LIABILITIES</b>		
Noncurrent liabilities		
Long-term debt	<u>\$10,340</u>	<u>\$12,291</u>
Total noncurrent liabilities	<u>10,340</u>	<u>12,291</u>
Current liabilities		
Debt due within one year	1,675	1,595
Advances from participants due within one year	504	504
Accrued interest	285	324
Accounts payable and accruals	<u>294</u>	<u>1,357</u>
Total current liabilities	<u>2,758</u>	<u>3,780</u>
Total liabilities	<u>13,098</u>	<u>16,071</u>
<b>NET POSITION</b>		
Net investment in capital assets	19,464	20,017
Restricted	2,795	3,099
Unrestricted	<u>(350)</u>	<u>(740)</u>
Total net position	<u>21,909</u>	<u>22,376</u>
Total liabilities and net position	<u>\$35,007</u>	<u>\$38,447</u>

The following Statement of Revenues, Expenses and Changes in Net Position has been prepared by the Authority based upon audited financial statements of the Authority for the fiscal years ended June 30, 2025 and June 30, 2024.

**Southern California Public Power Authority  
Mead-Phoenix Project  
Statement of Revenues, Expenses and Changes in Net Position  
(In Thousands)**

	<b>Fiscal Year Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Operating revenues:		
Sale of transmission services	<u>\$4,285</u>	<u>\$4,083</u>
Total operating revenues	<u>4,285</u>	<u>4,083</u>
Operating expenses:		
Operations and maintenance	1,797	1,711
Depreciation, depletion, and amortization	<u>2,799</u>	<u>2,792</u>
Total operating expenses	<u>4,596</u>	<u>4,503</u>
Operating income (loss)	<u>(311)</u>	<u>(420)</u>
Non-operating revenues (expenses)		
Investment and other income	137	216
Other interest and debt expense	<u>(293)</u>	<u>(318)</u>
Net non-operating revenues (expenses)	<u>(156)</u>	<u>(102)</u>
Change in net position	(467)	(522)
Net position – beginning of year	<u>22,376</u>	<u>22,898</u>
Net position – end of year	<u>\$21,909</u>	<u>\$22,376</u>

**CURRENT OWNERS OF THE MEAD-ADELANTO PROJECT  
AND THE MEAD-PHOENIX PROJECT**

The current owners of the Mead-Adelanto Project are the Authority and StarTrans. The current owners of the Mead-Phoenix Project are the Authority, StarTrans, APS and Salt River Project. Operation of each of the Mead-Adelanto Project and the Mead-Phoenix Project is dependent upon, among other things, the respective owners making timely payment of their respective payment obligations under the Project Agreements and upon Western making timely payment of its payment obligations under its transmission service contracts with the Authority relating to the Mead-Adelanto Project and the Mead-Phoenix Project. The capability of the respective owners to provide such payment is dependent upon their continued ability to generate the necessary funds from internal or external sources. If an owner defaults in the performance of its obligations under the respective Project Agreements, or if Western defaults under its transmission service contract, the non-defaulting owners of the corresponding Project may be required to expend funds or undertake other activities. See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS.”

Information concerning certain of the owners is available from a number of sources, but such information is not incorporated by reference into this Official Statement.

Pinnacle West Capital Corporation (“Pinnacle West”) is an American utility holding company that owns APS. Pinnacle West is publicly traded on the New York Stock exchange (ticker PNW). Pinnacle West and APS are subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith file reports and other information with the Securities and Exchange Commission (the “SEC”), which can be obtained at <https://www.sec.gov/search-filings>.

Copies of the most recent Official Statement and annual report of Salt River Project may be obtained on Salt River Project’s webpage, [www.srpnet.com](http://www.srpnet.com).

Information regarding Western may be obtained from Jack Murray, Desert Southwest Regional Manager, United States Department of Energy, Western Area Power Administration, Phoenix Area Office, P.O. Box 6457, Phoenix, Arizona 85005.

StarTrans is a limited liability company owned by Lotus Infrastructure Partners, 5 Greenwich Office Park, 2<sup>nd</sup> Floor, Greenwich, CT 06831. Publicly available information regarding StarTrans may be limited.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-ADELANTO BONDS**

### **Pledge Effected by the Mead-Adelanto Indenture**

The Mead-Adelanto Indenture provides that the 2026 Mead-Adelanto Bonds and any other Mead-Adelanto Bonds issued thereunder shall be special, limited obligations of the Authority payable solely from and secured, as to payment of the principal or Redemption Price thereof, and interest thereon, solely by (i) the proceeds of the sale of the Mead-Adelanto Bonds, including the 2026 Mead-Adelanto Bonds, (ii) the Revenues, and (iii) all amounts on deposit in any Fund or Account established by the Mead-Adelanto Indenture (except for such Funds and Accounts that the Mead-Adelanto Indenture provides are not a source of payment for the Mead-Adelanto Bonds or any Parity Swaps and other than any moneys held by the Trustee or the Authority to pay any rebate amount owed to the federal government) including the investments, if any, thereof, and the same are pledged and assigned pursuant to the Mead-Adelanto Indenture, subject only to the provisions of the Mead-Adelanto Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Mead-Adelanto Indenture, as security for the payment of the Mead-Adelanto Bonds, the interest thereon, and premium, if any, with respect thereto, as security for the payment obligations of the Authority under any Parity Swaps and as security for the performance of any other obligations of the Authority under the Mead-Adelanto Indenture, all in accordance with the provisions of the Mead-Adelanto Bonds, the Mead-Adelanto Indenture and any Parity Swaps.

“Revenues” under the Mead-Adelanto Indenture are: (a) all revenues, income, rents and receipts derived or to be derived by the Authority from or attributable to the Authority Interest (LADWP) in the Mead-Adelanto Project or to the payment of the costs thereof received or to be received by the Authority or the Trustee under the Mead-Adelanto Transmission Service Contract (LADWP) or under any other contract for the sale by the Authority of transmission capability of the Authority Interest (LADWP) in the Mead-Adelanto Project or any contractual or other arrangement with respect to the use of such Authority Interest (LADWP) or any portion thereof or the services or capability thereof; (b) proceeds received by the Authority of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Authority Interest (LADWP); and (c) interest received or to be received on any moneys or securities held pursuant to the Mead-Adelanto Indenture and required to be paid into the Revenue Fund under the Mead-Adelanto Indenture; but excluding (x) interest and other investment income received or to be received on any moneys or securities held pursuant to an indenture of trust entered into by the Authority with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the 2026 Mead-Adelanto Bonds and any other Mead-Adelanto Bonds except to the extent that the Authority specifies that such interest and other investment income shall constitute Revenues under

the Mead-Adelanto Indenture, (y) amounts received by or on behalf of the Authority pursuant to any interest rate swap agreement or interest rate cap agreement relating to the Mead-Adelanto Indenture except to the extent that the Authority specifies that such amounts shall constitute Revenues under the Mead-Adelanto Indenture and (z) amounts received by or on behalf of the Authority pursuant to a Letter of Credit relating to the Mead-Adelanto Indenture except to the extent that the Authority specifies that such amounts shall constitute Revenues under the Mead-Adelanto Indenture. Revenues under the Mead-Adelanto Indenture shall not include any Subsidy Payment received by the Authority, which Subsidy Payment shall be applied as provided in the Supplemental Indenture relating to the Series of Mead-Adelanto Bonds for which such Subsidy Payment is received.

**The 2026 Mead-Adelanto Bonds are not obligations of the State of California, any public agency thereof (other than the Authority), the Project Participant or any other member of the Authority, and neither the faith and credit nor the taxing power of any of the foregoing (including the Authority) is pledged for the payment of the 2026 Mead-Adelanto Bonds. The 2026 Mead-Adelanto Bonds shall never constitute the debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or statutes of the State of California and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit. The Authority has no taxing power.**

See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Indentures” for certain definitions and further discussion of certain of the terms and provisions of the Mead-Adelanto Indenture.

#### **Mead-Adelanto Transmission Service Contract (LADWP)**

**General.** The Authority has entered into the Mead-Adelanto Transmission Service Contract (LADWP) with the Department, as Project Participant, with respect to the Authority Interest (LADWP) in the Mead-Adelanto Project. Pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), the Authority provides to the Department, and the Department purchases from the Authority, use of 100% of the capability of the Authority Interest (LADWP) in the Mead-Adelanto Project. In accordance with the Mead-Adelanto Indenture, payments made by the Department under the Mead-Adelanto Transmission Service Contract (LADWP) constitute Revenues securing the payment of debt service on the Mead-Adelanto Bonds (including the 2026 Mead-Adelanto Bonds).

**Term of the Transmission Service Contract.** The Mead-Adelanto Transmission Service Contract (LADWP) constitutes an obligation of the Authority and the Department until the expiration of its term on the later of (i) the date the Joint Powers Agreement, including any extension thereof, expires, or (ii) the date on which all Mead-Adelanto Bonds issued by the Authority to finance or refinance costs of the Authority Interest (LADWP) and the interest thereon shall have been paid in full or adequate provision for such payment shall have been made and such Mead-Adelanto Bonds are no longer outstanding. However, the Mead-Adelanto Transmission Service Contract (LADWP) may be otherwise terminated if (a) all such Mead-Adelanto Bonds and all interest thereon shall have been paid in full or adequate provision for such payment shall have been made and such Mead-Adelanto Bonds are no longer outstanding; and (b) the Mead-Adelanto Transmission Service Contract (LADWP) is superseded as a result of the Department having either (1) become the owner of the Authority Interest (LADWP) under the Joint Ownership Agreement or (2) entered into replacement transmission service or other agreements with the Authority. Until all Mead-Adelanto Bonds and the interest thereon shall have been paid in full or adequate provision for such payment has been made, the Mead-Adelanto Transmission Service Contract (LADWP) may not be amended, modified, supplemented or otherwise altered in any manner which will materially reduce the amount of, or extend the time for, the payments that are pledged as security for the Mead-Adelanto Bonds or that will in any manner impair or adversely affect the federal tax exemption of any Mead-Adelanto Bonds

that are tax-exempt or which will materially impair or materially adversely affect the rights of the owners of the Mead-Adelanto Bonds.

***Payment Obligations of the Project Participant; Annual Budget and Billing.*** Pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), during each Transmission Service Year, the Department is obligated to pay as Transmission Service Costs all of the Authority's costs to the extent such costs are attributable to the Authority Interest (LADWP) (and not paid from the proceeds of Mead-Adelanto Bonds), including all items as required by the Mead-Adelanto Indenture. Transmission Service Costs are to be billed to the Department each month for the then current month based on the estimates contained in the applicable Annual Budget (as hereinafter defined) prepared by the Authority prior to the beginning of each Transmission Service Year, as such Annual Budget may be amended during such year.

The Mead-Adelanto Transmission Service Contract (LADWP) requires the Authority to prepare and submit to the Department a proposed annual budget (the "Annual Budget") at least 60 days prior to the beginning of each Transmission Service Year (*i.e.*, each Fiscal Year, except that the first annual budget shall be prepared, considered, adopted and delivered in the most practical manner available). The Authority will incorporate into the Annual Budget all items comprising a part of Transmission Service Costs for such Transmission Service Year, including provisions for payment of costs of Capital Improvements which are not being financed by proceeds of Mead-Adelanto Bonds, and including all items required by the Mead-Adelanto Indenture. The Department may then submit to the Authority, at any time until the Annual Budget is adopted, any matters or suggestions relating to the Annual Budget. The Authority is required to adopt the Annual Budget not less than 20 nor more than 45 days prior to the beginning of each such Transmission Service Year and shall cause copies of the adopted Annual Budget to be delivered to the Department; provided, however, that the Annual Budget for the first Transmission Service Year shall be prepared, considered, adopted and delivered in the most practicable manner available. The Annual Budget so adopted will establish the basis for the billing of Transmission Service Costs to the Department. The Mead-Adelanto Indenture provides that during any Transmission Service Year, upon 10 calendar days' notice to the Department, the Authority may adopt an amended Annual Budget for and applicable to such Transmission Service Year for the remainder of such Transmission Service Year.

Pursuant to the Mead-Adelanto Indenture, each Annual Budget shall set forth in reasonable detail the estimated Revenues required to be collected for the applicable Fiscal Year and the estimated amount to be deposited in each month of the Fiscal Year in the Funds and Accounts under the Mead-Adelanto Indenture, and shall include particularly, provision for the amounts required (or in good faith estimated to be required) for the accrual or payment (as applicable) of Accrued Debt Service on the Mead-Adelanto Bonds, the payment of Authority Operating Expenses, the funding or replenishment of any reserves (including all Accounts in the Debt Service Reserve Fund) required by the Mead-Adelanto Indenture, provision for any general reserve for Authority Operating Expenses and the estimated amount to be deposited in the Reserve and Contingency Fund (if any), and provision for any such other expenditures and deposits as the Authority shall determine shall be necessary or appropriate so as to enable the Authority to comply with the requirements of the Mead-Adelanto Indenture and the Mead-Adelanto Project Agreements, including, where applicable, provision for the payment of the allocable costs of Capital Improvements which are not being financed by proceeds of Mead-Adelanto Bonds for such Fiscal Year. The Mead-Adelanto Indenture provides that if there are at any time during any Fiscal Year extraordinary receipts or payments of unusual costs with respect to the Authority Interest (LADWP), or the amount in the Debt Service Fund or the Debt Service Reserve Fund shall be less than the respective balances required by the Mead-Adelanto Indenture, the Authority shall promptly adopt in accordance with the provisions of the Mead-Adelanto Transmission Service Contract (LADWP) and file with the Trustee an amended Annual Budget for the remainder of such Fiscal Year. The Authority may also at any time adopt in accordance with the provisions of the Mead-Adelanto Transmission Service Contract (LADWP) and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year.



By the fifth calendar day of each Month during each Transmission Service Year, the Authority will bill the Department for the amount of the Transmission Service Costs to be paid by the Department for the current Month by providing the Department with a Monthly Statement pursuant to the provisions of the Mead-Adelanto Transmission Service Contract (LADWP). The Monthly Statement will detail the costs described above. Pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), the Department is obligated to pay or cause to be paid the amount of each Monthly Statement within 20 calendar days after receipt of each such Monthly Statement, in funds immediately available as of the due date thereof.

Within 150 days after the end of each Transmission Service Year, the Authority will submit to the Department a detailed statement of the actual aggregate amounts payable under the Mead-Adelanto Transmission Service Contract (LADWP) for such year and any adjustments to such amounts for any prior year, based on the annual audit required by the Mead-Adelanto Transmission Service Contract (LADWP). If for any Transmission Service Year the actual amounts payable by the Department under the Mead-Adelanto Transmission Service Contract (LADWP) exceed the amount which the Department has been billed, the Department shall promptly pay the amount of such excess to the Trustee; if such amounts are less than the amounts billed and paid, the Authority will credit the excess against the Department's next Monthly Statement.

***Payments Constitute an Operating Expense.*** The payment obligations of the Department under the Mead-Adelanto Transmission Service Contract (LADWP) constitute a cost of transmission service and an operating expense of the electric utility system of the Department, payable solely from its electric revenue funds. As an operating expense of its electric system, the payment obligations of the Department under the Mead-Adelanto Transmission Service Contract (LADWP) and all other of its "take-or-pay" contract obligations are payable on a parity with the Department's electric system revenue bonds.

***Project Participant Covenant to Maintain Sufficient Rates.*** The Department has covenanted in the Mead-Adelanto Transmission Service Contract (LADWP) to establish, maintain and collect rates and charges for the electric service of its electric system so as to provide revenues sufficient, together with its available electric system reserves, to enable it to pay all amounts payable when due under the Mead-Adelanto Transmission Service Contract (LADWP) and to pay all other amounts payable from, and all lawful charges against or liens on, the revenues of its electric system.

***"Take-or-Pay" Obligation.*** Payments are to be made by the Department under the Mead-Adelanto Transmission Service Contract (LADWP) on a "take-or-pay" basis, that is, whether or not the Mead-Adelanto Project or any part thereof is operating or operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. Such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

***Remedies Upon Default.*** In the event of a default or inability of the Department to perform under the Mead-Adelanto Transmission Service Contract (LADWP), the Authority is obligated to proceed to enforce the Department's covenants or obligations thereunder, or seek damages or injunctive relief for the breach thereof, by action at law. If the Department shall fail to make any payment when due under the Mead-Adelanto Transmission Service Contract (LADWP) and such failure continues for at least 30 calendar days after notice thereof has been given to the Department (a "Payment Default"), the Authority may also, upon 30 days' written notice to the Department, require the Department to discontinue use of the Mead-Adelanto Project facilities (including without limitation discontinuance of the right to schedule energy with respect thereto) while the default continues.

In the event of a Payment Default by the Department and the discontinuation of the use by the Department of the Mead-Adelanto Project facilities, the Authority will offer for transfer or temporary use such rights to any requesting owner of the Mead-Adelanto Project pursuant to the Joint Ownership

Agreement, on a pro rata basis if such requests exceed the amount of the Department's remaining rights, and then to third parties; provided, however, that the Authority may not offer for transfer or temporary use the Department's rights and obligations in such a manner as shall, in the opinion of Bond Counsel, adversely affect the federal tax exemption of any Mead-Adelanto Bonds that are tax-exempt. Except as a result of a transfer or disposal of the Department's rights to transmission service as described above, the discontinuance of transmission service to the Department by the Authority will not reduce the obligation of the Department to make payments under the Mead-Adelanto Transmission Service Contract (LADWP).

See APPENDIX C – "SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Adelanto Transmission Service Contract (LADWP)" for a discussion of certain additional provisions of the Mead-Adelanto Transmission Service Contract (LADWP).

### **Flow of Funds Under the Mead-Adelanto Indenture**

The Mead-Adelanto Indenture establishes the following Funds and Accounts, each of which is held by the Trustee thereunder: (i) Project Fund; (ii) Revenue Fund; (iii) Operating Fund (consisting of the Operating Account and the Operating Reserve Account); (iv) Debt Service Fund; (v) Debt Service Reserve Fund; (vi) Reserve and Contingency Fund; and (vii) General Reserve Fund. The Project Fund under the Mead-Adelanto Indenture includes the following accounts therein: (A) the Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A Project Account and the Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, Costs of Issuance Subaccount therein as established under the Second Supplemental Indenture relating to the 2026 Mead-Adelanto Bonds. The Debt Service Fund under the Mead-Adelanto Indenture includes the following accounts therein: (A) the Participating Bonds Debt Service Account; (B) each Series Debt Service Account established pursuant to a Supplemental Indenture providing for the issuance of a Series of Mead-Adelanto Bonds that are not Participating Bonds, including the Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, Debt Service Account therein as established under the Second Supplemental Indenture relating to the 2026 Mead-Adelanto Bonds (the Participating Bonds Debt Service Account and each Series Debt Service Account under the Mead-Adelanto Indenture being referred to under this caption as a "Debt Service Account"); and (C) each Letter of Credit Account, if any, established pursuant to a future Supplemental Indenture providing for the issuance of a Series of Mead-Adelanto Bonds for which a Letter of Credit is provided. The Debt Service Reserve Fund under the Mead-Adelanto Indenture includes the following accounts therein: (A) the Participating Bonds Debt Service Reserve Account; and (B) each Series Debt Service Reserve Account (if any) established pursuant to a Supplemental Indenture providing for the issuance of a Series of Mead-Adelanto Bonds that are not Participating Bonds, including the Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, Debt Service Reserve Account therein (which account is not being funded in connection with the issuance of the 2026 Mead-Adelanto Bonds) as established under the Second Supplemental Indenture relating to the 2026 Mead-Adelanto Bonds (the Participating Bonds Debt Service Reserve Account and each Series Debt Service Reserve Account under the Mead-Adelanto Indenture being referred to under this caption as a "Mead-Adelanto Bonds Debt Service Reserve Account").

Pursuant to the Mead-Adelanto Indenture, all Revenues and, except as otherwise provided in a Supplemental Indenture, any interest and other investment income received on any moneys or securities held pursuant to the Mead-Adelanto Indenture, received by the Trustee are to be deposited promptly in the Revenue Fund. Amounts in the Revenue Fund are to be paid monthly to the following Funds and Accounts in the following order of priority:

- (1) To the (i) Operating Account, a sum that is equal to the total moneys appropriated for Authority Operating Expenses for deposit in the Operating Account as provided in the Annual Budget for the then current month and (ii) Operating Reserve Account, the amount required so that the amount in the Operating Reserve Account will equal the amount (if any) required to be in such

Account as provided in the Annual Budget. There may be deposited in the Operating Reserve Account proceeds of Mead-Adelanto Bonds or any portion thereof or moneys received in connection with the Authority Interest (LADWP) in the Mead-Adelanto Project or any portion thereof from any other source, as provided in the Mead-Adelanto Indenture, unless required to be applied as otherwise provided in the Mead-Adelanto Indenture. Any excess amounts in the Operating Account or the Operating Reserve Account, as determined by the Authority, will be applied to make up any deficiencies in the other Funds or Accounts established pursuant to the Mead-Adelanto Indenture as described therein; and thereafter any remaining excess shall be transferred to the General Reserve Fund.

(2) To the Debt Service Fund (for the ratable security and payment pursuant to clause (i) and clause (ii) of this paragraph (2) (except as otherwise provided in the Mead-Adelanto Indenture and subject to the provisions thereof)), (i) (A) for credit to the Participating Bonds Debt Service Account the amount, if any, required so that the balance in said Account shall equal the Accrued Debt Service with respect to Mead-Adelanto Bonds that are Participating Bonds as of the last day of the then current month, and (B) for credit to each Series Debt Service Account, the amount, if any, required so that the balance in each such Account shall equal the Accrued Debt Service with respect to the related Series of Mead-Adelanto Bonds that are not Participating Bonds as of the last day of the then current month (excluding the amount, if any, set aside in such Account from the proceeds of Mead-Adelanto Bonds (including amounts, if any, transferred from the Project Fund) for the payment of interest on the related Mead-Adelanto Bonds, less that amount of such proceeds to be applied in accordance with the Mead-Adelanto Indenture to the payment of interest accrued and unpaid and to accrue on such related Mead-Adelanto Bonds to the last day of the then current calendar month) and (ii) (A) for credit to the Participating Bonds Debt Service Account, the amounts due and payable by the Authority during such month under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for Participating Bonds as provided in the related Supplemental Indenture or Supplemental Indentures, and (B) for credit to each Series Debt Service Account, the amounts due and payable by the Authority during such month under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for the related Series of Mead-Adelanto Bonds as provided in the related Supplemental Indenture or Supplemental Indentures (with any termination payments under any Parity Swaps to be payable on a basis subordinate and junior to the payments to be made on the Mead-Adelanto Bonds); provided, however, that, in any event, if there is a deficiency of Revenues to make all of the deposits required, such Revenues shall be deposited into each Debt Service Account on a pro rata basis based on the amounts due. The Trustee will apply amounts in the Participating Bonds Debt Service Account to the payment of principal of and interest on the Mead-Adelanto Bonds that are Participating Bonds, and will apply amounts in each Series Debt Service Account to the payment of principal of and interest on the related Series of Mead-Adelanto Bonds. Amounts set aside for the payment of Parity Swaps will be applied by the Trustee to any regularly-scheduled amounts due and payable by the Authority under any such Parity Swap on the due date therefor.

(3) To the Debt Service Reserve Fund, for credit to the Participating Bonds Debt Service Reserve Account and each Series Debt Service Reserve Account, the amount, if any, required to be deposited therein so that the balance in each such Account shall be equal to the requirement therefor as of the last day of the then current month; provided, however, that, in any event, if there shall be a deficiency of Revenues to make all of the deposits required, such Revenues shall be deposited into each Debt Service Reserve Account on a pro rata basis based on the amounts due. **Pursuant to the Second Supplemental Indenture relating to the 2026 Mead-Adelanto Bonds, the debt service reserve requirement for the 2026 Mead-Adelanto Bonds shall be \$0,**

**and no Debt Service Reserve Account will be funded with respect to the 2026 Mead-Adelanto Bonds.**

(4) To the Reserve and Contingency Fund, the amount, if any, provided for deposit therein during the then current month as provided in the Annual Budget, in accordance with written instructions from the Authority.

(5) To the General Reserve Fund, the balance, if any, in the Revenue Fund after making the above deposits.

For a more detailed discussion of the application of moneys deposited in the various funds and accounts under the Mead-Adelanto Indenture, see APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Indentures – Application of Revenues.”

### **Authority Rate Covenant**

Pursuant to the Mead-Adelanto Indenture, the Authority has covenanted to at all times establish and collect (or cause to be collected) amounts for the use of the Authority Interest (LADWP) in the Mead-Adelanto Project (including amounts payable under the Mead-Adelanto Transmission Service Contract (LADWP)) as shall be required to provide Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of the following:

- (i) The Authority Operating Expenses during such Fiscal Year;
- (ii) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (iii) The amount, if any, to be paid during such Fiscal Year into the Participating Bonds Debt Service Reserve Account and any Series Debt Service Reserve Account created under the Mead-Adelanto Indenture;
- (iv) The amount, if any, to be paid during such Fiscal Year into the Reserve and Contingency Fund created under the Mead-Adelanto Indenture;
- (v) The amount, if any, required to be paid into any fund or account during such Fiscal Year with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Mead-Adelanto Bonds;
- (vi) The amount, if any, required to be deposited in the General Reserve Fund under the Mead-Adelanto Indenture during such Fiscal Year; and
- (vii) The amount, if any, required to pay all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

### **No Funded Debt Service Reserve Account**

Pursuant to the Second Supplemental Indenture relating to the 2026 Mead-Adelanto Bonds, the 2026 Mead-Adelanto Bonds are not “Participating Bonds” under the Mead-Adelanto Indenture and will not be secured by the Participating Bonds Debt Service Reserve Account created under the Mead-Adelanto Indenture. **The Second Supplemental Indenture relating to the 2026 Mead-Adelanto Bonds further provides that the 2026 Series A Debt Service Reserve Requirement for the 2026 Mead-Adelanto Bonds shall be \$0, and therefore, no Series Debt Service Reserve Account will be funded with respect to any of the 2026 Mead-Adelanto Bonds.**

## **Additional Mead-Adelanto Bonds and Other Obligations**

In addition to the 2026 Mead-Adelanto Bonds, the Authority reserves the right to issue additional Mead-Adelanto Bonds under the Mead-Adelanto Indenture for the purposes of funding Costs of Acquisition and Operations (as defined in the Mead-Adelanto Transmission Service Contract (LADWP) of the Authority Interest (LADWP), including to pay, if necessary, the costs of any Capital Improvements with respect to the Mead-Adelanto Project attributable to the Authority Interest (LADWP)) on, and subject to, the terms and conditions set forth in the Mead-Adelanto Indenture. Refunding Mead-Adelanto Bonds may also be issued subject to certain terms and conditions. Such Mead-Adelanto Bonds would rank equally as to security and payment with the 2026 Mead-Adelanto Bonds and any other Mead-Adelanto Bonds issued under the Mead-Adelanto Indenture. Although the Authority has no plans to do so, the Authority may also, from time to time, enter into interest rate swap agreements payable (other than with respect to termination payments thereunder, which are required to be payable on a basis junior and subordinate to the payment of the Mead-Adelanto Bonds) on a parity basis with the payment of the Mead-Adelanto Bonds.

See also APPENDIX C –“SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Indentures – Certain Requirements of and Conditions to Issuance of Bonds” and “– Refunding Bonds.”

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2026 MEAD-PHOENIX BONDS**

### **Pledge Effected by the Mead-Phoenix Indenture**

The Mead-Phoenix Indenture provides that the 2026 Mead-Phoenix Bonds and any other Mead-Phoenix Bonds issued thereunder shall be special, limited obligations of the Authority payable solely from and secured, as to payment of the principal or Redemption Price thereof, and interest thereon, solely by (i) the proceeds of the sale of the Mead-Phoenix Bonds, including the 2026 Mead-Phoenix Bonds, (ii) the Revenues, and (iii) all amounts on deposit in any Fund or Account established by the Mead-Phoenix Indenture (except for such Funds and Accounts that the Mead-Phoenix Indenture provides are not a source of payment for the Mead-Phoenix Bonds or any Parity Swaps and other than any moneys held by the Trustee or the Authority to pay any rebate amount owed to the federal government) including the investments, if any, thereof, and the same are pledged and assigned pursuant to the Mead-Phoenix Indenture, subject only to the provisions of the Mead-Phoenix Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Mead-Phoenix Indenture, as security for the payment of the Mead-Phoenix Bonds, the interest thereon, and premium, if any, with respect thereto, as security for the payment obligations of the Authority under any Parity Swaps and as security for the performance of any other obligations of the Authority under the Mead-Phoenix Indenture, all in accordance with the provisions of the Mead-Phoenix Bonds, the Mead-Phoenix Indenture and any Parity Swaps.

“Revenues” under the Mead-Phoenix Indenture are: (a) all revenues, income, rents and receipts derived or to be derived by the Authority from or attributable to the Authority Interest (LADWP) in the Mead-Phoenix Project or to the payment of the costs thereof received or to be received by the Authority or the Trustee under the Mead-Phoenix Transmission Service Contract (LADWP) or under any other contract for the sale by the Authority of transmission capability of the Authority Interest (LADWP) in the Mead-Phoenix Project or any contractual or other arrangement with respect to the use of such Authority Interest (LADWP) or any portion thereof or the services or capability thereof; (b) proceeds received by the Authority of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Authority Interest (LADWP); and (c) interest received or to be received on any moneys or securities held pursuant to the Mead-Phoenix Indenture and required to be paid into the Revenue Fund under the Mead-Phoenix Indenture; but excluding (x) interest and other investment income received or to be received on any moneys or securities held pursuant to an indenture of trust entered into by the Authority with respect to bonds, notes or other evidences of indebtedness payable on a basis

subordinate to the 2026 Mead-Phoenix Bonds and any other Mead-Phoenix Bonds except to the extent that the Authority specifies that such interest and other investment income shall constitute Revenues under the Mead-Phoenix Indenture, (y) amounts received by or on behalf of the Authority pursuant to any interest rate swap agreement or interest rate cap agreement relating to the Mead-Phoenix Indenture except to the extent that the Authority specifies that such amounts shall constitute Revenues under the Mead-Phoenix Indenture and (z) amounts received by or on behalf of the Authority pursuant to a Letter of Credit relating to the Mead-Phoenix Indenture except to the extent that the Authority specifies that such amounts shall constitute Revenues under the Mead-Phoenix Indenture. Revenues under the Mead-Phoenix Indenture shall not include any Subsidy Payment received by the Authority, which Subsidy Payment shall be applied as provided in the Supplemental Indenture relating to the Series of Mead-Phoenix Bonds for which such Subsidy Payment is received.

The 2026 Mead-Phoenix Bonds are not obligations of the State of California, any public agency thereof (other than the Authority), the Project Participant or any other member of the Authority, and neither the faith and credit nor the taxing power of any of the foregoing (including the Authority) is pledged for the payment of the 2026 Mead-Phoenix Bonds. The 2026 Mead-Phoenix Bonds shall never constitute the debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or statutes of the State of California and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit. The Authority has no taxing power.

See APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Indentures” for certain definitions and further discussion of certain of the terms and provisions of the Mead-Phoenix Indenture.

#### **Mead-Phoenix Transmission Service Contract (LADWP)**

**General.** The Authority has entered into the Mead-Phoenix Transmission Service Contract (LADWP) with the Department, as Project Participant, with respect to the Authority Interest (LADWP) in the Mead-Phoenix Project. Pursuant to the Mead-Phoenix Transmission Service Contract (LADWP), the Authority provides to the Department, and the Department purchases from the Authority, use of 100% of the capability of the Authority Interest (LADWP) in the Mead-Phoenix Project. In accordance with the Mead-Phoenix Indenture, payments made by the Department under the Mead-Phoenix Transmission Service Contract (LADWP) constitute Revenues securing the payment of debt service on the Mead-Phoenix Bonds (including the 2026 Mead-Phoenix Bonds).

**Term of the Transmission Service Contract.** The Mead-Phoenix Transmission Service Contract (LADWP) constitutes an obligation of the Authority and the Department until the expiration of its term on the later of (i) the date the Joint Powers Agreement, including any extension thereof, expires, or (ii) the date on which all Mead-Phoenix Bonds issued by the Authority to finance or refinance costs of the Authority Interest (LADWP) and the interest thereon shall have been paid in full or adequate provision for such payment shall have been made and such Mead-Phoenix Bonds are no longer outstanding. However, the Mead-Phoenix Transmission Service Contract (LADWP) may otherwise be terminated if (a) all such Mead-Phoenix Bonds and all interest thereon shall have been paid in full or adequate provision for such payment shall have been made and such Mead-Phoenix Bonds are no longer outstanding; and (b) the Mead-Phoenix Transmission Service Contract (LADWP) is superseded as a result of the Department having either (1) become the owner of the Authority Interest (LADWP) under the Joint Ownership Agreement or (2) entered into replacement transmission service or other agreements with the Authority. Until all Mead-Phoenix Bonds and the interest thereon shall have been paid in full or adequate provision for such payment has been made, the Mead-Phoenix Transmission Service Contract (LADWP) may not be amended, modified, supplemented or otherwise altered in any manner which will materially reduce the amount of, or extend the time for, the payments that are pledged as security for the Mead-Phoenix Bonds or that will in any manner impair or adversely affect the federal tax exemption of any Mead-Phoenix Bonds that are tax-

exempt or which will materially impair or materially adversely affect the rights of the owners of the Mead-Phoenix Bonds.

***Payment Obligations of the Project Participant; Annual Budget and Billing.*** Pursuant to the Mead-Phoenix Transmission Service Contract (LADWP), during each Transmission Service Year, the Department is obligated to pay as Transmission Service Costs all of the Authority's costs to the extent such costs are attributable to the Authority Interest (LADWP) (and not paid from the proceeds of Mead-Phoenix Bonds), including all items required by the Mead-Phoenix Indenture. Transmission Service Costs are to be billed to the Department each month for the then current month based on the estimates contained in the applicable Annual Budget (as hereinafter defined) prepared by the Authority prior to the beginning of each Transmission Service Year, as such Annual Budget may be amended during such year.

The Mead-Phoenix Transmission Service Contract (LADWP) requires the Authority to prepare and submit to the Department a proposed annual budget (the "Annual Budget") at least 60 days prior to the beginning of each Transmission Service Year (*i.e.*, each Fiscal Year, except that the first annual budget shall be prepared, considered, adopted and delivered in the most practical manner available). The Authority will incorporate into the Annual Budget all items comprising a part of Transmission Service Costs for such Transmission Service Year, including provisions for payment of costs of Capital Improvements which are not being financed by proceeds of Mead-Phoenix Bonds, and including all items as required by the Mead-Phoenix Indenture. The Department may then submit to the Authority, at any time until the Annual Budget is adopted, any matters or suggestions relating to the Annual Budget. The Authority is required to adopt the Annual Budget not less than 20 nor more than 45 days prior to the beginning of each such Transmission Service Year and shall cause copies of the adopted Annual Budget to be delivered to the Department; provided, however, that the Annual Budget for the first Transmission Service Year shall be prepared, considered, adopted and delivered in the most practicable manner available. The Annual Budget so adopted will establish the basis for the billing of Transmission Service Costs to the Department. The Mead-Phoenix Indenture provides that during any Transmission Service Year, upon 10 calendar days' notice to the Department, the Authority may adopt an amended Annual Budget for and applicable to such Transmission Service Year for the remainder of such Transmission Service Year.

Pursuant to the Mead-Phoenix Indenture, each Annual Budget shall set forth in reasonable detail the estimated Revenues required to be collected for the applicable Fiscal Year and the estimated amount to be deposited in each month of the Fiscal Year in the Funds and Accounts under the Mead-Phoenix Indenture, and shall include particularly, provision for the amounts required (or in good faith estimated to be required) for the accrual or payment (as applicable) of Accrued Debt Service on the Mead-Phoenix Bonds, the payment of Authority Operating Expenses, the funding or replenishment of any reserves (including all Accounts in the Debt Service Reserve Fund) required by the Mead-Phoenix Indenture, provision for any general reserve for Authority Operating Expenses and the estimated amount to be deposited in the Reserve and Contingency Fund (if any), and provision for any such other expenditures and deposits as the Authority shall determine shall be necessary or appropriate so as to enable the Authority to comply with the requirements of the Mead-Phoenix Indenture and the Mead-Phoenix Project Agreements, including, where applicable, provision for the payment of the allocable costs of Capital Improvements which are not being financed by proceeds of Mead-Phoenix Bonds for such Fiscal Year. The Mead-Phoenix Indenture provides that if there are at any time during any Fiscal Year extraordinary receipts or payments of unusual costs with respect to the Authority Interest (LADWP), or the amount in the Debt Service Fund or the Debt Service Reserve Fund shall be less than the respective balances required by the Mead-Phoenix Indenture, the Authority shall promptly adopt in accordance with the provisions of the Mead-Phoenix Transmission Service Contract (LADWP) and file with the Trustee an amended Annual Budget for the remainder of such Fiscal Year. The Authority may also at any time adopt in accordance with the provisions of the Mead-Phoenix Transmission Service Contract (LADWP) and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year.

By the fifth calendar day of each Month during each Transmission Service Year, the Authority will bill the Department for the amount of the Transmission Service Costs to be paid by the Department for the current Month by providing the Department with a Monthly Statement pursuant to the provisions of the Mead-Phoenix Transmission Service Contract (LADWP). The Monthly Statement will detail the costs described above. Pursuant to the Mead-Phoenix Transmission Service Contract (LADWP), the Department is obligated to pay or cause to be paid the amount of each Monthly Statement within 20 calendar days after receipt of each such Monthly Statement, in funds immediately available as of the due date thereof.

Within 150 days after the end of each Transmission Service Year, the Authority will submit to the Department a detailed statement of the actual aggregate amounts payable under the Mead-Phoenix Transmission Service Contract (LADWP) for such year and any adjustments to such amounts for any prior year, based on the annual audit required by the Mead-Phoenix Transmission Service Contract (LADWP). If for any Transmission Service Year the actual amounts payable by the Department under the Mead-Phoenix Transmission Service Contract (LADWP) exceed the amount which the Department has been billed, the Department shall promptly pay the amount of such excess to the Trustee; if such amounts are less than the amounts billed and paid, the Authority will credit the excess against the Department's next Monthly Statement.

***Payments Constitute an Operating Expense.*** The payment obligations of the Department under the Mead-Phoenix Transmission Service Contract (LADWP) constitute a cost of transmission service and an operating expense of the electric utility system of the Department, payable solely from its electric revenue funds. As an operating expense of its electric system, the payment obligations of the Department under the Mead-Phoenix Transmission Service Contract (LADWP) and all other of its "take-or-pay" contract obligations are payable on a parity with the Department's electric system revenue bonds.

***Project Participant Covenant to Maintain Sufficient Rates.*** The Department has covenanted in the Mead-Phoenix Transmission Service Contract (LADWP) to establish, maintain and collect rates and charges for the electric service of its electric system so as to provide revenues sufficient, together with its available electric system reserves, to enable it to pay all amounts payable when due under the Mead-Phoenix Transmission Service Contract (LADWP) and to pay all other amounts payable from, and all lawful charges against or liens on, the revenues of its electric system.

***"Take-or-Pay" Obligation.*** Payments are to be made by the Department under the Mead-Phoenix Transmission Service Contract (LADWP) on a "take-or-pay" basis, that is, whether or not the Mead-Phoenix Project or any part thereof is operating or operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. Such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

***Remedies Upon Default.*** In the event of a default or inability of the Department to perform under the Mead-Phoenix Transmission Service Contract (LADWP), the Authority is obligated to proceed to enforce the Department's covenants or obligations thereunder, or seek damages or injunctive relief for the breach thereof, by action at law. If the Department shall fail to make any payment when due under the Mead-Phoenix Transmission Service Contract (LADWP) and such failure continues for at least 30 calendar days after notice thereof has been given to the Department (a "Payment Default"), the Authority may also, upon 30 days' written notice to the Department, require the Department to discontinue use of the Mead-Phoenix Project facilities (including without limitation discontinuance of the right to schedule energy with respect thereto) while the default continues.

In the event of a Payment Default by the Department and the discontinuation of the use by the Department of the Mead-Phoenix Project facilities, the Authority will offer for transfer or temporary use such rights to any requesting owner of the Mead-Phoenix Project pursuant to the Joint Ownership



Agreement, on a pro rata basis if such requests exceed the amount of the Department's remaining rights, and then to third parties; provided, however, that the Authority may not offer for transfer or temporary use the Department's rights and obligations in such a manner as shall, in the opinion of Bond Counsel, adversely affect the federal tax exemption of any Mead-Phoenix Bonds that are tax-exempt. Except as a result of a transfer or disposal of the Department's rights to transmission service as described above, the discontinuance of transmission service to the Department by the Authority will not reduce the obligation of the Department to make payments under the Mead-Phoenix Transmission Service Contract (LADWP).

See APPENDIX C – "SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Mead-Phoenix Transmission Service Contract (LADWP)" for a discussion of certain additional provisions of the Mead-Phoenix Transmission Service Contract (LADWP).

### **Flow of Funds Under the Mead-Phoenix Indenture**

The Mead-Phoenix Indenture establishes the following Funds and Accounts, each of which is held by the Trustee thereunder: (i) Project Fund; (ii) Revenue Fund; (iii) Operating Fund (consisting of the Operating Account and the Operating Reserve Account); (iv) Debt Service Fund; (v) Debt Service Reserve Fund; (vi) Reserve and Contingency Fund; and (vii) General Reserve Fund. The Project Fund under the Mead-Phoenix Indenture includes the following accounts therein: (A) the Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A Project Account and the Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, Costs of Issuance Subaccount therein as established under the Second Supplemental Indenture relating to the 2026 Mead-Phoenix Bonds. The Debt Service Fund under the Mead-Phoenix Indenture includes the following accounts therein: (A) the Participating Bonds Debt Service Account; (B) each Series Debt Service Account established pursuant to a Supplemental Indenture providing for the issuance of a Series of Mead-Phoenix Bonds that are not Participating Bonds, including the Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, Debt Service Account therein as established under the Second Supplemental Indenture relating to the 2026 Mead-Phoenix Bonds (the Participating Bonds Debt Service Account and each Series Debt Service Account under the Mead-Phoenix Indenture being referred to under this caption as a "Debt Service Account"); and (C) each Letter of Credit Account, if any, established pursuant to a future Supplemental Indenture providing for the issuance of a Series of Mead-Phoenix Bonds for which a Letter of Credit is provided. The Debt Service Reserve Fund under the Mead-Phoenix Indenture includes the following accounts therein: (A) the Participating Bonds Debt Service Reserve Account; and (B) each Series Debt Service Reserve Account (if any) established pursuant to a Supplemental Indenture providing for the issuance of a Series of Mead-Phoenix Bonds that are not Participating Bonds, including the Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, Debt Service Reserve Account therein (which account is not being funded in connection with the issuance of the 2026 Mead-Phoenix Bonds) as established under the Second Supplemental Indenture relating to the 2026 Mead-Phoenix Bonds (the Participating Bonds Debt Service Reserve Account and each Series Debt Service Reserve Account under the Mead-Phoenix Indenture being referred to under this caption as a "Mead-Phoenix Bonds Debt Service Reserve Account").

Pursuant to the Mead-Phoenix Indenture, all Revenues and, except as otherwise provided in a Supplemental Indenture, any interest and other investment income received on any moneys or securities held pursuant to the Mead-Phoenix Indenture, received by the Trustee are to be deposited promptly in the Revenue Fund. Amounts in the Revenue Fund are to be paid monthly to the following Funds and Accounts in the following order of priority:

- (1) To the (i) Operating Account, a sum that is equal to the total moneys appropriated for Authority Operating Expenses for deposit in the Operating Account as provided in the Annual Budget for the then current month and (ii) Operating Reserve Account, the amount required so that the amount in the Operating Reserve Account will equal the amount (if any) required to be in such

Account as provided in the Annual Budget. There may be deposited in the Operating Reserve Account proceeds of Mead-Phoenix Bonds or any portion thereof or moneys received in connection with the Authority Interest (LADWP) in the Mead-Phoenix Project or any portion thereof from any other source, as provided in the Mead-Phoenix Indenture, unless required to be applied as otherwise provided in the Mead-Phoenix Indenture. Any excess amounts in the Operating Account or the Operating Reserve Account, as determined by the Authority, will be applied to make up any deficiencies in the other Funds or Accounts established pursuant to the Mead-Phoenix Indenture as described therein; and thereafter any remaining excess shall be transferred to the General Reserve Fund.

(2) To the Debt Service Fund (for the ratable security and payment pursuant to clause (i) and clause (ii) of this paragraph (2) (except as otherwise provided in the Mead-Phoenix Indenture and subject to the provisions thereof)), (i) (A) for credit to the Participating Bonds Debt Service Account the amount, if any, required so that the balance in said Account shall equal the Accrued Debt Service with respect to Mead-Phoenix Bonds that are Participating Bonds as of the last day of the then current month, and (B) for credit to each Series Debt Service Account, the amount, if any, required so that the balance in each such Account shall equal the Accrued Debt Service with respect to the related Series of Mead-Phoenix Bonds that are not Participating Bonds as of the last day of the then current month (excluding the amount, if any, set aside in such Account from the proceeds of Mead-Phoenix Bonds (including amounts, if any, transferred from the Project Fund) for the payment of interest on the related Mead-Phoenix Bonds, less that amount of such proceeds to be applied in accordance with the Mead-Phoenix Indenture to the payment of interest accrued and unpaid and to accrue on such related Mead-Phoenix Bonds to the last day of the then current month) and (ii) (A) for credit to the Participating Bonds Debt Service Account, the amounts due and payable by the Authority during such month under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for Participating Bonds as provided in the related Supplemental Indenture or Supplemental Indentures, and (B) for credit to each Series Debt Service Account, the amounts due and payable by the Authority during such month under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for the related Series of Mead-Phoenix Bonds as provided in the related Supplemental Indenture or Supplemental Indentures (with any termination payments under any Parity Swaps to be payable on a basis subordinate and junior to the payments to be made on the Mead-Phoenix Bonds); provided, however, that, in any event, if there is a deficiency of Revenues to make all of the deposits required, such Revenues shall be deposited into each Debt Service Account on a pro rata basis based on the amounts due. The Trustee will apply amounts in the Participating Bonds Debt Service Account to the payment of principal of and interest on the Mead-Phoenix Bonds that are Participating Bonds, and will apply amounts in each Series Debt Service Account to the payment of principal of and interest on the related Series of Mead-Phoenix Bonds. Amounts set aside for the payment of Parity Swaps will be applied by the Trustee to any regularly-scheduled amounts due and payable by the Authority under any such Parity Swap on the due date therefor.

(3) To the Debt Service Reserve Fund, for credit to the Participating Bonds Debt Service Reserve Account and each Series Debt Service Reserve Account, the amount, if any, required to be deposited therein so that the balance in each such Account shall be equal to the requirement therefor as of the last day of the then current month; provided, however, that, in any event, if there shall be a deficiency of Revenues to make all of the deposits required, such Revenues shall be deposited into each Debt Service Reserve Account on a pro rata basis based on the amounts due. **Pursuant to the Second Supplemental Indenture relating to the 2026 Mead-Phoenix Bonds, the debt service reserve requirement for the 2026 Mead-Phoenix Bonds shall be \$0,**

**and no Debt Service Reserve Account will be funded with respect to the 2026 Mead-Phoenix Bonds.**

(4) To the Reserve and Contingency Fund, the amount, if any, provided for deposit therein during the then current month as provided in the Annual Budget, in accordance with written instructions from the Authority.

(5) To the General Reserve Fund, the balance, if any, in the Revenue Fund after making the above deposits.

For a more detailed discussion of the application of moneys deposited in the various funds and accounts under the Mead-Phoenix Indenture, see APPENDIX C – “SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Indentures – Application of Revenues.”

### **Authority Rate Covenant**

Pursuant to the Mead-Phoenix Indenture, the Authority has covenanted to at all times establish and collect (or cause to be collected) amounts for the use of the Authority Interest (LADWP) in the Mead-Phoenix Project (including amounts payable under the Mead-Phoenix Transmission Service Contract (LADWP)) as shall be required to provide Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of the following:

- (i) The Authority Operating Expenses during such Fiscal Year;
- (ii) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (iii) The amount, if any, to be paid during such Fiscal Year into the Participating Bonds Debt Service Reserve Account and any Series Debt Service Reserve Account created under the Mead-Phoenix Indenture;
- (iv) The amount, if any, to be paid during such Fiscal Year into the Reserve and Contingency Fund created under the Mead-Phoenix Indenture;
- (v) The amount, if any, required to be paid into any fund or account during such Fiscal Year with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Mead-Phoenix Bonds;
- (vi) The amount, if any, required to be deposited in the General Reserve Fund under the Mead-Phoenix Indenture during such Fiscal Year; and
- (vii) The amount, if any, required to pay all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

### **No Funded Debt Service Reserve Account**

Pursuant to the Second Supplemental Indenture relating to the 2026 Mead-Phoenix Bonds, the 2026 Mead-Phoenix Bonds are not “Participating Bonds” under the Mead-Phoenix Indenture and will not be secured by the Participating Bonds Debt Service Reserve Account created under the Mead-Phoenix Indenture. **The Second Supplemental Indenture relating to the 2026 Mead-Phoenix Bonds further provides that the 2026 Series A Debt Service Reserve Requirement for the 2026 Mead-Phoenix Bonds shall be \$0, and therefore, no Series Debt Service Reserve Account will be funded with respect to any of the 2026 Mead-Phoenix Bonds.**

## **Additional Mead-Phoenix Bonds and Other Obligations**

In addition to the 2026 Mead-Phoenix Bonds, the Authority reserves the right to issue additional Mead-Phoenix Bonds under the Mead-Phoenix Indenture for the purposes of funding Costs of Acquisition and Operations (as defined in the Mead-Phoenix Transmission Service Contract (LADWP) of the Authority Interest (LADWP), including to pay, if necessary, the costs of any Capital Improvements with respect to the Mead-Phoenix Project attributable to the Authority Interest (LADWP)) on, and subject to, the terms and conditions set forth in the Mead-Phoenix Indenture. Refunding Mead-Phoenix Bonds may also be issued subject to certain terms and conditions. Such Mead-Phoenix Bonds would rank equally as to security and payment with the 2026 Mead-Phoenix Bonds and any other Mead-Phoenix Bonds issued under the Mead-Phoenix Indenture. Although the Authority has no plans to do so, the Authority may also, from time to time, enter into interest rate swap agreements payable (other than with respect to termination payments thereunder, which are required to be payable on a basis junior and subordinate the payment of the Mead-Phoenix Bonds) on a parity basis with the payment of the Mead-Phoenix Bonds.

See also APPENDIX C –“SUMMARIES OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Indentures – Certain Requirements of and Conditions to Issuance of Bonds” and “– Refunding Bonds.”

## **SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

### **Formation**

The Authority, a joint powers agency and a public entity organized under the laws of the State of California, was created pursuant to the Act and the Joint Powers Agreement for the purpose of the planning, financing, development, acquisition, construction, operation and maintenance of projects for the generation or transmission of electric energy. The Joint Powers Agreement expires in 2030 or on such later date as all bonds and notes of the Authority and interest thereon have been paid in full or adequate provision for such payment has been made in accordance with the instruments governing such bonds and notes.

### **Organization and Management**

The Authority is governed by a Board of Directors which consists of one representative for each of the members. The current representatives are listed on the masthead page of this Official Statement. The management of the Authority is under the direction of its Executive Director, Daniel E Garcia, who was appointed to the position on May 1, 2024 and serves at the pleasure of the Board of Directors. Mr. Garcia brings 40 years of leadership and utility industry experience to the role. Mr. Garcia also serves as the Treasurer/Auditor of the Authority. He joins the Authority from the City of Riverside Public Utilities Department, where he held the position of Interim General Manager. His areas of responsibility included resource planning, strategic analytics, market operations, power generation, contracts (energy, gas and transmission), joint projects, and regulatory compliance relating to wholesale energy and transmission activities under the Federal Energy Regulatory Commission, California Independent System Operator, California Energy Commission and North American Electric Reliability Corporation. He started his utility career in 1984 as an Engineering Aide and has held various positions including System Power and Gas Dispatcher, Power Scheduler, Bulk Power Manager, and Power/Gas Procurement Manager. He joined the City of Riverside in 2007 and had served in various roles including Utilities Assistant General Manager/Resources, Market Operations Manager, Interim Planning Manager and Utilities Scheduler/Trader. Mr. Garcia holds a Bachelor of Science degree in Business Management from Woodbury University.

The other officers of the Authority are selected by the Board of Directors. The President of the Authority, since January 2026, is Mandip Samra, General Manager of Burbank Water and Power.

Ms. Samra joined Burbank Water and Power in March 2021 and was promoted to General Manager in May 2024. She started her career as a Graduate Management Intern in the Customer Relations Division of Pasadena Water and Power in 2004. Prior to joining Burbank Water and Power, she worked in various management positions at Anaheim Public Utilities, Southern California Edison, and Pasadena Water and Power. Her experience in power supply ranges from regulatory compliance, managing the integrated resources plan, negotiating power resource contracts, representing the utility on various resource and transmission committees, and leading stakeholder engagement efforts as it relates to power supply. The First Vice President of the Authority, since February 2025, is Tikan Singh, General Manager of Azusa Light and Water. Mr. Singh is a professional engineer registered in the State of California with 16 years of utilities experience. Before joining Azusa Light and Water, he worked in various capacities at Palo Alto Utilities, Lompoc Electric Utility, and the California Department of Water Resources. The Second Vice President of the Authority, since February 2024, is Dukku Lee, General Manager of Anaheim Public Utilities. He has served Anaheim Public Utilities since November 1999 and was appointed as its General Manager in November 2013. He previously worked for Southern California Edison and Paragon Consulting Services.

Aileen Ma joined the Authority as Chief Financial and Administrative Officer in June 2019. Ms. Ma was previously Interim Utilities Assistant General Manager/Finance & Administration for the City of Riverside Public Utilities Department. Ms. Ma's employment at Riverside began in 2006. Prior to her appointment as Interim Utilities Assistant General Manager/Finance & Administration, she served in the positions of Utilities Principal Analyst and Utilities Fiscal Manager at Riverside. She has over 25 years of experience in audit, accounting and finance administration. Ms. Ma is a Certified Public Accountant, and holds a Bachelor of Science in Business Administration with an Accounting emphasis from California State University, Los Angeles and a Master of Business Administration from University of California, Irvine.

With respect to any matter involving the acquisition and financing or refinancing of an Authority project to be decided by the Board of Directors, each Director is entitled to cast votes weighted according to the size of the entitlement to the project of each project participant in addition to the vote each Director is entitled to cast as a member of the Authority. All such matters must be decided by at least 80% of the votes cast, and no such vote may be taken unless there shall be present at the meeting Directors entitled to cast more than 50% of the votes relative to such matter. Voting by the Board of Directors may take place at meetings of the Board of Directors when a quorum is present. A majority of the Board of Directors constitutes a quorum.

### **Other Bond-Financed Projects of the Authority**

In addition to the Authority Interest (LADWP) in the Mead-Adelanto Project and the Authority Interest (LADWP) in the Mead-Phoenix Project being refinanced with proceeds of the 2026 Bonds, the following are the projects of the Authority that have been financed by bonds issued by the Authority. The principal of and premium, if any, and interest on the 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds are secured solely by and payable solely from the related Revenues and other amounts pledged therefor under the Mead-Adelanto Indenture and the Mead-Phoenix Indenture, respectively. None of the costs associated with the projects described below in this subsection is payable from such Revenues and such other pledged moneys.

***Southern Transmission Project.*** *The Southern Transmission Project is to be distinguished from the Southern Transmission System Renewal Project, which is described below.* The Southern Transmission System is one component of the Intermountain Power Project ("IPP") of the Intermountain Power Authority ("IPA"). Certain members of the Authority (namely, LADWP and the California cities of Anaheim, Burbank, Glendale, Pasadena and Riverside) have entered into power sales contracts with IPA pursuant to which they purchase a share of the generation and transmission capabilities of the IPP, including capacity and energy of the Intermountain Generation Station, a two-unit coal-fired, steam-electric generating plant, located in Millard County, Utah, and operating capabilities of the Southern Transmission System. The

Authority acquired from each of such members its entitlement rights to capacity of the Southern Transmission System and agreed in return to issue bonds (defined above as “Existing STS Bonds”), notes or other evidences of indebtedness and make payments-in-aid of construction to IPA therefor (the “Southern Transmission Project”). All of the facilities of the IPP have been in commercial operation since May 1, 1987. The Authority has sold all of its acquired capability of the Southern Transmission System, on a “take or pay” basis, through transmission service contracts with the Original Transmission Service Purchasers. The currently operative IPP power sales contracts pursuant to which such Original Transmission Service Purchasers have obtained their rights for the delivery of the IPP generation entitlements over the Southern Transmission System, as well as the Original Transmission Service Contracts, are scheduled to terminate on June 15, 2027. The Authority had outstanding \$61,090,000 aggregate principal amount of Existing STS Bonds as of February 1, 2026.

*The revenue bonds described in the immediately preceding paragraph are distinct from the revenue bonds relating to the Southern Transmission System Renewal Project.*

***Southern Transmission System Renewal Project.*** *The Southern Transmission System Renewal Project is to be distinguished from the Southern Transmission Project, which is described above. The Southern Transmission System Renewal Project is in progress and initially will include new converter stations and AC switchyard expansions at the Adelanto Converter Station and the Intermountain Converter Station, and reactive power equipment. Certain members of the Authority (namely, LADWP and the California cities of Burbank and Glendale) have entered into power sales contracts with IPA pursuant to which they purchase a share of the generation and transmission capabilities of the IPP, including capacity and energy of the Intermountain Generation Station, and operating capabilities of the Southern Transmission System as upgraded and improved by the Southern Transmission Renewal Project. Such purchased shares become effective upon termination of the currently operative IPP power sales contracts related to the Southern Transmission Project described above under “ - Southern Transmission Project.” The Authority acquired from each of such members its entitlement rights to capacity of the Southern Transmission System and agreed in return to issue bonds (“STS Renewal Bonds”), notes or other evidences of indebtedness and make payments-in-aid of construction to IPA therefor. The Authority has sold all of its acquired capability of the Southern Transmission System as upgraded and improved by the Southern Transmission System Renewal Project, on a “take-or-pay” basis, through transmission service contracts with LADWP and the California cities of Burbank and Glendale. The IPP power sales contracts in connection with the Southern Transmission System Renewal Project pursuant to which such Southern Transmission System Renewal Project participants have obtained their rights for the delivery of the IPP generation entitlements over the Southern Transmission System are scheduled to terminate on June 15, 2077. The Authority had outstanding \$1,801,805,000 aggregate principal amount of STS Renewal Bonds as of February 1, 2026.*

*The revenue bonds described in the immediately preceding paragraph are distinct from the revenue bonds relating to the Southern Transmission Project.*

***Mead-Adelanto Project, Authority Interest (Multiple Members).*** In addition to the Authority Interest (LADWP) in the Mead-Adelanto Project, the Authority has a separate interest in the Mead-Adelanto Project for the benefit of nine members of the Authority, which is referred to herein as the Authority Interest (Multiple Members), as further described below. The Mead-Adelanto Transmission Project consists of an approximately 202-mile, 500-kV AC transmission line that extends between a southwest terminus at the existing Adelanto Substation in southern California and a northeast terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. By connecting to Marketplace Substation, the line interconnects with the Mead-Phoenix Transmission Project and with the existing McCullough Substation in southern Nevada. The transmission line has a transfer capability of 1,291 MW. The current owners of the Mead-Adelanto Transmission Project are the Authority and StarTrans IO, L.L.C. The Authority has three separate and independent ownership interests

in the Mead-Adelanto Project under the related joint ownership agreement: (i) one interest for the nine Authority members participating in that portion of the project acquired in connection with the original construction of the project (i.e., the Authority Interest (Multiple Members) in such project), the acquisition and construction of which was financed with revenue bonds of the Authority; (ii) one interest for Western Area Power Administration (“Western”), the funding for which is provided by Western; and (iii) an additional interest acquired by the Authority in 2016 from M-S-R Public Power Agency, for the benefit of LADWP only (i.e., the Authority Interest (LADWP Only) in such project) hereinafter described (see “– *Mead-Adelanto Project, Authority Interest (LADWP Only)*” below), the acquisition of which was financed through a separate issue of revenue bonds of the Authority issued for the benefit of LADWP only. The Authority Interest (Multiple Members) in the Mead-Adelanto Project provides to the Authority a 67.9167% member-related ownership share in the Mead-Adelanto Project. The Authority has sold, on a “take-or-pay” basis, the entire capability of its Authority Interest (Multiple Members) in the Mead-Adelanto Project through transmission service contracts with nine members of the Authority (all of the Authority members with the exception of IID, and the California cities of Cerritos and Vernon). From and after July 1, 2020, the Authority had no bonds outstanding with respect to the Authority Interest (Multiple Members) in the Mead-Adelanto Project.

***Mead-Phoenix Project, Authority Interest (Multiple Members).*** In addition to the Authority Interest (LADWP) in the Mead-Phoenix Project, the Authority has a separate interest in the Mead-Phoenix Project for the benefit of nine members of the Authority, which is referred to herein as the Authority Interest (Multiple Members), as further described below. The Mead-Phoenix Transmission Project consists of an approximately 256-mile, 500-kVAC transmission line that extends between a southern terminus at the existing Westwing Substation (in the vicinity of Phoenix, Arizona) and a northern terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. The line is looped through the 500-kV switchyard constructed in the existing Mead Substation in southern Nevada with a transfer capability of 1,923 MW (as a result of upgrades completed in 2009). By connecting to Marketplace Substation, the Mead-Phoenix Transmission Project interconnects with the Mead-Adelanto Transmission Project and with the existing McCullough Substation. The current owners of the Mead-Phoenix Transmission Project are the Authority, Arizona Public Service Company, Salt River Project and StarTrans IO, L.L.C. The Authority has three separate and independent ownership interests in the Mead-Phoenix Project under the related joint ownership agreement: (i) one interest for the nine Authority members participating in that portion of the project acquired in connection with the original construction of the project (i.e., the Authority Interest (Multiple Members) in such project), the acquisition and construction of which was financed with revenue bonds of the Authority; (ii) one interest for Western, the funding for which is provided by Western; and (iii) an additional interest acquired by the Authority in 2016 from M-S-R Public Power Agency, for the benefit of LADWP only (i.e., the Authority Interest (LADWP Only) in such project) hereinafter described (see “– *Mead-Phoenix Project, Authority Interest (LADWP Only)*” below), the acquisition of which was financed through a separate issue of revenue bonds of the Authority issued for the benefit of LADWP only. The Mead-Phoenix Transmission Project is comprised of three project components. The Authority Interest (Multiple Members) in the Mead-Phoenix Project provides to the Authority an 18.3077% member-related ownership share in the Westwing-Mead Component, a 17.7563% member-related ownership share in the Mead Substation Component, and a 22.4082% member-related ownership share in the Mead-Marketplace Component of the Mead-Phoenix Project. The Authority has sold, on a “take-or-pay” basis, the entire capability of its Authority Interest (Multiple Members) in the Mead-Phoenix Project through transmission service contracts with nine members of the Authority (all of the Authority members with the exception of IID, and the California cities of Cerritos and Vernon). From and after July 1, 2020, the Authority had no bonds outstanding with respect to the Authority Interest (Multiple Members) in the Mead-Phoenix Project.

***Palo Verde Nuclear Generating Station.*** The Authority, pursuant to the Arizona Nuclear Power Project Participation Agreement, has a 5.91% ownership interest in Palo Verde Nuclear Generating Station

Units 1, 2 and 3 (the “Generating Station”), including certain associated facilities and contractual rights, a 5.44% ownership interest in the Arizona Nuclear Power Project High Voltage Switchyard (the “Switchyard”) and contractual rights, and a 6.55% share of the rights to use certain portions of Arizona Nuclear Power Project Valley Transmission System. The Generating Station and the Switchyard are collectively referred to herein as “PVNGS.”

The Authority has sold the entire capability of the Authority’s interest in PVNGS pursuant to power sales contracts with nine California cities and a California irrigation district, each of which is a member of the Authority. The California cities of Azusa, Banning, Burbank, Colton, Glendale, Pasadena, Riverside and Vernon, as well as LADWP and IID are PVNGS project participants. From and after July 1, 2017, the Authority had no bonds outstanding with respect to PVNGS.

Commercial operation and initial deliveries from PVNGS Units 1, 2 and 3 commenced in 1986 and 1987. In addition to transmission provided by the Mead-Adelanto Project and the Mead-Phoenix Project (described above), transmission is accomplished through agreements with Salt River Project, LADWP and Southern California Edison.

***San Juan Unit 3 Project.*** The San Juan Generating Station (“San Juan”) originally consisted of a 4-unit, coal-fired electric generating station located in northwestern New Mexico, approximately 15 miles northwest of the City of Farmington, in San Juan County. The combined net generating capacity of the four units was 1,647 MW, with the net generating capacity of Unit 3 being 497 MW. The four units were put into operation between 1973 and 1982. In 1993, the Authority and five of its members negotiated a purchase agreement with Century Power Corporation, under which the Authority purchased a 41.8% interest in Unit 3 and related common facilities of San Juan, entitling the Authority to approximately 208 MW of power generated by Unit 3. In this regard, the Authority entered into power sales contracts with the California cities of Azusa, Banning, Colton and Glendale, and IID. From and after January 1, 2017, the Authority had no bonds outstanding with respect to San Juan.

As part of the overall settlement of matters regarding emissions at San Juan, Unit 3 permanently ceased operations in December 2017 and effective as of December 31, 2017, the Authority has divested its ownership interest in the San Juan project. However, the Authority retains certain liabilities for a share of the environmental (mine reclamation) and plant decommissioning costs of San Juan, Unit 3.

***Magnolia Power Project.*** The Magnolia Power Project consists of a combined-cycle natural gas-fired electric generating plant with a nominally rated net capacity of 242 MW and auxiliary facilities located in Burbank, California. The Magnolia Power Project is owned by the Authority and was constructed and acquired for the primary purpose of providing participants in the Magnolia Power Project with firm capacity and energy to help meet their power and energy requirements. The Magnolia Power Project is operated by the California city of Burbank. The Authority has entered into power sales agreements with the California cities of Anaheim, Burbank, Cerritos, Colton, Glendale and Pasadena pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Magnolia Power Project to such participants on a “take-or-pay” basis. The commercial operation date for the Magnolia Power Project was September 22, 2005. The Authority had outstanding \$195,775,000 aggregate principal amount of revenue bonds with respect to the Magnolia Power Project as of February 1, 2026 (of which \$8,005,000 relates exclusively to the City of Cerritos).

***Prepaid Natural Gas Project.*** The Prepaid Natural Gas Project primarily consists of the acquisition by the Authority of the right to receive an aggregate amount of approximately 135 billion cubic feet of natural gas (which amount has been reduced to approximately 90 billion cubic feet as a result of a restructuring described below) from J. Aron & Company (“J. Aron”) pursuant to the terms of five Prepaid Natural Gas Sales Agreements between the Authority and J. Aron, each relating to a separate participant. The gas is delivered by J. Aron to the Authority at designated delivery points on the natural gas pipelines



that serve the participants in specified daily quantities each month, over the approximately 30-year term (subsequently amended to a 27-year term due to the restructuring described below) of each of the Prepaid Natural Gas Sales Agreements, in exchange for the lump sum prepayment made to J. Aron by the Authority on the date of issuance of the Authority's Gas Project Revenue Bonds (Project No. 1) in 2007. The Prepaid Natural Gas Project participants are the California cities of Anaheim, Burbank, Colton, Glendale and Pasadena. On October 22, 2009, the Prepaid Natural Gas Sales Agreements between the Authority and J. Aron were restructured to provide an acceleration of a portion of the long-term savings, reduce the remaining volumes of gas to be delivered and shorten the overall duration of the agreements. As a result of the restructuring, approximately \$165,000,000 principal amount of bonds with respect to the Prepaid Natural Gas Project was discharged. On September 19, 2013, the transaction was further restructured to, among other things, (a) provide additional credit support for payments by three of the project participants by amending and restating the associated receivables purchase agreement and The Goldman Sachs Group, Inc. guaranty, (b) replace AIG-FP Broadgate Limited with Mitsubishi UFJ Securities International plc as the party to the Authority commodity swaps, and (c) create a custodial arrangement with respect to payments owed by J. Aron and guaranteed by The Goldman Sachs Group, Inc. or to J. Aron under corresponding J. Aron commodity swaps in order to mitigate the Authority's credit exposure to Mitsubishi UFJ Securities International plc as the counterparty. The Authority has sold 100% of its interest in the natural gas, on a "take-and-pay" basis, through gas supply agreements with the California cities of Anaheim, Burbank, Colton, Glendale and Pasadena. The Authority had outstanding \$219,555,000 aggregate principal amount of revenue bonds with respect to the Prepaid Natural Gas Project as of February 1, 2026.

***Natural Gas Reserves Project.*** The Natural Gas Reserves Project includes the Authority's leasehold interests in (i) certain natural gas resources, reserves, fields, wells and related facilities located near Pinedale, Wyoming (the "Wyoming Subproject") and (ii) certain natural gas resources, reserves, fields, wells and related facilities in (or near) the Barnett Shale geological formation in Texas (the "Texas Subproject," and collectively with the Wyoming Subproject, the "Natural Gas Reserves Project"). The Authority has sold the entire production capacity of its leasehold interests in the Natural Gas Reserves Project by entering into gas sales agreements with the California cities of Anaheim, Burbank and Colton (collectively, the "Natural Gas Project A Participants") and with the California cities of Glendale and Pasadena on a "take or pay" basis (other than with respect to debt service, which is payable only by the Natural Gas Project A Participants on a several basis). On February 6, 2008, the Authority issued revenue bonds in three simultaneous financings (each for the benefit of a Natural Gas Project A Participant). As of February 1, 2026, the Authority had outstanding \$23,330,000 aggregate principal amount of revenue bonds with respect to the Natural Gas Reserves Project, consisting of \$13,300,000, \$7,255,000 and \$2,775,000 aggregate principal amount of the Anaheim series, the Burbank series and the Colton series, respectively.

***Canyon Power Project.*** The Canyon Power Project consists of a simple cycle, natural gas-fired power generating plant, comprised of four General Electric LM 6000PC Sprint combustion turbines with a combined nominally rated net base capacity of 200 MW, and auxiliary facilities located on approximately 10 acres of land within an industrial area of the California city of Anaheim. The Canyon Power Project is owned by the Authority and operated and maintained by Anaheim. The Canyon Power Project was constructed for the primary purpose of providing Anaheim with firm capacity and energy to help it meet its current and future capacity and energy requirements and to satisfy certain ancillary services requirements. The Canyon Power Project achieved full commercial operation in 2011. Two of the four combustion turbine units went offline for repairs in 2025, with one of those units back in service and the other still out of service. The Authority has entered into a power sales agreement with Anaheim pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Canyon Power Project to Anaheim on a "take-or-pay" basis. As of February 1, 2026, the Authority had outstanding \$222,885,000 aggregate principal amount of revenue bonds with respect to the Canyon Power Project.

***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, the Authority has agreed to purchase from Windy Flats all energy from the Windy Point Project for an initial delivery term expiring in 2030 (unless earlier terminated). Energy from the Windy Point Project is delivered to the Authority through an energy exchange agreement that redelivers production from the Windy Point Project to the Pacific DC Intertie. The Authority has issued revenue bonds to finance the prepayment of the purchase of 11,107,860 MWhs of energy from the Windy Point Project for the initial delivery term. In March 2023, the original power purchase agreement was amended to extend the delivery term for an additional four (4) years beginning September 10, 2030 through September 9, 2034. In connection with such extension, Windy Flats completed certain equipment replacements and upgrades, which are expected to maintain the project’s current capacity factor for the additional four years contemplated by the amendment, plus two more years. The Authority has entered into power sales agreements with LADWP and the California city of Glendale pursuant to which the Authority has sold 100% of its output entitlement in the Windy Point Project to such participants on a “take-or-pay” basis. LADWP has purchased Glendale’s 7.63% output entitlement share of Windy Point Project’s output. As of February 1, 2026, the Authority had outstanding \$126,675,000 aggregate principal amount of revenue bonds with respect to the Windy Point Project.

***Tieton Hydropower Project.*** The Tieton Hydropower Project consists of a 13.6 MW nameplate capacity “run of the reservoir” hydroelectric generation facility, comprised of (i) a powerhouse located near Rimrock Lake in Yakima County approximately 40 miles west of the City of Yakima, Washington, and constructed at the base of the Bureau of Reclamation’s Tieton Dam on the Tieton River, (ii) a 21-mile 115 kV transmission line from the power plant substation to the point of interconnection with the electrical grid, and (iii) related assets, property and contractual rights, acquired by the Authority in November 2009, pursuant to an Asset Purchase Agreement, dated as of October 19, 2009, by and between the Authority and Tieton Hydropower, L.L.C., a Washington limited liability company. The Authority has entered into power sales and acquisition contracts with the California cities of Burbank and Glendale pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Tieton Hydropower Project to such participants on a “take-or-pay” basis. As of February 1, 2026, the Authority had outstanding \$26,585,000 principal amount of revenue bonds with respect to the Tieton Hydropower Project.

***Linden Wind Energy Project.*** The Linden Wind Energy Project consists of the acquisition by the Authority of an approximately 50 MW nameplate capacity wind powered electric generating facility comprised of 25 wind turbines located near the town of Goldendale in Klickitat County, Washington, including the structures, facilities, equipment, fixtures, improvements and associated real and personal property and other rights and interests necessary for the ownership and operation of the generation facility and the sale of energy therefrom. The Linden Wind Energy Project was developed and constructed by Northwest Wind Partners, LLC (“Northwest Wind”), a Delaware limited liability company. Northwest Wind undertook the development, construction, start-up, testing and commissioning of the project, and upon the completion thereof and subject to the terms of the Asset Purchase Agreement, dated as of June 23, 2009, by and between the Authority and Northwest Wind, the Authority acquired the project from Northwest Wind. The Authority has entered into power sales agreements with LADWP and the California city of Glendale pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Linden Wind Energy Project to such participants on a “take-or-pay” basis. LADWP has purchased all of Glendale’s 10.00% output entitlement share of the Linden Wind Energy Project’s output. As of February 1, 2026, the Authority had outstanding \$74,765,000 aggregate principal amount of revenue bonds with respect to the Linden Wind Energy Project.

***Milford Wind Corridor Phase I Project.*** *This Project is to be distinguished from the Milford Wind Corridor Phase II Project, which is described below.* The Milford Wind Corridor Phase I Project consists of the purchase by the Authority of all energy generated by a 203.5 MW nameplate capacity wind powered electric generating facility located near Milford, Utah (the “Milford I Facility”), for a term of 20 years (unless earlier terminated), pursuant to a Power Purchase Agreement, dated as of March 16, 2007, as amended, by and between the Authority and Milford Wind Corridor Phase I, LLC, a Delaware limited liability company, as the owner of the Milford I Facility. The generating facility includes 97 wind turbines, consisting of 58 Clipper C99 wind turbine generators, each with a rated capacity of 2.5 MW, and 39 General Electric 1.5 xle wind turbine generators, each with a rated capacity of 1.5 MW. Pursuant to the Power Purchase Agreement, energy from the Milford I Facility is delivered to the Authority over an approximately 88-mile, 345 kV, transmission line extending from the wind generation site to the IPP Switchyard in Delta, Utah, an ownership interest in which transmission line, together with certain structures, facilities, equipment, fixtures, improvements and associated real and personal property interests and other rights and interests necessary for the ownership and operation of the generation facility and the sale of power therefrom, comprise a part of the Milford I Facility. From the IPP Switchyard, the energy is delivered to the Adelanto Converter Station in California. On February 9, 2010, the Authority issued \$237,235,000 aggregate principal amount of revenue bonds in order to finance the purchase by prepayment of a specified quantity of energy from the Milford I Facility over the 20-year delivery term (with a guaranteed annual quantity in each year), commencing on the commercial operation date of the Milford I Facility (i.e., November 16, 2009). The Authority has entered into power sales agreements with LADWP, and the California cities of Burbank and Pasadena pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Milford Wind Corridor Phase I Project to such participants on a “take-or-pay” basis. As of February 1, 2026, the Authority had outstanding \$52,835,000 aggregate principal amount of revenue bonds with respect to the Milford Wind Corridor Phase I Project.

*The revenue bonds described in the immediately preceding paragraph are distinct from the revenue bonds relating to the Milford Wind Corridor Phase II Project described below.*

***Milford Wind Corridor Phase II Project.*** *This Project is to be distinguished from the Milford Wind Corridor Phase I Project, which is described above.* The Milford Wind Corridor Phase II Project consists of the purchase by the Authority of all energy generated by a 102 MW nameplate capacity, wind powered electric generating facility comprised of 68 wind turbines located near Milford, Utah (the “Milford II Facility”), for a term of 20 years (unless earlier terminated) pursuant to a Power Purchase Agreement, dated as of March 1, 2010, by and between the Authority and Milford Wind Corridor Phase II, LLC, a Delaware limited liability company, as the owner of the Milford II Facility. Pursuant to the Power Purchase Agreement, energy from the Milford II Facility is delivered to the Authority over an approximately 90-mile, 345 kV, transmission line extending from the wind generation site to the IPP Switchyard in Delta, Utah, an ownership interest in which transmission line, together with certain structures, facilities, equipment, fixtures, improvements and associated real and personal property interests and other rights and interests necessary for the ownership and operation of the generation facility and the sale of power therefrom, comprise a part of the Milford II Facility. From the IPP Switchyard, the energy is delivered to the Adelanto Converter Station in California. On August 25, 2011, the Authority issued \$157,465,000 aggregate principal amount of revenue bonds in order to finance the purchase by prepayment of a specified quantity of energy from the Milford II Facility over the 20-year delivery term (with a guaranteed annual quantity in each year), commencing on the commercial operation date of the Milford II Facility (i.e., May 2, 2011). The Authority has entered into power sales agreements with LADWP and the California city of Glendale pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Milford Wind Corridor Phase II Project to such participants on a “take-or-pay” basis. LADWP has purchased all of Glendale’s 4.902% output entitlement share of the Milford II Facility’s output. As of February 1, 2026, the Authority had outstanding \$52,135,000 aggregate principal amount of revenue bonds with respect to the Milford Wind Corridor Phase II Project.

*The revenue bonds described in the immediately preceding paragraph are distinct from the revenue bonds relating to the Milford Wind Corridor Phase I Project described above.*

**Apex Power Project.** The Apex Power Project consists of a natural gas-fired, combined cycle generating facility, nominally rated at 531 MW, located in Clark County, Nevada, generator interconnection facilities, related assets and property, and interconnection and transmission contractual rights. The facility commenced full commercial operation in May 2003. The Apex Power Project was acquired by the Authority in March 2014, pursuant to an Asset Purchase Agreement, dated as of October 17, 2013, by and between the Authority and Las Vegas Power Company, LLC, a Delaware limited liability company, the previous owner of the Apex Power Project. Operation and maintenance of the Apex Power Project facility is currently provided pursuant to an Operations and Maintenance Agreement with EthosEnergy Power Operations (West), formerly Wood Group Power Operations (West), Inc., and a Long-Term Service Agreement with General Electric International, Inc., each of which was assumed by the Authority in connection with the acquisition of the project. Firm transmission service for the facility output is provided pursuant to a Large Generator Interconnection Agreement with Nevada Power Company and two Service Agreements for Long-Term Firm Point-to-Point Transmission Service with a point of delivery at the Mead 230 kV Substation. The Apex Power Project was acquired by the Authority for the primary purpose of providing LADWP with energy and base-load, combined cycle, gas-fired generating capacity. The Authority has entered into a power sales agreement with LADWP pursuant to which the Authority has sold 100% of its entitlement to capacity and energy in the Apex Power Project to LADWP on a “take-or-pay” basis. As of February 1, 2026, the Authority had outstanding \$179,710,000 aggregate principal amount of revenue bonds with respect to the Apex Power Project.

**Clean Energy Project.** The Clean Energy Project is structured to assist the California city of Anaheim, the sole project participant, to procure a long-term supply of electricity at favorable prices. In order to do so, the Clean Energy Project includes a feature whereby Anaheim can seek to assign existing and future power purchase agreements (“PPAs”) to the Authority, and the Authority may thereafter assign such PPAs to J. Aron, and if such assignment is accepted by J. Aron, electricity thereunder will be delivered to Aron Energy Prepay LLC (the “Electricity Supplier”) to meet the Electricity Supplier’s obligations to deliver prepaid Electricity (“Prepaid Electricity”) to the Authority under a Master Power Supply Agreement (the “Master Power Supply Agreement”). The Authority will then deliver such Prepaid Electricity to Anaheim under the Clean Energy Purchase Contract (the “Clean Energy Purchase Contract”) at the contract price. The Authority issued revenue bonds to finance the cost of acquisition of an approximately thirty-year supply of Prepaid Electricity under the Master Power Supply Agreement. Anaheim has entered into limited assignment agreements relating to two (2) existing power purchase agreements under which it assigned to the Authority, and the Authority assigned to J. Aron, the electricity deliveries thereunder beginning October 2024. The Authority had outstanding \$591,720,000 aggregate principal amount of revenue bonds with respect to the Clean Energy Project as of February 1, 2026.

### **Other Projects of the Authority Not Financed by Bonds**

The following are the projects of the Authority for which no bonds have been issued. The principal of and premium, if any, and interest on the 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds are secured solely by and payable solely from the related Revenues and other amounts pledged therefor under the Mead-Adelanto Indenture and the Mead-Phoenix Indenture, respectively. None of the costs associated with the projects described below in this subsection is payable from any such Revenues.

#### ***Projects That Have Achieved Commercial Operation***

**Antelope Big Sky Ranch Solar Project.** The Authority, on behalf of the California cities of Azusa, Pasadena and Riverside, entered into a power purchase agreement for 20 MW of generating capacity. The

commercial operation date for the project was declared on August 19, 2016. The agreement expires on December 31, 2041.

*Antelope DSR I Solar Project.* The Authority, on behalf of the California cities of Riverside and Vernon, entered into a power purchase agreement for 50 MW of generating capacity. The commercial operation date for the project was declared on December 15, 2016. The agreement expires on December 14, 2036.

*Antelope DSR II Solar Project.* The Authority, on behalf of the California city of Azusa, entered into a power purchase agreement for 5 MW of generating capacity. The commercial operation date for the project was declared on December 6, 2016. The agreement expires on December 5, 2036.

*Astoria 2 Solar Project.* The Authority, on behalf of the California cities of Banning, Colton and Vernon, entered into a power purchase agreement for 35 MW of generating capacity from December 9, 2016 to December 31, 2021 and 45 MW of generating capacity from January 1, 2022 until the expiration of the agreement on December 31, 2036.

*Casa Diablo IV Geothermal Project.* The Authority, on behalf of the California city of Colton, entered into a power purchase agreement with Ormat for 16 MW of generating capacity. The commercial operation date for the project was declared on July 14, 2022. The agreement expires on July 13, 2047.

*Chiquita Canyon Landfill Gas Project.* The Authority, on behalf of the California cities of Burbank and Pasadena, entered into a power purchase agreement for 10 MW of generating capacity. The commercial operation date for the project was declared on November 23, 2010. The agreement expires on November 22, 2030.

On February 22, 2024, the Authority received a Notice of Force Majeure from Ameresco Chiquita Energy, LLC (“Ameresco”) claiming that they were forced to shut down the facility on January 31, 2024 due to new conditions at the site affecting the quality and quantity of landfill gas. In their notice, Ameresco states that their ability to resume operations depends on the ability of owner of the landfill to restore the landfill gas back to its historic quality and quantity. As of February 5, 2026, no date of return has been provided by Ameresco.

*Columbia Two Solar Project.* The Authority, on behalf of the California cities of Azusa, Pasadena and Riverside, entered into a power purchase agreement for 15 MW of generating capacity. The commercial operation date for the project was declared on December 19, 2014. The agreement expires on December 18, 2034.

*Copper Mountain Solar 3 Project.* The Authority, on behalf of LADWP and the California city of Burbank, entered into a power purchase agreement for 250 MW of generating capacity. The commercial operation date for the project was declared on April 8, 2015. The agreement expires on April 8, 2035.

*Coso Geothermal Project.* The Authority, on behalf of the California cities of Banning, Pasadena, and Riverside, entered into a power purchase agreement for up to 55 MW of the total 150 MW generating capacity. The delivery commencement date for the project was on January 1, 2022. The agreement expires on December 31, 2041.

*Daggett Solar Power 2 Project.* The Authority, on behalf of the California cities of Cerritos and Vernon, entered into power purchase agreement for the full output from a facility with a 65 MW solar generating capacity and a 33 MW/132MWh battery energy storage system. The Project achieved its commercial operation date on December 12, 2023. The term of the agreement is 20 years.

*Desert Harvest II Solar Project.* The Authority, on behalf of the California cities of Anaheim, Burbank, and Vernon, entered into a power purchase agreement for 70 MW of generating capacity. The Project achieved its commercial operation date on December 17, 2020. The term of the agreement is 25 years.

*Don A. Campbell I Geothermal Project.* The Authority, on behalf of LADWP and the California city of Burbank, entered into a power purchase agreement for approximately 16 MW of net generating capacity. The commercial operation date for the project was declared on January 1, 2014. The agreement expires on January 1, 2034.

*Don A. Campbell II Geothermal Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for 16 MW of net generating capacity. The commercial operation date for the project was declared on September 17, 2015. The agreement expires on September 17, 2035.

*Eland Solar & Storage Center, Phase 1.* The Authority, on behalf of LADWP and the California city of Glendale, entered into a power purchase agreement for the full output of Phase 1 with 200MW solar generating capacity and a 150MW/600MWh battery energy storage system. The commercial operation date for Phase 1 was November 18, 2024. The term of the agreement is 25 years.

*Eland Solar & Storage Center, Phase 2.* The Authority, on behalf of LADWP, entered into a power purchase agreement for the full output of Phase 2 with 200MW solar generating capacity and a 150MW/600MWh battery energy storage system. The commercial operation date for Phase 2 was July 31, 2025. The term of the agreement is 25 years.

*Heber 1 Geothermal Project.* The Authority, on behalf of LADWP and IID, entered into a power purchase agreement for 46 MW of generating capacity. The delivery commencement date for the project to the Authority was on February 2, 2016. The agreement expires on February 1, 2051.

*Kingbird Solar B Project.* The Authority, on behalf of the California cities of Azusa, Colton and Riverside, entered into a power purchase agreement for 20 MW of generating capacity. The commercial operation date for the project was declared on April 30, 2016. The agreement expires on December 31, 2036, unless a one-time five-year extension is exercised.

*ARP-Loyalton Biomass Project.* On April 2, 2018, the Authority, on behalf of LADWP, IID and the California cities of Anaheim and Riverside, entered into a power purchase agreement (the “PPA”) for approximately 12 MW of generating capacity with ARP-Loyalton Cogen LLC, seller and developer of the existing biomass power generation facility in California. The commercial operation date for the project was declared on April 20, 2018.

In February 2020, the operator of the project, ARP-Loyalton Cogen LLC, and its parent company American Renewable Power LLC, filed petitions for relief under the United States Code (the “Bankruptcy Code”). Under a 2024 settlement approved by the Court, proceeds of certain letters of credit were returned to the Chapter 7 trustee after deducting the amounts due to the Authority and its participants under the power purchase agreement and the Authority was released from, among other things, any further obligations under the agreement. The power purchase agreement also expired under its terms on April 19, 2023.

*Northern Nevada Geothermal Portfolio Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for up to 185 MW of generating capacity. This project is comprised of a portfolio of generating stations to be phased in over time. The first facility began delivering energy to the Authority on December 1, 2017. The last facility of the portfolio reached its delivery commencement date on December 19, 2022. The agreement expires on December 31, 2043.

*Ormesa Geothermal Complex Energy Project.* The Authority, on behalf of LADWP and IID, entered into a power purchase agreement for 35 MW of net generating capacity. The delivery commencement date for the project to the Authority was on January 1, 2018. The agreement expires on December 31, 2042.

*Pebble Springs Wind Power Project.* The Authority, on behalf of LADWP and the California cities of Burbank and Glendale, entered into a power purchase agreement for approximately 99 MW of generating capacity. The commercial operation date for the project was declared on January 31, 2009. The agreement expires on January 31, 2027.

*Puente Hills Landfill Gas-to-Energy Project.* The Authority, on behalf of the California cities of Banning, Colton, Pasadena and Vernon, entered into a power purchase agreement for 46 MW of generating capacity. The delivery commencement date for the project to the Authority was on January 1, 2017. The agreement expires on December 31, 2030.

On March 11, 2024, the Authority received a Notice of Force Majeure from the Los Angeles County Sanitation Districts (“Sanitation Districts”) claiming that due to the lower than expected landfill gas production, the Sanitation Districts expect to cease energy sales to the Authority and seek to terminate the power purchase agreement at the end of the day on December 31, 2026.

*Red Cloud Wind Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for 331 MW of generating capacity. The commercial operation date for the project was declared on December 22, 2021. The term of the agreement is 20 years.

*Roseburg Biomass Project.* The Authority, on behalf of LADWP, IID and the California city of Anaheim, entered into a purchase agreement for 6.8 MW (out of a total generating capacity of 13.4 MW) pursuant to SB 859. See “DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS—State Legislation and Regulatory Proceedings—Biomass Legislation” herein. The delivery commencement date was February 16, 2021. The term of the agreement is five years.

*Springbok I Solar Farm Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for 105 MW of generating capacity. The commercial operation date for the project was declared on July 11, 2016. The agreement expires on July 10, 2041.

*Springbok II Solar Farm Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for 155 MW of generating capacity. The commercial operation date for the project was declared on September 6, 2016. The agreement expires on September 5, 2043, unless a one-time three-year extension is exercised.

*Springbok III Solar Farm Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for 90 MW of generating capacity. The commercial operation date for the project was declared on July 19, 2019. The agreement expires on July 18, 2046, unless a one-time three-year extension is exercised.

*Star Peak Geothermal Project.* The Authority, on behalf of the California city of Glendale, entered into a power purchase agreement for 12.5 MW of generating capacity. The commercial operation date for the project was declared on September 28, 2022. The agreement expires on December 31, 2045.

*Summer Solar Project.* The Authority, on behalf of the California cities of Azusa, Pasadena and Riverside, entered into a power purchase agreement for 20 MW of generating capacity. The commercial operation date for the project was declared on July 25, 2016. The agreement expires on December 31, 2041.

*Whitegrass Geothermal Project.* The Authority, on behalf of the California city of Glendale, entered into a power purchase agreement, for 3.0 MW of generating capacity. The delivery commencement date for the project to the Authority was on April 1, 2020. The agreement expires on December 31, 2045. On February 3, 2025, the Authority notified the project developer that the project is in default because the developer has failed to maintain the performance security required under the power purchase agreement. The Authority is exploring its options regarding next steps.

### ***Projects Under Development***

*Bonanza Solar Facility.* The Authority, on behalf of the California cities of Azusa and Pasadena, entered into a power purchase agreement for a 125MW portion of the full output from a 300 MW capacity solar facility and a 65MW/260MWh portion of a 195MW/780MWh battery energy storage system. The guaranteed commercial operation date is December 31, 2028. The term of the agreement is 20 years.

*Geysers Geothermal Project.* The Authority, on behalf of the California city of Pasadena, entered into power purchase agreement for a 25 MW portion of the full output from a 725 MW capacity geothermal facility. The guaranteed delivery commencement date is January 1, 2027. The term of the agreement is 15 years.

*Grace Orchard Solar III Project.* The Authority, on behalf of the California cities of Anaheim, Colton, and Pasadena, entered into a power purchase agreement for a 170MW portion of the full output capacity of a 500 MW solar facility. The guaranteed commercial operation date is June 1, 2028. The term for the agreement is 20 years.

*Milford Solar II Project.* The Authority, on behalf of LADWP and the California cities of Burbank and Glendale, entered into a power purchase agreement for 300MW of solar generating capacity. The guaranteed commercial operation date is December 31, 2027. The term of the agreement is 30 years.

*Utah Solar I Project.* The Authority, on behalf of LADWP, entered into a power purchase agreement for 300 MW of solar generating capacity. The guaranteed commercial operation date is June 30, 2028. The term of the agreement is 30 years. The power purchase agreement is subject to early termination if LADWP's governing body does not approve of and execute a power sales agreement with the Authority, for LADWP to purchase the Authority's 300 MW capacity from the Utah Solar I Project by a specified approvals deadline.

### **Further Information**

A copy of the Authority's most recent Annual Report may be obtained from the Authority, 1160 Nicole Court, Glendora, California 91740. The Authority and the Project Participant each maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2026 Bonds.

## **THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES**

Payment of the principal of and interest on the 2026 Bonds shall be made primarily from the Revenues received by the Authority from the Department under the related Transmission Service Contract (LADWP) for the Mead-Adelanto Project or Mead-Phoenix Project as described herein. The Department has pledged to establish, maintain and collect rates and charges for the electric service of its Power System (defined below) so as to provide revenues sufficient, together with any legally available Power System reserves, to enable the Department to pay to the Authority all amounts payable when due under the applicable Transmission Service Contract (LADWP) and to pay all other amounts payable from and all lawful charges against or liens on the revenues of its electric system.



The Department is the largest municipal utility in the United States and is a proprietary department of the City of Los Angeles (the “City”). 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 3.9 million residents.

Under The Charter of The City of Los Angeles (the “Charter”), the Board of Water and Power Commissioners (the “Board”) is granted the possession, management and control of the electric energy rights, lands, facilities and all other interests of the City related to the energy business (the “Power System”). The Board is composed of five members. Certain matters regarding the administration of the Department also require the approval of the Los Angeles City Council (the “City Council”).

While the retail rates for electric service (“Electric Rates”) are subject to approval by the City Council, the authority of the Board to impose and collect retail Electric Rates and charges 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 California state or federal agency. At this time, neither the CPUC nor any other regulatory authority of the State of California nor the Federal Energy Regulatory Commission (“FERC”) approves such retail Electric Rates.

Although its retail Electric Rates are not subject to approval by any 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 utilities (including the Department) when FERC determines that the QFs have access to a competitive sales market and open access transmission.

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 transmission access to others at cost-based rates. FERC also has licensing authority over various hydroelectric facilities owned and operated by the Department.

For more information concerning the Department and its Power System, see APPENDIX A –“THE PROJECT PARTICIPANT” and APPENDIX B –“AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES POWER SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024.”

## **DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS**

### **State Legislation and Regulatory Proceedings**

A number of bills affecting the electric utility industry have been introduced or enacted by the California Legislature in recent years. In general, these bills regulate greenhouse gas emissions and provide for greater investment in energy efficiency and environmentally friendly generation and storage alternatives, principally through more stringent renewable resource portfolio standard requirements and more aggressive emissions reduction programs to combat the effects of climate change. Enacted legislation has also focused on addressing issues relating to wildfire risks and occurrences in California, including imposing certain requirements on electric utilities in connection with planning for and mitigating such occurrences and risks. The following is a brief summary of certain of these bills that have been enacted. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof.

*Greenhouse Gas Emissions – Background; Global Warming Solutions Act.* In September 2006, then-Governor Schwarzenegger signed into law Assembly Bill 32, the Global Warming Solutions Act of 2006 (hereinafter, the “GWSA”), which became effective on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of returning to 1990 greenhouse gas emission levels by 2020 as prescribed by Executive Order S-3-05 of the Governor issued on June 1, 2005. In September 2016, then-Governor Brown signed into law Senate Bill 32 (“SB 32”), an amendment to the GWSA. SB 32, which became effective as law on January 1, 2017, codified a new interim statewide greenhouse gas emission reduction target, consistent with Executive Order B-30-15, signed by Governor Brown on April 29, 2015. SB 32 requires the California Air Resources Board (“CARB”), which, pursuant to the GWSA, is the designated state agency charged with monitoring and regulating sources of emissions of greenhouse gases, to ensure that statewide greenhouse gas emissions are reduced to at least 40% below the 1990 level no later than December 31, 2030.

Senate Bill 350 (“SB 350”), signed by then-Governor Brown in October 2015 (and additionally discussed under “– *Renewables Portfolio Standard*” below), requires CARB, in consultation with the California Public Utilities Commission (the “CPUC”) and the California Energy Commission (the “CEC”), to establish 2030 greenhouse gas emission targets for each electric utility in the State. At present, these targets are non-binding, and primarily intended to help the State measure progress toward the 2030 statewide goal outlined in SB 32. The targets, however, are an input to the integrated resource plans that are required of the State’s 16 largest local publicly-owned electric utilities (“POUs”). See “– *Renewables Portfolio Standard*” below.

The GWSA also established an annual mandatory reporting requirement for all investor-owned utilities (“IOUs”), POUs, and other load-serving entities (electric utilities providing energy to end-use customers) to inventory and report greenhouse gas emissions to CARB, required CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a “cap-and-trade” program) and gave CARB the authority to enforce such regulations beginning in 2012. The Authority and the Project Participant are complying with the applicable reporting requirements under the GWSA.

Assembly Bill 1279 (“AB 1279”) established additional greenhouse-gas emission reduction goals. AB 1279 declares the policy of the State both to achieve net-zero greenhouse gas emissions as soon as possible, but no later than 2045, and achieve and maintain net negative greenhouse gas emissions thereafter, and to ensure that by 2045, Statewide anthropogenic greenhouse gas emissions are reduced to at least 85% below the 1990 levels. Under AB 1279, “net zero greenhouse gas emissions” means emissions of greenhouse gases to the atmosphere are balanced by removals of greenhouse gas emissions over a period of time. At present, these targets are non-binding, and primarily intended to help the State progress toward the 2045 Statewide goal outlined in AB 1279.

*Greenhouse Gas Emissions – Cap-and-Trade Program.* Pursuant to the GWSA, CARB has adopted a series of regulations implementing a cap-and-trade program. The initial cap-and-trade regulation became effective on January 1, 2012. Emission compliance obligations under the regulation began on January 1, 2013. The cap-and-trade program covers sources accounting for 85% of California’s greenhouse gas emissions, the largest program of its type in the United States.

The cap-and-trade regulations impose aggregate emissions limitations on the electricity generation industry in California. The cap-and-trade regulations require all regulated entities to obtain and submit to CARB compliance instruments (allowances and/or offsets) with respect to greenhouse gas emissions relating to its State generation activities, as well as for imported electricity from dedicated out-of-state resources. The cap-and-trade program includes the distribution of carbon allowances equal to the annual emissions cap. The Project Participant, like other electric utilities, receives administrative allocations of allowances for some of its expected greenhouse gas emissions. Additional allowances are auctioned quarterly. Entities that emit greenhouse gases at levels above those for which they receive administrative

allocations, if any, must purchase the additional allowances they require at the CARB auctions or on the secondary market from other covered entities with surplus allowances. IOUs are required to auction the allowances they received for free from CARB. This requirement also applies to POU that sell electricity into the California Independent System Operator Corporation (“ISO”) markets, other than sales of electricity from resources funded by municipal tax-exempt debt where the POU makes a matched purchase to serve its traditional retail customers. Utilities required to sell their allowances in the auctions are then required to purchase allowances to meet their compliance obligations, and use any remaining proceeds from the sale of their allocated allowances for the benefit of their ratepayers and to meet the goals of the GWSA. POUs that do not sell into the ISO markets, and those that sell into the ISO markets only electricity from resources funded by municipal tax-exempt debt, have three options (which are not mutually exclusive) once their allocated allowances have been distributed to them. They can (i) place allowances in their compliance accounts to meet compliance obligations, (ii) place allowances in the compliance account of a joint powers agency or public power utility that generates power on their behalf, and/or (iii) auction the allowances and use the proceeds to benefit their ratepayers and meet the goals of the GWSA.

The cap-and-trade program also allows covered entities to use offset credits for compliance (initially not exceeding 8% of a covered entity’s compliance obligation through the end of 2020). Offsets can be generated by emission reduction projects in sectors that are not regulated under the cap-and-trade program. CARB has approved the following types of offset projects: urban forest projects, reforestation projects, destruction of ozone-depleting substances, livestock methane management projects, destruction of fugitive coal mine methane and rice cultivation practices. CARB will continue to consider additional and updated offset protocols, including international, sector-based offsets; CARB is also required to reform the offset program pursuant to AB 398 as discussed below.

On July 17, 2017, the California Legislature passed AB 398, extending the cap-and-trade program from 2021 to 2030. AB 398 passed both houses with a 2/3 supermajority vote, which protects the legislation from certain legal challenges. Under AB 398, the distribution of free carbon allowances is continued for certain industrial sectors. However, AB 398 imposes stricter limits on the use of offset credits for compliance, with 4% of a covered entity’s compliance obligation to be allowed to be satisfied with offsets from 2021 through 2025, and 6% thereafter. In addition, one-half of any such offsets will be required to be in California. 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 over-allocation concerns, set industry assistance factors for allowance allocation, and establish allowance banking rules. Under AB 398, CARB was directed to include cost containment provisions to keep allowance prices from rising too high and pushing business expansion outside of the state (referred to as “leakage”). AB 398 was passed in conjunction with AB 617, which strengthens the monitoring of criteria air pollutants and toxic air contaminants in local communities. Amendments to the cap-and-trade regulations to reflect the requirements of AB 398 have been adopted by CARB and went into effect on April 1, 2019.

California’s cap-and-trade program is linked to the equivalent program in Quebec, Canada. The program may in future years be linked to additional Canadian provincial cap-and-trade programs, and possibly other U.S. state cap-and-trade programs. The Authority and the Project Participant are unable to predict at this time the full impact of the cap-and-trade program over the long-term on the Project Participant’s electric utility or on the electric utility industry generally or whether any additional changes to the adopted program will be made.

Since the advent of the cap-and-trade program in 2012, regulations by CARB have provided the electric sector, including the Project Participant, with sufficient allocated greenhouse gas allowances or credits to cover existing operations in meeting retail load obligations. The Project Participant may bank allocated allowances in its compliance account to satisfy a portion of its ongoing compliance obligations. The Project Participant may also buy or sell allowances in the quarterly auctions or on the bi-lateral market

to meet its additional compliance obligations. The Project Participant could be adversely affected by future changes in the allowance allocation methodology or by future reductions in the quantity of allowances allocated to it under CARB regulations, if the greenhouse gas emissions of its resource portfolio are in excess of the allowances administratively allocated to it and it is required to purchase compliance instruments on the market to cover its emissions.

In September 2025, AB 1207 was signed into law. AB 1207 reauthorizes and extends California's cap-and-trade program from 2030 to 2045 (which program is to be now referred to as the California Cap-and-Invest Program pursuant to the provisions of AB 1207).

CARB is in the process of developing amendments to the California Cap-and-Invest Program regulations. The scope of the potential amendments under consideration by CARB includes, among other things, removing 118 million allowances from the program from 2027-2030 and using an updated integrated energy forecast to adjust utility allowance allocations through 2030, which has the effect of reducing the total number of budgeted allowances starting in 2027. The proposal affects California POU's and electric utilities to differing degrees, depending on load growth and their energy and capacity portfolios, but collectively, the proposal would pull approximately 9 million allowances from Authority members and their ratepayers through 2030. Comments on the proposal are due March 9, after which it is anticipated that there will be additional "15-day changes" proposed by CARB, before a targeted May 28, 2026 hearing to consider the proposal. CARB is aiming to finalize the rulemaking by September 2026, in time to influence allowance allocation for 2027.

See "-- Federal Executive Orders Regarding State Laws" below.

*Greenhouse Gas Emissions – Emissions Performance Standard.* Senate Bill 1368 ("SB 1368") became effective as law on January 1, 2007. SB 1368 provided for an emission performance standard ("EPS"), restricting new investments in baseload fossil fuel electric generating resources that exceed a specified rate of greenhouse gas emissions. SB 1368 allows the CEC to establish a regulatory framework to enforce the EPS for POU's such as the Project Participant. The CEC regulations prohibit any investment in baseload generation that does not meet the EPS of 1,100 pounds of carbon dioxide ("CO<sub>2</sub>") per MWh of electricity produced, with limited exceptions for routine maintenance, requirements of pre-existing contractual commitments, or threat of significant financial harm.

As modified, the EPS regulations require a POU to post a notice of a public meeting at which its governing board will consider any expenditure over \$2.5 million to meet environmental regulatory requirements at a non-EPS compliant baseload facility. In addition, each POU is required to file an annual notice identifying all investments over \$2.5 million that it anticipates making during the subsequent 12 months on non-EPS compliant baseload facilities to comply with environmental regulatory requirements. This requirement is waived for any POU that has entered into a binding agreement to divest within five years of all baseload facilities exceeding the EPS. CEC staff has confirmed that the \$2.5 million threshold applies to an individual investment by each utility, and not the combined investment of all participants in a project.

*Energy Procurement and Efficiency Reporting.* Senate Bill 1037 ("SB 1037") was signed by then Governor Schwarzenegger on September 29, 2005. It requires that each POU, including the Project Participant, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost-effective, reliable and feasible. SB 1037 also requires each POU to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. The Project Participant is complying with such reporting requirements.

Assembly Bill 2021 ("AB 2021"), signed by then Governor Schwarzenegger on September 29, 2006, requires that POU's establish, report, and explain the basis of the annual energy efficiency and demand

reduction targets by June 1, 2007 and every three years thereafter for a ten-year horizon. A subsequent amendment, Assembly Bill 2227, extended the time interval for establishing annual targets from every three years to every four years. The Project Participant has complied with this reporting requirement under AB 2021. The information obtained from the POUs from these reporting requirements is utilized by the CEC to present the progress made by the POUs towards the statewide goal to double energy efficiency savings in electricity and natural gas final end uses by 2030, to the extent doing so is cost effective, feasible, and does not adversely impact public health and safety, as prescribed in SB 350. In addition, the CEC can provide recommendations for improvement to assist each POU in achieving cost-effective, reliable, and feasible savings in conjunction with the established targets for reduction. See “– *Renewables Portfolio Standard*” below.

SB 350 further requires the CEC to establish annual targets for statewide energy efficiency savings and demand reduction that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030. The CPUC is required to establish energy efficiency targets for electrical and gas corporations consistent with this goal, and specify programs that may be used to achieve the goal. POUs are required to establish annual targets for energy efficiency savings and demand reduction consistent with the goal and to report those targets to the CEC every four years for the next 10-year period. The bill provides guidance as to what measures qualify and requires an evaluation of feasibility and cost effectiveness in setting annual targets for those savings.

*Biomass Legislation.* Senate Bill 859 (“SB 859”), signed by then-Governor Brown in September 2016, requires IOUs and POUs that serve more than 100,000 customers to procure, through financial commitments of five years, their proportionate shares (based on the ratio of the utility’s peak demand to the total statewide peak demand), of 125 MW of cumulative rated capacity from existing bioenergy projects that generate energy from (a) a byproduct of sustainable forestry management and (b) high fire-hazard zones. Senate Bill 901 (“SB 901”), signed into law in September 2018, requires POUs with certain biomass contracts to seek to extend their term five years past the original expiration date. The Authority has executed power purchase agreements to provide bioenergy to certain members that are subject to the procurement requirements of SB 859 and SB 901 (which includes the Department). See “SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY – Other Projects of the Authority Not Financed by Bonds – Projects That Have Achieved Commercial Operation – *ARP-Loyalton Biomass Project*” and “– *Roseburg Biomass Project*.” Senate Bill 1109 (“SB 1109”) signed into law by Governor Newsom on September 16, 2022 (and effective on January 1, 2023) modifies SB 859’s requirement, instead requiring IOUs and POUs that serve more than 100,000 customers to procure, by December 1, 2023, through financial commitments of five to 15 years, their proportionate shares (based on the ratio of the utility’s peak demand to the total statewide peak demand), of 125 MW of cumulative rated capacity from existing bioenergy projects that generate energy from (a) a byproduct of sustainable forestry management and (b) high fire-hazard zones. However, such modified requirements under SB 1109 do not apply to a POU if it, either directly or through a joint powers authority, entered into the five-year financial commitments as previously required pursuant to SB 859 and those commitments include (1) a contract with a facility operator that was, on June 1, 2022, in bankruptcy or (2) a contract for a project that does not deliver energy to the POU. The requirements of SB 1109 do not apply to the Department because it, either directly or through the Authority, entered into the five-year financial commitments as previously required pursuant to SB 859 and the ARP-Loyalton Biomass Project was in bankruptcy on June 1, 2022, and the Roseburg Biomass Project does not deliver energy to the Department. SB 1109 also modified SB 901’s contract extension requirement instead requiring POUs with certain biomass contracts that expire before December 31, 2028, to seek to extend their term five years past the expiration date operative in 2022. These contract extension requirements, similarly, do not apply to LADWP and the California cities of Anaheim and Riverside under SB 1109.

*Renewables Portfolio Standard.* Senate Bill X1-2 (“SBX1-2”), the California Renewable Energy Resources Act, was signed into law by Governor Brown on April 12, 2011. SBX1-2 required each POU to

adopt and implement a renewable energy resource procurement plan and established targets for three compliance periods for the procurement of at least the following amounts of electricity products from eligible renewable energy resources, which could include renewable energy certificates (“RECs”), as a proportion of total kilowatt hours sold to the utility’s retail end-use customers: (i) over the 2011-2013 compliance period, an average of 20% of retail sales from January 1, 2011 to December 31, 2013, inclusive; (ii) over the 2014-2016 compliance period, a total equal to 20% of 2014 retail sales, 20% of 2015 retail sales, and 25% of 2016 retail sales; and (iii) over the 2017-2020 compliance period, a total equal to 27% of 2017 retail sales, 29% of 2018 retail sales, 31% of 2019 retail sales, and 33% of 2020 retail sales. The governing boards of POU’s are responsible for implementing the requirements of SBX1-2, rather than the CPUC, as is the case for the IOUs. In addition, the CEC was given certain enforcement authority for POU’s and CARB was given the authority to set penalties. The CEC has developed detailed rules to implement SBX1-2, and has adopted regulations for the enforcement of the renewables portfolio standard (“RPS”) program requirements for POU’s, which regulations have been subsequently amended from time to time.

SB 350, the Clean Energy and Pollution Reduction Act of 2015, was signed into law by then Governor Brown on October 7, 2015. SB 350, as enacted, establishes an RPS target of 50% by December 31, 2030 for the amount of electricity generated and sold to retail customers from eligible renewable energy resources for retail sellers and POU’s, including interim targets of (i) 40% by the end of the 2021-2024 compliance period, (ii) 45% by the end of the 2025-2027 compliance period and (iii) 50% by the end of the 2028-2030 compliance period.

SB 350 requires each retail seller of electricity (including IOUs, most POU’s above a certain size threshold, community choice aggregators and energy service providers) to provide a renewable energy procurement plan on an annual basis, and to file an integrated resource plan (“IRP”) at least once every five years, commencing no later than January 1, 2019, for CEC review. POU’s with an annual electrical demand exceeding 700 gigawatt hours (as determined on a three-year average commencing January 1, 2013) are subject to this requirement, which applies to the State’s 16 largest POU’s. The governing body of the POU is responsible for adopting the IRP, subject to review by the CEC, which can recommend modifications to correct any shortcomings. This IRP is required to include the affected utility’s plans to meet the 2030 interim emissions reductions goal set by CARB. The Project Participant has approved and adopted an integrated resource plan.

Senate Bill 100 (“SB 100”), the 100 Percent Clean Energy Act of 2018, was signed into law by then-Governor Brown in September 2018. SB 100 accelerates the State’s RPS target as established by SB 350 from 50% by 2030 to 60% by 2030 and sets a goal of 100% “clean energy” by the year 2045. SB 100 requires retail electric sellers and local publicly-owned electric utilities to procure a minimum quantity of electric 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. SB 100 further establishes a State policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. On the last day of the legislative session, after the passage of SB 100 in both the State Assembly and the State Senate, the bill’s author, Senator Kevin de Leon, filed a “Letter to the Journal” clarifying the intent of SB 100, stating that “SB 100 does not seek to require retail sellers of electricity to default on existing contractual obligations to deliver electricity to California customers from existing zero-carbon generating facilities.” This clarification allows existing nuclear resources (such as the Palo Verde Nuclear Generating Station) and large hydropower resources (such as Hoover Dam) to help meet the policy standard set forth in SB 100 that eligible renewable and zero-carbon resources supply 100% of retail sales of electricity by December 31, 2045.

In December 2020, the CEC adopted regulations to update the RPS Enforcement Procedures for Publicly Owned Utilities, including to update regulations amended by both 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 renewables procurement must be for a duration of 10 years or more. The regulations implement the new RPS procurement requirements for the compliance periods between 2021 and 2030, establish soft procurement targets for the intervening years of the compliance periods to demonstrate reasonable progress in meeting the RPS procurement target for the compliance periods, and establish three-year compliance periods beginning after 2030. The regulations also specify standards for 10-year procurement contracts to meet the long-term procurement requirement.

Senate Bill 1020 (“SB 1020”), the Clean Energy, Jobs, and Affordability Act of 2022, signed into law by Governor Newsom on September 16, 2022 (and effective on January 1, 2023), revises SB 100’s State policy on eligible renewable energy resources and zero-carbon resources supply. Under the revised State policy, eligible renewable energy resources and zero-carbon resources would supply (i) 90% of all retail sales of electricity to California end-use customers by December 31, 2035, (ii) 95% of all retail sales of electricity to California end-use customers by December 31, 2040, (iii) 100% of all retail sales of electricity to California end-use customers by December 31, 2045, (iv) and 100% of electricity procured to serve all state agencies by December 31, 2035. SB 100 had expressly excluded consideration of the energy, capacity, or any attribute from the Diablo Canyon Unit 1 and Unit 2 nuclear generating facilities in meeting the State’s eligible renewable and zero-carbon resources supply policies. SB 1020 eliminates that exclusion.

*Legislation Relating to Wildfires; Related Risks.* Senate Bill 1028 (“SB 1028”) was signed into law by then-Governor Brown in September 2016. SB 1028 requires that each POU and each electric cooperative in the State 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 requires the governing board of each POU to determine, based on historical fire data and local conditions, and in consultation with the fire departments or other entities responsible for the control of wildfires within the geographical area where the utility’s overhead electrical lines and equipment are located, whether any portion of that geographical area has a significant risk of wildfire resulting from those electrical lines and equipment, and if so, to present for board approval wildfire mitigation measures the utility intends to undertake to minimize the risk of its overhead electrical lines and equipment causing a catastrophic wildfire.

SB 901, signed into law by then-Governor Brown in September 2018, amends certain provisions of SB 1028 requiring POUs and electric cooperatives to prepare wildfire mitigation measures if the utilities’ overhead electrical lines and equipment are located in an area that has a significant risk of wildfire resulting from those electrical lines and equipment. Under SB 901, each POU or electric cooperative was required to prepare a wildfire mitigation plan before January 1, 2020. SB 901 requires the wildfire mitigation plan to be updated annually thereafter. SB 901 requires specified information and elements to be considered as necessary, at minimum, in the wildfire mitigation plan. The POU or electric cooperative is required to present each wildfire mitigation plan in an appropriately noticed public meeting, and to accept comments on its wildfire mitigation plan from the public, other local and state agencies, and interested parties. In addition, SB 901 requires the POU or electric cooperative to contract with a qualified independent evaluator with experience in assessing the safe operation of electrical infrastructure to review and assess the comprehensiveness of its wildfire mitigation plan. The report of the independent evaluator is to be made available to the public and to be presented at a public meeting of the POU’s governing board.

Assembly Bill 1054 (“AB 1054”) was signed into law by Governor Newsom on July 12, 2019. AB 1054 was enacted as an urgency statute to take effect immediately. AB 1054 establishes a Wildfire Fund of approximately \$21 billion to provide liquidity for IOUs to facilitate payment of eligible, uninsured third-party damage claims resulting from future catastrophic wildfires. Additional future funding for the Wildfire Fund has been provided for under the provisions of SB 254, signed into law by Governor Newsom in September 2025. POUs, including the Project Participant, are not eligible to receive funding from the Wildfire Fund. AB 1054 revises the cost recovery review of wildfire costs and expenses for IOUs before

the CPUC, and establishes safety certification protocols that IOUs must meet in order to participate in the Wildfire Fund. AB 1054 provides for a cap on an IOU's obligations to reimburse the Wildfire Fund and a presumption of reasonableness if a utility develops and maintains a valid safety certification. To receive the safety certification from the CPUC, the IOU must develop and implement an approved wildfire mitigation plan, implement the findings of its safety culture assessments, establish a safety committee of its board of directors, establish board level reporting to the CPUC on safety issues, and adopt a compensation structure tied to safety performance, among other requirements. The major IOUs in California are participants in the Wildfire Fund.

AB 1054 expands on the existing requirements established under SB 901 for POU's to develop and implement wildfire mitigation plans. AB 1054 also establishes the California Wildfire Safety Advisory Board (the "Wildfire Advisory Board"), a seven member board appointed by the Governor (five members), the Speaker of the State Assembly (one member) and the State Senate Committee on Rules (one member). The Wildfire Advisory Board advises the Office of Energy Infrastructure Safety on electrical corporations' wildfire mitigation plans, requirements for these plans, and other wildfire safety matters. Additionally, the Wildfire Advisory Board reviews the wildfire mitigation plans submitted by POU's and electrical corporations as discussed in more detail below. The Wildfire Advisory Board also serves as an additional forum for the public to provide input on the important topic of wildfire safety. AB 1054 requires each POU to update its plan annually and to comprehensively revise its plan at least once every three years. SB 254 amends the provisions of AB 1054 to provide that, after January 1, 2026, POU's will instead be required to prepare and submit to the Wildfire Advisory Board wildfire mitigation plans at least once every four years on a schedule to be determined by the Wildfire Advisory Board. Under AB 1054, the Wildfire Advisory Board is required to provide comments and an advisory opinion regarding the content and sufficiency of plans and to make recommendations on how to mitigate wildfire risks. The Project Participant has prepared and submitted wildfire mitigation plans in accordance with the provisions of SB 901 and AB 1054 as required.

A number of significant wildfires have occurred in California every year since 2017. 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, where the inherent risks in the utility's infrastructure, as deliberately designed, constructed or maintained, are determined to be a substantial cause of damage to the property. Thus, if the facilities of a utility, such as its electric distribution and transmission lines, are determined to be the substantial cause of the plaintiff's damages, and the doctrine of inverse condemnation applies, the utility could be liable without having been found negligent. In August 2019, in its decision in the case of *City of Oroville v. Superior Court of Butte County* (2019) 7 Cal.5th 1091, 446 P.3d 304, involving damages related to sewage overflows from a city sewer system, the California Supreme Court held that to succeed on an inverse condemnation claim, a property owner must demonstrate that 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. None of SB 1028, SB 901 or AB 1054 addresses the existing legal doctrine relating to utilities' liability for wildfires. SB 254 requires the California Earthquake Authority, as administrator of the wildfire fund established pursuant to AB 1054, to, on or before April 1, 2026, in consultation with the CPUC and other specified departments and agencies of the State, and with feedback solicited from stakeholders, prepare and submit to the Legislature, and to the Governor, a report that evaluates and sets forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes, including catastrophic wildfires, earthquakes, and other natural disasters, across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and POU's to complement or replace the fund. How any future legislation or judicial decisions addresses California's inverse condemnation doctrine and liability issues for utilities in the context of wildfires in particular could be significant for the electric utility industry, including the Project Participant. Wildfires



in 2025 that severely impacted large populated areas of Los Angeles County could prompt significant new legislation impacting the electric utility sector, including the Project Participant. See “OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND INVESTMENT CONSIDERATIONS – Changing Laws and Requirements Generally” herein.

### **Impact of California Energy Market Developments**

The effect of the developments in the California energy markets described above on the Authority and the Project Participant cannot be fully ascertained at this time. Also, volatility in energy prices in California may be caused by a variety of factors that affect both the supply and demand for and cost of electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet demand at all hours, the availability and cost of renewable energy, the impact of economy-wide greenhouse gas emission legislation and regulations, fuel costs and availability, weather effects on customer demand, the impacts of climate change, wildfire mitigation and potential liability cost recovery, insurance costs, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). See “OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND INVESTMENT CONSIDERATIONS.” This price volatility may contribute to greater volatility in the revenues of their respective electric systems from the sale (and purchase) of electric energy and, therefore, could materially affect the Project Participant’s financial condition. The Project Participant undertakes resource planning and risk management activities and manage their respective resource portfolios to mitigate such price volatility and spot market rate exposure.

### **Federal Executive Order Regarding State Laws**

An April 2025 executive order issued by the President directs the United States Attorney General to identify state laws, regulations, causes of action, policies and practices “burdening the identification, development, siting, production, or use of domestic energy resources that are or may be unconstitutional, preempted by Federal law, or otherwise unenforceable.” The executive order directs the Attorney General to prioritize the identification of any such state laws purporting to address “climate change” or involving “environmental, social, and governance” initiatives, “environmental justice,” carbon or “greenhouse gas” emissions, and funds to collect carbon penalties or carbon taxes. The executive order further directs the Attorney General to take all appropriate action to stop the enforcement of such state laws and continuation of related civil actions that the Attorney General determines to be illegal.

## **OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND INVESTMENT CONSIDERATIONS**

### **Federal Energy Legislation**

*Energy Policy Act of 2005.* Under the federal Energy Policy Act of 2005 (“EPAct 2005”), the Federal Energy Regulatory Commission (“FERC”) was given refund authority over POUs if they sell into short-term markets, like the ISO markets, and sell eight million MWhs or more of electric energy on an annual basis. In addition, FERC was given authority over the behavior of market participants. Under FERC’s authority it can impose penalties on any seller for using a manipulative or deceptive device, including market manipulation, in connection with the purchase or sale of energy or of transmission service. The Commodity Futures Trading Commission also has jurisdiction to enforce certain types of market manipulation or deception claims under the Commodity Exchange Act.

EPAct 2005 authorized FERC to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor if FERC determines that the statutory conditions are met. EPAct 2005 also required the creation of an Electric Reliability Organization (“ERO”) to establish and

enforce, under FERC supervision, mandatory reliability standards (“Reliability Standards”) to increase system reliability and minimize blackouts. Failure to comply with such Reliability Standards exposes a utility to significant fines and penalties by the ERO.

*NERC Reliability Standards.* As described above, EPAct 2005 required FERC to certify an ERO to develop mandatory and enforceable Reliability Standards, subject to FERC review and approval. The Reliability Standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each Reliability Standard. On February 3, 2006, FERC issued Order 672, which certified the North American Electric Reliability Corporation (“NERC”) as the ERO. Many Reliability Standards have since been approved by FERC. Such standards pertain not only to the planning, operations, and maintenance of Bulk-Power System facilities, but also to the cyber and physical security of certain critical facilities.

The ERO or the entities to which NERC has delegated enforcement authority through an agreement approved by FERC (“Regional Entities”), such as the Western Electricity Coordinating Council (“WECC”), may enforce the Reliability Standards, subject to FERC oversight, or FERC may independently enforce them. Potential monetary sanctions include fines of up to \$1 million per violation per day. FERC Order 693 further provided the ERO and Regional Entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

### **Federal Regulation of Transmission Access**

EPAct 2005 authorizes FERC to compel “open access” to the transmission systems of certain utilities that are not generally regulated by FERC, including municipal utilities if the utility sells more than four million MWhs of electricity per year. Under open access, a transmission provider must allow all customers to use the system under standardized rates, terms and conditions of service.

FERC Order No. 888 requires the provision of open access transmission services on a nondiscriminatory basis by all “jurisdictional utilities” (which, by definition, does not include municipal entities like the Project Participant) by requiring all such utilities to file Open Access Transmission Tariffs (“OATTs”). Order No. 888 also requires “non-jurisdictional utilities” (which, by definition, does include the Project Participant) that purchase transmission services from a jurisdictional utility under an open access tariff and that own or control transmission facilities to provide open access service to the jurisdictional utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. Section 211A of EPAct 2005 authorizes, but does not require, FERC to order unregulated transmission utilities to provide transmission services. Specifically, FERC may require an unregulated transmitting utility to provide access to their transmission facilities (1) at rates that are comparable to those that the unregulated transmitting utility charges to itself; and (2) on terms and conditions (not relating to rates) that are comparable to those under which the unregulated transmitting utility provides transmission services to itself that are not unduly discriminatory or preferential.

On February 16, 2007, FERC issued Order 890, which concluded that reform of its pro forma OATT was necessary to reduce the potential for undue discrimination and provide clarity in the obligations of transmission providers and customers. Significantly, in Order 890 FERC stated that it will implement its authority under Section 211A with respect to unregulated transmitting utilities on a case-by-case basis and retain the current reciprocity provisions.

On July 21, 2011, FERC issued Order 1000, which among other things requires public utility (jurisdictional) transmission providers to participate in a regional transmission planning process that produces a regional transmission plan and that incorporates a regional and inter-regional cost allocation methodology. Further, FERC states that it has the authority to allocate costs to beneficiaries of transmission services, even in the absence of a contractual relationship between the owner of the transmission facilities

and the beneficiary. Under EPCA 2005, FERC may not require municipal utilities to join regional transmission organizations, in which participating utilities allow an independent entity to oversee operation of the utilities' transmission facilities. FERC has stated, however, that FERC expects such utilities to participate in the regional processes for transmission planning and that FERC will pursue associated complaints against such utilities on a case-by-case basis.

On May 13, 2024, FERC issued Order 1920 to reform the planning of the nation's transmission system as well as the allocation of costs for new transmission projects. Order 1920, among other things, requires public utility (jurisdictional) transmission providers to conduct and periodically update long-term regional transmission planning to anticipate future needs, consider a broad set of benefits when planning new facilities, identify opportunities to modify in-kind replacement of existing transmission facilities to increase their transfer capability, propose methods of cost allocation to pay for selected long-term regional transmission facilities, and increase transparency regarding local transmission planning information. Order 1920 expands the role of states throughout the process of planning, selecting and determining how to pay for new transmission facilities.

Order 1920 reflects input FERC sought from interested parties on a variety of reforms aimed at expanding the nation's transmission grid to accommodate the surge of renewable generation expected in the next two decades to achieve applicable decarbonization goals.

### **Federal Policy on Cybersecurity**

On February 13, 2013, then President Obama issued the Executive Order "Improving Critical Infrastructure Security" (the "Infrastructure Security Executive Order"). Among other things, the Infrastructure Security Executive Order called for improved information sharing and processing of security clearances for owners and operators of critical infrastructure. The Infrastructure Security Executive Order further required the Secretary of Commerce to direct the National Institute of Standards and Technology ("NIST") to lead the development of a framework ("Framework") to reduce cyber risks to critical infrastructure. The voluntary Framework will continue to be updated and improved as industry provides feedback on implementation.

The Cybersecurity Information Sharing Act of 2015 was signed into law on December 18, 2015 as part of the year-end Omnibus Appropriations Act. It creates an industry-supported, voluntary cybersecurity information sharing program that encourages both public and private sector entities to share cyber-related threat information. The Cybersecurity Information Sharing Act expired on September 30, 2025, and efforts to reauthorize it have not yet resulted in an extension or reauthorization.

In September 2018, the federal administration signed the "National Cyber Strategy," which sought to update the nation's cybersecurity strategy for the first time in 15 years – and identified "energy and power" as one of the seven key areas for protection. FERC has also sought to expand reporting rules for incidents involving attempts to compromise operation of the electric grid and address supply chain cybersecurity risks.

In March of 2023, the federal administration adopted the 2023 National Cybersecurity Strategy. The 2023 National Cybersecurity Strategy replaces but continues momentum on many of the priorities of the 2018 National Cyber Strategy. The 2023 National Cybersecurity Strategy seeks to build and enhance collaboration around five pillars: (1) Defend Critical Infrastructure; (2) Disrupt and Dismantle Threat Actors; (3) Shape Market Forces to Drive Security and Resilience; (4) Invest in a Resilient Future; and (5) Forge International Partnerships to Pursue Shared Goals.

The current administration is expected to announce a new National Cybersecurity Strategy.

## Environmental Issues

*General.* Electric utilities are subject to continuing environmental regulation. Federal, State and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any facilities or projects of the Authority or the Project Participant will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in, for example, additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

*Greenhouse Gas Regulations Under the Clean Air Act.* The United States Environmental Protection Agency (the “EPA”) regulates greenhouse gas emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other air pollutants, greenhouse gases 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 (“BACT”) to control emissions at a facility. 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. Greenhouse gases 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 regulations under the Clean Air Act that would establish greenhouse gas emission limits, based on pollution control technology or lower-carbon fuels, for new gas plants, existing gas plants, and existing coal plants, as specified. In February 2024, the EPA announced that it will remove the elements that would have applied to existing natural gas-fired power plants from the final version of the rule. Instead, the EPA stated that it will commence a new rulemaking process that will apply to existing natural gas-fired plants and regulate additional pollutants. The rule relating to new gas plants and existing coal plants was finalized on April 25, 2024.

In June 2025, the EPA proposed to repeal all greenhouse gas emissions standards for fossil-fuel fired power plants under Section 111 of the Clean Air Act, relating to emissions from new and existing stationary sources of air pollution. The EPA is also proposing, as an alternative, to repeal a narrower set of requirements that include the emission guidelines for existing fossil fuel-fired steam generating units, the carbon capture and sequestration/storage (“CCS”)-based standards for coal-fired steam generating units undertaking a large modification, and the CCS-based standards for new base load stationary combustion turbines. In July 2025, the EPA further proposed to revoke the EPA’s 2009 “endangerment finding” that CO<sub>2</sub> and other GHGs endanger public health and welfare. The 2009 endangerment finding served as the legal basis on which the EPA regulates GHG emissions from the power, oil and gas (and auto) sectors.

*Air Quality – National Ambient Air Quality Standards.* The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an “attainment area.” The EPA periodically reviews the NAAQS for various air pollutants and has in recent years increased, or proposed to increase, the stringency of the NAAQS for certain air pollutants. These

developments may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions, such as power plants.

In addition, the U.S. Supreme Court found in its review of *EPA v. EME Homer City Generation, LP* that the EPA has authority to impose a Cross-State Air Pollution Rule (the “Transport Rule”) which curbs air pollution emitted in upwind states to facilitate downwind attainment of three NAAQS. On November 26, 2014, the EPA proposed to strengthen the stringency of the NAAQS for ozone by lowering the existing ozone standard of 75 parts per billion (“ppb”) to between 65 and 70 ppb, although the EPA also sought public comment on a standard as low as 60 ppb. On October 1, 2015, the EPA issued its final rule, lowering the ozone standard to 70 ppb. Legal challenges to the final rule were filed by a number of states and industry groups. On March 12, 2018, a federal district judge in Northern California ordered the EPA to complete the strengthened 2015 ozone standard designations later in 2018. The EPA noticed a final rule on December 6, 2018 implementing ozone NAAQS for non-attainment areas and addressing state implementation plan requirements. That rule became effective on February 4, 2019.

On July 15, 2020, the EPA announced a proposed decision to retain the existing 70 ppb ozone standard. The decision was finalized on December 7, 2020. In August 2023, the EPA announced a new review of the ozone NAAQS to support consideration of new information and advice.

While some particulate matter is emitted directly from sources such as construction sites, unpaved roads, fields, smokestacks or fires, most particles form in the atmosphere as a result of complex reactions of chemicals such as sulfur dioxide and nitrogen oxides, which are pollutants emitted from power plants and other sources. On February 7, 2024, the EPA announced a final rule to strengthen certain NAAQS for fine particulate matter. Areas that are designated as nonattainment areas have planning obligations to demonstrate attainment and meet the new standard within six years following the nonattainment designations.

*Mercury and Air Toxics Standards.* The Clean Air Act provides for a comprehensive program for the control of hazardous air pollutants, including mercury. On February 16, 2012, the EPA finalized a rule, the Mercury and Air Toxics Standards (“MATS”), establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards, or “NSPS”) and 112 (toxics program) of the Clean Air Act. The rule was subsequently amended in 2013 and 2014. Under section 111 of the Clean Air Act, the MATS rule revised the standards that new and modified facilities, including coal- and oil-fired power plants, must meet for particulate matter, sulfur dioxide, and nitrogen oxide. Under section 112, the MATS rule set new toxics standards limiting emissions of heavy metals, including mercury, arsenic, chromium, and nickel; and acid gases, including hydrochloric acid and hydrofluoric acid, from existing and new power plants larger than 25 MW that burn coal or oil. Power plants would have up to four years to meet these standards. While many plants already meet some or all of these revised standards, some plants would be required to install new equipment to meet the standards. The rule has minimal impact to the Authority and the Project Participant. IPP, which has coal-fired power plants, did not have to install control technology, and the EPA has deemed the IPP units as low-emitting units. IPP is subject to periodic testing, work practice standards and recordkeeping requirements as a result of the rule. On July 17, 2020, the EPA finalized revisions to the electronic reporting requirements for MATS that revised and streamlined the reporting requirements and provided enhanced access to MATS data, without imposing new monitoring requirements. In April 2024, the EPA finalized a rule that modified regulation of coal- and oil-fired power plants, including further restricting their emissions and changing emissions monitoring requirements. In March 2025, the EPA announced plans to reconsider the final rules for existing coal-fired and new natural gas-fired power plants which were promulgated under the prior administration. In April 2025, the President signed a proclamation granting two years of relief from an environmental rule to certain coal-fired power plants, allowing certain coal plants to comply with a less stringent version of the MATS rule for two years. In June 2025, the EPA proposed repealing the rules finalized in 2024. The newly proposed rule would relax standards for filterable particulate matter, ease the technology requirements on

power plants to demonstrate compliance, and would raise the limit of mercury emissions allowable from lignite-fired plants. On December 23, 2025, the EPA submitted a draft of the final action to the Office of Management and Budget for interagency review pursuant to executive order. Following completion of the OMB interagency review process, the EPA expects to finalize the action by the end of January 2026.

*Effluent Limitations Guidelines and Standards.* On June 7, 2013, the EPA proposed to set technology-based effluent limitations guidelines and standards for metals and other pollutants in wastewater discharged from steam electric power plants. The proposal would cover wastewater associated with several types of equipment and processes, including flue gas desulfurization, fly ash, bottom ash, flue gas mercury control and gasification of fuels. The EPA considered best management practices for surface impoundments containing coal combustion residuals. The EPA proposed four preferred alternatives for regulating wastewater discharges. The stringency of controls, types of waste streams covered, and the costs varied among the four alternatives. On September 30, 2015, the EPA announced its final Steam Electric Effluent Limitation Guidelines to update the federal limits on toxic metals in discharge wastewater. On June 6, 2017, the Trump Administration announced that it was postponing certain compliance dates in the effluent limitation guidelines and standards for the new, more stringent steam electric point source category under the Clean Water Act until the EPA completes reconsideration of the 2015 rule. On May 2, 2018, the EPA noticed the Final 2016 Effluent Guidelines Program Plan, which identified one new rulemaking (and the associated schedule) for the steam electric power generating point source category. The proposed rule was published in November 2019, a public hearing on the proposed rule was held on December 19, 2019, and the final rule for steam electric power generation point source was published on August 31, 2020. On August 3, 2021, the EPA announced a planned-rulemaking to strengthen certain discharge limits in the steam electric power generating category. On May 9, 2024, the EPA finalized a supplemental rulemaking for coal-fired plants to strengthen certain wastewater discharge limits.

## **Changing Laws and Requirements Generally**

Congress has considered and is considering numerous bills addressing domestic energy policies and various environmental matters, including bills relating to energy supplies and financial incentives for development, climate change and reduction or elimination of net carbon dioxide emission attributable to the electricity grid and the economy more generally. Many of these bills, if enacted into law, could have a material impact on the Authority, the Project Participant and the electric utility industry generally. In light of the variety of issues affecting the utility sector, federal energy legislation in other areas such as reliability, transmission planning and cost allocation, operation of markets, environmental requirements, and cybersecurity is also possible. However, the Authority and the Project Participant are unable to predict the outcome or potential impacts of any possible legislation on the Project Participant's electric utility at this time.

New executive administrations, including the President of the United States, could also impact substantially the current environmental standards and regulations and other matters described herein. For example, upon taking office in January 2025, President Trump issued a series of executive orders affecting executive actions and policies implemented by the prior administration. One such executive order revoked a number of executive actions taken by the Biden administration, including revoking certain executive orders of the Biden administration relating to climate change and clean energy, requiring federal agencies to review all federal government actions taken pursuant to the revoked orders and to take necessary steps to rescind, replace or amend such actions. In addition, the President issued a separate executive order directing the heads of all federal agencies to review all agency actions affecting the development of domestic energy resources, such as oil, natural gas, coal, hydropower, biofuels, critical mineral, and nuclear energy, and within 30 days of identifying any agency action that unduly burdens the production of domestic energy resources, to develop and begin action plans to rescind or revise the agency actions. Further, the agencies were directed to notify the Attorney General so that appropriate action may be taken in any pending litigation, including the request of a stay, related to the identified agency action. A number of

legislative, regulatory and other actions have been taken by federal agencies pursuant to such executive orders. Certain of these actions have been the subject of judicial challenges. The ultimate impact of these and any other executive orders that the President may issue, or other actions Congress or any federal agencies may take, relating to federal energy policy is not yet known and could potentially impact the electric utility sector and the Project Participant's electric system.

### **General Economic Conditions**

The electric utility costs (including those of the Project Participant's electric system) are affected by numerous factors, many of which are macroeconomic industry variables that are beyond its control. Some of the recent factors include inflation, supply chain disruptions and delays, labor shortages and rising labor costs, and rising interest rates. Inflation and other factors can increase the price of fuel and commodities integral to electric system operations. The United States Federal Reserve has taken intermittent actions resulting in increased interest rates, which can result in an increase to the costs of capital. The global economy has also faced supply chain shortages and delays in recent years. Global economic and geopolitical crises may also lead to increases in costs to electric systems. Retail energy sales and aggregate levels of energy use can also be affected by general economic conditions. The economy may be impacted (directly or indirectly) by, among other things, fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources, climate change and other environmental matters, changes in law (including the enforcement thereof), changes in federal or state policies (including policies with respect to trade, appropriations, immigration, regulation and energy) and funding priorities, and natural disasters. The occurrence of global events and macroeconomic factors and their impacts are difficult to predict but may have a material adverse effect on the electric system results of operations and financial condition, including for the Project Participant's electric system.

### **Cybersecurity Risks**

Many public and private entities and utilities (including the Project Participant), rely on computer and other digital networks and systems to conduct operations. Such technologies are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as electric systems may be specific targets of cybersecurity threats. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to digital networks and systems for the purposes of misappropriating assets or information or causing operational disruption and damage.

To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Project Participant invests in multiple forms of cybersecurity and operational safeguards. Although the Project Participant has a variety of security measures and safeguards in place with respect to their respective electric system, no assurances can be given that any existing or additional safety and security measures will prove adequate in the event that cyberattacks or military conflicts or terrorist activities, including cyber terrorism, are directed against the Project Participant's systems technology or the assets of the applicable electric system. Cyberattacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected for an extended period. Attacks directed at critical electric sector operations could damage generation, transmission or distribution assets, cause operational malfunctions and outages, and result in costly recovery and remediation efforts. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated.

## **Global Health Emergencies**

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 were unprecedented, with commerce, travel, asset values and financial markets experiencing disruptions worldwide. While the COVID 19 pandemic impacted the Project Participant in certain respects, the Project Participant did not experience a material adverse impact to their respective electric system's operations or its ability to meet its financial obligations as a result of the COVID 19 pandemic. While the declarations of COVID 19 as a public health emergency have been lifted, future pandemics and other widespread public health emergencies can and do arise from time to time. The Project Participant cannot predict whether another national or localized outbreak of highly contagious or epidemic disease in the future could negatively impact the Participant's electric system operations and finances and/or the economy of its service area.

## **Limitations on Remedies**

The timing and receipt of sufficient Revenues to pay debt service on the 2026 Bonds may be negatively impacted by legal limitations on remedies and relief available under debtor relief laws. The enforceability against the Participants of the rights and remedies under the Renewal Power Sales Contracts, the Renewal Capacity Acquisition Agreements and the Renewal Transmission Service Contracts, and the enforceability against the Authority of the rights and remedies under the Indenture, may be subject to the following, among others: (a) the limitations on legal remedies against governmental entities in California; (b) principles of equity which may limit the specific enforcement under State law of certain remedies; (c) the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; (d) the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and (e) the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Remedies may also be limited since the Participants' electric systems serve an essential public purpose. See "INTRODUCTION – Background; Development of the Southern Transmission System and Related Contracts" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS – Pledge Effected by the Indenture" herein. With respect to bankruptcy, it should be noted that the Participants are municipalities or a department of a municipality. Any municipality in California may be eligible to file a petition for relief under Chapter 9 of the United States Bankruptcy Code without the consent of its creditors. Bankruptcy proceedings, if initiated, could subject contracts such as the Renewal Power Sales Contracts, the Renewal Capacity Acquisition Agreements and the Renewal Transmission Service Contracts to judicial discretion and interpretation of rights of creditors in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Additionally, the Bankruptcy Court has the power to authorize a municipality to reject executory contracts such as the Renewal Power Sales Contracts, the Renewal Capacity Acquisition Agreements and the Renewal Transmission Service Contracts, and thus be relieved of any further obligation to perform its payment obligations under the contract being rejected.

## **Other Factors**

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could affect the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above (including those affecting nuclear power plants or potential new energy storage requirements), (b) changes resulting from



conservation and demand-side management programs on the timing and use of electric energy, (c) effects on the integration and reliability of power supply from the increased usage of renewables, (d) changes resulting from a national energy policy, (e) effects of competition from other electric utilities (including increased competition resulting from a movement to allow direct access or expanded community choice aggregation or from mergers, acquisitions, and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (f) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs, (g) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (h) “self-generation” or “distributed generation” (such as microturbines, fuel cells and solar installations) by industrial and commercial customers and others, (i) 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 service from transmission line projects financed with outstanding tax-exempt obligations and, as of January 1, 2018, the loss of the ability to undertake tax-exempt advance refundings, (j) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (k) changes from projected future load requirements, (l) increases in costs and uncertain availability of capital, (m) shifts in the availability and relative costs of different fuels (including the cost of natural gas and nuclear fuel), (n) changes in the electric market structure for neighboring electric grids, such as the energy imbalance market operated by the ISO, (o) 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 past in California, (p) issues relating to risk management procedures and practices with respect to, among other things, the purchase and sale of natural gas, energy and transmission capacity, (q) other legislative changes, voter initiatives, referenda and statewide propositions, (r) effects of the changes in the economy, population and demand of customers within a utility’s service area, (s) effects of possible manipulation of the electric markets, (t) acts of terrorism or cyber-terrorism impacting a utility and/or significant load customers, (u) changes to the climate; (v) natural disasters or other physical calamities, including, but not limited to, earthquakes, droughts, severe weather, floods and wildfires, and potential liabilities of electric utilities in connection therewith, and (w) 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. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The Authority is unable to predict what impacts such factors will have on the business operations and financial condition of the Project Participant’s electric system, but the impacts could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2026 Bonds should obtain and review such information.

## **CONSTITUTIONAL LIMITATIONS IN CALIFORNIA AFFECTING FEES AND CHARGES IMPOSED BY THE PROJECT PARTICIPANT**

The following is a discussion of certain limitations under provisions of the California Constitution that may affect the rates, fees and charges imposed by the Project Participant for the electric services they provide.

### **Proposition 218 and Proposition 26**

Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution. Article XIIC imposes a majority voter approval requirement on local governments (including the Project Participant) with respect to taxes for general purposes, and a two-thirds voter approval requirement with respect to taxes for special purposes. Article XIID creates additional requirements for the imposition by most local governments of general taxes, special taxes, assessments and “property-related” fees and charges. Article XIID explicitly exempts fees for the provision of electric service from the provisions of such article.

Article XIIC expressly extends the people’s initiative power to the reduction or repeal of local taxes, assessments, and fees and charges imposed prior to its effective date (November 1996). The California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) that, under Article XIIC, local voters by initiative may reduce a public agency’s water rates and delivery charges, as those are property-related fees or charges within the meaning of Article XIID, and noted that the initiative power described in Article XIIC may extend to a broader category of fees and charges than the property-related fees and charges governed by Article XIID. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. Thus, electric service charges (which are expressly exempted from the provisions of Article XIID) may be subject to the initiative provisions of Article XIIC, thereby subjecting such fees and charges to reduction by the electorate. The Authority believes that even if the electric rates of the Project Participant is subject to the initiative power, under Article XIIC or otherwise, the electorate of the Project Participant would be precluded from reducing electric rates and charges in a manner materially and adversely affecting the payment of the 2026 Bonds by virtue of the “impairment of contracts clause” of the United States Constitution.

The California electorate approved Proposition 26 at the November 2, 2010 election, amending Article XIIC of the California Constitution. Proposition 26 was designed to supplement tax limitations California voters adopted when they approved Proposition 13 in 1978, and Proposition 218 in 1996. Proposition 26 applies by its terms to any levy, charge or exaction imposed, increased or extended by a local government on or after November 3, 2010. Proposition 26 deems any such levy, charge or fee to be a “tax”, requiring voter approval under Article XIIC unless it comes within one of the listed exceptions. Proposition 26 expressly excludes from its definition of a “tax,” among other things, a “charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.” Proposition 26 is applicable to the electric rates of governmental entities such as the Project Participant; therefore, newly adopted rates must conform to its requirements.

Proposition 26 is subject to interpretation by California courts, including the extent to which it is applicable to pre-existing electric rates and general fund transfers. A number of lawsuits have been filed against public agencies in California relating to electric utility fund transfers. In *Citizens for Fair REU Rates v. City of Redding* (filed on January 20, 2015 and modified on February 19, 2015), for example, the California Court of Appeal considered a ratepayer challenge to a “payment in lieu of taxes” (or “PILOT”)

required by the City of Redding to be made by its electric utility as an annual budgetary transfer amount without voter approval. The city's PILOT was designed to compensate the general fund for the costs of services that other city departments provide to the electric utility. The amount of the PILOT was equivalent to the ad valorem taxes the electric utility would have had to pay if the electric utility were privately owned. The suits alleged that the PILOT was passed through to the city's electric utility customers as part of the rates and charges for electric service in excess of the reasonable costs to the city of providing electric service. The Court of Appeal determined that Proposition 26 has no retroactive effect as to local taxes that existed prior to November 3, 2010, but found that since the PILOT was subject to the City Council's recurring discretion, the PILOT did not escape the purview of Proposition 26. The Court of Appeal concluded that the PILOT constituted a "tax" under Proposition 26 for which the city must secure voter approval unless the city proved that the amount collected was necessary to cover the reasonable costs to the city of providing electric service. On April 29, 2015, the California Supreme Court granted review of the decision of the Court of Appeal. The California Supreme Court rendered its decision on August 27, 2018, reversing the judgment of the Court of Appeal. The California Supreme Court determined that the budgetary transfer from the City of Redding electric utility to the city's general fund, calculated by using the PILOT, itself is not the type of exaction that is subject to Article XIII C of the California Constitution. The court reasoned that it is only the City of Redding electric utility rate, not the PILOT, that is imposed on customers for electric service. The California Supreme Court concluded that because the total retail rate revenue of the electric utility was insufficient to cover the electric utility's uncontested operating expenses (other than the PILOT) in the years at issue, the challenged rate did not exceed the reasonable costs of providing electric service, and therefore did not constitute a tax.

The Authority and the Project Participant are unable to predict at this time how Propositions 218 and 26 will ultimately be interpreted by the courts in the context of the Project Participant's electric system rates or what the ultimate impact of Propositions 218 or 26 will be.

### **Other Initiatives**

Articles XIII C and XIII D and the amendments effected thereto by Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiatives have been, and could be, proposed, and if qualified for the ballot, could be adopted affecting the Authority's and/or the Project Participant's revenues or operations. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be predicted by the Authority or the Project Participant.

### **LITIGATION**

At the time of delivery of the 2026 Bonds, an authorized officer of the Authority will certify that, to the knowledge of such officer, there is no litigation or other proceeding pending or threatened in any court, agency or other administrative body (either State of California or federal) restraining or enjoining the issuance, sale or delivery of the 2026 Bonds or the collection of Revenues, or in any way questioning or affecting (i) the proceedings under which the 2026 Bonds are to be issued, (ii) the validity of any provision of the 2026 Bonds or the Indentures, (iii) the pledge by the Authority under the Indentures, (iv) the validity or enforceability of the Transmission Service Contracts (LADWP), (v) the legal existence of the Authority or the title to office of the present officials of the Authority, or (vi) the authority of the Authority to acquire the Authority Interests (LADWP).

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2026 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2026 Bonds. Pursuant to the Indenture and the Tax and Nonarbitrage Certificate (the “Tax Certificate”), the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2026 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in the Indenture and the Tax Certificate. Special Tax Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Special Tax Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority described above, interest on the 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Tax Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the 2026 Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

### **State Taxes**

Special Tax Counsel is also of the opinion that interest on the 2026 Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. Special Tax Counsel expresses no opinion as to other State or local tax consequences arising with respect to the 2026 Bonds nor as to the taxability of the 2026 Bonds or the income therefrom under the laws of any state other than the State of California.

### **Original Issue Discount**

Special Tax Counsel is further of the opinion that the excess of the principal amount of a maturity of the 2026 Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the 2026 Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2026 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

### **Original Issue Premium**

2026 Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have

amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2026 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### **Ancillary Tax Matters**

Ownership of the 2026 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2026 Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2026 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Special Tax Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as APPENDIX F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2026 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2026 Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2026 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2026 Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2026 Bonds may occur. Prospective purchasers of the 2026 Bonds should consult their own tax advisors regarding the impact of any change in law on the 2026 Bonds.

Special Tax Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2026 Bonds may affect the tax status of interest on the 2026 Bonds. Special Tax Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the

2026 Bonds, or the interest thereon, if any action is taken with respect to the 2026 Bonds or the proceeds thereof upon the advice or approval of other counsel.

### **RATING**

Moody's Ratings has assigned the 2026 Bonds the credit rating of "Aa2." Such rating should be evaluated independently of any other rating. Such credit rating reflects only the view of the organization furnishing the rating and any desired explanation of the significance of such credit rating should be obtained from Moody's Ratings. No application has been made to any other rating agency in order to obtain additional ratings on the 2026 Bonds.

The above described rating is not a recommendation to buy, sell or hold the 2026 Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. The Underwriter undertakes no responsibility either to bring to the attention of the owners of the 2026 Bonds the revision or the withdrawal of any rating on the 2026 Bonds, and the Authority and the Underwriter undertake no responsibility to oppose any such downward revision or withdrawal. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the 2026 Bonds.

### **UNDERWRITING**

The 2026 were awarded to \_\_\_\_\_ (the "Underwriter") pursuant to a competitive bidding held on \_\_\_\_\_, 2026. The 2026 Bonds were awarded to the Underwriter, at an aggregate purchase price of \$\_\_\_\_\_, representing the par amount of the 2026 Bonds of \$\_\_\_\_\_, plus [net] original issue premium of \$\_\_\_\_\_, and less an Underwriter's discount of \$\_\_\_\_\_. The Underwriter will be obligated to purchase all of the 2026 Bonds if any of the 2026 Bonds are purchased.

The Underwriter may offer and sell the 2026 Bonds to certain dealers (including dealers depositing 2026 Bonds into investment trusts) and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

### **MUNICIPAL ADVISOR**

The Authority has retained PFM Financial Advisors LLC, Los Angeles, California, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the 2026 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Municipal Advisor is contingent upon the issuance and delivery of the 2026 Bonds.

### **INDEPENDENT AUDITORS**

The financial statements of the Power System of the Department as of June 30, 2025 and 2024, and for the years then ended, are included in this Official Statement as APPENDIX B. These financial statements have been audited by KPMG LLP, independent auditors of the Department (the "Auditor"), as stated in their report appearing therein. The Authority has not requested, nor has the Auditor given, the Auditor's consent to inclusion in APPENDIX B of its report on such financial statements.

## **CERTAIN LEGAL MATTERS**

Certain legal matters in connection with the authorization and issuance of the 2026 Bonds are subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. The form of opinion that Bond Counsel proposes to render with respect to the 2026 Bonds is attached as APPENDIX E hereto. Certain other legal matters with respect to the Authority will be passed upon by its General Counsel, Christine Godinez, Esq., and by Nixon Peabody LLP, Los Angeles, California, Special Tax Counsel. The form of opinion that Special Tax Counsel proposes to render with respect to the 2026 Bonds is attached as APPENDIX F hereto. Bond Counsel will not address any of the tax aspects of the 2026 Bonds. Norton Rose Fulbright US LLP is also serving as Disclosure Counsel to the Authority in connection with the 2026 Bonds.

## **CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2026 BONDS**

The Authority will enter into separate Continuing Disclosure Undertakings for the benefit of the beneficial owners of the 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds, respectively (each a “Continuing Disclosure Undertaking”), to send certain information annually and to provide notice of certain events to the MSRB’s EMMA system for municipal securities disclosures, pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (“Rule 15c2-12”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

A failure by the Authority to comply with a Continuing Disclosure Undertaking will not constitute an event of default under the Indentures and Beneficial Owners of the 2025 Series A Subordinate Bonds shall only be entitled to the remedies for any such failure described in the applicable Continuing Disclosure Undertaking. A failure by the Authority to comply with a Continuing Disclosure Undertaking must be reported in accordance with Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2026 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2026 Bonds and their market price. The Continuing Disclosure Undertakings and commitments of the Authority described under this heading and in APPENDIX D hereto to furnish the above-described documents and information are agreements and commitments solely of the Authority.

The Authority is in compliance in all material respects with its continuing disclosure undertakings for the last five years. During the last five years, the Authority has filed annual reports for between 13 and 16 different projects for which it has issued revenue bonds. In the last five years, although the Authority generally has routinely filed notices of known instances of rating changes in connection with its revenue bonds, two rating changes in each of 2022, 2023 and 2024 were inadvertently not updated. Filings have been posted with EMMA to update the ratings. Lastly, for the fiscal year 2019-20 annual report relating to the Authority’s Magnolia Power Project A, Refunding Revenue Bonds, 2020-1 and 2020-3, the audited financial statements of the Anaheim Public Utilities Department were timely filed but inadvertently were not linked to all relevant CUSIP numbers. The Authority has since caused such information to be linked to all relevant CUSIP numbers. The Authority believes it has established processes to ensure it will continue to comply in all material respects with its continuing disclosure undertakings in the future.

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## **AVAILABLE INFORMATION**

Copies of the Authority's most recent audited financial statements and Annual Report, and copies of the forms of the Transmission Service Contracts (LADWP), the Joint Ownership Agreements, the Operations Agreements, the Fiscal Agency Agreements, the Land Rights Agreements and the Indentures are available from the Authority, 1160 Nicole Court, Glendora, California 91740.

SOUTHERN CALIFORNIA PUBLIC  
POWER AUTHORITY

By: \_\_\_\_\_  
Executive Director



**THE PROJECT PARTICIPANT**

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

The following information concerning The Department of Water and Power of the City of Los Angeles (in this section, the “Department”) and such Department’s Power System, has been prepared by the Department and furnished to the Southern California Public Power Authority (in this Appendix A, sometimes referred to as “SCPPA” in addition to the “Authority” (as defined elsewhere in this Official Statement)) by the Department for inclusion herein. This information does not purport to cover all aspects of the business, operations and financial position of the Department or the Power System. A copy of the most recent audited financial statements of the Power System (the “Department’s Power System Financial Statements”) is set forth in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES POWER SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024.”

**THE DEPARTMENT**

**General**

The Department is the largest municipal utility in the United States and is a proprietary department of the City of Los Angeles (the “City”). Control of Power System assets and funds is vested with the Board of Water and Power Commissioners of the City of Los Angeles (the “Board”), whose actions are subject to review by the City Council of the City (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 470 square miles and is populated by approximately 3.8 million residents.

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.

**Los Angeles 2025 Wildfire Event**

Beginning on January 7, 2025, a severe fire fueled by windstorms originated in the Pacific Palisades neighborhood (the “Palisades Fire”) of Los Angeles County, which is part of the City. On January 7, 2025, the Mayor declared a local emergency throughout the City and the Governor of California proclaimed a State of Emergency with respect to the Palisades Fire. According to the California Department of Forestry and Fire Protection, almost 24,000 acres were burned in the Palisades Fire, with an estimate of more than 7,800 structures damaged or destroyed in the affected areas, as well as the loss of several lives.

As a result of such declarations and subsequent federal action, funding from the Federal Emergency Management Agency (“FEMA”) is generally available to the City with respect to its recovery efforts, including for certain costs of restoring facilities damaged as a result of the disaster to their pre-disaster condition, and to those affected by the Palisades Fire.

The City is also pursuing cash flow loans in accordance with recently enacted Assembly Bill No. 100 that allows for the Governor’s Office of Emergency Services (“CalOES”) to provide zero interest loans for FEMA reimbursable work, to be repaid with funding from FEMA as work is completed and submitted to FEMA

for reimbursements. The City has submitted five loan requests to CalOES totaling approximately \$45 million and anticipates submitting additional loan requests on a rolling basis.

The Department has estimated the costs of damage to Power System facilities and infrastructure (including costs of damage to certain joint system facilities) from the Palisades Fire to be approximately \$89 million as of September 2025. Additionally, approximately \$8 million of costs related to windstorm damage was incurred. This estimate is inclusive of physical damages to Power System facilities, which largely consists of damage to electric distribution stations and equipment and Department-owned street and outdoor lighting, and an increase in operating expenses of the Power System primarily related to overtime for field crews and other support staff and increased materials and equipment costs associated with repairs of the damaged infrastructure. These estimates are preliminary and are expected to change as the damage assessment and recovery efforts continue and developments occur. The longer term impacts or changes to the costs, expenses or capital improvement plans of the Department as a result of the fire are not yet known.

To alleviate financial burdens for people impacted by the Palisades Fire, the Department paused billing for customers whose homes or businesses were damaged or destroyed by the fire until September 5, 2025. Beginning on September 6, 2025, the Department resumed billing customers in the Pacific Palisades for water and electric service. In addition, collection processes and disconnections for non-payment have been suspended until June 30, 2026 in the affected areas. The impacted areas represent approximately 0.7% of the Department's Power System customer accounts and approximately 0.8% of annual Power System electric sales revenues. Service has been restored to nearly all homes and businesses in the affected areas that are able to receive electric service.

The City continues to recover from the Palisades Fire. As of December 8, 2025, debris removal was 99.8% complete and the City has entered the intermediate phase of recovery. There also may be long-term impacts of the Palisades Fire on the City's fiscal condition and the local economy.

Multiple lawsuits have been filed, including two putative class actions (and additional lawsuits continue to be filed) against the City, the Department, and other entities by people claiming damage from the Palisades Fire. Pursuant to an order of the judge overseeing the litigation, on October 8, 2025, individual plaintiffs liaison counsel (*i.e.*, counsel appointed to organize the individual plaintiffs) filed a master complaint (the "Master Complaint") containing allegations that are intended to be common to some or all of the cases. The Master Complaint brings claims relating to the Water System, the Power System and certain vacant lots owned by the City. With respect to the Water System, the Master Complaint asserts a claim for inverse condemnation. With respect to the Power System, the Master Complaint asserts claims for inverse condemnation, dangerous condition of public property, and nuisance. The doctrine of inverse condemnation is a "takings clause" cause of action under the State and federal constitutions that entitles property owners to just compensation if their private property is damaged by a public use. California courts have imposed liability on public agencies in legal actions brought by private property holders for damages, where the inherent risks in the public agency's infrastructure, as deliberately designed, constructed or maintained, are determined to be a substantial cause of damage to the property. The Master Complaint also alleges dangerous condition of public property and nuisance claims related to vegetation management on certain lots owned by the City.

The existing lawsuits, as of February 5, 2026, consist of a number of state court actions (approximately several hundred cases) filed on behalf of thousands of individual plaintiffs, including two cases filed as putative class actions on behalf of an individual and all those similarly situated that seek to certify as a class all individuals and entities in the areas impacted by the Palisades Fire who suffered property damage, loss of use, evacuation, or other harm as a result of the Palisades Fire. The cases are pending in the Los Angeles Superior Court. The existing lawsuits, as consolidated under the Master Complaint, generally allege, among other things, that: (1) the Department failed to properly maintain its water system for the purpose of fighting fires (and specifically that it failed to properly maintain the Santa Ynez Reservoir and, in certain of such cases, the Chautauqua Reservoir), (2) the Department chose to design its water system for urban use, not to fight wildfires, (3) after the fire ignited, power poles broke and the Department failed to de-energize its distribution and transmission electrical facilities, which resulted in its overhead power lines arcing and causing additional fires, and (4) the Palisades Fire was

foreseeable in light of data about the history of fires in the area, current fire risk and weather. The Master Complaint also alleges that the City did not clear brush from vacant lots in Pacific Palisades, including on lots that are owned by the City, and that embers landed on this brush, sparking spot fires. The plaintiffs are seeking compensation for damages including, but not limited to, lost or damaged property, lost income or wages, and attorney's fees, and in certain of the cases loss of use/marketability of property, emotional distress, and punitive damages. Some of the pending actions seek certain injunctive relief as well as monetary damages. In addition, certain insurance company plaintiffs have asserted a claim for inverse condemnation and are seeking damages under the subrogation clauses in their respective insurance policies.

The cases are not yet at a stage where it is possible to reasonably estimate the potential ultimate financial exposure to the City or the Department. Most of the filed lawsuits do not contain a specific dollar amount, although one of the pending class actions asserts a damages figure of greater than \$10 billion. The City and the Department deny all liability claims. The City and the Department intend to vigorously defend against all of these lawsuits, and any others that may be filed. However, the City and the Department are unable to assess at this time whether additional claims will be asserted by the plaintiffs, the likelihood of success of the plaintiffs' cases or any possible outcome. There can be no assurances that additional causes of action will not be asserted by the current plaintiffs when they adopt the Master Complaint, or additional litigation will not be brought by other plaintiffs whose properties were damaged in the Palisades Fire. Complaints filed before and after the filing of the Master Complaint allege other causes of action and additional theories of liability, which certain plaintiffs may choose to maintain as part of their adoption of the Master Complaint.

See also "LITIGATION" for a discussion of this litigation and the status thereof.

A number of investigations and reviews of the fire events and of local agency preparation and response actions are being undertaken, including a Congressional investigation, an independent review at the direction of the Governor, an investigation and after-incident review by the Los Angeles Fire Commission, and reviews and investigations by other federal, State and local agencies.

The federal Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF") led the investigation into the cause of the Palisades Fire. The Department provided information to the ATF and other agencies in connection with their investigations. The ATF examined the Department's overhead transmission facilities that are near, but outside of, the area where the Palisades Fire reportedly ignited. As of the date of this Official Statement, the ATF has not issued publicly its cause and origin report. However, on October 8, 2025, the United States Department of Justice announced the arrest of Jonathan Rinderknecht, whom the United States charged in a criminal complaint with the destruction of property by means of fire. Specifically, Mr. Rinderknecht is alleged to have started the Lachman Fire in the Pacific Palisades area on the morning of January 1, 2025. According to an affidavit of an ATF special agent investigating the fire (the "ATF Affidavit") that was provided in connection with the criminal complaint against Mr. Rinderknecht, the multi-agency investigation into the origin and cause of the Palisades Fire determined that the Palisades Fire was a "holdover" fire (*i.e.*, a continuation of the Lachman Fire that began on January 1, 2025). The ATF Affidavit expressly ruled out power lines as a potential cause of the Lachman Fire. No investigating authority has asked the Department to preserve any of its electrical facilities in the area.

On October 15, 2025, a federal grand jury indicted Mr. Rinderknecht on one count of destruction of property by means of fire, one count of arson affecting property used in interstate commerce, and one count of timber set afire. Mr. Rinderknecht's trial is set for April 21, 2026.

See also "FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY— California Climate Change Policy Developments – *Legislation and Court Action Relating to Wildfires.*"

## **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. There is currently one vacancy on the Board. The current members of the Board are:

ALLAN T. MARKS, *President*. Mr. Marks was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on December 10, 2025. Mr. Marks is a lawyer and strategic advisor with a focus in international project finance, energy and infrastructure. He advises boards of directors, senior executives, investors, fund managers and other organizations on corporate strategy, risk management, market and regulatory changes, and capital formation, particularly in connection with the energy transition, renewable energy, innovative clean technologies, geopolitics, financial innovation, climate risks, resilience, and sustainability. As a lawyer, Mr. Marks has handled complex energy and infrastructure transactions in the United States, Canada, Latin America, Asia and Europe with an aggregate value of over \$100 billion. Mr. Marks teaches at both the University of California, Berkeley School of Law and the UCLA School of Law, where he is Affiliated Faculty at the Emmett Institute on Climate Change and the Environment and the Lowell Milken Institute for Business Law and Policy. He is also a Senior Fellow at the Columbia Center on Sustainable Investment, a center of Columbia University’s Climate School, a Non-Resident Visiting Senior Fellow at New York University’s SPS Center for Global Affairs, and a Distinguished Scholar in Energy Law and Sustainability and Professorial Lecturer in Law at the George Washington University Law School. He previously taught Energy and Infrastructure Project Finance at the University of California, Berkeley for 12 years at both the Law School and the Haas School of Business. Mr. Marks is a Contributor to Forbes. He speaks and publishes frequently on energy, infrastructure, business strategy, financial markets, climate change, public policy, regulatory trends, and international transactions. Mr. Marks served for 11 years as the founding co-chair of the State Bar of California’s

Subsection on Public-Private Infrastructure. He is a member of the Pacific Council on International Policy and served on Law360's Project Finance Editorial Board. He also serves as a board director of the Colburn School and other civic organizations. Mr. Marks received his Bachelor of Arts degree in international studies from The Johns Hopkins University and his Juris Doctorate from the University of California, Berkeley School of Law.

NURIT KATZ, *Vice President*. 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 the University of California, Los Angeles ("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 degree 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.

WILMA J. PINDER, *Commissioner*. Ms. Pinder was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on March 8, 2024. Ms. Pinder is a former Los Angeles Assistant City Attorney. She served the City as a civil litigator and trial attorney for 30 years, 20 of those years were with the Water and Power division of the City Attorney's Office. Ms. Pinder has been active with national, state and local bar associations, serving as a Board member on several. Ms. Pinder is a Life Fellow of the American Bar Foundation ("ABF") and served on its Board for 10 years. The ABF expands knowledge and advances justice through research on law and legal institutions. She has also served on alumni boards at the University of Southern California ("USC") and UCLA. Ms. Pinder is active in the greater Los Angeles area with a number of service-oriented groups. Ms. Pinder holds a Bachelor of Arts degree in psychology from USC, a Master of Science degree in psychology from Howard University, and a Juris Doctorate from UCLA School of Law. She is also trained in community mediation and dispute resolution.

BENNY B. TRAN, *Commissioner*. Mr. Tran was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on December 3, 2025. Mr. Tran previously served as Executive Vice President of Corporate Strategy at the Los Angeles Football Club (the "LAFC"), where he was part of the founding team and helped shape the club's business strategy, sustainability efforts, and government relations. He played a central role in the development and launch of the club's \$375 million stadium, contributing to environmental compliance and initiatives that achieved LEED Gold certification. He also partnered with the Department on energy-efficiency design and EV-charging programs that positioned the venue as one of the City's leading examples of sustainable sports infrastructure. Mr. Tran has more than 15 years of experience advancing sustainability, public policy, and major infrastructure initiatives across the U.S. and Asia. Prior to his work at the LAFC, Mr. Tran worked across Southeast Asia on climate and development initiatives. With the Clinton Climate Initiative, he led energy-efficiency and clean-energy programs in major cities including Ho Chi Minh City, Hanoi, Bangkok, Manila, and Jakarta. He later advised the Asian Development Bank and World Bank on establishing Vietnam's first Climate Innovation Center to strengthen the region's green-technology ecosystem. Earlier in his career, he also supported public-health system strengthening as part of the Clinton Health Access Initiative. Mr. Tran recently served as a City Commissioner for the Los Angeles Department of Recreation and Parks, contributing to governance, capital planning, and community-access priorities. He is also a board member of Food Access Los Angeles, a Fulbright Scholar, and a Center for Arabic Study Abroad (CASA) Fellow. Mr. Tran holds a master's degree in public and international affairs from Princeton University and a Bachelor of Arts degree in Middle Eastern Studies from Emory University.

## **Management of the Department**

The management and operation of the Department are administered under the direction of the General Manager. 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, Janisse Quiñones, and other members of the senior management team for the Power System:

JANISSE QUIÑONES, PE, *General Manager/Chief Executive Officer and Chief Engineer*. Ms. Quiñones was named General Manager/Chief Executive Officer and Chief Engineer of the Department on April 19, 2024 and confirmed by the City Council on May 14, 2024. She has more than 25 years of leadership experience as a senior executive in utility and engineering industries. Prior to joining the Department, Ms. Quiñones was a Senior Vice President of Electric Operations at Pacific Gas and Electric Company ("PG&E"). She also previously served as Senior Vice President of Gas Engineering for PG&E, as the Vice President of Gas Systems Engineering for National Grid, and as Vice President of Operations for Cobra Acquisitions and Director of Design, Planning, Construction & Vegetation Management as part of her nine years of work at San Diego Gas & Electric ("SDG&E"). At SDG&E, Ms. Quiñones managed the majority of the company's gas and electric distribution capital construction. She currently serves as a Commander in the U.S. Coast Guard ("USCG") Reserves assigned to USCG District 11 and as the USCG Emergency Preparedness Liaison Officer where she is responsible for managing Local, State and Federal Emergencies. Ms. Quiñones previously served full time in the USCG as an Engineering Officer. She is a Professional Engineer with a Bachelor of Science degree in mechanical engineering from University of Puerto Rico-Mayaguez, a Master of Business Administration from University of Phoenix, and a Master of International Affairs from University of California, San Diego.

JOHN A. SMITH, *Chief Administrative Officer*. Mr. Smith was named Chief Administrative Officer of the Department on July 1, 2024. In this capacity he oversees support organizations that service both Water and Power Systems. He has 36 years of experience with the City of Los Angeles, including 25 years with the Department. Prior to his appointment as Chief Administrative Officer, Mr. Smith served as Director of Fleet and Aviation Services since May 2023 and previously served as Director of Facilities Services from April 2022 to May 2023. He has served in various management capacities within the Department since April 2013. He is also designated the managing responsible agent for the Department's crane inspection program licensed by the State of California Department of Industrial Relations Division of Occupational Safety and Health Crane Unit. Mr. Smith holds a Bachelor of Science degree in organizational management from the University of La Verne. Additionally, he has a Master of Science degree in management, strategy and leadership from Michigan State University.

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 37 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.

DAVID HANSON, *Chief Operating Officer and Senior Assistant General Manager of the Power System*. Mr. Hanson was named Chief Operating Officer and Senior Assistant General Manager of the Power System in December 2024 after serving as Interim Senior Assistant General Manager of the Power System since August 2024. Mr. Hanson has 23 years of experience with the Department, most recently serving as the Director of Power Construction and Maintenance within the Power System. Mr. Hanson began his career at the

Department in 2002 as an Electrical Mechanic, and subsequently has held a number of supervisory and leadership positions within the Department, including Electrical Mechanic Training Center Superintendent, Manager of Construction Services and Assistant Director of Power Transmission and Distribution. Prior to joining the Department, he served his country for 10 years in the United States Navy as an Electrician's Mate First Class, Sub Surface Nuclear Power and also served as a Navy recruiter.

ANDREW VIRZI III, *Assistant Chief Financial Officer and Controller*. Mr. Virzi was named Assistant Chief Financial Officer and Controller of the Department in December 2024 after serving as the Assistant Retirement Plan Manager for the Water and Power Employees Retirement Plan since May 2024. He previously served as the Manager of Accounts Payable, Taxes and Travel from December 2021 through May 2024. Prior to that, Mr. Virzi was the Manager of Cost of Service from July 2019 through December 2021. He has over 15 years of experience with the Department, beginning his career in August 2010. Mr. Virzi holds a bachelor's degree in accounting from California State University, Northridge and holds a master's degree in business administrations from Pepperdine University. He is a certified public accountant in the State.

JOHN EQUINA, *Chief Accounting Employee and Assistant Auditor*. Mr. Equina was named Chief Accounting Employee and Assistant Auditor of the Department in May 2025. He also serves as the Assistant Chief Financial Officer and Treasurer of the Department and the Director of Finance and Risk Control Division, roles to which he was named in March 2025. Before serving in these roles, Mr. Equina served as the Assistant Director of Finance and Risk Control Division of the Department since March 2021. He has over 21 years of financial management experience in debt management, risk control, accounting, and auditing. Mr. Equina holds a bachelor's degree in accounting from San Beda University in the Philippines. He also has a master's degree in business administration from Pepperdine University. Mr. Equina is a certified public accountant in the State.

## **Employees**

As of August 31, 2025, the Department assigned approximately 5,531 Department employees to the Power System on a full time basis. Approximately 4,226 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-Milius-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 approximately 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 terms of the existing memoranda of understanding will continue to govern until successor agreements are executed. The Department's memorandum of understanding with the Service Employees International Union, Security Unit, expires on September 30, 2026. 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 (10) Retirement Plan" and the "Required Supplementary Information" of the Department's Power System 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 70% 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 described below for the Fiscal Year ending June 30, 2026 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 (10)(d), the Power System made contributions to the Retirement Plan of approximately \$296 million in Fiscal Year 2024-25 (as part of a total Department contribution of approximately \$434 million), and the Power System made contributions to the Retirement Plan of approximately \$295 million in Fiscal Year 2023-24 (as part of a total Department contribution of approximately \$432 million). For the Fiscal Year ended June 30, 2025, the Department budgeted a contribution of approximately \$296 million to be paid from the Power Revenue Fund to the Retirement Plan (as part of a total Department budgeted contribution of approximately \$435 million). For the Fiscal Year ending June 30, 2026, the Department has budgeted a contribution of approximately \$244 million to be paid from the Power Revenue Fund to the Retirement Plan (as part of a total Department budgeted contribution of approximately \$358 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. For more information about the Department's pension liabilities as reported in accordance with GASB No. 68, see Note (10) and "Required Supplementary Information" of the Department's Power System Financial Statements.

According to the latest actuarial valuation and review of the Retirement Plan that was completed by The Segal Company on September 23, 2025, as of July 1, 2025, the market value of the assets in the Retirement Plan was approximately \$19.5 billion, which results in an overfunded actuarial accrued liability (based on the market value of assets) of approximately \$672.0 million; the actuarial value of the assets in the Retirement Plan as of such date was approximately \$18.9 billion, which would result in an overfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$98.1 million. As of July 1, 2025, the Retirement Plan had an unrecognized investment gain of approximately \$574.0 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 gain for the year ended June 30, 2025 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2025-26 would remain equal to the normal cost of 16.0% of payroll due to the surplus position of the plan as of July 1, 2025. Additionally, if the net deferred gain 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, 2025 would increase from approximately 100.5% to approximately 103.6%.



According to the actuarial valuation and review of the Retirement Plan that was completed by The Segal Company on October 1, 2024, as of July 1, 2024, the market value of the assets in the Retirement Plan was approximately \$17.8 billion, which results in an unfunded actuarial accrued liability (based on the market value of assets) of approximately \$214.0 million; the actuarial value of the assets in the Retirement Plan as of such date was approximately \$17.6 billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$426.2 million. As of July 1, 2024, the Retirement Plan had an unrecognized investment gain of approximately \$212.0 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 gain for the year ended June 30, 2024 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2024-25 would decrease from approximately 28.0% of total Department covered payroll to approximately 26.6% of total Department covered payroll. Additionally, if the net deferred gain 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, 2024 would increase from approximately 97.6% to approximately 98.8%.

Contribution requirements for the Fiscal Year ending June 30, 2026 were set based on the asset values as of June 30, 2025. 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 City is defending the challenge against the decision to end the reciprocity agreement. The outcome of the challenge to the end of the reciprocity agreement is not expected to have a material adverse impact on the Department or the Retirement Plan. According to a study of the proposed benefits of Tier 2, which was completed by The Segal Company on October 24, 2013, the estimated amount of contribution required to fund the benefit allocated to the current year of service (the “Normal Cost”), as a percentage of payroll, was 5.61% for Tier 2 (as compared to 16.35% for Tier 1), and the new tier of benefits was projected to generate a present value savings of \$877 million over 30 years (based on the 7.75% assumed rate of investment return on the Retirement Plan’s assets, which was in effect when Tier 2 was approved). According to the latest actuarial valuation and review of the Retirement Plan, which was completed by The Segal Company on September 23, 2025, the estimated contribution for Fiscal Year 2025-26 required to fund the benefit allocated to the Normal Cost, as a percentage of payroll, was 11.29% for Tier 2 (as compared to 21.07% for Tier 1). As of the July 1, 2025 actuarial valuation report, 62% 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 (11) Other Postemployment Benefits Plans” and the “Required Supplementary Information” of the Department’s Power System 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 (11)(d), the Power System paid Healthcare Benefits of approximately \$87.2 million in Fiscal Year 2024-25 (as part of a total Department contribution of approximately \$126.8 million), and the Power System paid Healthcare Benefits of approximately \$72.2 million in Fiscal Year 2023-24 (as part of a total Department contribution of approximately \$110.3 million). For the Fiscal Year ended June 30, 2025, the Department budgeted approximately \$86.9 million to be paid from the Power Revenue Fund for Healthcare Benefits (with the total Department paying approximately \$131.7 million). For the Fiscal Year ending June 30,

2026, the Department has budgeted approximately \$96.2 million to be paid from the Power Revenue Fund for Healthcare Benefits (with the total Department paying approximately \$145.8 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, 2025, as of June 30, 2025, the market value of the assets of the Healthcare Benefits was approximately \$3.6 billion, which would result in an unfunded actuarial accrued liability (based on the market value of assets) of approximately \$322.7 million; the actuarial value of the assets in the Healthcare Benefits as of such date was approximately \$3.5 billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$435.3 million. As of June 30, 2025, the Healthcare Benefits had unrecognized investment gains of approximately \$112.7 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, 2025, the ratio of the actuarial value of assets to actuarial accrued liabilities decreased from 100.90% as of June 30, 2024 to 88.96% as of June 30, 2025. On a market value of assets basis, the funded ratio decreased from 102.38% as of June 30, 2024 to 91.81% as of June 30, 2025. The unfunded actuarial accrued liability measured using the actuarial value of assets increased from \$(28.8) million (a surplus of assets over liability) to \$435.3 million as of June 30, 2025.

According to the actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on October 31, 2024, as of June 30, 2024, 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 \$76.1 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 \$28.8 million. As of June 30, 2024, the Healthcare Benefits had unrecognized investment gains of approximately \$47.3 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, 2024, the ratio of the actuarial value of assets to actuarial accrued liabilities decreased from 114.16% as of June 30, 2023 to 100.90% as of June 30, 2024. On a market value of assets basis, the funded ratio decreased from 113.17% as of June 30, 2023 to 102.38% as of June 30, 2024. The unfunded actuarial accrued liability (on an actuarial value of assets basis) decreased from a surplus of \$371.7 million as of June 30, 2023 to a surplus of \$28.8 million as of June 30, 2024.

Contribution requirements for the Fiscal Year ending June 30, 2026 were set based on the asset values as of June 30, 2025. 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.

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, 2025, for Fiscal Year 2025-26, the Normal Cost, as a percentage of payroll, was estimated to be 6.85% for Tier 2 (as compared to 5.81% 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. As of June 30, 2025, the Power System had a net OPEB liability surplus of \$19.1 million comprised of \$52.4 million surplus of retiree medical and \$71.5 million liability in death benefits. As of June 30, 2024, the Power System had a net OPEB liability surplus of \$160.2 million comprised of \$233.7 million surplus of retiree medical and \$73.5 million liability in death benefits. For more information about the Department's OPEB liabilities as reported in accordance with GASB No. 75, see Note (11) and "Required Supplementary Information" of the Department's Power System Financial Statements.

### **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 most recently approved transfers totaling \$225,782,000 to the City during the Fiscal Year ending June 30, 2026.

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, 2021 – 2025  
(\$ in thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Amount of Power Transfer</b>
2021	\$218,355
2022	225,015
2023	232,043
2024	244,695
2025	219,312

*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.

## **Insurance**

The Department's insurance program currently consists of a combination of commercial insurance policies, a Wildfire Self-Insurance Trust Fund, a wildfire Catastrophe Bond ("CAT Bond") 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 \$40 million, which includes 50% of co-insurance for the 2025-26 policy year (April 2025 to April 2026). 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 \$40 million are additional layers of commercial liability insurance that provide an additional \$120 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 \$106.25 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 \$121.50 million of commercial wildfire insurance, totaling an insurance tower of \$227.75 million. The Department augments and supports its wildfire coverage with a Wildfire Self-Insurance Trust Fund. The Wildfire Self-Insurance Trust Fund was established in December 2024 to assist in the settlement of wildfire claims, and as of September 30, 2025, the Wildfire Self-Insurance Trust Fund had a balance of \$46.64 million. Through the utilization of commercial insurance, the Wildfire Self-Insurance Trust Fund and additional self-insurance, the wildfire insurance program currently has a total limit of \$274.39 million available for wildfire losses.

To further complement its overall wildfire insurance program, the Department has provided for \$100 million of wildfire coverage through a CAT Bond. The \$100 million wildfire index CAT Bond is for the three-year period from August 2025 to September 2028. Unlike parametric and indemnity wildfire CAT Bonds, the wildfire index CAT Bond is triggered by attachment to the amount of losses of certain covered California counties. The wildfire index CAT Bond is intended to supplement the Department's self-insurance retention and wildfire risk management program. 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.

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.*"

In addition to the excess general liability insurance programs, the Department continues to maintain a bona fide program of self-insurance as well. As of September 30, 2025, the portion of the Power Revenue Fund set aside for self-insurance had a balance of approximately \$242.5 million in a restricted cash account. The Power Revenue self-insurance fund is specific to the Power System and is primarily designed to cover a large catastrophic event that could affect the Power System 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 Marketplace Substation, 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 are not included in the City's investment pool program. The Department manages the investment of the Trust Funds in which approximately \$811.0 million (investments at fair market value) was on deposit as of September 30, 2025. 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 September 30, 2025, the debt reduction trust fund had a balance of approximately \$550.9 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 SEPTEMBER 30, 2025**  
**(DOLLARS IN THOUSANDS)**  
**(UNAUDITED)**

	<u>Fair Market Value</u>
U. S. Sponsored Agency Issues	\$495,145
Medium term corporate notes	174,081
Money market funds	31,586
Municipal obligations	22,753
Other state bonds	17,810
U. S. Government Securities	9,435
California state bonds	21,643
Supranationals	15,803
Certificates of Deposit	13,815
Commercial paper	8,897
Total	<u>\$810,968</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 September 30, 2025, the Power System had approximately \$1.14 billion of unrestricted cash and approximately \$1.05 billion of restricted cash on deposit with the City. For information regarding the fair market value adjustment of the Department's pooled investment fund assets as of June 30, 2025, see Note (7)(b) of the Department's Power System 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, 16% of the pool, as of June 30, 2025, had maturities less than one month and 39% of the pool, as of June 30, 2025, had maturities of one year or less.

The following table describes the investments held in the City's Pooled Investment Fund (which includes amounts held in the City's General Investment Pool and the City's Special Investment Pool) as of June 30, 2025.

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**CITY OF LOS ANGELES POOLED INVESTMENT FUND**  
**ASSETS AS OF JUNE 30, 2025**  
**(Dollars in Thousands)**  
**(Unaudited)**

	<b>Amount<sup>(1)</sup></b>	<b>Percent of Total<sup>(1)</sup></b>	<b>Power System Share<sup>(1)(2)</sup></b>
U.S. Treasury Notes	\$ 10,149,336	61.74%	\$ 1,657,481
Medium-Term Notes	1,883,039	11.46	307,657
U.S. Agencies Securities	1,296,087	7.89	211,816
Commercial Paper	2,575,007	15.66	420,411
Short-Term Investment Funds	249,886	1.52	40,806
Asset-Backed Securities	48,310	0.29	7,785
Supranationals	179,570	1.09	29,262
Securities Lending Short-Term Repurchase Agreement	57,886	0.35	9,396
<b>Total General and Special Pools<sup>(3)</sup></b>	<b>\$16,439,121</b>	<b>100.00%</b>	<b>\$2,684,614</b>

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

<sup>(1)</sup> Fair Market Value as of June 30, 2025.

<sup>(2)</sup> Department funds held by the City are both unrestricted and restricted funds.

<sup>(3)</sup> Totals may not equal sum of parts due to rounding.

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 as of June 30, 2025 and 2024, see Note (7) of the Department's Power System Financial Statements.

## **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 otherwise 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.

**Interim Rate Review.** The last rate action covered a five-year period from Fiscal Year 2015-16 through Fiscal Year 2019-20. In 2019, the Department and the Office of Public Accountability (the “OPA”) each conducted their ordinance-mandated independent interim rate review. As part of this review, on the recommendation of 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. In June 2024, the Board approved an increase of the Base Rate revenue target for Fiscal Year 2024-25 of 1.48% in accordance with the provisions of the Incremental Electric Rate Ordinance. In June 2025, the Board approved an increase of the Base Rate revenue target for Fiscal Year 2025-26 of 0.58% 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 described below under “ELECTRIC RATES – Board Adopted Financial Planning Criteria.” 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. In November 2025, the Department awarded consulting agreements for a marginal cost study and rate consulting, but is still reviewing the need and proposed schedule for the next water and power rate action with the Chief Executive Officer. Department staff expects the power rate action to start after the completion of the water rate action.

**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.

**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 such 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 May 27, 2025, Tim O’Connor was appointed as the new Executive Director of the OPA (the “Ratepayer Advocate”) for a five-year term. The electric rate action effective April 15, 2016 was supported by the then-Ratepayer Advocate following his review of the proposed rate changes. The rate action included certain changes proposed by such 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. The OATT has been and may be amended or updated from time-to-time. 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, but is continuing to increase. 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 prior billing issues noted above and in response to the COVID-19 pandemic described below, the allowance for doubtful accounts was increased to 2.0% of Power System sales beginning in Fiscal Year 2020-21. Since that time, a new accrual approach has been adopted for the allowance for doubtful accounts, which uses a three-year write-off average rate of Power System sales, starting in Fiscal Year 2023-24 (0.5%). As of September 30, 2025, the Power System’s allowance for doubtful accounts was \$398.7 million and accounts receivable were \$1.67 billion (including utility user’s tax). Of these amounts, \$911.3 million (54.46% of total receivables) were 120 days or more past the payment due date. As of September 30, 2024, the Power System’s allowance for doubtful accounts was \$316.8 million and accounts receivable were \$1.42 billion (including utility user’s tax). Of these amounts, \$756.0 million (53.39% 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 began to resume service disconnections for certain residential customers in June 2024). 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 POUs and electrical cooperatives. In September 2021, the Department submitted a funding request of approximately \$203 million for residential arrearages and approximately \$109 million for commercial arrearages. The Department received \$202.8 million of 2021 CAPP funding of which \$201.5 million was 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 (“2022 CAPP”), which dedicated approximately \$1.2 billion to address Californian’s energy debts. In October 2022, the Department submitted a funding request of approximately \$76.6 million for residential arrearages. The Department received the requested 2022 CAPP 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 11,526 megawatts (“MW”) and net dependable capacity (or average expected capacity in the case of renewable resources) of 7,918 MW as of September 30, 2025, and properties with a net book value of approximately \$16.1 billion as of September 30, 2025. The Power System’s highest load registered 6,502 MW on August 31, 2017. Based on the Department’s December 2024 Retail Electric Sales and Demand Forecast, the Department anticipates that gross customer electricity consumption will increase from Fiscal Year 2022-23 to Fiscal Year 2032-33 at a forecasted rate of approximately 1.53% 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 resources plans, significant energy efficiency measures have been planned and are being implemented as a cost effective resource, along with support for customer solar projects. The Department adopted a goal in

August of 2014 of achieving up to 15% cumulative energy savings from 2010 through 2020, which was achieved. The Department is now focused on a goal of achieving additional energy savings of 3,434 gigawatt hours (“GWhs”) from 2023 to 2035, surpassing the 1,802 GWhs of projected savings reflected in the LA100 Study. 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 September 30, 2025), and energy mix (actual numbers for calendar year 2024 as reflected in the Department’s most recent Annual Power Content Label), were approximately as follows:

#### **DEPARTMENT GENERATION MIX PERCENTAGES**

<b>Resource Type</b>	<b>Capacity Percentage<sup>(1)</sup></b>	<b>Energy Percentage<sup>(2)</sup></b>
Natural Gas	34.3%	30%
Large Hydro	15.3	3
Coal	10.4	11
Nuclear	3.4	15
Renewables	35.0	41
Storage	2.6	–
Unspecified Sources of Energy <sup>(3)</sup>	–	–
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> Net Maximum Unit Capability as of September 30, 2025.

<sup>(2)</sup> Energy percentage is based on the Department’s calendar year 2024 fuel mix submission as part of the 2024 Annual Power Content Label to the California Energy Commission. The Power Content Label does not reflect compliance with the Renewables Portfolio Standard (RPS), which measures the use of tracking instruments called Renewable Energy Credits (RECs) over the course of multi-year compliance reports.

<sup>(3)</sup> Unspecified sources of energy means electricity from transactions that are not traceable to specific generation sources.

Note: Totals may not equal sum of parts due to rounding.

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

### **Generation and Power Supply**

The Power System has a number of generating resources available to it. The following discussion describes the Department’s solely owned, jointly owned and contracted generation facilities, as well as fuel and water supplies and spot purchase activities. Currently, the Department’s base load requirements are fulfilled primarily by generating capacity at IPP and PVNGS, and balanced with its natural gas, hydroelectric, renewable resources and spot purchases. The following information concerning the capacities of various facilities is as of June 30, 2025.

### **Department-Owned Generating Units**

The Department’s solely owned generating facilities, as of September 30, 2025, are summarized in the following table:

## DEPARTMENT OWNED FACILITIES

Type of Fuel	Number of Facilities	Number of Units	Net Maximum Plant Capacity (MW) <sup>(1)</sup>	Net Dependable or Average Expected Plant Capacity (MW) <sup>(1)(4)</sup>
Natural Gas	4 <sup>(2)</sup>	29 <sup>(2)</sup>	3,377	3,182
Large Hydro	1	7	1,265	1,265
Renewables	65	162 <sup>(3)</sup>	362	86 <sup>(4)</sup>
Storage	1	1	20 <sup>(5)</sup>	— <sup>(5)</sup>
<b>Subtotal</b>	<b>71</b>	<b>199</b>	<b>5,024</b>	<b>4,533</b>
Less: Payable to the California Department of Water Resources	—	—	(120) <sup>(6)</sup>	(28) <sup>(6)</sup>
<b>Total</b>	<b>71</b>	<b>199</b>	<b>4,904</b>	<b>4,505</b>

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

<sup>(1)</sup> Net dependable capacity is based on 2024-25 capacity ratings; for renewables, figure represents average expected capacity. See footnote 4.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> Figure based on historical generation, in addition to statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its average expected capacity.

<sup>(5)</sup> Storage consists of a 10 MWh battery which can discharge up to 20 MW for 30 minutes. Storage capacity contributes to the Net Dependable or Average Expected Plant Capacity of the Power System but such contribution is not included in the calculation methodology as currently utilized for the purposes of this table.

<sup>(6)</sup> 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.

Note: Totals may not equal sum of parts due to rounding.

**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 3,377 MW and a combined net dependable generating capacity of 3,182 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 1,503 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 525 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. Demolition is expected to be completed by November 2026.

**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. 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 final number of individual plaintiffs is approximately 1,300 following the dismissal of plaintiffs who did not participate in discovery. 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 and the plaintiffs have agreed to settle this litigation for \$59.89 million after mediation. The fact that the parties have agreed to settle the litigation has been publicized by various news outlets. A master settlement agreement has been finalized and executed by plaintiff's counsel and the Department. Proceeds of the settlement will be distributed by a court approved settlement administrator. Individual plaintiffs will have the option to "opt out" of the settlement. Plaintiffs who elect to opt out of the settlement would have the ability to bring their own individual actions against the Department. The Department is unable to assess at this time the number of plaintiffs, if any, who will opt-out of the settlement and whether such plaintiffs will bring separate actions against the Department. Counsel for the Department will work with the Department to evaluate how to best proceed with any plaintiffs who opt out.

**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 432 MW with a net dependable capacity of 423 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 776 MW and a net dependable



capacity of 731 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 net maximum capacity of 1,492 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. The Department presented a 2022 Power Strategic Long-Term Resource Plan (the “2022 Strategic Long-Term Resource Plan”) to the Board in September 2022, which details high level initiatives, including increased use of energy storage, retrofitting existing gas units that currently use once-through-cooling with alternative cooling designs such as using wet cooling towers, and introducing hydrogen capable gas generating units to replace once-through-cooling units, and to formalize a roadmap for achieving 100% carbon free energy by 2035. The 2022 Strategic Long-Term Resource Plan was finalized and released in July 2023. See also “– Renewable Power Initiatives – *Strategic Long-Term Resource Plan*.”

***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 average expected capacity of Owens Gorge and Owens Valley Hydroelectric Generation totals 34 MW and the net maximum plant 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

476,000 acre-feet per year to currently approximately 252,000 acre-feet per year (based on the 30-year median). 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, efforts are underway to reduce the amount of water required for Owens Lake dust mitigation. An estimated reduction of up to 10,000 acre-feet may be achieved depending upon terms agreed upon with applicable regulatory authorities and may result in increased aqueduct exports from Owens Valley to the City.

***San Francisquito Canyon and the Los Angeles and Franklin Reservoirs Hydroelectric Generation.***

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 average expected capacity of these smaller units is 27 MW and the net maximum plant 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 September 30, 2025, 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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**JOINTLY-OWNED GENERATING UNITS AND  
CONTRACTED CAPACITY RIGHTS IN GENERATING UNITS**

<b>Type</b>	<b>Number of Facilities</b>	<b>Department's Net Maximum Connected Capacity (MW)</b>	<b>Department's Net Dependable Connected or Average Expected Capacity (MW)</b>
Coal	1	1,202 <sup>(1)</sup>	1,164
Natural Gas	1	578 <sup>(2)</sup>	483
Large Hydro	1	496 <sup>(3)</sup>	270 <sup>(3)</sup>
Nuclear	1	387 <sup>(4)</sup>	380
Renewables/Distributed Generation	94,384 <sup>(5)</sup>	3,678	1,116 <sup>(6)</sup>
Storage	2	281 <sup>(7)</sup>	-(7)
<b>Total</b>	<b>94,390</b>	<b>6,622</b>	<b>3,413</b>

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

- (1) The Department's IPP entitlement is 48.62% of the net maximum 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. As discussed below, the repowering of IPP to replace the coal units with combined cycle natural gas units with a net maximum plant capacity of 840 MW was completed in December 2025.
- (2) The Department's Apex Generating Station entitlement is 100% of the power produced.
- (3) 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.
- (4) The Department's PVNGS entitlement is 9.66% of the net maximum plant capacity of 4,003 MW. See "*– Palo Verde Nuclear Generating Station*" below.
- (5) 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.
- (6) For renewables, figure represents average expected capacity. Figure based on historical generation, in addition to statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its average expected capacity.
- (7) Storage capacity contributes to the Net Dependable or Average Expected Plant Capacity of the Power System but such contribution is not included in the calculation methodology as currently utilized for the purposes of this table.

Note: Totals may not equal sum of parts due to rounding.

***Intermountain Power Project.***

*General.* The IPP, which is located near Delta, in Millard County, Utah, was originally constructed as a coal-fired, steam electric generating plant with a net rating of 1,800 MW. 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. In Fiscal Year 2024-25, the IPP operated at a plant net capacity factor of 43.59% and provided approximately 6.87 million megawatt-hours ("MWhs") of energy to its power purchasers, which includes approximately 4.30 million MWhs to the Power System.

In December 2025, a repowering of the generating station to replace the coal units with combined cycle natural gas units as the source of generation for the IPP was completed. See "*– Intermountain Generating Station upon the termination of the IPP Contract*" below for a further discussion of the repowering of the IPP generating station and the development of the repowering project.

Following completion of such repowering, the IPP consists of: (i) a two-unit, combined-cycle natural gas-fired electric generating plant, consisting of two power blocks, each with one gas turbine, a heat recovery steam generator train and a single steam turbine, with an approximate combined net generation capability of 840 MW (the "Intermountain Generating Station") and a switchyard (the "Switchyard"), located near Lynndyl, in

Millard County, Utah; (ii) a  $\pm 500$  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) certain water rights (which water rights, together with the Intermountain Generating Station and the Switchyard, are referred to herein collectively as the “Generation Station”); and (vi) coal generating units and related facilities which are not in operation. As a result of the repowering, coal supplies to fuel the generating plant are no longer needed and the railcar service center constructed as part of the original IPP project to provide delivery of coal supplies ceased operating in August 2025.

*Power Contracts.* Pursuant to a Power Sales Contract with IPA (the “IPP Contract”), the Department is currently entitled to 48.617% of the capacity of the IPP. The Department’s capacity entitlement under the IPP Contract is currently equal to approximately 408 MW. The term of the IPP Contract ends on June 15, 2027. Upon the termination of the existing IPP Contract, the Department’s entitlement share of the capacity of the IPP will increase. See “– *Intermountain Generating Station upon the termination of the IPP Contract*” below. 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. The Department’s capacity entitlement under the IPP Excess Power Sales Agreement is currently equal to approximately 152.6 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.”

*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, IPA and the Department entered into 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. As noted above, new generation facilities entered service in October 2025 and planned operation occurred in December 2025 (after the originally scheduled date of July 1, 2025). The estimated cost of the repowering of the plant to the new combined cycle units at IPP was approximately \$1.7 billion. This estimate does not include the hydrogen facilities being constructed as described below.

IPA executed a contract in early 2022 securing energy conversion and storage services 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. Upgrades to the Switchyard and replacement of converter stations are also being undertaken at an estimated cost of approximately \$2.8 billion, reflecting a change in scope requested by the Department and the cities of Burbank and Glendale to upgrade portions of the converter station to 3,000 MW. 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 (the “IPP Agreement for Sale of Renewal Excess Power”) 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 will govern the sale of IPP capacity and output beginning 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.

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 the IPP (currently equal to approximately 152.6 MW) for defined future summer or winter seasons or both, following no less than 90 days’ notice and up to 43 MW of such capacity on a seasonal basis following no less than 90 days’ notice. IPP Utah participants have recalled 0.22% of the capacity of the IPP (equivalent to 2 MW) from the Department for the winter season which started September 2025 and will end March 2026. The percentage of the capacity of the 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 the 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.* In March 2024, IPA executed a Fuel and Asset Management Agreement (the “FAMA”) with Tenaska Marketing Venture (“TMV”) to purchase natural gas for use at the IPP. As fuel manager, TMV offers purchasing rights for natural gas and guarantees delivery to the IPP, providing reliable supply during high market volatility. Under the FAMA, TMV is also responsible for nominating, scheduling, and delivering natural gas to the IPP. TMV has been providing 100% of the gas to the IPP as of October 2024 to support commissioning activities.

For more information on the effect of certain environmental considerations on the IPP and potential implications of certain recently enacted Utah legislation with respect thereto, see “FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – *Environmental Regulation and Permitting Factors – Air Quality – Mercury,*” “– *Coal Combustion Residuals,*” and “– *Utah Senate Bill 161.*”

*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, 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, SCPA 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 SCPA. 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”).

*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 had 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; Southern California Edison Company (“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 2024 annual funding status report which is based on a 2023 study of decommissioning costs, 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 72% funded and that its share of decommissioning costs through SCPPA was 82% funded. The Department’s direct share of costs is \$228.3 million and SCPPA’s share is \$238.9 million, of which the Department’s portion is \$160.1 million or 67%. Under the current funding plan, the Department estimates its share of the decommissioning costs relating to the Department’s direct ownership interest in PVNGS will be fully funded by accumulated interest earnings and additional contributions by the extended license expiration date of 2047. Such estimates assume 7% per annum in future investment returns and a 5% per annum cost escalation factor. The Department has received and is receiving less than a 7% per annum investment return on the decommissioning funds and cost increases have been averaging less than 5% per annum. No assurance or guarantee can be given that investment earnings will fully fund the Department’s remaining decommissioning obligations at current estimated costs or that the decommissioning costs will not exceed current estimates. For a discussion of the Department’s nuclear decommissioning trust fund and other investments held on behalf of the Department, see “THE DEPARTMENT – Investment Policy and Controls.”

*Nuclear Waste Storage and Disposal.* Generally, federal and state efforts to provide adequate interim and long-term storage facilities for low-level and high-level nuclear waste have proven unsuccessful to date. Although federal and state efforts continue with respect to such storage and disposal facilities, the Department is not able to predict the schedule for the permanent disposal of radioactive wastes generated at PVNGS. Since the spent fuel pools ran out of storage capacity, an independent spent fuel storage installation was built to provide additional spent fuel storage at the site while awaiting permanent disposal at a federally developed facility. The installation uses dry cask storage and was designed to accept all spent fuel generated by PVNGS during its lifetime. As of June 30, 2025, 152 casks, each containing 24 spent fuel assemblies, and 30 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.

Decommissioning has been completed and the land was returned to the Navajo Nation in March 2024; however, the Department retains responsibility for its share of environmental monitoring and remediation 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 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. See also “–Renewable Power Initiatives – *Strategic Long-Term Resource Plan.*”

## **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 14% of the Department’s energy in each of 2023 and 2024, or about one-third of the renewable energy, which comprised 40% and 41% of the total energy mix in 2023 and 2024, respectively, as reflected in the Department’s Annual Power Content Label



for such years. The Power Content Label does not reflect compliance with the RPS, which measures the use of tracking instruments called Renewable Energy Credits (RECs) over the course of multi-year compliance reports.

***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, Wyoming, and New Mexico. Such power purchase agreements provide for an aggregate of 1,220 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.”

***SW Wyoming Wind Project.*** The SW Wyoming Wind Project is a power purchase agreement between the Department and Avangrid Power, LLC, for renewable wind energy from the Pleasant Valley Wind Energy

Center located in Wyoming. The project consists of 80 wind turbines with a total installed capacity of 144 MW, and began commercial operation in 2003. The Department has secured 82.7 MW (57.45%) of the project's output, including associated environmental attributes. The Department is expected to receive approximately 233,000 MWh annually from the project. The current agreement covers the delivery of renewable energy and associated environmental attributes through December 2026. Energy is delivered to the Department at Mona Sub-Airway Switchyard and scheduled in accordance with Western Electricity Coordinating Council ("WECC") protocols.

*Pebble Springs Wind Project.* The Pebble Springs Wind Project is a 99 MW wind energy facility located in Gilliam County, Oregon. The project was developed by Pebble Springs Wind, LLC, a subsidiary of PPM Energy (now Avangrid Renewables), and began commercial operation in 2009. The Department has secured a 68.7 MW (69.6%) share of the project's output under a power sales agreement with SCPPA. The project is expected to produce approximately 275,000 MWh annually, of which the Department is expected to receive approximately 193,000 MWh until February 2027. Energy is delivered to the Department via the Pacific DC Intertie and received at the Sylmar Converter Station.

*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 eleven golden eagle carcasses in the proximity of the Pine Tree Wind Project. The Department has completed 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. 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 with respect to 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 has prepared a condor conservation plan and obtained an incidental take permit for California condors on November 28, 2023. The condor conservation plan

outlines the avoidance measures that are currently being implemented and the proposed compensatory mitigation measures in an effort to protect and address the declining condor population.

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

*Large Scale Solar Energy.* The Department has entered into the following 14 power purchase agreements (“PPAs”) for the purchase of renewable energy from 1,727 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 Semptra 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 LLC (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 LLC. 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 LLC. 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 was developed by Arevon Energy, Inc. 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. This facility began full commercial operation in November 2024.

- 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 was developed by Arevon Energy, Inc. 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. This facility began full commercial operation in July 2025.
- 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 246.9 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.
- The fourteenth PPA with an option to purchase is a 30-year contract through SCPPA for 235 MW of the Milford Solar Phase II project, which is adjacent to the Milford Wind Phase I and Milford Wind Phase II project and is being developed by Longroad Energy LLC. Milford Solar Phase II is expected to deliver an average of approximately 585,000 MWhs of renewable energy a year to the Department. The facility is expected to begin full commercial operation by the end of December 2026.

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.*”

***Geothermal Development.*** The Department executed a power sales agreement with SCPPA for 84.62% of the energy output, or 114 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 Department has executed an amendment to the power sales agreement with SCPPA to extend

energy deliveries from the Heber-1 Project for an additional 25-year term from February 2, 2026 to February 1, 2051. 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 generating capacity from the Heber-1 Project is expected to be 52 MW. The Department's share is 78.0% (40.56 MW) for the remaining term. The equivalent average energy delivered to the Department is expected to be 338 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 165.65 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). The maximum annual energy received by the Power System from the project is expected to be approximately 1,620 GWhs. The power sales agreement with SCPPA expires in December 2043.

***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 115.8 MW comprised of 4 MW of solar photovoltaic generation in the Owens Valley and 4 MW of renewable landfill gas generation, and 107.8 MW of photovoltaic generation installed within the Department's in-basin 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 the pricing of a portion of their electric bills based upon the costs and benefits of 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; (vii) the FiT Plus program, which facilitates the installation of energy storage with existing and new FiT photovoltaic projects; and (viii) the Self Generation Incentive Program ("SGIP"), which the Department has been authorized by the CPUC to administer for its service territory, and which initially includes approximately \$36.0 million in funding for deploying solar and energy storage in low-income households. In total, approximately 719 MW of customer-owned net energy metered photovoltaic solar projects have been installed in the Department's in-basin service territory as of September 2025.

Certain of these programs are further described below:

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 26.19 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 7.19 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'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 35 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.

***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 POU's 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 for a five-year term from the Roseburg SB 859 biomass project, which began making deliveries of energy in February 2021. 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 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 20 MW Beacon utility-scale BESS project, located on the Beacon Property, which commenced operation in October 2018.
- 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 solar and energy storage systems at the Eland Solar & Storage Center, Phase 1 and the Eland Solar & Storage Center, Phase 2. Phase 1 was commissioned in November 2024, and Phase 2 was commissioned on July 31, 2025. The energy storage at the Eland Solar & Storage Center, Phase 1 is a 131.25 MW/4-hour Tesla Li-ion Battery System. The energy storage at the Eland Solar & Storage Center, Phase 2 is a 150 MW/4-hour Tesla Li-ion Battery System.

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

The Department is pursuing the development of a project selected through a proposal submitted under a SCPPA Standalone Energy Storage RFP, encompassing various technologies. The proposed project would deploy a Long Duration Energy Storage (LDES) near a major renewable generation hub, with commissioning targeted for the first quarter of 2029.

**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. As of December 2024, there were slightly more than 8,700 Department customers subscribed to the Green Power 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 would 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.

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 and to use the LA100 Study as a guide to fulfill the energy vision being pursued by the federal Administration at that time, 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 repowering 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 proposed project (the “Scattergood Green Hydrogen-Ready Modernization Project”) is aimed 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 and Harbor Unit 5 from once-through cooling to closed-cycle wet cooling in compliance with the California State Water Resources Control Board mandate to cease the use of coastal and estuarine waters for power plant cooling by December 31, 2029.

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 sought federal funding through the federal Department of Energy’s (“DOE”) Regional Clean Hydrogen Hubs (“H2Hub”) program which provided for funding to establish no more than 10 regional hydrogen hubs across the country.

On May 19, 2022, the City Council directed the Department and the Port of Los Angeles (“POLA”) to coordinate a local effort to create and submit a proposal to the DOE proposing the Greater Los Angeles area for consideration as a regional “green” hydrogen hub. Subsequently, to support a unified statewide approach, the Department contributed to an application led by ARCHES. This application, submitted by ARCHES and its partners, outlined a proposed “renewable” and “clean” hydrogen ecosystem in California, incorporating new and existing projects.

On October 13, 2023, the prior federal Administration announced \$7 billion in awards for seven regional hydrogen hubs, of which the California-centered hub was selected for an award of up to \$1.2 billion. ARCHES selected the Scattergood Generating Station Units 1 and 2 Green Hydrogen-Ready Modernization Project as a subrecipient of up to \$100 million in federal funds. The subrecipient agreement between ARCHES and the Department was approved by the Board on December 10, 2024. Since then, the Department has continued to collaborate with ARCHES, providing the required deliverables and cost reporting for the Scattergood project under the H2Hub program.

On October 1, 2025, the DOE announced the termination of federal funding in connection with 321 financial awards supporting 223 projects. In its announcement, the DOE stated that the termination of funding was based upon its determination that the affected projects did not adequately advance the nation’s energy needs, were not economically viable, and would not provide a positive return on investment of taxpayer dollars. This broad funding rescission included the cancellation of the DOE’s commitment to provide up to \$1.2 billion for the ARCHES H2Hub. ARCHES submitted a formal letter to the DOE on October 11, 2025, appealing the funding termination. The Department cannot predict the outcome of ARCHES’ pending appeal of the federal funding termination. It is the Department’s view that the potential loss of anticipated federal funding does not diminish the Department’s assessment of the underlying need for the Scattergood project, the necessity of which was determined independently of federal funding, and that the Scattergood project remains a critical component of the Department’s clean energy transition.

The State of California has reaffirmed its support for ARCHES, as reflected in public statements by Governor Gavin Newsom and U.S. Senator Alex Padilla. The Department has continued to pursue regional collaboration with potential industry partners, engagement with regulatory agencies and broad stakeholder



groups, and community outreach to support the practical development and deployment of green hydrogen infrastructure. The Department will also continue to monitor legal and regulatory developments at the federal, state, and local levels, including those related to the H2Hub program.

***Strategic Long-Term Resource Plan.*** 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.

As previously noted, the Department released a final version of the 2022 Strategic Long-Term Resource Plan in July 2023. The 2022 Strategic Long-Term Resource Plan models three cases for achieving 100% carbon-free energy by 2035, as well as a reference case used for comparison purposes, that represents the minimum investments needed to comply with the requirements of SB 100, which establishes the State policy goal of achieving the supply of all retail sales of electricity in California from renewable and carbon-free resources by 2045 (see “FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments”). The 2022 Strategic Long-Term Resource Plan utilizes the same modeling methodology and approach as the LA100 Study and includes a general assessment of the revenue requirements and rate impacts (preliminary, averages) to support a recommended resource plan through 2035 and 2045. For each of the three cases modeled, the net present value of the estimated total cumulative bulk power portfolio cost across the study horizon of 2022 through 2045 is in excess of \$80 billion. This total cost in net present value represents both fixed capital and variable operating and maintenance costs of the Power System and is primarily used as a metric to compare cases. In June 2024, the OPA issued a review of the 2022 Strategic Long-Term Resource Plan, focused on the potential rate impacts of the plan. In its review, the OPA noted that the estimated average annual impact on rates for 2022 through 2035 of the three cases modeled in the 2022 Strategic Long-Term Resource Plan to achieve carbon-free energy by 2035 ranged from approximately 7.7% to 8.3%, as compared to approximately 4.8% for the SB 100 comparison case (roughly 90% clean energy by 2045). The 2022 Strategic Long-Term Resource Plan represents only a conceptual plan and encompasses numerous challenges related to availability of technology, implementation feasibility, system reliability and affordability. The 2022 Strategic Long-Term Resource Plan did not include potential cost savings from other potential sources of funding such as the federal Inflation Reduction Act of 2022 (the “IRA”), the federal Infrastructure Investment and Jobs Act of 2021, and state and federal grants. The extent of the availability, if any, of any federal funding sources will be determined by the current federal Administration. See “FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY – Changing Laws, Energy Policies and Requirements.”

The next iteration of the Department’s Strategic Long-Term Resource Plan is being finalized and has been renamed the LA100 Plan. The LA100 Plan focuses on only one case along with a number of sensitivities to evaluate risk, and provides an update to the 2022 Strategic Long-Term Resource Plan. The LA100 Plan will include analysis of rate drivers and additional clean energy opportunities to refine and optimize costs over the long-term. The LA100 Plan will reflect an update of the net present value of the estimated total bulk portfolio cost through 2045, including both fixed capital and variable operating and maintenance costs of the Power System, to support a recommended resource plan for achieving the Department’s goal of 100% carbon-free energy by 2035, based on the updated LA100 Plan methodologies and cost estimates. The LA100 Plan is anticipated to be completed by the end of the first quarter of calendar year 2026. The LA100 Plan is intended to serve as a conceptual framework rather than a definitive, prescriptive roadmap. Following its completion, it is expected that the LA100 Plan will continue to evolve and the Department’s long-term strategies are anticipated to continue to be adjusted and further refined in response to, among other things, new data, policy developments, stakeholder input, and advances in technology.

## 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 POUs to identify energy efficiency potential and establish annual efficiency targets to enable the State to meet the goal of reducing total forecasted electricity consumption by 10% by 2020. The Department adopted a goal in August 2014 of achieving up to 15% cumulative energy savings from 2010 through 2020, which was achieved. The Department is now focused on a goal of achieving additional energy savings of 3,434 GWhs from 2023 to 2035, surpassing the 1,802 GWhs of projected savings reflected in the LA100 Study.

**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. Beginning in 2024, the Food Service Program started offering electrification incentives for all electric commercial cooking equipment and appliances.

**Custom Performance Program/Business Offerings for Sustainable Solutions.** As initially established, the Custom Performance Program (the "CPP") provided 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, retro-commissioning, chiller efficiency, and/or other innovative energy savings strategies.

Beginning July 1, 2024, the CPP was rebranded as the Business Offerings for Sustainable Solutions (“BOSS”) Program. The BOSS Program continues to fast-track smaller, less energy-intensive projects through its “Custom Express” service, which offers energy savings projections to expedite application processing and faster payments to customers. Additionally, the Custom Calculated service provides in-depth analyses to custom calculate the energy savings of individual efficiency projects. Since 2007, the CPP/BOSS Program has achieved over 624 GWhs of energy savings and introduced electrification incentives for space and water heating end uses.

*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 better meet their lighting needs, attain greater energy savings, and receive higher incentives. Commercial lighting programs have achieved over 851 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 over 528 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 initiative targeting customers who qualify under the Department’s Low-Income or Senior Citizen/Disability Lifeline Rates, as well as multi-residential and non-profit customers. The program has expanded to include multi-family and mobile home communities, civic, community, faith-based organizations, and educational institutions. Currently, the REP is suspended while the program seeks a new third-party contractor to administer the program and provide energy-efficient refrigerators for this customer segment to replace older, inefficient, but operational models. Since 2007, REP has achieved over 106 GWhs of energy savings.

*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.

*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 that are not included in the 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. Since the results of the studies, the Department has been crafting incentives for customers to electrify building end uses leveraging existing program delivery mechanisms to promote electric space and water heating, cooking and drying that have traditionally used natural gas as a fuel. While building electrification presents an opportunity to produce additional revenue, the Department’s activities have focused on promoting measures that effectively result in net utility bill reduction (inclusive of gas and electricity). This is directed towards maintaining a high level of customer benefit and satisfaction.

As the Department ramps up its technology assessment efforts in the Emerging Technologies program, it has partnered with the NREL to develop a technology prioritization tool. The tool prioritizes 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 for 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 September 2025, the Department has spent approximately \$1.9 billion on its energy efficiency programs, and these programs are estimated to have reduced long-term peak period demand and consumption by approximately 997 MW and resulted in approximately 6,166 GWhs of energy savings. Through the energy-efficiency rebate and incentive programs, residential and commercial customers saved approximately 360 GWh incrementally for Fiscal Year 2024-25, falling short of energy savings targets by 47 GWh. The Department spent approximately \$98 million on energy efficiency programs for Fiscal Year 2024-25 of its approximately projected \$202 million budgeted amount for such Fiscal Year. The Department will continue to evaluate the delivery and implementation of energy efficiency measures that support system reliability and resiliency while enabling customers to better manage their use of electricity. The Department anticipates increasing its expenditures for energy efficiency and building electrification programs in future years, based on portfolio planning utilizing the results of the Department’s energy efficiency and building electrification 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 43.9 billion equivalent cubic feet of natural gas during Fiscal Year 2024-25. In addition, the Department’s fossil fuel requirements for the Apex Power Project were 7.9 billion equivalent cubic feet of natural gas during Fiscal Year 2024-25. 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 SCPA (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 2.88% of the Department’s average daily natural gas requirements for Fiscal Year 2024-25. 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. Under this ordinance, the Department’s General Manager also may enter into biogas supply agreements for a period not to exceed ten years, so long as certain conditions are met. The use of natural gas swaps, derivatives and other price hedging arrangements are subject to risk management policies and review procedures established by the Board. The Department has developed a natural gas procurement strategy that includes a program of

entering into financial hedges with various counterparties that have permitted terms of up to ten years and are intended to mitigate customer exposure to gas price volatility. The policy permits up to 75% of the Department's natural gas requirements to be hedged through various measures (including such financial hedges), although the amount hedged in a given year may vary.

As of June 30, 2025, the Department had entered into financial natural gas hedges in various notional amounts per Fiscal Year for each Fiscal Year through Fiscal Year 2029-30 with an aggregate notional amount of approximately 73.6 million MMBtu. These financial hedges cover up to approximately 49.0% of the Department's natural gas requirements based on the latest budget for the Fiscal Years through 2030-31. Tables describing the notional amount for specified Fiscal Years and the durations of the hedges, as well as a discussion of the credit, basis and termination risks associated with the Department's financial natural gas hedges as of June 30, 2025 and 2024, can be found in Note (8).

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

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

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

As of June 30, 2025, approximately 49% and 37% of the Department's projected natural gas needs have been hedged for Fiscal Year 2025-26 and Fiscal Year 2026-27, respectively, through financial natural gas hedges and gas reserves. This ratio declines such that by Fiscal Year 2030-31, approximately 10% of projected natural gas needs are hedged. The Department typically hedges a higher percentage of its natural gas needs as the operating year approaches. The goal of the current natural gas hedging program is to hedge up to five years forward from the current Fiscal Year, with the next Fiscal Year hedged up to 50% and the fifth Fiscal Year hedged up to 10%. The Department periodically reviews the goals of its natural gas hedging program.

The SoCalGas Aliso Canyon underground natural gas storage facility in the Porter Ranch area of Los Angeles leaked between October 23, 2015 and February 18, 2016 and was ordered to cease its injections by State agencies until testing of all operating wells was 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. In August 2023, the CPUC approved an increase in the allowable storage at the facility to 68.6 BCF. With the CPUC's August 31, 2023 vote to increase the Aliso Canyon interim storage limit, the agency also ended SoCalGas's need to comply with the Aliso Canyon Withdrawal Protocol as part of the implementation of that decision. In reaching its August 2023 decision, the CPUC determined that restrictions on Aliso Canyon contributed to the prior year's natural gas price spikes and that removal of the Commission's storage level limitation would provide a significant tool to mitigate future gas price spikes. 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 December 2024, the CPUC approved a proposed decision to create a process to reassess the need for the Aliso Canyon gas storage facility as demand for natural gas declines. The decision establishes a specific natural gas peak demand target, which is the level at which it determined Southern California peak demand can be served without Aliso Canyon. Beginning in June 2025, the CPUC will issue biennial assessments with a recommendation of the appropriate Aliso Canyon inventory based on natural gas

demand reduction levels and reliability and economic analyses. When the forecasted peak day demand for two years out decreases to the target level, and an assessment shows that Aliso Canyon could be closed without jeopardizing reliability or just and reasonable rates, the CPUC will open a proceeding to review the assessment's conclusions and address any relevant issues related to permanent closure and decommissioning of the gas storage facility.

### **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 365 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 approximately 4% 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 over approximately 15,000 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 over approximately 11,000 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 access resources across a larger geographic area that includes eleven 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. In December 2024, the Board approved an implementation agreement for the Department's future participation in the Cal ISO's Extended Day-Ahead Market ("EDAM"). EDAM is a voluntary, wholesale energy market designed to optimize the availability of energy on existing transmission line infrastructure in the Western United States. Cal ISO's EDAM

is expected to launch in 2026. Through participation in EDAM, the Department and other utilities will be provided with a preview of anticipated surplus energy days in advance, which is expected to help mitigate renewable energy curtailments and GHG emissions. It is anticipated that the Department will officially enter the EDAM market in mid-2027. AB 825, signed into law in September 2025, authorizes the Western EIM and EDAM to be governed by a new, independent regional organization (rather than Cal ISO) in the future if specified requirements are satisfied. The creation of a new regional governance structure is expected to facilitate the regionalization of these energy markets among the Western states.

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,  $\pm 500$  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 \$2.8 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 on various dates through April 2028. The new converter stations will tie into the existing AC switchyards and connect to the existing DC transmission line. The schedule and cost estimate for the STS renewal project reflect design changes authorized by the IPA board of directors in November 2023 to facilitate an increase in the capacity of the STS from 2,400 to 3,000 MW to be undertaken in the future. 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 entered into 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 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. 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. Under the IPP Agreement for Sale



of Renewal Excess Power, which will take effect in June 2027, the Department will be provided with firm transmission rights to approximately 50% of the total capacity on each of the sections of the NTS. The Department can have up to a maximum NTS share allocation of 100% of the total NTS capacity depending on the generation deemed excess by the Utah municipalities and cooperatives that have access to such power post-2027. See “– Jointly-Owned Generating Units and Contracted Capacity Rights in Generating Units – Intermountain Power Project.”

***Pacific DC Intertie and Sylmar Converter Station.*** The Pacific DC Intertie is an approximately 846-mile,  $\pm 500$  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 Board approved the Fiscal Year 2025-26 capital improvement program on May 13, 2025. A forecast of Power System capital improvement program expenditures for Fiscal Year 2025-26 through Fiscal Year 2029-30 was developed by the Department in conjunction with the preparation of the Power System budget for Fiscal Year 2025-26.*

*The detailed plans for and costs of projects to be undertaken in connection with the re-building of areas affected by the Palisades Fire are being developed. The forecasted Power System capital improvement program for Fiscal Year 2025-26 through Fiscal Year 2029-30 reflects certain preliminary estimates of anticipated expenditures associated with the re-building over the five-year period. However, these estimates are preliminary and are expected to change as the plans are further developed and the recovery efforts continue.*

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 December 2024 Retail Electric Sales and Demand Forecast, the Department anticipates that gross customer electricity consumption will increase from Fiscal Year 2022-23 to Fiscal Year 2032-33 at a forecasted rate of approximately 1.53% 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 resources plans, significant energy efficiency measures have been planned and are being implemented as a cost effective resource, along with support for customer solar projects. The Department achieved its energy efficiency goal of 15% cumulative energy efficiency savings from 2010 through 2020 and is now focused on an additional 3,434 GWhs 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 below, for Fiscal Year 2025-26 through Fiscal Year 2029-30, the Department expects to invest approximately \$18.5 billion in capital improvements to the Power System.

**EXPECTED CAPITAL IMPROVEMENTS TO THE POWER SYSTEM  
FIVE-YEAR PERIOD BEGINNING JULY 1, 2025  
(in Millions)**

	<u><b>5-Year Totals</b></u>
<b>Infrastructure:</b> Various Generation Station Improvements	\$ 3,593
<b>Energy Efficiency</b>	1,060
<b>Power System Reliability Program</b>	7,861
<b>Renewable Portfolio Standard (RPS):</b> Wind Projects, Renewable Energy Project Development, Renewable Transmission Projects, RPS Storage	3,431
<b>Power System Resource Plan</b>	10
<b>Shared Services:</b> Facilities, Customer Services, Fleet	<u>2,556</u>
<b>Total Power System Capital Improvements</b>	<u>\$18,512</u>

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

Note: Total may not equal sum of parts due to rounding.

The table below indicates, for Fiscal Year 2025-26 through Fiscal Year 2029-30, 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)**

<b>Fiscal Year Ending (June 30)</b>	<b>Internally Generated Funds</b>	<b>External/Debt Financing</b>	<b>Total Capital Expenditures<sup>(1)</sup></b>
2026	\$812	\$1,820	\$2,632
2027	1,312	2,297	3,609
2028	1,582	2,649	4,231
2029	1,606	2,718	4,324
2030	<u>1,259</u>	<u>2,455</u>	<u>3,715</u>
	\$6,572	\$11,940	\$18,512

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

<sup>(1)</sup> Net of reimbursements to the Department.

Note: Totals 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) higher than anticipated construction bids or costs, including as a result of tariffs, (vi) material and/or labor shortages, (vii) unforeseen site and subsurface conditions, (viii) adverse weather conditions or natural disasters, (ix) contractor defaults, (x) labor disputes, (xi) unanticipated levels of inflation, (xii) environmental issues, (xiii) the ability to access the capital markets at particular times and (xiv) 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 5,221 customers are served. As of September 30, 2025, 34% of the Power System's total energy sales (measured in MWhs) were to residential customers, 62% to commercial and industrial customers and the remaining 4% to all other purchasers. Revenues from residential customers, commercial/industrial customers, and other customers were approximately 36%, 61%, and 3% 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	Three Month Period Ended September 30		Fiscal Year Ended June 30				
	2025 <sup>(1)</sup>	2024	2025	2024	2023	2022	2021
Net Energy Load <sup>(2)</sup>	6,726	7,092	23,530	22,994	23,859	23,997	23,797
Net Hourly Peak Demand (MW)	5,239	6,251	6,251	5,453	6,216	4,911	6,106
Annual Load Factor (%)	58.14	51.39	42.97	48.00	43.81	55.79	44.49
Electric Energy Generation, Purchases and Interchanges <sup>(2)</sup>							
Generation <sup>(3)(4)</sup>	4,466	4,902	15,699	16,384	17,172	17,194	17,281
Purchases <sup>(4)</sup>	2,689	2,704	9,998	8,876	9,148	9,440	8,988
Miscellaneous Energy Receipts <sup>(2)</sup>	0	0	--	96	--	--	705
Total Energy <sup>(2)</sup>	7,155	7,605	25,696	25,356	26,320	26,634	26,974
Less:							
Miscellaneous Energy Deliveries <sup>(2)(5)</sup>	1	0	--	--	426	511	--
Losses and System Uses <sup>(2)</sup>	1,077	831	2,723	2,833	2,386	2,595	4,479
On-System Sales <sup>(2)</sup>	6,077	6,775	22,974	22,523	23,508	23,528	22,495
Sales of Energy <sup>(2)</sup>							
Residential	2,209	2,397	7,351	7,077	7,736	7,383	7,707
Commercial and Industrial	3,986	4,130	13,879	13,954	13,959	14,092	13,220
All Other	283	438	1,533	1,026	1,722	1,891	2,087
Total	6,478	6,965	22,763	22,057	23,417	23,366	23,014
Number of Customers – (Average, in thousands):							
Residential	1,461	1,456	1,458	1,453	1,440	1,430	1,414
Commercial and Industrial	127	128	128	128	128	128	126
All Other	7	7	7	7	7	7	7
Total	1,595	1,591	1,593	1,588	1,575	1,565	1,547

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

<sup>(1)</sup> Data for the three-month period ended September 30, 2025 is preliminary and subject to change. Results for the first three months of Fiscal Year 2025-26 may not be indicative of results for full Fiscal Year 2025-26.

<sup>(2)</sup> Thousands of MWhs.

<sup>(3)</sup> 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.

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

<sup>(5)</sup> 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)

	Three Month Period Ended September 30		Fiscal Year Ended June 30 <sup>(1)</sup>				
	2025 <sup>(2)</sup>	2024	2025	2024	2023	2022	2021
Operating Revenues							
Residential	\$ 484,312	\$ 481,955	\$1,887,767	\$1,679,399	\$1,717,646	\$1,637,120	\$1,614,033
Commercial and Industrial	835,985	777,864	3,290,202	3,036,936	2,857,601	2,784,691	2,492,138
Sales for resale <sup>(3)</sup>	34,942	40,923	159,162	118,193	326,347	230,160	186,706
Other <sup>(4)</sup>	6,432	10,084	(28,831)	(9,160)	56,945	(58,211)	(24,399)
Total Operating Revenues	<u>\$1,361,671</u>	<u>\$1,310,826</u>	<u>\$5,308,300</u>	<u>\$4,825,368</u>	<u>\$4,958,539</u>	<u>\$4,593,760</u>	<u>\$4,268,478</u>
Average Revenue per kWh Sold <sup>(5)</sup>							
Residential	0.219	0.201	0.257	0.237	0.222	0.222	0.209
Commercial and Industrial	0.210	0.188	0.237	0.218	0.205	0.198	0.189
Average Annual Residential Usage <sup>(6)</sup>	2	2	5	5	5	5	5
Operating income	\$ 235,140	\$ 277,270	\$1,080,254	\$ 771,963	\$ 742,176	\$ 800,988	\$ 744,139
As % of revenues	17.3%	21.2%	20.4%	16.0%	15.0%	17.4%	17.4%
Adjusted Change in Net Position, excluding Power Transfer and including accounting change <sup>(7)</sup>	\$ 220,578	\$ 266,503	\$1,072,109	\$ 829,356	\$ 833,815	\$ 532,290	\$ 633,942
Adjusted Change in Net Position, including Power Transfer and accounting change <sup>(7)</sup>	\$ 220,578	\$ 266,503	\$ 852,797	\$ 584,661	\$ 601,772	\$ 307,275	\$ 415,587

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

<sup>(1)</sup> Derived from the Power System Financial Statements (except for usage statistics).

<sup>(2)</sup> Data for the three-month period ended September 30, 2025 is preliminary and subject to change. Results for the first three months of Fiscal Year 2025-26 may not be indicative of results for full Fiscal Year 2025-26.

<sup>(3)</sup> Includes sales of power and transmission services to other utilities.

<sup>(4)</sup> Net of Uncollectible Accounts.

<sup>(5)</sup> 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.

<sup>(6)</sup> MWh use per residential customer.

<sup>(7)</sup> "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)

	<b>Three Month Period Ended September 30</b>		<b>Fiscal Year Ended June 30<sup>(1)</sup></b>				
	<b>2025<sup>(2)</sup></b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>							
Sales of Electric Energy:							
Residential	\$ 484,312	\$ 481,955	\$1,887,767	\$1,679,399	\$1,717,646	\$1,637,120	\$1,614,033
Commercial and industrial	835,985	777,864	3,290,202	3,036,936	2,857,601	2,784,691	2,492,138
Sales for resale	34,942	40,923	159,162	118,193	326,347	230,160	186,706
Other <sup>(3)</sup>	6,432	10,084	(28,831)	(9,160)	56,945	(58,211)	(24,399)
Total Operating Revenues	<u>\$1,361,671</u>	<u>\$1,310,826</u>	<u>\$5,308,300</u>	<u>\$4,825,368</u>	<u>\$4,958,539</u>	<u>\$4,593,760</u>	<u>\$4,268,478</u>
<b>Operating Expenses</b>							
Production:							
Fuel for Generation	\$ 72,878	\$ 80,474	\$ 295,893	\$ 333,636	\$ 435,524	\$ 327,813	\$ 228,697
Purchased Power	360,080	284,313	1,253,073	1,220,759	1,448,692	1,309,505	1,301,394
Energy Cost	432,958	364,787	1,548,966	1,554,395	1,884,216	1,637,318	1,530,091
Maintenance and Other							
Operating Expenses	481,142	467,004	1,837,863	1,693,747	1,570,429	1,430,993	1,323,158
Adjusted Operating Expenses <sup>(4)(6)</sup>	<u>\$ 914,100</u>	<u>\$ 831,791</u>	<u>\$3,386,829</u>	<u>\$3,248,142</u>	<u>\$3,454,645</u>	<u>\$3,068,311</u>	<u>\$2,853,249</u>
Adjusted Operating Income <sup>(4)(6)</sup>	\$ 447,571	\$ 479,035	\$1,921,471	\$1,577,226	\$1,503,894	\$1,525,449	\$1,415,229
Other non-operating income and expenses, net	85,009	89,269	348,372	395,293	413,808	1,482	145,303
Contributions in aid of construction	14,277	1,738	63,915	70,492	76,942	100,865	103,459
<b>Adjusted Change in Net Position<sup>(5)(6)</sup></b>	<u>\$ 546,857</u>	<u>\$ 570,042</u>	<u>\$2,333,758</u>	<u>\$2,043,011</u>	<u>\$1,994,644</u>	<u>\$1,627,796</u>	<u>\$1,663,991</u>
<b>Debt Service</b>							
Adjusted Interest <sup>(6)(7)</sup>	149,260	135,376	559,487	536,274	517,818	479,482	459,413
Principal	282,740	223,610	223,610	214,040	190,315	187,683	179,405
Total debt service	<u>\$ 432,000</u>	<u>\$ 358,986</u>	<u>\$ 783,097</u>	<u>\$ 750,314</u>	<u>\$ 708,133</u>	<u>\$ 667,165</u>	<u>\$ 638,818</u>
<b>Debt Service Coverage Ratio</b>	N/A	N/A	2.98	2.72	2.82	2.44	2.60
Depreciation, amortization and accretion	\$ 212,431	\$ 201,765	\$ 841,217	\$ 805,263	\$ 761,718	\$ 724,461	\$ 671,090
Transfers to the Reserve Fund of the City	N/A	N/A	\$ 219,312	\$ 244,695	\$ 232,043	\$ 225,015	\$ 218,355

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

<sup>(1)</sup> Derived from the Power System Financial Statements.

<sup>(2)</sup> Data for the three-month period ended September 30, 2025 is preliminary and subject to change. Results for the first three months of Fiscal Year 2025-26 may not be indicative of results for full Fiscal Year 2025-26.

<sup>(3)</sup> Net of Uncollectible Accounts.

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

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

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

<sup>(7)</sup> Interest expense excluding amortization of debt premium.

## Indebtedness

As of December 1, 2025, approximately \$12.55 billion in principal amount of debt of the Department payable from the Power Revenue Fund was outstanding. Of such amount, approximately \$12.40 billion in principal amount is fixed-rate bonds, and approximately \$150.0 million in principal amount represents borrowings under the Department's Wells Fargo Credit Agreement (as defined below). In connection with the Department's expected five-year capital improvements to the Power System, the Department anticipates that it will fund approximately \$11.9 billion of the costs of the capital improvements with proceeds of previously issued bonds and additional debt payable from the Power Revenue Fund to be issued and/or incurred through June 30, 2030. See "THE POWER SYSTEM – Projected Capital Improvements" and "Note (9) Long-Term Debt" of the Department's Power System 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 of approximately \$1.2 million annually for the currently outstanding federally subsidized direct-pay bonds 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 \$19.5 million annually.

On July 3, 2025, the Department entered into a third amended and restated revolving credit agreement (as subsequently amended, the "Wells Fargo Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), pursuant to which Wells Fargo has committed to make loans to the Department in a principal amount not-to-exceed \$500 million outstanding at any one time. The Department can request loans for Power System improvements, Water System improvements and/or such other lawful purposes of the Department. Loans for Power System improvements and other lawful purposes of the Power System are payable from the Power Revenue Fund; and loans for Water System improvements and other lawful purposes of the Water System are payable from the Water Revenue Fund. As of December 1, 2025, the Department had \$150 million of loans outstanding under the Wells Fargo Credit Agreement payable from the Power Revenue Fund, and \$300 million of loans outstanding under the Wells Fargo Credit Agreement payable from the Water Revenue Fund. Under the Wells Fargo Credit Agreement, amounts due may be paid by the Department at any time at its option and in the event of default under the Wells Fargo Credit Agreement, amounts outstanding would be due immediately. The Department expects to pay principal amounts due under the Wells Fargo Credit Agreement and payable from the Power Revenue Fund from proceeds of subsequent borrowings or from reserves available to the Power System. Amounts borrowed under the Wells Fargo Credit Agreement and payable from the Water Revenue Fund are considered Parity Obligations under the Master Resolution. The Wells Fargo Credit Agreement currently has an expiration date of May 22, 2026.



In addition, as of December 1, 2025, 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 \$3.43 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 December 1, 2025. All “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 (and the related IPP Renewal Power Sales Contract and IPP Agreement for Sale of Renewal Excess Power which will take operational effect in June 2027) to purchase a 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 related IPP Renewal Power Sales Contract and IPP Agreement for Sale of Renewal Excess Power which will take operational effect in June 2027) 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 December 1, 2025, 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 December 1, 2025  
(Dollars in Millions)  
(Unaudited)**

	<b>Principal Amount of Outstanding Debt</b>	<b>Department Participation</b>	<b>Department Share of Principal Amount of Outstanding Debt<sup>(6)</sup></b>
<b>Intermountain Power Agency</b>			
IPP	\$ 113 <sup>(1)</sup>	48.62% <sup>(2)</sup>	\$ 55 <sup>(1)</sup>
IPP (Renewal Project)	1,695	71.44	1,211
<b>Southern California Public Power Authority</b>			
Mead-Adelanto Transmission Project	12	100.00 <sup>(3)</sup>	12
Mead-Phoenix Transmission Project	10	100.00 <sup>(3)</sup>	10
Linden Wind Energy Project	75	100.00 <sup>(4)</sup>	75
Milford Wind Corridor Phase I Project	53	92.50 <sup>(5)</sup>	49
Milford Wind Corridor Phase II Project	52	100.00 <sup>(4)</sup>	52
Southern Transmission System (STS)	73	59.50 <sup>(5)</sup>	44
STS (Renewal Project)	1,790	90.50 <sup>(5)</sup>	1,620
Windy Point Project	127	100.00 <sup>(4)</sup>	127
Apex Power Project	180	100.00 <sup>(5)</sup>	180
<b>Total</b>	<u>\$4,180</u>		<u>\$3,435</u>

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

<sup>(1)</sup> 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."

<sup>(2)</sup> 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."

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

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

<sup>(5)</sup> Equals the Department's share of SCPPA's entitlement.

<sup>(6)</sup> 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) of the Department's Power System Financial Statements for additional information.

Note: Totals may not equal sum of parts due to rounding.

## FACTORS AFFECTING THE DEPARTMENT AND THE ELECTRIC UTILITY INDUSTRY

The following regulatory programs and other factors affect the Department and the electric utility industry. 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. This discussion does not purport to be exhaustive and these matters are subject to change after the date hereof. See "THE DEPARTMENT," "ELECTRIC RATES," "THE POWER SYSTEM – Projected Capital Improvements," "OPERATING AND FINANCIAL INFORMATION" and the Department's Power System Financial Statements in APPENDIX B – AUDITED FINANCIAL STATEMENT OF THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES POWER SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024" 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 quarterly CARB auctions or from other entities in the secondary market. 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. When the Department sells electricity in the wholesale market, it is required to purchase allowances to cover GHG emissions for those wholesale electricity sales. The cost of those 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. Based on the 2021-2030 allowance allocation established in the 2017 amendments to the Cap-and-Trade Regulation, the Department believes that the cost of compliance with the current 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. Therefore, the Power System is currently expected to be able to continue to comply with these regulations with minimal impact to its finances or operations in connection with the implementation of the Power System’s resource plan. However, as described below, CARB has initiated the process for further updates to the Cap-and-Trade Regulations. The scope of the potential amendments to be considered include, among other things, the removal of allowances from the annual allowance budget commencing in 2027 (further reducing the Statewide GHG emissions cap), and revising the 2027-2030 allowance allocation to electrical distribution utilities based on the most recent load forecasts and SB 100 RPS target (60% by 2030). The Department could be adversely affected in the future if its GHG emissions exceed its allowance allocation and is required to purchase compliance instruments on the market to cover its emissions to meet its retail load obligations.

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 from 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 emissions 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 potential changes 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 (EDAM) 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. Informal rulemaking activity, including a series of public workshops to discuss potential amendments to the Cap-and-Trade Regulations, commenced in June 2023. During the workshops, the potential amendments of interest to the Department include: revisions (reductions) to the 2027 through 2030 electrical distribution utility allowance allocation based on the most recent forecasts and RPS target; a proposed new requirement for POUs to consign all their allocated allowances to auction similar to investor-owned utilities; the phasing out of the RPS adjustment credit for firmed/shaped electricity imports; how reducing the cap-and-trade program allowance budget (the cap) would increase allowance prices; adding the new EDAM to the outstanding emissions leakage calculation; and providing benefits to low-income customers and disadvantaged communities. In April 2024, CARB posted the Standardized Regulatory Impact Assessment (“SRIA”) for the Cap-and-Trade Regulations. The SRIA is an initial economic evaluation of potential changes to the cap-and-trade program and is one of the steps CARB must take prior to updating the Cap-and-Trade Regulations. In July 2024, CARB held a workshop to discuss potential revisions to the cap-and-trade program emission allowance budget to achieve the more ambitious emission reduction targets of 48% by 2030 and 85% by 2045, including the removal of 180 to 265 million allowances in aggregate from budget years 2026 through 2030. In October 2024, CARB posted another market notice to inform market participants about the timing and topics for the upcoming amendments to the Cap-and-Trade Regulations. At that time, CARB indicated that the formal rulemaking proposal was expected to be made available for public comment sometime in early 2025, and the amendments would take effect starting in 2026.

In September 2025, Assembly Bill 1207 (AB 1207) was signed into law. AB 1207 reauthorizes and extends California’s cap-and-trade program from 2030 through 2045 and renames the program to “California Cap-and-Invest.” In addition, AB 1207 directs CARB to consider the effect of the regulations on affordability, cost effectiveness, minimizing leakage in California, and achieving the emission reduction goals.

After AB 1207 was signed into law, CARB issued another market notice to inform market participants of topics for the amendments to the Cap-and-Invest program regulations and the timing of the formal rulemaking

process. In October 2025, CARB hosted a public workshop to discuss the potential updates to the Cap-and-Invest program regulations. On January 13, 2026, CARB posted the preliminary formal rulemaking documents on the Cap-and-Invest program website and submitted it to Office of Administrative Law (“OAL”). The rulemaking documents may be modified based on OAL feedback prior to the start of the formal 45-day comment period, which is expected to begin on January 23, 2026 and end on March 9, 2026. The amendments are expected to take effect by the end of 2026.

The Department is currently reviewing the rulemaking documents. The proposed amendments of interest to the Department include the 25% reduction in the Department’s allowance allocation between years 2027-2030, limiting use of the RPS adjustment, which may increase the number of allowances the Department needs for compliance, and removal of 118 million allowances from the 2027 to 2030 Cap-and-Invest program annual budgets, which is expected to increase the allowance price to incentivize GHG emission reductions. The proposed amendments also include an allowance allocation to electrical distribution utilities for years 2031-2035. In addition, the proposed amendments will provide a framework for the transition of free allowances from natural gas suppliers to electrical distribution utilities as directed by AB 1207. ***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 carbon dioxide (“CO<sub>2</sub>”) per MWh for “covered procurements” by POU, such as the Department. SB 1368 also prohibits POU 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 (“Compliance Periods 1 through 3”) 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 met the targets established by SBX 1-2 for each of Compliance Periods 1 through 3.

In October 2015, SB 350 was signed into law, which requires retail sellers and POU, 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 for such periods 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 (which target the Department expects to have satisfied, pending verification from the CEC which is expected in late 2026), 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 eligible renewable energy resources will be subject to further regulatory proceedings of the CEC. 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, SCPPA and the other POUs procured biomass capacity under contracts from two projects to satisfy the SB 859 requirements: (i) the ARP-Loyalton contract that ended in April 2023, from which the Department’s contracted amount was 8.9 MW, and (ii) a five-year contract for 5.4 MW of capacity with Roseburg Forrest Products Co., in Weed, California, which began deliveries in February 2021. 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.

***Renewable Energy Policy Development.*** In August 2018 and March 2019, the CEC adopted the “Toward A Clean Energy Future, 2018 Integrated Energy Policy Report Update” (the “2018 IEPR Update”). The 2018 IEPR Update is composed of two volumes. The first volume (August 2018) is a high-level summary of the energy policies the State has implemented. 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 (March 2019) 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 annually (initially, beginning by January 1, 2020). 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 June 2025, approximately 13.4% 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. Additionally, approximately 6.5% of the Power System's overhead transmission power lines fall within a Tier 2 area and approximately 8.6% of the Power System's overhead transmission 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. In the applicable Tier 2 and Tier 3 areas, the Department continues to replace wooden pole assets with alternative material poles, install covered conductors where feasible, equip poles for high wind load in order to resist fire damage, and employ a robust vegetation management program to further mitigate wildfire risk exposure. In addition, the Department has protocols in place for the blocking of re-closers on certain distribution circuits under adverse weather conditions, and may execute de-energization protocols on power lines on a per incident basis, based on operating conditions.

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 then newly created California Wildfire Safety Advisory Board (the "CWSAB"), with comprehensive revisions submitted every three years. SB 254, signed into law by Governor Newsom in September 2025, amends the provisions of AB 1054 to provide that, after January 1, 2026, POUs will instead be required to prepare and submit to the CWSAB wildfire mitigation plans at least once every four years on a schedule to be determined by the CWSAB. The Department's 2023 wildfire mitigation plan was a comprehensive update, meeting the requirements of AB 1054. The Department continues to submit its wildfire mitigation plan to the CWSAB on an annual basis. The Department was required to submit its 2024 annual update to the Department's wildfire mitigation plan to the CWSAB by July 1, 2024, which submittal was made on June 27, 2024, in satisfaction of the requirement. On December 4, 2024, the CWSAB adopted its guidance advisory opinion for the 2025 wildfire mitigation plans of POUs, based upon its review of the 2024 annual updates submitted by the POUs to their wildfire mitigation plans. The advisory opinion includes the CWSAB's recommendations to POUs for the development of updates for the POUs' 2025 wildfire mitigation plans and future comprehensive wildfire mitigation plans. The Department submitted its 2025 annual update to the Department's wildfire mitigation plan to the CWSAB by the required July 1, 2025 submission date. The 2025 wildfire mitigation plan contains ongoing program updates and historical data through calendar year 2024 and, therefore, does not contain detailed information and specific data pertaining to the January 2025 wildfires.

In March 2025, the California Department of Forestry and Fire Protection (hereinafter, "CalFire") released updated wildfire hazard severity zone maps for the Southern California region. These updated maps

identify areas as “moderate,” “high,” and “very high” wildfire hazard severity zones in “local responsibility areas,” where local fire departments are responsible for responding to fires, in order to reflect zones in California that are susceptible to wildfires. The updated maps increase the acreage in the City that is identified as a “very high” wildfire hazard severity zone and add identified areas of “moderate” and “high” wildfire hazard severity zones (which categories were not previously included in earlier versions of the CalFire fire hazard severity zone maps). These wildfire hazard severity zone maps differ from the CPUC Fire-Threat Maps referenced above. The CPUC Fire-Threat Map is designed specifically for identifying areas where there is an increased risk for utility associated wildfires. The Department will follow established protocols that use the updated CalFire wildfire hazard severity zone maps to update the Department’s fire threat map in its future wildfire mitigation plans.

AB 1054 also established 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. Additional future funding for the Wildfire Fund has been provided for under the provisions of SB 254. POU, 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 private property is damaged by a public use), California courts have imposed liability on utilities in legal actions brought by property holders for damages, where the inherent risks in the utilities’ infrastructure, as deliberately designed, constructed or maintained, are determined to be a substantial cause of damage to the property. Thus, if the inherent risks associated with the facilities of a utility, such as its electric distribution and transmission lines, are determined to be the substantial cause of the plaintiff’s damages, and the doctrine of inverse condemnation applies, the utility could be liable without having been found negligent. SB 1028, SB 901 and AB 1054 do not alter inverse condemnation law, which is rooted in the California Constitution. SB 254 requires the California Earthquake Authority, as administrator of the wildfire fund established pursuant to AB 1054, to, on or before April 1, 2026, in consultation with the CPUC and other specified departments and agencies of the State, and with feedback solicited from stakeholders, prepare and submit to the Legislature, and to the Governor, a report that evaluates and sets forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes, including catastrophic wildfires, earthquakes, and other natural disasters, across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and POUs to complement or replace the fund. Any future legal developments addressing the State’s inverse condemnation doctrine, 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” for information about current litigation regarding wildfires and “THE DEPARTMENT – Insurance” for information about the Department’s current insurance coverage for wildfires.

See also “THE DEPARTMENT – Los Angeles 2025 Wildfire Event” for information regarding the wildfire event that occurred in the City in January 2025.

## **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. Under the rule, failure to meet the NOx limits by the January 1, 2024 compliance date would prohibit out-of-compliance generating units from operating. To comply with the SCAQMD Rule 1135 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 were tuned. To meet the SCAQMD Rule 1135 NOx limit of 2.0 ppm for combined cycle gas turbines, the combustors of the combined cycle gas turbines at the Harbor Generating Station were upgraded with dry low NOx combustors. The upgrade of the Harbor Generating Station’s combined cycle gas turbine combustors began construction in October 2023 and completed commissioning in April 2024. The Harbor Generating Station’s combined cycle unit is currently operational and is in compliance with the Rule 1135 NOx emission limit since its return to service in April 2024. The Department does not expect the modifications to have a material adverse effect on the operations or financial condition of the Power System. The remaining electric generating units at the Los Angeles Basin Stations either already meet the NOx limits or are exempt from the rule. 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.

***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 that would establish CO<sub>2</sub> 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 based on pollution control technology that could be installed at the plants, including technologies such as carbon capture and sequestration/storage (“CCS”), low-GHG hydrogen co-firing, and natural gas co-firing. In February 2024, the EPA announced that it would remove the elements that would have applied to existing natural gas-fired power plants from the final version of the rule. Instead, the EPA stated that it would commence a new rulemaking process that would apply to existing natural gas-fired plants and regulate additional pollutants.

On April 25, 2024, the EPA released the final rule for existing coal-fired and new natural gas-fired power plants that would limit CO<sub>2</sub> emissions from existing coal-fired plants and new gas-fired combustion-turbine plants based on EPA’s emissions guidelines. The final rule identified a standard of performance for CO<sub>2</sub> emissions reflecting the application of best systems emissions reduction (BSER), which EPA determined to be CCS with 90% capture of CO<sub>2</sub>. Under the final rule, emissions standards and guidelines were established for different subcategories of power plants according to unit characteristics such as their generating technology, capacity, level of operations, and anticipated remaining operational life of the unit.

Coal-fired generating units that planned to cease operations prior to January 2032 were exempt from the final rule. Therefore, IPP’s coal units would not be subject to the emission reduction obligations under the final rule. IPP’s new natural gas units, which would be considered an existing natural gas-fired power plant, would also not be subject to this final rule but would be subject to the new rule expected to be developed for existing gas-fired combustion turbines.

On June 17, 2025, the EPA published a proposed rule to repeal existing greenhouse gas emissions standards for fossil fuel-fired power plants promulgated under Section 111 of the Clean Air Act, including both the new source performance standards enacted in 2015 and the CO<sub>2</sub> emissions standards for existing coal-fired and new natural gas-fired power plants established under the final rules enacted in 2024, effectively eliminating existing federal GHG emissions limits for new, modified and existing electric generating units. As an alternative, the EPA also proposed to eliminate a narrower set of requirements that would include eliminating the requirements for CCS on new baseload combustion turbines and modified coal-fired units and removing emission guidelines for existing fossil fuel-fired steam electric generating units, including particularly those encouraging or requiring co-firing. On July 29, 2025, the EPA further proposed to revoke the EPA’s 2009 “endangerment finding” that CO<sub>2</sub> and other GHGs endanger public health and welfare. The 2009 endangerment finding served as the legal basis on which the EPA regulates GHG emissions from the power, oil and gas (and auto) sectors. The outcome of these rulemakings being undertaken by the EPA in connection with its regulation of GHG emissions of power plants is not yet known.

***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.

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 (“NESHAPs”): 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.

On April 25, 2024, the EPA released the final NESHAPs rule (also referred to as the MATs rule) which finalized the proposed change to the fPM emission standard from 0.03 lb./MMBtu to 0.01 lb./MMBtu. The final rule also requires that existing coal and oil-fired units utilize CEMS to demonstrate compliance with the fPM emission standard. The compliance date for affected coal-fired sources to comply with the revised fPM limit is three years after the effective date of the final rule. With IPP replacing the coal units with natural gas-fired units by the end of 2025, IPP will not be subject to the more stringent requirements under the final MATS rule.

On June 17, 2025, the EPA published a proposed rule to repeal the final MATs rule regulating NESHAPs from existing coal and oil-fired units. The newly proposed rule would relax standards for filterable particulate matter, ease the technology requirements on power plants to demonstrate compliance, and would raise the limit of mercury emissions allowable from lignite-fired plants. On December 23, 2025, the EPA submitted a draft of the final action to the Office of Management and Budget for interagency review. The EPA has indicated that it expects to finalize the action by the end of January 2026.

***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. As called for in the 2022 AQMP, SCAQMD has initiated separate rulemaking processes addressing the different proposed control measures cited in the AQMP, which are ongoing.

#### ***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 (i) it 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 or time schedule order (TSO).

*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 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, sampling 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 estimated the IPP's cost of compliance with the final CCR rule (implementing the closure standards set forth in IPA's demonstration described below) to fall within the range of \$55 million to \$70 million (in 2019 dollars). The work to implement closure is expected to be complete in 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 focused on closure requirements for impoundments and landfills. IPA had earlier opted to comply with the alternate closure requirement as provided in the original CCR rule. The 2019 revisions included additional requirements to obtain approval from the EPA to close impoundments in accordance with the alternate closure procedures. The 2019 revisions required a demonstration that includes a plan to mitigate potential risk to human health and environmental from CCR surface impoundments. The 2019 Part A revisions were finalized and published in the Federal Register in August 2020. On November 30, 2020, IPA submitted a request to the EPA that it meet the alternate closure procedures as described in the regulations. The EPA confirmed that IPP's demonstration was complete on January 11, 2022; however, as of November 30, 2025, the EPA had not yet made a substantive determination on IPP's demonstration submission. Nonetheless, the April 2021 deadline to cease receipt of waste that would otherwise apply to the impoundments is tolled under the regulations because the IPP submitted a timely demonstration.

In February 2020, the EPA proposed a federal CCR permit program. Currently, the CCR rule is self-implementing (aside from the EPA approval required for Part A, as described above) and is enforced primarily through citizen suits which are decided in federal district courts. This program would 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. The EPA carried out an extended public comment period on the proposed program that closed in August 2020, but as of November 30, 2025, the program had not been finalized.

In 2024, the EPA finalized revisions (Part B) to the CCR rule that included provisions to demonstrate equivalent alternate liners, using CCR for closing impoundments, and completion of closure by removal during post-closure care period. Those revisions do not impact IPA's plan to follow alternate closure requirements.

***Utah Senate Bill 161 and House Bill 3004.*** The Utah Legislature enacted Utah Senate Bill 161 ("Utah S.B. 161") in its 2024 General Session, which became effective on May 1, 2024. The reported purpose of Utah S.B. 161 was to induce IPA to amend IPA's environmental permits to provide for the operation of at least one of the IPP coal-fired units after July 1, 2025, the date by which IPA was to have ceased operation of the IPP coal units permanently. The coal units ceased operation in late November 2025. Utah S.B. 161 also required IPA to grant an option to the State of Utah for the purchase of at least one of the IPP coal-fired units with such option to be effective for two years starting on July 2, 2025. Following the enactment of Utah S.B. 161, the governor of Utah called a special session of the Utah Legislature resulting in the enactment of Utah House Bill 3004 ("Utah H.B. 3004"), which became effective on June 21, 2024. Utah H.B. 3004 repealed the provisions of Utah

S.B. 161 relating to IPA amending its environmental permits. IPA's obligation to provide the purchase option to the State with respect to one of the IPP coal-fired units remained; however, Utah H.B. 3004 also directed a state agency, the Decommissioned Asset Disposition Authority (the "Utah Disposition Authority"), to submit an application to amend IPA's air permit to allow for a coal unit to operate after July 1, 2025. Utah H.B. 3004 also directed environmental regulators in the State of Utah to determine whether such an application would be granted if submitted by IPA. The Utah Disposition Authority was also directed to determine the regulatory and commercial feasibility of operating an IPP coal unit after July 1, 2025, and to conduct a process for soliciting bids from qualified purchasers for the coal unit.

The Utah Disposition Authority submitted its air application with respect to the coal units by December 31, 2024, proposing to amend the provisions of IPA's existing permit that require the coal units to cease operation following commercial operation of the IPP natural gas units. The application contemplated operation of the natural gas units at 100% of their design capacity and operation of the coal units at a 60% capacity factor. In a letter dated January 22, 2025, the State of Utah reported to the Utah Disposition Authority that, if officially submitted by IPA, the State of Utah "could approve a similar application based on the information included" in the application submitted by the Utah Disposition Authority.

Prior to the enactment of H.B. 3004, IPA stated that Utah S.B. 161 purported to create obligations for IPA that were inconsistent with IPA's obligations under federal regulations and the IPP construction and operating permits issued under federal law. In public testimony with respect to Utah H.B. 3004, IPA management stated that the new bill made some important adjustments to the legislation and moved things in the right direction. Pursuant to Utah S.B. 161, IPA did grant to the State of Utah an option to purchase the coal units and related assets specified in the bill. IPA has indicated that it is continuing to determine the extent of the impacts of Utah S.B. 161, as modified by Utah H.B. 3004, and to identify the appropriate course of action in response to this Utah legislation. The Department cannot predict the impacts of such legislation on the future operation of the IPP repowering project.

Although Utah law did not explicitly require IPA to submit such an application, in light of the Utah Legislature's stated intent to preserve the coal units for future operation, and demonstrated willingness to take action if IPA did not submit such an application, IPA submitted an application to amend its existing permit to construct the natural gas units as part of the IPP repowering project to allow the coal units to resume operation at a date after the natural gas units commence commercial operation. Utah House Bill 70 (discussed below) provides, however, that even after issuance of such an amended permit, the existing permit, including the requirement that the coal units cease operation and be placed in maintenance status, will remain in effect during the period that ends upon the earlier of when IPA sells the coal units or both (i) the resolution of all administrative and judicial challenges to the amended permit and (ii) the expiration of the applicable limitations period to file such challenges. Accordingly, IPA has indicated that it does not anticipate that the coal units will resume operation while IPA continues to own the coal units. In fact, Utah House Bill 70 relieves IPA of any obligation to commence operation of either coal unit during such period and contemplates that the Utah Energy Council, as established by that bill, will take title to and contract with a third party for the operation of one or both of the coal units.

On October 3, 2025, the Utah Department of Air Quality issued a permit to IPA that, in substance, approved IPA's amendment application. On October 31, 2025, the Sierra Club and Healthy Environment Alliance of Utah filed an administrative appeal before the Utah Department of Environmental Quality challenging the issuance of the permit. IPA is a party to the appeal by operation of Utah law. Briefing on the matter will proceed through 2026. IPA has indicated that it is still assessing the potential impact of the appeal.

**Utah H.B. 70.** During its 2025 General Session, the Utah Legislature enacted Utah House Bill 70 ("Utah H.B. 70"). The bill became effective on March 24, 2025.

The bill requires IPA to maintain, indefinitely (i) power to station service for both of the coal units, (ii) an ongoing connection of one of its coal units to the IPP Switchyard, and (iii) interconnection and switchyard facilities that will allow the remaining coal unit to be interconnected with the IPP Switchyard without the need

for a new interconnection request. Utah H.B. 70 also creates the Utah Energy Council for, among other purposes, the purposes of taking title to one or both of the coal units and assuming operational responsibility for each coal unit it acquires from IPA. Utah H.B. 70 also repeals the provisions of the Utah Code establishing the Utah Disposition Authority (effectively dissolving the Utah Disposition Authority) and the provisions specifying the functions that the Utah Disposition Authority was to have performed.

IPA is working with engineering personnel to reconfigure the proposed connections of synchronous condensers to the IPP Switchyard (connecting three synchronous condensers to the IPP Switchyard at one point of interconnection as opposed to two synchronous condensers at one point of interconnection and one synchronous condenser at another). IPA is constructing the synchronous condenser facilities to provide sufficient spinning mass to allow for operation of the natural gas units as designed and to maintain the rating of IPA's transmission facilities. IPA has indicated that it believes that it will be able to comply with the requirements of Utah H.B. 70, though such requirements will result in additional costs to IPA and will diminish the redundancy that would have resulted from having two points of interconnection for the synchronous condensers to the IPP Switchyard. IPA is continuing to evaluate the future impacts of complying with Utah H.B. 70.

***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 ("EPAct 1992") made fundamental changes in federal regulation of the electric utility industry, particularly in the area of transmission access under sections

211, 212 and 213 of the Federal Power Act, 16 U.S.C. § 791a et seq. The purpose of these changes, in part, was to bring about increased competition among wholesale suppliers. As amended, sections 211, 212 and 213 authorize FERC to compel a transmission provider to provide transmission service upon application by an electricity supplier. FERC's authority includes the authority to compel the enlargement of transmission capacity as necessary to provide the service. The service must be provided at rates, charges, terms and conditions that are set by FERC. Electric utilities that are owned by municipalities or other public agencies are "transmitting utilities" that may be subject to an order under sections 211, 212 and 213. EPAct 1992 prohibits FERC from requiring "retail wheeling" under which a retail customer that was located in one utility's service area could obtain electricity from another source. An order by FERC to provide transmission might adversely affect the Power System by, and among other things, increasing the Department's cost of owning and operating transmission facilities and/or by reducing the availability of the Department's transmission resources for the Department's own use.

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

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

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

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

EPAct 2005 requires the creation of national and regional electric reliability organizations to establish and enforce, under FERC's supervision, mandatory standards for the reliable operation of the bulk power system. The standards are designed to increase system reliability and to minimize blackouts. FERC has designated NERC as the national electric reliability organization. FERC has designated WECC as the regional reliability organization for utilities in the West, including the Department. Failure to comply with NERC and WECC standards exposes a utility such as the Department to 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.

***FERC Order 1920.*** On May 13, 2024, FERC issued Order No. 1920 (“Order 1920”) to reform the planning of the nation’s transmission system as well as the allocation of costs for new transmission projects. Order 1920, among other things, requires public utility (jurisdictional) transmission providers to conduct and periodically update long-term regional transmission planning to anticipate future needs, consider a broad set of benefits when planning new facilities, identify opportunities to modify in-kind replacement of existing transmission facilities to increase their transfer capability, propose methods of cost allocation to pay for selected long-term regional transmission facilities, and increase transparency regarding local transmission planning information. Order 1920 expands the role of states throughout the process of planning, selecting and determining how to pay for new transmission facilities. On November 21, 2024, FERC issued Order No. 1920-A, revising its original Order 1920 in response to numerous requests for rehearing and clarification. The revisions to Order 1920 provide state regulators with a larger role in the long-term regional transmission planning process, particularly in shaping scenario development and cost allocation, by requiring transmission providers to include state input about how future scenarios in the long-term regional transmission planning will be developed and to include any state-agreed cost allocation proposals in their compliance plans. Order 1920 reflects input FERC sought from interested parties on a variety of reforms aimed at expanding the nation’s transmission grid to accommodate the surge of renewable generation expected in the next two decades to achieve aggressive decarbonization goals of the federal Administration in place at that time and many states. As a municipal utility actively participating in the WestConnect regional transmission planning process, the Department has expressed its support of long-term regional transmission planning and its intent, in collaboration with WestConnect, to adhere to the principles of Order 1920. The Department is evaluating the implications of Order 1920 with respect to the transmission planning processes of the Power System.

***Future Regulation of the Electric Utility Industry.*** The electric utility industry is highly regulated and is also regularly subject to reform. Significant reforms and proposals in recent years have been 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.

## **Changing Laws, Energy Policies and Requirements**

On both the state and federal levels, legislation is introduced frequently addressing domestic energy policies and various environmental matters 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 (such as expedited permitting for natural gas drilling projects, reducing regulatory burdens, climate change and water quality).

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.

The election of new officials and Administrations can also impact substantially the current environmental standards and regulations and other matters described herein. For example, since taking office in January 2025, the President of the United States has issued a series of executive orders affecting national energy policies and energy infrastructure. Among other things, such executive orders revoke a number of executive actions taken by the prior federal Administration, including revoking certain executive orders of the prior Administration relating to climate change and clean energy, requiring federal agencies to review all federal government actions taken pursuant to the revoked orders and to take necessary steps to rescind, replace or amend such actions. Such executive orders further directed an immediate pause of funding allocated to infrastructure projects under the Infrastructure Investment and Jobs Act of 2021 and the IRA during a 90-day review period. On July 4, 2025, the President signed the “One Big Beautiful Bill Act,” that is expected to significantly impact the IRA’s clean energy tax credits, effectively accelerating their repeal or significantly restricting them, especially those related to electric vehicles and clean electricity production. A presidential executive order has also been issued directing the heads of all federal agencies to review all agency actions affecting the development of domestic energy resources, such as oil, natural gas, coal, hydropower, biofuels, critical mineral, and nuclear energy, and within 30 days of identifying any agency action that unduly burdens the production of domestic energy resources, to develop and begin action plans to rescind or revise the agency actions. Further, the agencies were directed to notify the Attorney General so that appropriate action may be taken in any pending litigation, including the request of a stay, related to the identified agency action. A subsequent executive order issued in April 2025 instructs the Attorney General to identify and take certain actions to limit the enforcement of state and local laws, regulations, causes of action, policies, and practices burdening the development, production or use of domestic energy resources that are determined to be unconstitutional, preempted by federal law, or otherwise unenforceable, prioritizing those relating to climate change, environmental, social and governance initiatives, environmental justice, carbon or greenhouse gas emissions, and funds to collect carbon penalties or carbon taxes. Such executive order specifically identifies California’s cap-and-trade program as fundamentally irreconcilable with the federal Administration’s energy objectives. Another executive order directs the Secretary of Energy to establish a protocol to identify regional generation sources critical to system reliability and to prevent an identified generation resource in excess of 50 megawatts of nameplate capacity from leaving the bulk-power system or converting the source of fuel (if conversion would result in reduction of generating capacity). A number of legislative, regulatory and other actions have been taken by federal agencies pursuant to such executive orders. Certain of these actions have been the subject of judicial challenges. The Department cannot predict the outcome of these executive orders and federal actions or the impact of any future changes in the policies of the federal Administration.

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. See also “ELECTRIC RATES – Rate Setting – Proposition 26.”

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. Such initiatives may purport to be retroactive.

### **Security of the Power System**

The Department has a variety of physical security measures in place, as well as a cybersecurity program, aimed at protecting the assets of the Power System and the technological systems utilized in the delivery of electric power service to its customers. The Department operates a 24/7 operations center and regularly plans for emergency situations and develops response protocols.

Elements of the Department’s cybersecurity program include ongoing monitoring, regular staff training and a robust defense-in-depth strategy, as well as other cybersecurity and operational safeguards such as

performance of periodic security risk assessments and gap analyses to identify security strengths and vulnerabilities; practices for the backup and recovery of data; security awareness training, and response plans.

The Department also collaborates with federal and state partners and other public and private third parties to assess vulnerabilities, share information and actively detect and manage risks. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that cyberattacks or military conflicts or terrorist activities (including cyber terrorism) are directed against the Power System.

Attacks, especially zero-day exploits directed at critical electric sector operations could damage generation, transmission or distribution assets, cause operational malfunctions and outages, and result in costly recovery and remediation efforts. Further, cyberattacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected for an extended period. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as the electric grid may be specific targets of cybersecurity threats. The costs of security measures or of remedying physical and/or cybersecurity breaches could be material.

### **Seismic Activity; Natural Disasters**

*Seismic Considerations.* 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 multi-fault 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.”

*Natural Disasters Generally.* California is subject to geotechnical and extreme weather conditions which represent potential safety hazards, including expansive soils, wildfires, floods, high winds and areas of potential liquefaction and landslide. Identified hazards that pose a risk to the City include, but are not limited to, earthquake, adverse weather, drought, flood, coastal flood and erosion, tsunamis, wildfires, and sea-level rise. Natural disasters, severe weather-related events (which have become increasingly common), or man-made disasters or accidents, could cause significant damage to or failure of Power System infrastructure or otherwise

interrupt operation of the Power System and thereby impair the ability of the Department to generate revenues. The severity and/or frequency of natural disaster occurrences may be exacerbated by the impacts of climate change.

See “THE DEPARTMENT – Los Angeles 2025 Wildfire Event” for information regarding the wildfire and windstorm event that occurred in the City in January 2025. See also “LITIGATION – Litigation Against the City and the Department Related to the Los Angeles 2025 Wildfire Event.”

### **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 were 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 may 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.

### **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 herein), 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;
- Impacts of tariff-related volatility on the pricing and availability of components used in the Department’s operations and capital projects that may affect costs and procurement schedules;
- 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, or renewable energy suppliers, and other electric market participants;
- 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;
- Impacts of 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.

## LITIGATION

### **Litigation Against the City and the Department Related to the Los Angeles 2025 Wildfire Event**

Multiple lawsuits have been filed, including two putative class actions (and additional lawsuits continue to be filed) against the City, the Department, and other entities by people claiming damage from the Palisades Fire. The cases are pending in the Los Angeles Superior Court. The existing lawsuits, as of February 5, 2026, consist of a number of state court actions (approximately several hundred cases) filed on behalf of thousands of individual plaintiffs, including two cases filed as putative class actions on behalf of an individual and all those similarly situated that seek to certify as a class all individuals and entities in the areas impacted by the Palisades Fire who suffered property damage, loss of use, evacuation, or other harm as a result of the Palisades Fire. Pursuant to an order of the judge overseeing the litigation, on October 8, 2025, individual plaintiffs liaison counsel (i.e., counsel appointed to organize the individual plaintiffs) filed the Master Complaint containing allegations that are intended to be common to some or all of the cases. The Master Complaint, generally alleges, among other things, that: (1) the Department failed to properly maintain its water system for the purpose of fighting fires (and specifically that it failed to properly maintain the Santa Ynez Reservoir and, in certain of such cases, the Chautauqua Reservoir), (2) the Department chose to design its water system for urban use, not to fight wildfires, (3) after the fire ignited, power poles broke and the Department failed to de-energize its distribution and transmission electrical facilities, which resulted in its overhead power lines arcing and causing additional fires, and (4) the Palisades Fire was foreseeable in light of data about the history of fires in the area, current fire risk and weather. The Master Complaint also alleges that the City did not clear brush from vacant lots in Pacific Palisades, including on lots that are owned by the City, and that embers landed on this brush, sparking a spot fire. With respect to the Water System, the Master Complaint asserts a claim for inverse condemnation. With respect to the Power System, the Master Complaint asserts claims for inverse condemnation, dangerous condition of public property and nuisance. The doctrine of inverse condemnation is a “takings clause” cause of action under the State and federal constitutions that entitles property owners to just compensation if their private property is damaged by a public use. California courts have imposed liability on public agencies in legal actions brought by private property holders for damages, where the inherent risks in the public agency’s infrastructure, as deliberately designed, constructed or maintained, are determined to be a substantial cause of damage to the property. The Master Complaint also alleges dangerous condition of public property and nuisance claims related to vegetation management on certain lots owned by the City. Complaints filed before and after the filing of the Master Complaint allege other causes of action and additional theories of liability, which certain plaintiffs may choose to maintain when adopting the Master Complaint.

The plaintiffs are seeking compensation for damages including, but not limited to, lost or damaged property, lost income or wages, and attorney’s fees, and in certain of the cases loss of use/marketability of property, emotional distress, and punitive damages. Some of the pending actions seek certain injunctive relief as well as monetary damages. Most of the filed lawsuits do not contain a specific dollar amount, although one of the pending class actions asserts a damages figure of greater than \$10 billion. In addition, certain insurance company plaintiffs have asserted a claim for inverse condemnation and are seeking damages under the subrogation clauses in their respective insurance policies. The cases are not yet at a stage where it is possible to reasonably estimate the potential ultimate financial exposure to the City or the Department. The City and the Department deny all liability claims and intend to vigorously defend against all of these lawsuits, but cannot predict the outcome of these cases.

In addition to the City and the State, the Master Complaint added sixteen new defendants whom plaintiffs claim are responsible for their losses under a variety of tort theories and, for some, inverse condemnation. The City and the State filed demurrers challenging the sufficiency of the Master Complaint. The court scheduled a hearing with respect to the demurrers on February 5, 2026. The hearing was continued to February 10, 2026. As of the date of this Official Statement, the court has stayed the City’s obligation to answer or otherwise respond to any complaint, other than the Master Complaint, with respect to the litigation.

The ATF separately led the investigation into the origin and cause of the Palisades Fire. The Department provided information to the ATF and other agencies in connection with their investigations. The ATF examined

the Department's overhead transmission facilities that are near, but outside of, the area where the Palisades Fire reportedly ignited. As of the date of this Official Statement, the ATF has not issued publicly its cause and origin report. However, on October 8, 2025, the United States Department of Justice announced the arrest of Jonathan Rinderknecht, whom the United States charged in a criminal complaint with the destruction of property by means of fire. Specifically, Mr. Rinderknecht is alleged to have started the Lachman Fire in the Pacific Palisades area on the morning of January 1, 2025. According to the ATF Affidavit that was provided in connection with the criminal complaint against Mr. Rinderknecht, the multi-agency investigation into the origin and cause of the Palisades Fire determined that the Palisades Fire was a "holdover" fire (*i.e.*, a continuation of the Lachman Fire that began on January 1, 2025). The ATF Affidavit expressly ruled out power lines as a potential cause of the Lachman Fire. No investigating authority has asked the Department to preserve any of its electrical facilities in the area.

See also "THE DEPARTMENT – Los Angeles 2025 Wildfire Event."

### **Other Matters Related to the Power System**

**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 related to the Power System described below are not expected to materially impact the Power System's financial position, results of operations, or cash flows.

**Other Power System-Related 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. With respect to the Getty fire, settlement agreements have been entered into with the plaintiffs and third party claims are being pursued as described below.

**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 plaintiffs 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, a significant number of individual plaintiff cases were dismissed, leaving approximately 300 individual plaintiff cases. The dismissals significantly reduce the Department's financial exposure for the wildfire.

The individual plaintiffs have all dismissed their claims against the Department and have reached settlements with Edison. All of the subrogation carriers have also reached settlements with Edison. The United States has also recently reached a settlement with Edison in the federal court action. The Department is a cross-defendant for indemnity brought by Edison in the state court actions whereby Edison is seeking reimbursement from the Department for the amounts it paid in settlement. Edison paid out a total of \$94,694,549.35 to settle all claims. The key issue in dispute is whether the fire was caused by the Department's or Edison's power lines. The Department continues to assert that the fire was caused by Edison; therefore, Edison does not have a basis to recover anything against the Department. It is expected that there will be a future trial wherein Edison will sue the Department to attempt to recover the amounts it has paid to settle lawsuits related to the Creek Fire. The court has set a trial date for June 22, 2026, on Edison's cross-complaint against the Department. Edison and the Department have agreed to participate in mediation in an effort to resolve the remaining cross-action.



If liability is found against the Department in connection with the Creek fire, an accurate exposure amount cannot now be estimated. 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.

On or about October 16, 2023, the Department settled with the insurance subrogation plaintiffs for \$36.35 million, which has been paid out. On or about October 2, 2024, the Department settled with the individual plaintiff group for \$45.36 million, which has also been paid out. The Department has insurance coverage with a \$3 million self-insured retention for this matter. Thus, the Department is responsible for \$3 million of the settlement amounts; the rest is covered by insurance. The Department is currently pursuing reimbursement of settlement payments from the cross-defendants in litigation.

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.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF  
THE DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES POWER SYSTEM  
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024**

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**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Financial Statements and  
Required Supplementary Information

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–17
Financial Statements:	
Statements of Net Position	18–19
Statements of Revenues, Expenses, and Changes in Net Position	20
Statements of Cash Flows	21–22
Notes to Financial Statements	23–104
Required Supplementary Information (Unaudited)	105–110



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

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of the Power Revenue Fund of the Department of Water and Power of the City of Los Angeles (the Power System), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Power System as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

As discussed in note 1(a), the financial statements present only the Power System and do not purport to, and do not, present fairly the financial position of the City of Los Angeles as of June 30, 2025 and 2024, and changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of



internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–17 and the other required supplementary information on pages 105–110 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**KPMG LLP**

Los Angeles, California  
December 3, 2025



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

The following discussion and analysis of the financial performance of the Department of Water and Power (the Department) of the City of Los Angeles' Power Revenue Fund (the Power System) provides an overview of the financial activities for the fiscal years ended June 30, 2025 and 2024. Descriptions and other details pertaining to the Power System are included in the notes to the financial statements. This discussion and analysis should be read in conjunction with the Power System's financial statements, which begin on page 18.

**Using this Financial Report**

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

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

The financial statements provide an indication of the Power System's financial health. The statements of net position include all of the Power System's assets, deferred outflows, liabilities, deferred inflows, and net position using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are restricted as a result of bond covenants and other commitments as of June 30, 2025 and 2024. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the time periods indicated. The statements of cash flows report the cash provided by and used in operating activities, noncapital financing activities, capital and related financing activities, and investing activities during the fiscal years ended June 30, 2025 and 2024.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

The following tables summarize the financial position and changes in net position of the Power System as of and for the fiscal years ended June 30, 2025, 2024, and 2023:

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

(Amounts in millions)

<b>Assets and Deferred Outflows</b>	<b>Year ended June 30</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Utility plant, net	\$ 16,935	15,732	14,820
Restricted investments	787	698	666
Other noncurrent assets	1,449	1,633	1,498
Current assets	4,833	4,155	4,036
Deferred outflows	1,428	1,149	1,017
Total assets and deferred outflows	<u>\$ 25,432</u>	<u>23,367</u>	<u>22,037</u>
<b>Net Position, Liabilities, and Deferred Inflows</b>			
Net position:			
Net investment in capital assets	\$ 3,055	2,786	2,226
Restricted	1,718	1,474	1,313
Unrestricted	<u>3,691</u>	<u>3,351</u>	<u>3,488</u>
Total net position	<u>8,464</u>	<u>7,611</u>	<u>7,027</u>
Long-term debt, net of current portion	13,230	12,377	12,118
Other long-term liabilities	1,434	1,418	1,209
Current liabilities	1,428	1,206	1,088
Deferred inflows	<u>876</u>	<u>755</u>	<u>595</u>
Total liabilities and deferred inflows	<u>16,968</u>	<u>15,756</u>	<u>15,010</u>
Total net position, liabilities, and deferred inflows	<u>\$ 25,432</u>	<u>23,367</u>	<u>22,037</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

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

(Amounts in millions)

	Year ended June 30		
	2025	2024	2023
Operating revenues:			
Residential	\$ 1,888	1,679	1,718
Commercial and industrial	3,290	3,037	2,858
Sales for resale	159	118	326
Other	64	45	60
Uncollectible accounts	(93)	(54)	(3)
Total operating revenues	5,308	4,825	4,959
Operating expenses:			
Fuel for generation and purchased power	(1,549)	(1,554)	(1,885)
Maintenance and other operating expenses	(1,838)	(1,694)	(1,570)
Depreciation and amortization	(841)	(805)	(762)
Total operating expenses	(4,228)	(4,053)	(4,217)
Operating income	1,080	772	742
Nonoperating revenue (expenses):			
Net investment income	184	149	43
Federal bond subsidies	20	24	25
Other nonoperating revenue, net	144	222	346
Debt expense	(420)	(408)	(399)
Total nonoperating revenue (expenses), net	(72)	(13)	15
Income before capital contributions and transfers	1,008	759	757
Capital contributions	64	70	77
Transfers to the reserve fund of the City	(219)	(245)	(232)
Increase in net position	853	584	602
Beginning balance of net position	7,611	7,027	6,425
Ending balance of net position	\$ 8,464	7,611	7,027

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

**Assets and Deferred Outflows**

*Utility Plant*

During fiscal years 2025 and 2024, the Power System's net utility plant increased \$1,203 million and \$912 million, respectively. Net utility plant consists of significant investments in generation, transmission, distribution, and general plant infrastructure and fuel resources less accumulated depreciation.

During fiscal year 2025, depreciable utility plant additions totaled \$1,463 million and construction work in progress (CWIP) expenditures totaled \$445 million. Major CWIP additions/expenditures during the year included \$53 million for the design and construction of the new Rosamond Switching Station, \$53 million to upgrade the Rinaldi-Tarzana 1&2 transmission lines, \$42 million for implementation support and system infrastructure cost for the new Enterprise Resource Planning (ERP) software, \$25 million for the McCullough-Victorville Lines 1&2 retrofit, \$18 million for the McCullough-Victorville Lines 1&2 Series Compensation upgrade project, \$15 million for the re-expansion of the Barren Ridge Switching Station, \$13 million to replace transformers at various Receiving Stations, \$10 million to replace legacy equipment and modernize substations as part of the Substation Automation System Project, \$9 million to upgrade the Victorville-Los Angeles Transmission Path, and \$8 million for the expansion of Distribution Station 111. \$642 million in CWIP projects were transferred from CWIP to plant accounts. Transfers from CWIP included \$154 million to upgrade the Barren Ridge to Haskell Canyon Line 1, 230 kilovolts (kV) Overhead Transmission Line, \$145 million to build the new Receiving Station (RS-X) to serve the Los Angeles World Airport (LAWA), \$108 million for the Distribution Automation Project to enhance and improve the reliability of the Distribution System, \$75 million for the implementation of Phase II-Payroll and Human Resources Management (HRM) of the ERP software, \$62 million for the upgrade of the Rinaldi-Tarzana 1&2 transmission lines, \$10 million for the Scattergood Repowering Project, and the remaining \$88 million can be attributed to the other capital projects that were completed throughout the fiscal year. The above-mentioned projects were the primary drivers behind the decrease in CWIP balance as of June 30, 2025 of \$253 million.

Direct additions are mostly related to improvements in distribution infrastructure as part of the Power System Reliability Program (PSRP). Many of the Power System's assets were installed between 1920 and 1970. The PSRP is a program that evaluates and prioritizes which assets should be replaced first to reduce the frequency of electric service disruptions and the duration of each disruption. Approximately \$1,069 million and \$271 million were direct additions to distribution and general plant accounts, respectively. Major direct additions included \$189 million for replacement of deteriorated poles and crossarms, \$127 million for new business line customer facilities, \$102 million to perform distribution service restorations, \$96 million to relocate and replace power distribution infrastructure for customer-driven projects, and \$90 million for reliability replacement of 4.8 kV and 34.5 kV cables.

The accumulated depreciation balance increased by a net of \$602 million in fiscal year 2025, which included retirements of \$53 million offset by annual depreciation of \$655 million net of depreciation charged to shared services.

During fiscal year 2024, depreciable utility plant additions totaled \$1,202 million and CWIP expenditures totaled \$365 million. Major CWIP additions/expenditures during the year included \$45 million for design and construction of the new RS-X to serve LAWA. \$45 million to upgrade the 230 kV transmission line between

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

Barren Ridge and Haskell Canyon Switching Stations. \$35 million for the McCullough to Victorville Lines 1&2 Series Compensation upgrade project, \$23 million for the design and construction of the new Rosamond Switching Station, \$21 million for re-expansion of Barren Ridge Switching Station, \$20 million for implementation support and system infrastructure cost for new ERP software, \$15 million for Distribution Automation System upgrade, \$11 million to upgrade existing circuit breakers at Victorville Switching Station, and \$10 million for the expansion of Distribution Station 111. \$285 million in CWIP projects were transferred from CWIP to plant accounts. Transfers from CWIP included \$143 million for installation of the new Scattergood-Olympic B cables, \$82 million to convert the existing 115 kV Power Plant 1 and Power Plant 2 transmission lines into new 230 kV transmission lines between Haskell Canyon and Sylmar Switching Stations, \$27 million to upgrade and increase the capacity of the Victorville to Los Angeles Basin Transmission Path, and \$7 million for Substation reliability improvements. The above-mentioned projects were the primary drivers behind the increase in CWIP additions of \$57 million.

Direct additions are mostly related to improvements in distribution infrastructure as part of the PSRP. Many of the Power System's assets were installed between 1920 and 1970. The PSRP is a program that evaluates and prioritizes which assets should be replaced first to reduce the frequency of electric service disruptions and the duration of each disruption. Approximately \$848 million and \$25 million were direct additions to distribution and transmission plant accounts, respectively. Major direct additions included \$189 million for replacement of deteriorated poles and crossarms, \$121 million for new business line customer facilities, \$102 million for reliability replacement of 4.8 kV and 34.5 kV cables, \$33 million to relocate and replace power distribution infrastructure for customer-driven projects, and \$27 million to replace deteriorated and faulty equipment.

The accumulated depreciation balance increased by a net of \$567 million in fiscal year 2024, which included retirements of \$55 million offset by annual depreciation of \$622 million net of depreciation charged to shared services. Additional information regarding the Power System's utility plant assets can be found in note 3 of the accompanying financial statements.

The Power System is a vertically integrated utility, meaning it owns its own energy-generating assets, transmission system, and distribution system. The Power System has diverse power resources. The tables that follow summarize the generating resources available to the Power System as of June 30, 2025. These resources include those owned by the Power System (either solely or jointly with other utilities), as well as resources available through long-term purchase agreements. Generating station capacity is measured in megawatts (MWs).

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

**Table 3 – Power System-Owned Facilities  
As of June 30, 2025**

<b>Type of fuel</b>	<b>Number of facilities</b>	<b>Number of units</b>	<b>Net maximum capacity (MWs)</b>	<b>Net dependable capacity (MWs)</b>
			(1)	(1)
Natural gas	4 <sup>(2)</sup>	29 <sup>(2)</sup>	3,377	3,182
Large hydro	1	7	1,265	1,265
Renewables	65	162 <sup>(3)</sup>	362	86 <sup>(4)</sup>
Storage	1	1	20 <sup>(5)</sup>	20
Subtotal	71	199	5,024	4,553
Less payable to the California Department of Water Resources	—	—	(120) <sup>(6)</sup>	(28) <sup>(6)</sup>
Total	71	199	4,904	4,525

1. Net dependable capacity is based on 2024-25 capacity ratings; for renewables, figure represents average expected capacity. See footnote 4.
2. Consists of the four Los Angeles Basin Stations (Haynes, Valley, Harbor and Scattergood).
3. Includes 22 of the hydro units at the Los Angeles Aqueduct, Owens Valley and Owens Gorge hydro units that are certified as renewable resources by the California Energy Commission (CEC). Also included are Power System-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 historical generation, in addition to statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its average expected.
5. Storage consists of a 10 megawatt-hour (MWh) battery which can discharge up to 20 MWs for 30 minutes.
6. Energy payable to the California Department of Water Resources for energy generated at the Castaic Plant. This amount varies weekly up to a maximum of 120 MWs.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

**Table 4 – Jointly-Owned Facilities, Long-Term Purchase Commitments and Energy Entitlements  
As of June 30, 2025**

<b>Type</b>	<b>Number of facilities</b>	<b>Department's net maximum connected capacity (MWs)</b>	<b>Department's net dependable connected or average expected capacity (MWs)</b>
Coal – Intermountain Power Project	1	1,202 <sup>(1)</sup>	1,164
Natural gas – Apex Generating Station	1	578 <sup>(2)</sup>	483
Large hydro – Hoover Power Plant	1	496 <sup>(3)</sup>	270 <sup>(3)</sup>
Nuclear – Palo Verde Nuclear Generating Station	1	387 <sup>(4)</sup>	380
Renewables/Distributed generation (DG)	94,384 <sup>(5)</sup>	3,670	1,260 <sup>(6)</sup>
Storage	2	281	— <sup>(7)</sup>
<b>Total</b>	<b>94,390</b>	<b>6,614</b>	<b>3,557</b>

1. Power System's Intermountain Power Project (IPP) entitlement is 48.62% of the net maximum plant capacity of 1,800 MWs. An additional 18.17% portion of the IPP entitlement is subject to variable recall. The repowering of IPP to replace the coal units with combined cycle natural gas units with a net maximum plant capacity of 840 MWs is expected to be completed by December 2025.
2. Power System's Apex Generating Station entitlement is 100% of the power produced.
3. Power System'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.
4. Power System's Palo Verde Generating Station entitlement is 9.66% of the maximum net plant capacity of 4,003 MW.
5. The Department's contract renewable resources in-service includes 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.
6. For renewables, figure represents average expected capacity. Figure based on historical generation, in addition to statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its average expected capacity.
7. Storage system contribution towards Net Dependable or Average Expected Plant Capacity is under review.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

*Other Noncurrent Assets and Deferred Outflows*

During fiscal year 2025, other noncurrent assets decreased approximately \$185 million primarily due to a decrease of \$160 million in net Other Postemployment Benefits (OPEB) assets and a decrease in other regulatory assets of \$52 million, offset by a \$21 million increase in cash and cash equivalents, and an increase in prepayments of \$6 million. The decrease in regulatory assets related to OPEB was due to actual expenses being less than actuarially determined contributions.

During fiscal year 2025, deferred outflows increased approximately \$279 million due primarily to an increase in deferred outflows related to OPEB of \$237 million, a \$16 million increase in deferred outflows related to year-over-year contributions made after the measurement date for OPEB, a \$13 million increase in deferred outflows on derivative instruments, a \$9 million increase in deferred outflows related to pension, and a \$5 million increase in deferred outflows related to asset retirement obligation, offset by a decrease of \$1 million in deferred outflows on debt refunding.

During fiscal year 2024, other noncurrent assets had a net increase of approximately \$135 million primarily due to an increase of \$148 million in net OPEB assets, a \$70 million increase in cash and cash equivalents, and an increase in prepayments of \$20 million, offset by a decrease in other regulatory assets of \$56 million, a decrease in regulatory assets associated with OPEB of \$30 million, a decrease in derivative instrument assets of \$15 million, and a decrease in long-term underrecovered costs of \$2 million. The decrease in regulatory assets related to OPEB was due to actual expenses being less than actuarially determined contributions.

During fiscal year 2024, deferred outflows increased approximately \$132 million due primarily to an increase in deferred outflows related to pension of \$52 million, a \$46 million increase in deferred outflows related to year-over-year contributions made after the measurement date for pension, a \$9 million increase in deferred outflows on debt refunding due to amortization of gains and losses on bond refinancing, a \$33 million increase in asset retirement obligation, and a \$1 million increase in deferred outflows on derivative instruments, offset by a decrease of \$7 million related to OPEB and a \$2 million decrease in deferred outflows related to year-over-year contributions made after the measurement date for OPEB.

*Current Assets*

During fiscal year 2025, current assets had a net increase of approximately \$678 million, or 16%. This increase is primarily comprised of a \$218 million increase in customer and other accounts receivable, net of allowance for losses in 2025 and 2024, a \$192 million increase in the current portion of underrecovered costs, a \$173 million increase in restricted cash and cash equivalents, a \$139 million increase in prepayments and other current assets, a \$71 million increase in materials and fuel, and an increase of \$7 million in cash collateral received from securities lending transactions, offset by a decrease of \$117 million due from the Water Revenue Fund of the Department of Water and Power of the City of Los Angeles (Water System), and a decrease of \$5 million in unrestricted cash and cash equivalents.

During fiscal year 2024, current assets increased by approximately \$119 million, or 3%. This increase is primarily comprised of a \$166 million increase in customer and other accounts receivable net of allowance for losses in fiscal years 2024 and 2023, a \$110 million increase in restricted cash and cash equivalents, a \$1 million increase in prepayments and other current assets, a \$114 million increase in the current portion of



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

underrecovered costs, a \$35 million increase in materials and fuel, a \$110 million increase due from the Water Revenue Fund of the Water System, offset by a \$403 million decrease in unrestricted cash and cash equivalents as a result of a decrease in cash provided by operating activities, \$6 million decrease in current portion of long-term notes receivable, and a decrease of \$8 million in cash collateral received from securities lending transactions.

**Net Position, Liabilities and Deferred Inflows**

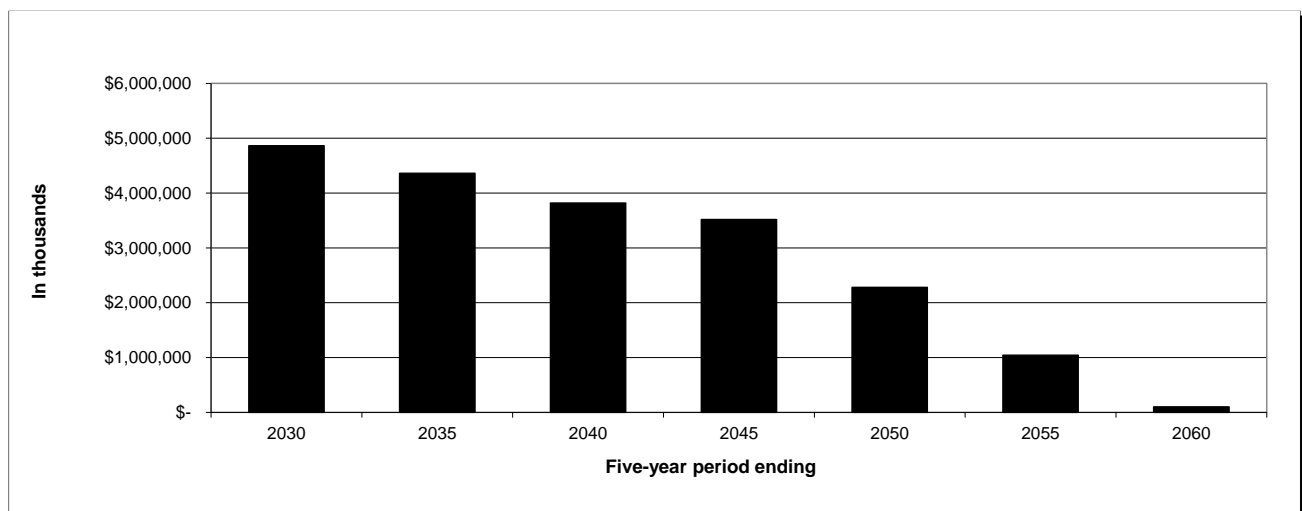
*Long-Term Debt*

As of June 30, 2025, the Power System's total outstanding long-term debt balance, including the current portion, was approximately \$13.5 billion. The increase of \$778.1 million over the prior year's balance was due to \$2.3 billion in new debt issuances at par in fiscal year 2025, \$181.8 million in issue premiums, offset by scheduled maturities of \$223.6 million, defeasance of \$1.3 billion in the Power System's revenue bonds, and \$141.9 million in amortization on premiums and discounts. One issue was to finance capital improvements, two issues were used to defease debt and finance capital improvements, and one issue was to defease debt.

As of June 30, 2024, the Power System's total outstanding long-term debt balance, including the current portion, was approximately \$12.7 billion. The increase of \$288.3 million over the prior year's balance was due to \$2.1 billion in new debt issuances at par in fiscal year 2024, \$253.0 million in issue premiums, offset by scheduled maturities of \$214.0 million, defeasance of \$1.6 billion in the Power System's revenue bonds, and \$211.8 million in amortization on premiums and discounts. Four issues were to defease debt and two issues were used to defease debt and finance capital improvements.

Outstanding principal, plus scheduled interest as of June 30, 2025, is scheduled to mature as shown in the chart below:

**Chart: Debt Service Requirements**



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

In addition, the Power System had \$543.9 million and \$515.7 million in restricted investments available for the use of debt reduction as of June 30, 2025 and 2024, respectively.

In September 2025, Fitch Ratings, Moody's Investors Service and Kroll Bond Rating Agency affirmed the Power System's bond rating of AA-, Aa2, and AA, respectively. In January 2025, S&P Global Ratings lowered the Power System's bond rating to A from AA-. The Power System maintained each of its respective bond ratings as of June 30, 2025.

The Master Bond Resolution allows for parity debt to be issued as long as the Power System's adjusted net income for the applicable calculation period is at least 1.25 times the maximum annual adjusted debt service. The debt service coverage ratio is computed by taking operating revenue, less operating expense, excluding depreciation expense to calculate net revenue. Net revenue is then divided by the current debt service. During fiscal year 2025 and 2024, the Power System debt service coverage ratio was 2.98 and 2.72, respectively.

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

*Other Long-Term Liabilities and Deferred Inflows*

During fiscal year 2025, other long-term liabilities had a net increase of approximately \$16 million primarily due to an increase in overrecovered costs related to pension of \$116 million, a \$92 million increase in overrecovered costs related to OPEB, a \$19 million increase in Net OPEB liability, a \$17 million increase in other noncurrent liability, a \$9 million increase in asset retirement obligation, and an increase of \$8 million in accrued workers' compensation claims, offset by a decrease in net pension liability of \$246 million which was primarily due to a 9.77% return, which was higher than the assumed return of 6.5% resulting in a favorable investment return during the year.

During fiscal year 2025, deferred inflows increased approximately \$121 million primarily due to an increase of \$139 million from deferred inflows related to pension, offset by an \$18 million decrease from deferred inflows related to OPEB.

During fiscal year 2024, other long-term liabilities had a net increase of \$209 million primarily due to an increase in overrecovered costs related to pension of \$129 million and a \$44 million increase related to OPEB, a \$57 million increase in asset retirement obligation, and a \$6 million increase in accrued workers' compensation claims, offset by a decrease in net pension liability of \$20 million as a result of a 7.49% return, which was higher than the assumed return of 6.50% resulting in a favorable investment return during the year and changes in actuarial assumptions, and a \$5 million decrease in other noncurrent liabilities.

During fiscal year 2024, deferred inflows increased approximately \$159 million primarily due to an increase of \$83 million from deferred inflows related to debt refunding, an increase of \$64 million from deferred inflows related to OPEB, an increase of \$40 million from deferred inflows related to regulated business activities, offset by a \$15 million decrease from deferred inflows related to derivative instruments, an \$11 million decrease from deferred inflows related to pensions, and a \$2 million decrease from deferred inflows related to leases.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

**Management's Discussion and Analysis**

**June 30, 2025 and 2024**

*Current Liabilities*

During fiscal year 2025, current liabilities increased by \$222 million, or 18%, primarily due to an increase of \$150 million as a result of the issuance of Line of Credit, a \$59 million increase in current portion of long-term debt, an increase of \$58 million in accounts payable and accrued expenses, a \$54 million increase in accrued employee expenses, a \$28 million increase in accrued interest, and a \$7 million increase in obligations under securities lending transactions, offset by a decrease of \$134 million in current portion of variable rate demand bond liquidity advance not made as a result of refunding all the outstanding variable rate bonds in fiscal year 2026, before the issuance of the fiscal year 2025 financial statements.

During fiscal year 2024, current liabilities decreased by \$118 million, or 11%, primarily due to an \$82 million decrease in accounts payable and accrued expenses, an \$8 million decrease in securities lending obligations by the City, a \$7 million increase in accrued interest, a \$21 million increase in accrued employee expenses, a \$10 million increase in current portion of long-term debt, and a \$20 million increase in current portion of variable rate demand bond liquidity advance not made.

**Changes in Net Position**

*Operating Revenue*

The Power System's rates are established by rate ordinances set by the Board of Water and Power Commissioners (the Board) based on the Board's powers and duties established in Section 676 of the City Charter. The Power System recognizes energy costs in the period incurred and accrues for estimated energy sold but not yet billed. Through a set of rate ordinances, the Power System bills its revenue through fixed and pass-through factors. As of April 15, 2016, the effective date of the 2016 Incremental Electric Rate Ordinance, all pass-through billing factors charged as part of the 2016 rates are uncapped, and a Base Rate Revenue Target (BRRT) was established for fiscal year 2016 through fiscal year 2026 to ensure sufficient revenue to meet fixed costs while implementing an aggressive energy efficiency program. The BRRT is a decoupling mechanism that separates cost recovery from the energy usage underlying the calculated overall rate. This allows the Power System to meet its financial obligations while still promoting energy conservation.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

The operating revenue of the Power System is generated from wholesale and retail customers. There are four major customer categories of retail revenue. These categories include residential, commercial, industrial, and other, which includes public street lighting. Table 5 summarizes the percentage contribution of retail revenue from each customer segment in fiscal years 2025, 2024, and 2023:

**Table 5 – Revenue and Percentage of Revenue by Customer Class**

(Amounts in thousands)

	Fiscal year 2025		Fiscal year 2024		Fiscal year 2023	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Type of retail customer:						
Residential	\$ 1,887,767	37 %	\$ 1,679,399	36 %	\$ 1,717,646	37 %
Commercial and industrial	3,290,202	64	3,036,936	65	2,857,601	62
Other, net	(28,831)	(1)	(9,160)	(1)	56,945	1
	<u>5,149,138</u>	<u>100 %</u>	<u>4,707,175</u>	<u>100 %</u>	<u>4,632,192</u>	<u>100 %</u>
Sales for resale	<u>159,162</u>		<u>118,193</u>		<u>326,347</u>	
Total revenue	<u>\$ 5,308,300</u>		<u>\$ 4,825,368</u>		<u>\$ 4,958,539</u>	

While commercial customers consume the most electricity, residential customers represent the largest customer class. As of June 30, 2025, 2024, and 2023, the Power System had approximately 1.6 million customers. As shown in Table 6 below, 1.5 million, or 92%, of total customers were in the residential customer class in both fiscal years 2025 and 2024. 1.4 million, or 91% of total customers were in the residential customer class in fiscal year 2023.

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

(Amounts in thousands)

	Fiscal year 2025		Fiscal year 2024		Fiscal year 2023	
	Number	Percentage	Number	Percentage	Number	Percentage
Type of retail customer:						
Residential	1,458	92 %	1,453	92 %	1,440	91 %
Commercial	118	7	118	7	118	8
Industrial	10	1	10	1	10	1
Other	7	—	7	—	7	—
	<u>1,593</u>	<u>100 %</u>	<u>1,588</u>	<u>100 %</u>	<u>1,575</u>	<u>100 %</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

*Fiscal Year 2025*

Operating revenue increased \$483 million mainly due to an increase of \$462 million in total from retail customers due to an overall increase in consumption, an increase of \$41 million in Sales for Resale, and a \$19 million increase in other sales, offset by a \$39 million increase in provision for uncollectible accounts.

*Fiscal Year 2024*

Operating revenue decreased \$133 million mainly due to a decrease of \$208 million in Sales for Resale, a \$51 million decrease in uncollectible accounts, and a \$15 million decrease in other revenue, offset by an increase of \$141 million in total from retail customers.

*Operating Expenses*

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

The table below summarizes the Power System's operating expenses during fiscal years 2025, 2024, and 2023:

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

(Amounts in thousands other than percentages)

	<b>Fiscal year 2025</b>		<b>Fiscal year 2024</b>		<b>Fiscal year 2023</b>	
	<b>Expense</b>	<b>Percentage</b>	<b>Expense</b>	<b>Percentage</b>	<b>Expense</b>	<b>Percentage</b>
Type of expense:						
Fuel for generation	\$ 295,893	7 %	\$ 333,636	8 %	\$ 435,524	10 %
Purchased power	1,253,073	30	1,220,759	30	1,448,692	35
Other operating expenses	1,276,094	30	1,201,360	30	1,103,990	26
Maintenance expenses	561,769	13	492,387	12	466,439	11
Depreciation and amortization	841,217	20	805,263	20	761,718	18
	<u>\$ 4,228,046</u>	<u>100 %</u>	<u>\$ 4,053,405</u>	<u>100 %</u>	<u>\$ 4,216,363</u>	<u>100 %</u>

*Fiscal Year 2025*

Fiscal year 2025 operating expenses were \$174 million higher when compared to fiscal year 2024, driven primarily by an increase of \$144 million in other operating expenses and maintenance expenses, a \$36 million increase in depreciation and amortization expense, and a \$32 million increase in purchased power, offset by a \$38 million decrease in fuel for generation.

The \$75 million increase in other operating expenses is mainly due to an increase of \$41 million in distribution expenses and \$34 million in administrative and general corporate expenses.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

The \$69 million increase in maintenance expense for utility plant assets is mainly due to higher maintenances costs for distribution plant of \$26 million; maintenance costs for hydraulic plant of \$15 million; maintenance of steam plant of \$11 million; maintenance cost for transmission plant of \$10 million; and maintenance cost for other production plant of \$7 million.

The \$36 million increase in depreciation and amortization expense can mainly be attributed to increases in depreciation for distribution plant of \$26 million; generation plant of \$5 million; and transmission plant of \$5 million.

The \$32 million increase in purchased power costs can be primarily attributed to higher costs of generating energy and California Independent System Operator energy purchases.

The \$38 million decrease in fuel for generation is primarily due to lower natural gas prices.

*Fiscal Year 2024*

Fiscal year 2024 operating expenses were \$163 million lower when compared to fiscal year 2023, driven primarily by a \$228 million decrease in purchase power, a \$102 million decrease in fuel for generation, offset by an increase of \$123 million in maintenance and other operating expenses, and a \$44 million increase in depreciation and amortization expense.

The \$228 million decrease in purchased power costs can be primarily attributed to lower year-over-year costs of generating energy and California Independent System Operator energy purchases.

The \$102 million decrease in fuel for generation is primarily due to lower year-over-year natural gas prices.

The \$97 million increase in other operating expense is mainly due to an increase of \$34 million in administrative and general corporate expense, a \$29 million increase in nuclear decommissioning expense, a \$28 million increase in customer service expense, a \$19 million increase in distribution expense, a \$9 million increase in transmission expense, and a \$3 million increase in marketing expense, offset by a decrease of \$25 million in production expense.

The \$26 million increase in maintenance expense for utility plant assets is mainly due to higher year-over-year maintenances costs for distribution plant of \$25 million; maintenance of steam plant of \$4 million; and maintenance costs for hydraulic plant of \$4 million; offset by a decrease of maintenance of nuclear plant of \$7 million.

The \$44 million increase in depreciation and amortization expense can mainly be attributed year-over-year increases in depreciation for distribution plant of \$19 million; amortization of intangible plant including software and regulatory assets of \$17 million; generation plant of \$6 million; and transmission plant of \$2 million.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Management's Discussion and Analysis

June 30, 2025 and 2024

*Nonoperating Revenue and Expenses*

*Fiscal Year 2025*

The major nonoperating activities of the Power System for fiscal year 2025 included \$420 million in debt expenses, the transfer of \$219 million to the City General Fund, \$144 million in net other nonoperating income, investment income of \$184 million, and \$20 million in federal bond subsidies.

The \$35 million increase in investment income can be primarily attributed to the change in the fair market value of the general pool investment between fiscal year 2024 and fiscal year 2025.

The \$75 million decrease in other nonoperating income is due mainly to a decrease in revenue recognized for emissions-reduction credits.

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

*Fiscal Year 2024*

The major nonoperating activities of the Power System for fiscal year 2024 included \$408 million in debt expenses, the transfer of \$245 million to the City General Fund, \$229 million in other nonoperating income, investment income of \$149 million, and \$24 million in federal bond subsidies.

The \$107 million increase in investment income can be primarily attributed to the change in the fair market value of the general pool investment between fiscal year 2023 and fiscal year 2024.

The \$124 million decrease in other nonoperating income is due mainly to a decrease in revenue recognized for emissions-reduction credits.

The \$9 million increase in debt expenses is mainly due to the interest expense from variable rate bonds and refunding.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Statements of Net Position

June 30, 2025 and 2024

(Amounts in thousands)

<b>Assets and Deferred Outflows</b>	<b>2025</b>	<b>2024</b>
Noncurrent assets:		
Utility plant:		
Generation	\$ 6,806,431	6,693,892
Transmission	3,129,703	2,765,613
Distribution	14,342,917	13,141,742
General	3,117,377	2,730,594
Total	27,396,428	25,331,841
Accumulated depreciation	(11,538,907)	(10,937,101)
Total land and depreciable utility plant, net	15,857,521	14,394,740
Construction work in progress	934,753	1,188,078
Nuclear fuel, at amortized cost	42,064	40,092
Natural gas field	100,710	109,437
Total utility plant, net	16,935,048	15,732,347
Restricted investments	787,324	697,721
Cash and cash equivalents – restricted	592,482	570,941
Long-term notes and other receivables, net of current portion	22,505	23,409
Regulatory assets – other	727,058	778,830
Net OPEB assets	—	160,199
Prepayments	106,374	99,899
Total noncurrent assets	19,170,791	18,063,346
Current assets:		
Cash and cash equivalents – unrestricted	1,085,572	1,090,739
Cash and cash equivalents – restricted	997,295	824,509
Cash collateral received from securities lending transactions	9,265	2,578
Customer and other accounts receivable, net of \$393,987 and \$312,475 allowance for losses for 2025 and 2024, respectively	1,130,064	911,782
Current portion of underrecovered costs	808,018	616,168
Due from Water System	60,811	177,801
Materials and fuel	362,412	290,819
Prepayments and other current assets	379,426	240,721
Total current assets	4,832,863	4,155,117
Total assets	24,003,654	22,218,463
Deferred outflows – derivative instruments	14,334	1,392
Deferred outflows – debt refunding	15,119	16,481
Deferred outflows – asset retirement obligation	72,217	67,451
Deferred outflows – pension	610,859	601,259
Deferred outflows – OPEB	319,359	82,481
Deferred outflows – contributions made after measurement date for pension	295,675	295,469
Deferred outflows – contributions made after measurement date for OPEB	100,727	84,682
Total deferred outflows	1,428,290	1,149,215
Total assets and deferred outflows	\$ 25,431,944	23,367,678



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Statements of Net Position

June 30, 2025 and 2024

(Amounts in thousands)

<b>Net Position, Liabilities, and Deferred Inflows</b>	<b>2025</b>	<b>2024</b>
Net position:		
Net investment in capital assets	\$ 3,055,115	2,786,036
Restricted:		
Debt service	943,691	845,019
Other purposes	774,508	629,271
Unrestricted	3,690,783	3,350,974
Total net position	8,464,097	7,611,300
Long-term debt, net of current portion	13,229,762	12,376,606
Other noncurrent liabilities:		
Accrued workers' compensation claims	73,675	66,013
Asset retirement obligation	283,041	274,325
Net OPEB liability	19,112	—
Net pension liability	147,444	393,338
Overrecovered costs – OPEB	135,538	43,841
Overrecovered costs – pension	632,577	516,246
Other noncurrent liabilities	142,510	125,167
Total other noncurrent liabilities	1,433,897	1,418,930
Current liabilities:		
Current portion of long-term debt	282,740	223,610
Current portion of variable rate demand bond liquidity advance not made	—	134,189
Line of Credit	150,000	—
Accounts payable and accrued expenses	446,813	388,770
Accrued interest	268,935	241,014
Accrued employee expenses	270,078	215,762
Obligations under securities lending transactions	9,265	2,578
Total current liabilities	1,427,831	1,205,923
Total liabilities	16,091,490	15,001,459
Deferred inflows – leases	20,182	21,672
Deferred inflows – debt refunding	177,700	176,056
Deferred inflows – pension	185,849	46,480
Deferred inflows – OPEB	265,436	283,521
Deferred inflows from regulated business activities	227,190	227,190
Total deferred inflows	876,357	754,919
Total net position, liabilities, and deferred inflows	\$ 25,431,944	23,367,678

See accompanying notes to financial statements.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

(Amounts in thousands)

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Residential	\$ 1,887,767	1,679,399
Commercial and industrial	3,290,202	3,036,936
Sales for resale	159,162	118,193
Other	64,361	44,882
Uncollectible accounts	(93,192)	(54,042)
Total operating revenues	<u>5,308,300</u>	<u>4,825,368</u>
Operating expenses:		
Fuel for generation	295,893	333,636
Purchased power	1,253,073	1,220,759
Maintenance and other operating expenses	1,837,863	1,693,747
Depreciation and amortization	841,217	805,263
Total operating expenses	<u>4,228,046</u>	<u>4,053,405</u>
Operating income	<u>1,080,254</u>	<u>771,963</u>
Nonoperating revenues:		
Net investment income	184,424	149,312
Federal bond subsidies	19,602	24,279
Other nonoperating income	154,137	229,519
Total nonoperating revenues	<u>358,163</u>	<u>403,110</u>
Other nonoperating expenses	(9,791)	(7,817)
Total nonoperating revenues, net	<u>348,372</u>	<u>395,293</u>
Debt expenses:		
Interest on debt	420,432	408,392
Total debt expenses	<u>420,432</u>	<u>408,392</u>
Income before capital contributions and transfers	1,008,194	758,864
Capital contributions	63,915	70,492
Transfers to the reserve fund of the City of Los Angeles	(219,312)	(244,695)
Increase in net position	852,797	584,661
Net position:		
Beginning of year	<u>7,611,300</u>	<u>7,026,639</u>
End of year	<u>\$ 8,464,097</u>	<u>7,611,300</u>

See accompanying notes to financial statements.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Statements of Cash Flows

Years ended June 30, 2025 and 2024

(Amounts in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts:		
Cash receipts from customers	\$ 5,239,095	4,890,370
Cash receipts from customers for other agency services	810,291	757,685
Cash receipts from interfund reimbursements	1,141,105	754,229
Other cash receipts	6,023	62,996
Cash disbursements:		
Cash payments to employees	(1,058,567)	(1,021,868)
Cash payments to suppliers	(2,436,441)	(2,012,927)
Cash payments for interfund reimbursements	(1,278,896)	(1,159,776)
Cash payments to other agencies for fees collected	(791,651)	(760,999)
Cash payments for property taxes	(19,689)	(18,572)
Net cash provided by operating activities	<u>1,611,270</u>	<u>1,491,138</u>
Cash flows from noncapital financing activities:		
Payments to the reserve fund of the City of Los Angeles	(219,312)	(244,695)
Proceeds from line of credit	<u>150,000</u>	<u>—</u>
Net cash used in noncapital financing activities	<u>(69,312)</u>	<u>(244,695)</u>
Cash flows from capital and related financing activities:		
Additions to plant and equipment, net	(1,919,538)	(1,535,187)
Capital contributions	63,915	61,466
Principal payments and maturities on long-term debt	(223,610)	(214,040)
Proceeds from issuance of bonds	1,141,773	701,374
Debt interest payments	(531,214)	(622,981)
Federal bond subsidies	<u>19,602</u>	<u>24,279</u>
Net cash used in capital and related financing activities	<u>(1,449,072)</u>	<u>(1,585,089)</u>
Cash flows from investing activities:		
Purchases of investment securities	(664,177)	(494,537)
Sale of investment securities	582,399	475,664
Proceeds from notes receivable	—	6,308
Investment income	<u>178,052</u>	<u>128,972</u>
Net cash provided by investing activities	<u>96,274</u>	<u>116,407</u>
Net increase (decrease) in cash and cash equivalents	189,160	(222,239)
Cash and cash equivalents:		
Beginning of period	<u>2,486,189</u>	<u>2,708,428</u>
Ending of period	<u>\$ 2,675,349</u>	<u>2,486,189</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Statements of Cash Flows

Years ended June 30, 2025 and 2024

(Amounts in thousands)

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,080,254	771,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	841,217	805,263
Depletion expense	8,765	9,706
Amortization of nuclear fuel	10,224	10,870
Provision for losses on customer and other accounts receivables	93,192	54,042
Changes in assets and liabilities:		
Customer and other accounts receivable	(312,022)	(209,340)
Current portion of underrecovered costs	(191,850)	(113,762)
Materials and fuel	(71,593)	(34,788)
Regulatory assets	(79,051)	(46,191)
Noncurrent Prepayments	(6,475)	(20,350)
Overrecovered costs – OPEB	91,697	43,841
Overrecovered costs – pension	116,331	129,187
Due from Water System	116,990	(110,541)
Deferred outflows	(267,468)	(124,636)
Accounts payable and accrued expenses	45,495	34,335
Net pension liability	(245,894)	(20,288)
Net OPEB asset/liability	179,311	(148,427)
Other noncurrent liabilities	4,371	(3,522)
Deferred inflows	121,438	174,185
Asset retirement obligation	8,716	56,293
Prepayments and other current assets	67,622	233,298
Net cash provided by operating activities	<u>\$ 1,611,270</u>	<u>1,491,138</u>

Supplemental disclosures of noncash capital and related financing activities:

During the year ended June 30, 2025, the Power System issued revenue bonds to refund previously issued debt. The \$1,307.4 million of proceeds were deposited immediately into an irrevocable trust for the defeasance of \$1,307.6 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in \$27.6 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

During the year ended June 30, 2024, the Power System issued revenue bonds to refund previously issued debt. The \$1,108.5 million of proceeds were deposited immediately into an irrevocable trust for the defeasance of \$1,109.8 million of debt. Additionally, \$527.4 million of proceeds were deposited immediately to a paying agent for the redemption of \$516.0 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in \$87.2 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

Accounts payable related to capital expenditures totaled \$180.9 million and \$168.3 million during fiscal years 2025 and 2024, respectively.

See accompanying notes to financial statements.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(1) Summary of Significant Accounting Policies**

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

**(a) Method of Accounting**

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

The financial statements of the Power System are intended to present the net position, and the changes in net position and cash flows, of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Power System. These financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with GAAP.

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

**(b) Use of Estimates**

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(c) Utility Plant**

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

**(d) Intangibles**

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

**(e) Impairment of Long-Lived Assets**

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

**(f) Depreciation and Amortization**

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

The Department uses the composite method of depreciation and, therefore, groups assets into composite groups for purposes of calculating depreciation expense. Estimated service lives range from 5 to 75 years. Amortization expense for computer software is computed using the straight-line method over 5 to 15 years. Depreciation and amortization expense as a percentage of average depreciable utility plant in service was 3.0% for fiscal years ended 2025 and 2024.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(g) Nuclear Fuel**

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

**(h) Natural Gas Field**

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

Depletion expense related to the gas field is recorded as a component of fuel for generation expense. During fiscal years 2025 and 2024, the Power System recorded \$8.8 million and \$9.7 million of depletion expense, respectively.

**(i) Cash and Cash Equivalents**

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2025 and 2024, restricted cash and cash equivalents include the following (amounts in thousands):

	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Bond redemption and interest funds	\$ 550,360	472,855
Other restricted funds	440,247	351,654
Escrow Accounts	6,688	—
Restricted cash and cash equivalents – current portion	997,295	824,509
Self-insurance reserve	242,475	232,475
Rate stabilization fund	220,000	220,000
Bond redemption funds	111,665	97,436
Construction funds	2,682	1,714
Other restricted funds	15,660	19,316
Restricted cash and cash equivalents – noncurrent	592,482	570,941
Total restricted cash and cash equivalents	\$ 1,589,777	1,395,450

**(j) Materials and Fuel**

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

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

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

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

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



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2025 and 2024, customer and other accounts receivable include the following (amounts in thousands):

		<b>June 30</b>	
		<b>2025</b>	<b>2024</b>
Customer and other accounts receivable	\$	1,524,051	1,224,257
Allowance for losses		(393,987)	(312,475)
Customer and other accounts receivable, net	\$	<u>1,130,064</u>	<u>911,782</u>

**(l) Accrued Unbilled Revenue**

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

**(m) Investments**

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

**(n) Accrued Employee Expenses**

Accrued employee expenses include estimated liabilities for accrued payroll and compensated absences. Compensated absences include vacation leave, sick leave, compensatory time, and accrued personal time off which are each accrued when employees earn the rights to these benefits. The Power System adopted the provisions of GASB Statement No. 101, *Compensated Absences*, on July 1, 2024. See note 2(a). Below is a schedule of accrued employee expenses as of June 30, 2025 and 2024 (amounts in thousands):

		<b>June 30</b>	
		<b>2025</b>	<b>2024</b>
Type of expenses:			
Accrued payroll	\$	64,562	52,684
Accrued vacation		117,268	109,943
Accrued sick leave		32,813	19,700
Compensatory time		40,052	33,435
Accrued personal time		15,383	—
Total	\$	<u>270,078</u>	<u>215,762</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(o) Debt Expenses**

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

**(p) Accrued Workers' Compensation Claims**

Liabilities for unpaid workers' compensation claims are recorded at their net present value. See note 12(c).

**(q) Customer Deposits**

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

The Department's Water Revenue Fund (Water System) is responsible for collection, maintenance, and refunding of these deposits for all the Department's customers, including those of the Power System. As such, the Water System's statements of net position include a deposit liability of \$278 million and \$266 million as of June 30, 2025 and 2024, respectively, for all customer deposits collected. In the event that the Water System defaults on refunds of such deposits, the Power System would be required to pay amounts it owes its customers.

**(r) Capital Contributions**

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

**(s) Use of Restricted and Unrestricted Resources**

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

**(t) Pensions**

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

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

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

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

**(u) Other Postemployment Plan Benefits**

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

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

The Power System recognizes a net OPEB liability (asset), which represents the Power System's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the Plan as reflected in the financial statements of the Plan. The net OPEB liability (asset) is measured as of the Power System's prior fiscal year-end. Changes in the net OPEB liability (assets) are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability (asset) that are

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective OPEB plan and are recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings on plan investments are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows and a reduction to the OPEB regulatory asset.

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

**(v) Asset Retirement Obligations**

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

**(w) Revenues**

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

Revenue consists of billings to customers for power consumption at rates specified in the power rate ordinances. These rates include cost adjustment factors that provide the Power System with full recovery of fuel and purchased power expenditures and base rate revenue based upon established revenue targets. Management estimates these costs quarterly or annually for a 12-month prospective period to establish the cost recovery component of customer billings, and any difference between billed

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

and actual costs is adjusted in subsequent billings. This difference of \$538 million and \$341 million represents regulatory assets that are reported as a component of underrecovered costs in the accompanying statements of net position as of June 30, 2025 and 2024, respectively. See note 6. The remaining portion of underrecovered costs included in the statements of net position of \$270 million and \$275 million relates to accrued unbilled amounts related to costs incurred during the years ended June 30, 2025 and 2024, respectively, that will be billed with the current fiscal year's customer consumption but has not been billed at fiscal year-end as the consumption period and billing period have not yet ended.

**(x) Current Rate Ordinances**

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

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

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

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(y) Leases**

The Power System follows GASB Statement No. 87, *Leases*, which provides a methodology for identifying and reporting lease arrangements and obligations. The Power System is both a lessor and a lessee:

**(i) Lessor**

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

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

As a lessor, the Power System's long-term land leases cover periods of 30–55 years. A 30-year land lease has an escalation factor of 5% every 5 years, which commenced on April 15, 2011. This land lease also contains an interconnection agreement for an oil terminal and tank farm for storage, handling, and distribution of crude petroleum and petroleum related products, which can be terminated after 10 years from the effective date or termination of lease agreement.

On behalf of the Customer Service Division, the Department purchased a six-story Class A office building consisting of approximately 83,904 square feet and approximately 315 parking spaces on approximately 1.6 acres of land. The property was delivered to the Department partially occupied by six existing tenants. Two of the lease agreements and tenancies expired as of December 2023, and three of the lease agreements and tenancies will expire by June 2026. The lease agreement with the remaining tenant, a telecommunications facility located on the roof of the building, will expire by November 2031. The Department does not intend to extend any of the lease terms or renew any of the lease agreements with the existing tenants. The building cost and the future rental income will be shared by both the Power and Water Systems.

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

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The lease term includes the period during which the lessee has a non-cancelable right to use an underlying asset plus any additional periods covered where the lessor and/or the lessee have the option to extend the lease and that option is reasonably certain to be exercised. The lease term also includes periods where only the lessor or lessee has the option to terminate the lease, if this termination is reasonably certain not to be exercised. Periods where both the lessee and the lessor have an option to terminate the lease without permission from the other party are cancellable periods and are excluded from the lease term.

The Power System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable, the lease receivable is remeasured and a corresponding adjustment is made to the lease asset. There was no remeasurement of lease receivables during fiscal year 2025 and 2024.

Lease receivables are reported with long-term receivables under noncurrent assets and the corresponding deferred inflows are reported with other deferred inflows in the statements of net position.

The Power System had the following lessor activities during fiscal year 2025 (amounts in thousands):

	<u>June 30, 2024</u>	<u>Leases and Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Lessor:					
Lease receivable – GASB 87	\$ 23,413	—	—	(904)	22,509
Deferred inflows – GASB 87	21,672	—	—	(1,490)	20,182

The Power System had the following lessor activities during fiscal year 2024 (amounts in thousands):

	<u>June 30, 2023</u>	<u>Leases and Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Lessor:					
Lease receivable – GASB 87	\$ 25,271	—	—	(1,858)	23,413
Deferred inflows – GASB 87	24,025	—	—	(2,353)	21,672

*(ii) Lessee*

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

At lease commencement, the Power System initially measures the lease liability at the present value of payments expected to be made during the lease term. If the present value of payments expected to be made is below the \$100 thousand materiality threshold, then expenses will be recognized as short-term leases. Subsequently, for all other leases, the lease liability is reduced by the principal portion of lease payments made at or before the lease commencement date.

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

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

The lease term includes the period during which a lessee has a non-cancelable right to use an underlying asset plus any additional periods covered where the lessor and/or the lessee have the option to extend the lease and that option is reasonably certain to be exercised. The lease term also includes periods where only the lessor or lessee has the option to terminate the lease, if this termination is reasonably certain not to be exercised. Periods where both the lessee and the lessor have an option to terminate the lease without permission from the other party are cancelable periods and are excluded from lease term.

The Power System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset, respectively.

In fiscal year 2025, Power System executed an optional lease term extension in accordance with the original contract. This extension resulted in the remeasurement of the related lease liability and ROU, with the revised amounts presented in the table below.

Lease assets are reported with capital assets and lease liabilities are reported with current liabilities and other noncurrent liabilities in the statements of net position.



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System had the following lease assets (lessee) during fiscal year 2025 (amounts in thousands):

	Balance, June 30, 2024	Additions	Remeasurements	Deductions	Balance, June 30, 2025
Lessee					
Lease assets:					
Buildings	\$ 53,822	—	314	—	54,136
Vehicles	11,835	5,523	—	—	17,358
Land, right-of-use	3,272	—	—	—	3,272
Total lease assets (right-of-use)	68,929	5,523	314	—	74,766
Less accumulated amortization					
Buildings	(11,919)	(5,561)	—	—	(17,480)
Vehicles	(9,564)	(4,026)	—	—	(13,590)
Land, right-of-use	(662)	(331)	—	—	(993)
Total accumulated amortization (right-of-use)	(22,145)	(9,918)	—	—	(32,063)
Total lease assets, net	\$ 46,784	(4,395)	314	—	42,703

The Power System had the following lease liability (lessee) during fiscal year 2025 (amounts in thousands):

	Balance, June 30, 2024	Additions	Remeasurements	Deductions	Balance, June 30, 2025	Amount due in FY 2026
Lease liability	\$ 48,004	5,523	314	(9,589)	44,252	8,368

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System had the following lease assets (lessee) during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Remeasurements	Deductions	Balance, June 30, 2024
Lessee					
Lease assets:					
Buildings	\$ 53,822	—	—	—	53,822
Vehicles	8,007	3,828	—	—	11,835
Land, right-of-use	1,251	2,021	—	—	3,272
	<u>63,080</u>	<u>5,849</u>	<u>—</u>	<u>—</u>	<u>68,929</u>
Total lease assets (right-of-use)					
	63,080	5,849	—	—	68,929
Less accumulated amortization					
Buildings	(6,360)	(5,559)	—	—	(11,919)
Vehicles	(2,690)	(6,874)	—	—	(9,564)
Land, right-of-use	(92)	(331)	—	(239)	(662)
	<u>(9,142)</u>	<u>(12,764)</u>	<u>—</u>	<u>(239)</u>	<u>(22,145)</u>
Total accumulated amortization (right-of-use)					
	(9,142)	(12,764)	—	(239)	(22,145)
Total lease assets, net	\$ <u>53,938</u>	<u>(6,915)</u>	<u>—</u>	<u>(239)</u>	<u>46,784</u>

The Power System had the following lease liability (lessee) during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Remeasurements	Deductions	Balance, June 30, 2024	Amount due in FY 2025
Lease liability	\$ 54,299	5,849	—	(12,144)	48,004	8,255

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2025, annual principal and interest for the lease liability are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Fiscal year(s) ending June 30:		
2026	\$ 8,368	1,663
2027	4,465	1,647
2028	4,838	1,448
2029	5,243	1,223
2030	5,368	969
2031–2035	14,247	1,356
2036–2040	716	326
2041–2045	594	169
2046–2050	361	62
2051–2055	52	5
Total requirements	<u>\$ 44,252</u>	<u>8,868</u>

As of June 30, 2024, annual principal and interest for the lease liability are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Fiscal year(s) ending June 30:		
2025	\$ 8,255	1,834
2026	4,139	1,807
2027	4,441	1,634
2028	4,811	1,436
2029	5,214	1,212
2030–2034	19,311	2,218
2035–2039	657	352
2040–2044	673	196
2045–2049	406	82
2050–2054	97	8
Total requirements	<u>\$ 48,004</u>	<u>10,779</u>

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as expense in the period in which the obligations for those payments are incurred. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of the lease liabilities were \$1.3 million and \$1.6 million during fiscal years 2025 and 2024, respectively.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

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

**(z) Subscription-Based Information Technology Arrangements**

The Department follows GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to enhance consistency in accounting and financial reporting by requiring government entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts with a specified term.

The Power System has various noncancelable SBITAs of cloud hosting fees, software subscription fees, and enterprise services subscription fees. For SBITAs with a maximum possible term of 12 months or less at commencement, the Power System recognizes expense based on the provisions of the SBITA contract. For all other SBITAs (i.e., those that are not short term), the Power System recognizes a subscription liability and an intangible right-to-use subscription asset.

At the commencement of the subscription term, the Power System initially measures the subscription liability at the present value of payments expected to be made during the subscription term. If the present value of payments expected to be made are below the \$100,000 materiality threshold, then expenses will be recognized as short-term subscriptions. Subsequently, for all other subscriptions, the subscription liability is reduced by the principal portion of subscription payments made at or before the subscription commencement date.

The intangible right-to-use subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term plus capitalizable initial implementation costs before the commencement of the subscription term. The subscription asset is amortized into amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

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

The subscription term includes the period during which the Power System has a noncancelable right to use and underlying SBITA asset, plus any additional periods covered by either the Power System or the vendor's unilateral option to (1) extend for which it is reasonably certain to be exercised or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Power

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

System and the vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

The Power System monitors changes in circumstances that may require a remeasurement of subscriptions. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured and a corresponding adjustment is made to the subscription asset right to use, respectively.

In fiscal year 2025, Power System executed a subscription term extension. This extension resulted in the remeasurement of the related SBITA and Subscription liability, with the revised amounts presented in the table below.

Subscription assets are reported with capital assets and subscription liabilities are reported with current liabilities and other noncurrent liabilities (long-term) in the statement of net position.

The Power System had the following subscription assets during fiscal year 2025 (amounts in thousands):

	Balance, June 30, 2024	Additions	Remeasurements	Deductions	Balance, June 30, 2025
SBITAs					
Subscription assets:	\$ 12,555	9,432	870	—	22,857
Less accumulated amortization					
Subscription assets (right-to-use)	(4,307)	(5,296)	—	—	(9,603)
Total SBITA assets, net	\$ 8,248	4,136	870	—	13,254

The Power System had the following subscription liability during fiscal year 2025 (amounts in thousands):

	Balance, June 30, 2024	Additions	Remeasurements	Deductions	Balance, June 30, 2025	Amount due in FY 2026
Subscription liability	\$ 6,546	9,432	870	(3,568)	13,280	3,346

The Power System had the following subscription assets during fiscal year 2024 (amounts in thousands):

	Balance, July 1, 2023	Additions	Remeasurements	Deductions	Balance, June 30, 2024
SBITAs					
Subscription assets:	\$ 10,979	1,576	—	—	12,555
Less accumulated amortization					
Subscription assets (right-to-use)	(1,840)	(2,467)	—	—	(4,307)
Total SBITA assets, net	\$ 9,139	(891)	—	—	8,248

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System had the following subscription liability during fiscal year 2024 (amounts in thousands):

		<u>Balance, July 1, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2024</u>	<u>Amount due in FY 2025</u>
Subscription liability	\$	8,151	1,576	—	(3,181)	6,546	505

As of June 30, 2025, annual principal and interest for the subscription liability are as follows (amounts in thousands):

		<u>Principal</u>	<u>Interest</u>
Fiscal year ending June 30:			
2026	\$	3,347	498
2027		4,578	471
2028		2,587	244
2029		1,982	125
2030		786	41
Total requirements	\$	<u>13,280</u>	<u>1,379</u>

As of June 30, 2024, annual principal and interest for the subscription liability are as follows (amounts in thousands):

		<u>Principal</u>	<u>Interest</u>
Fiscal year ending June 30:			
2025	\$	505	32
2026		2,586	323
2027		2,683	190
2028		772	42
2029		—	—
Total requirements	\$	<u>6,546</u>	<u>587</u>

Variable payments, excluding those dependent on an index or rate or those that are fixed in substance, are not considered when measuring the subscription liability. These amounts are recognized as expense in the period when the obligation for such payments is incurred.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(2) Recent Accounting Pronouncements**

**(a) GASB Statement No. 101**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which improves the clarity, consistency, and comparability of financial reporting related to compensated absences. The Power System adopted the provisions of Statement No. 101 on July 1, 2024, and the Power System's financial statements for the fiscal year ended June 30, 2025 reflect the implementation of this statement and this implementation did not have a significant impact on the financial statements. See note 1(n).

**(b) GASB Statement No. 102**

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires a government to assess whether a concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and requires the reporting entity to disclose such instances. The Power System adopted the provisions of Statement No. 102 on July 1, 2024, which did not impact the financial statements.

**(3) Utility Plant**

The Power System had the following activities in utility plant during fiscal year 2025 (amounts in thousands):

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Retirements and disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2025</u>
Nondepreciable utility plant:					
Land and land rights	\$ 250,072	12,431	—	—	262,503
Construction work in progress	1,188,078	445,231	(56,848)	(641,708)	934,753
Nuclear fuel	40,092	12,196	(10,224)	—	42,064
Natural gas field	109,437	38	(8,765)	—	100,710
Total nondepreciable utility plant	<u>1,587,679</u>	<u>469,896</u>	<u>(75,837)</u>	<u>(641,708)</u>	<u>1,340,030</u>
Depreciable utility plant:					
Generation	6,645,258	73,958	(2,111)	40,818	6,757,923
Transmission	2,657,053	48,951	(118)	313,025	3,018,911
Distribution	13,099,285	1,069,130	(43,747)	177,896	14,302,564
General	2,680,173	271,192	(6,807)	109,969	3,054,527
Total depreciable utility plant	<u>25,081,769</u>	<u>1,463,231</u>	<u>(52,783)</u>	<u>641,708</u>	<u>27,133,925</u>
Accumulated depreciation:					
Generation	(3,353,793)	(178,598)	2,111	—	(3,530,280)
Transmission	(805,579)	(47,500)	118	—	(852,961)
Distribution	(5,408,498)	(325,666)	43,747	—	(5,690,417)
General	(1,369,231)	(102,825)	6,807	—	(1,465,249)
Total accumulated depreciation	<u>(10,937,101)</u>	<u>(654,589)</u>	<u>52,783</u>	<u>—</u>	<u>(11,538,907)</u>
Total utility plant, net	<u>\$ 15,732,347</u>	<u>1,278,538</u>	<u>(75,837)</u>	<u>—</u>	<u>16,935,048</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System had the following activities in utility plant during fiscal year 2024 (amounts in thousands):

	Balance June 30, 2023	Additions	Retirements and disposals	Transfers	Balance June 30, 2024
Nondepreciable utility plant:					
Land and land rights	\$ 250,072	—	—	—	250,072
Construction work in progress	1,131,332	365,279	(23,804)	(284,729)	1,188,078
Nuclear fuel	40,040	10,922	(10,870)	—	40,092
Natural gas field	119,129	14	(9,706)	—	109,437
	<u>1,540,573</u>	<u>376,215</u>	<u>(44,380)</u>	<u>(284,729)</u>	<u>1,587,679</u>
Total nondepreciable utility plant					
	<u>1,540,573</u>	<u>376,215</u>	<u>(44,380)</u>	<u>(284,729)</u>	<u>1,587,679</u>
Depreciable utility plant:					
Generation	6,496,784	150,345	(3,486)	1,615	6,645,258
Transmission	2,392,172	25,480	(181)	239,582	2,657,053
Distribution	12,248,220	848,080	(40,105)	43,090	13,099,285
General	2,512,623	177,961	(10,853)	442	2,680,173
	<u>23,649,799</u>	<u>1,201,866</u>	<u>(54,625)</u>	<u>284,729</u>	<u>25,081,769</u>
Total depreciable utility plant					
	<u>23,649,799</u>	<u>1,201,866</u>	<u>(54,625)</u>	<u>284,729</u>	<u>25,081,769</u>
Accumulated depreciation:					
Generation	(3,166,871)	(190,408)	3,486	—	(3,353,793)
Transmission	(761,977)	(43,783)	181	—	(805,579)
Distribution	(5,147,047)	(301,556)	40,105	—	(5,408,498)
General	(1,294,255)	(85,829)	10,853	—	(1,369,231)
	<u>(10,370,150)</u>	<u>(621,576)</u>	<u>54,625</u>	<u>—</u>	<u>(10,937,101)</u>
Total accumulated depreciation					
	<u>(10,370,150)</u>	<u>(621,576)</u>	<u>54,625</u>	<u>—</u>	<u>(10,937,101)</u>
Total utility plant, net					
	<u>\$ 14,820,222</u>	<u>956,505</u>	<u>(44,380)</u>	<u>—</u>	<u>15,732,347</u>

Depreciation and amortization expense during fiscal years 2025 and 2024 was \$841.2 million and \$805.3 million, respectively. Depreciation and amortization expense on the statements of revenues, expenses, and changes in net position and cash flows include amortization expense on software and regulatory assets, which is not included in additions to accumulated depreciation above.

Land and land rights are included in the statement of net position as utility plant assets in their functional category.

**(4) Jointly Owned Utility Plant**

The Power System has undivided direct interests in several electric generating stations and transmission systems that are jointly owned with other utilities, as defined in GASB Statement No. 14, *The Financial Reporting Entity*. As of June 30, 2025 and 2024, utility plant includes the following amounts related to the



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Power System's ownership interest in each jointly owned utility plant (amounts in thousands, except as indicated):

	Ownership Interest	Share of capacity (MWs)	Utility plant in service June 30, 2025		Utility plant in service June 30, 2024	
			Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Palo Verde Nuclear Generating Station	5.7%	224	\$ 653,483	471,421	646,157	461,959
Mohave Generating Station	30%	—	3,409	229	3,409	229
Pacific Intertie DC Transmission Line	40%	1,240	346,304	123,105	343,578	116,745
Other transmission systems	Various	Various	134,854	83,978	133,302	81,335
			<u>\$ 1,138,050</u>	<u>678,733</u>	<u>1,126,446</u>	<u>660,268</u>

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

**(5) Purchased Power Commitments**

As of June 30, 2025, the Power System has entered into a number of energy and transmission service contracts that, regardless of the energy they take, they are obligated to pay the following minimum costs to cover debt service on these facilities through 2053 when the debt is repaid (amounts in thousands, except as indicated):

	Agency	Agency share	The Power System's interest in agency's share				
			Interest	Capacity (MWs)	Principal payments	Interest payments (receipts)	Total
Intermountain Power Project	IPA	100.0 %	61.7	1,111	\$ —	—	—
Intermountain Repower Project FY26-28	IPA	100.0	61.7	519	69,469	164,329	233,798
Intermountain Repower Project FY29-46	IPA	100.0	71.4	600	1,211,035	629,004	1,840,039
Mead-Adelanto Transmission Project	SCPPA	68.0	48.9	539	14,015	2,202	16,217
Mead-Phoenix Transmission Project	SCPPA	17.8–22.4	50.4	647	11,380	1,787	13,167
Southern Transmission System Project	SCPPA	100.0	59.5	1,429	53,271	3,923	57,194
Southern Transmission System Renewal Project	SCPPA	100.0	90.5	—	1,130,386	1,063,996	2,194,382
Milford Wind I Project	SCPPA	100.0	92.5	185	59,672	7,751	67,423
Windy Point/Windy Flats Project	SCPPA	100.0	100.0	262	* 148,505	23,332	171,837
Linden Wind Energy Project	SCPPA	100.0	100.0	50	* 74,765	41,115	115,880
Milford Wind II Project	SCPPA	100.0	100.0	102	* 59,435	10,979	70,414
Apex Power Project	SCPPA	100.0	100.0	520	192,625	57,841	250,466
Total					<u>\$ 3,024,558</u>	<u>2,006,259</u>	<u>5,030,817</u>

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

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2024, the Power System has entered into a number of energy and transmission service contracts that, regardless of the energy they take, they are obligated to pay the following minimum costs to cover debt service on these facilities through 2053 when the debt is repaid (amounts in thousands, except as indicated):

	Agency	Agency share	Interest	Capacity (MWs)	The Power System's interest in agency's share		
					Principal payments	Interest payments (receipts)	Total
Intermountain Power Project	IPA	100.0 %	58.2	1,047	\$ —	—	—
Intermountain Repower Project FY25-FY28	IPA	100.0	58.2	489	59,175	187,480	246,655
Intermountain Repower Project FY29-FY46	IPA	100.0	71.4	600	1,093,759	568,225	1,661,984
Mead-Adelanto Transmission Project	SCPPA	68.0	48.9	539	15,980	2,951	18,931
Mead-Phoenix Transmission Project	SCPPA	17.8–22.4	50.4	647	12,975	2,396	15,371
Southern Transmission System Project	SCPPA	100.0	59.5	1,429	69,378	6,919	76,297
Southern Transmission System Renewal Project*	SCPPA	100.0	90.5	—	1,130,386	1,111,983	2,242,369
Milford Wind I Project	SCPPA	100.0	92.5	185	69,953	10,991	80,944
Windy Point/Windy Flats Project	SCPPA	100.0	100.0	262	* 161,845	31,093	192,938
Linden Wind Energy Project	SCPPA	100.0	100.0	50	* 74,765	42,788	117,553
Milford Wind II Project	SCPPA	100.0	100.0	102	* 66,385	14,125	80,510
Apex Power Project	SCPPA	100.0	100.0	520	192,625	63,019	255,644
Total					\$ 2,947,226	2,041,970	4,989,196

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

IPA – The Intermountain Power Agency (IPA) is an agency of the State of Utah established to own, acquire, construct, operate, maintain, and repair the Intermountain Power Project (IPP). The Power System serves as the project manager and operating agent of IPP. IPA and the Power Purchasers including the Power System executed the Second Amendatory Power Sales Contracts which provides that the IPP be repowered, and the IPA offer the Purchasers renewal in their generation and transmission entitlements through the Renewal Power Sales Contracts (Renewal Contracts), the term of which commences upon the termination of the current Power Sales Contracts on June 15, 2027. IPA and Purchasers approved changes to the repowering that constitute Alternative Repowering under the Power Sale Contracts. Generation Unit 3 was substantially completed on September 30, 2025 and Generation Unit 4 was substantially completed on November 22, 2025. See note 13.

SCPPA – The Southern California Public Power Authority (SCPPA) is a California joint powers agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System is a member of SCPPA. SCPPA is considered a related party. See note 13.

Unlike joint utility plant disclosed in note 4, the Power System does not have ownership of any assets related to these service contracts. As costs are paid each year, they are recorded as purchased power expense in the statements of revenue, expenses, and changes in net position.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System is required to pay an average annual charge of approximately \$181 million during each of the next five years for fixed expenses and an average annual charge of approximately \$600 million during each of the next five years for operating and maintenance costs related to purchased power agreements. The Power System made total payments under these agreements of approximately \$1,030 million and \$832 million in fiscal years 2025 and 2024, respectively, and they are recorded as purchased power expenses in the statements of revenue, expenses, and changes in net position. These agreements are scheduled to expire from 2027 to 2051.

The Power System is reimbursed for services provided to IPP under the IPP project manager and operating agent agreements totaling \$71.6 million and \$62.6 million in fiscal years 2025 and 2024, respectively. These fees are recorded as a reduction to maintenance and other expenses on the accompanying statements of revenue, expenses, and net position.

**(a) Energy Entitlement Contracts**

The Power System has a contract through September 2067 with the U.S. Department of Energy for the purchase of available energy generated at the Hoover Power plant through the Boulder Canyon Project (BCP). The Power System's contractual share of contingent capacity at Hoover Power plant is 23.90% of the available capacity. The BCP cost was approximately \$16.8 million and \$16.0 million as of June 30, 2025 and 2024, respectively. The BCP cost includes power purchased under the contract as well as fund contributions to the Lower Colorado River Multi-Species Conservation Program.

The Power System has also entered into contracts with SCPPA to purchase available renewable energy generated at various renewable energy project sites.

Unlike service contracts noted earlier in note 5, the Power System only pays costs related to these contracts if energy is delivered. As of June 30, 2025, the Power System energy entitlement contracts with SCPPA allowed for additional capacity with the associated cost over the life of the contract as follows (dollar amounts in millions):

	Agency	Agency share	The Power System's interest in agency's share			
			Interest	Capacity (MWs)	Cost of power purchased	Contract expiration
Pebble Springs Wind Project	SCPPA	100	70	69	\$ 17	2027
Don A Campbell I	SCPPA	100	85	14	9	2034
Don A Campbell II	SCPPA	100	100	16	8	2035
Copper Mountain Solar 3	SCPPA	100	84	210	50	2035
Heber 1 Geothermal	SCPPA	100	78	41	27	2051
Springbok 1 Wind Farm	SCPPA	100	100	105	20	2041
Springbok 2 Wind Farm	SCPPA	100	100	155	24	2043
Ormat Northern Nevada	SCPPA	100	100	185	92	2043
Ormesa	SCPPA	100	86	30	18	2042
Springbok 3 Wind Farm	SCPPA	100	100	90	13	2046
Roseburg Biomass Project	SCPPA	62	79	5	1	2026
Red Cloud Wind Project	SCPPA	100	100	331	50	2041
Eland Solar 1 + Storage	SCPPA	100	88	175	21	2049
Total purchase power costs under entitlement agreements					\$ 350	

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2024, the Power System energy entitlement contracts with SCPPA allowed for additional capacity with the associated cost over the life of the contract as follows (dollar amounts in millions):

	Agency	Agency share	The Power System's interest in agency's share			
			Interest	Capacity (MWs)	Cost of power purchased	Contract expiration
Pebble Springs Wind Project	SCPPA	100	70	69	\$ 16	2027
Don A Campbell I	SCPPA	100	85	14	10	2034
Don A Campbell II	SCPPA	100	100	16	8	2035
Copper Mountain Solar 3	SCPPA	100	84	210	49	2035
Heber 1 Geothermal	SCPPA	100	78	41	25	2026
Springbok 1 Wind Farm	SCPPA	100	100	105	20	2041
Springbok 2 Wind Farm	SCPPA	100	100	155	23	2043
Ormat Northern Nevada	SCPPA	100	100	185	108	2043
Ormesa	SCPPA	100	86	30	16	2042
Springbok 3 Wind Farm	SCPPA	100	100	90	12	2046
Roseburg Biomass Project	SCPPA	62	79	5	1	2026
Red Cloud Wind Project	SCPPA	100	100	331	50	2041
Total purchase power costs under entitlement agreements					\$ 338	

**(b) Electricity Swap and Forward Contracts**

To obtain the highest market value on energy that is sold into the wholesale market, the Power System monitors the sales price of energy, which varies based on which hub the energy is to be delivered. There are three primary hubs within the Power System's transmission region: Palo Verde, Nevada Oregon Border, and Mead. The Power System enters various locational swap transactions with other electric utilities to effectively utilize its transmission capacity and to achieve the most economical exchange of energy purchased and sold.

The Power System enters into power forward contracts in order to meet the electricity requirements to serve its customers. To assist the Power System in achieving its RPS, forward purchases of renewable energy were made.

The Power System does not enter swap and forward transactions for trading purposes. All these transactions are intended to be used in the Power System's normal course of operations. The Power System is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2025 the Power System had entered the following Electricity Forward Contracts, which are not recorded in the Power System's financial statements based on the criteria in GASB Statement No. 53:

Transaction type	Term	Quantity	Price
Fixed-price Power Purchase	July 1, 2025-September 30, 2025	92,400 MWs	\$91.02/MWh
Fixed-price Power Purchase	July 1, 2025-September 30, 2025	30,800 MWs	\$89.02/MWh
Fixed-price Power Purchase	July 1, 2025-September 30, 2025	49,280 MWs	\$105/MWh
Fixed-price Power Purchase	October 1, 2025-October 31, 2025	17,280 MWs	\$75/MWh
Fixed-price Power Sales	July 1, 2025-September 30, 2025	49,280 MWs	\$157/MWh
Fixed-price Power Sales	October 1, 2025-October 31, 2025	17,280 MWs	\$137/MWh

As of June 30, 2024, the Power System had entered the following Electricity Forward Contract, which is not recorded in the Power System's financial statements based on the criteria in GASB Statement No. 53:

Transaction type	Term	Quantity	Price
		Up to 82.2 MWs delivered output from wind generation facility	
Fixed-price Renewable Power Purchase	January 1, 2024-June 30, 2025		\$75/MWh
Fixed-price Power Purchase	July 1, 2024-September 30, 2024	30,800 MWs	\$178/ MWh
Fixed-price Power Purchase	July 1, 2024-September 30, 2024	18,480 MWs	\$178/ MWh
Fixed-price Power Purchase	October 1, 2024-October 31, 2024	12,400 MWs	\$88/ MWh
Fixed-price Power Sales	July 1, 2024-September 30, 2024	49,280 MWs	\$237/ MWh
Fixed-price Power Sales	October 1, 2024-October 31, 2024	12,400 MWs	\$132/ MWh

For the years ended June 30, 2025 and 2024 the Power System either took delivery of or sold the commodities in its electricity forward contracts.

**(6) Regulatory Assets and Liabilities**

Regulatory assets and liabilities are created by the actions of the Board of Water and Power Commissioners by deferring certain expenses and revenue that are recoverable or payable by future rate charges in accordance with the current rate ordinances to more evenly match the recognition of revenue and expenses with the electric rates charged to retail customers.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Below is a summary of the Power System's regulatory assets and deferred inflows (amounts in thousands):

Description	June 30, 2024	Additions	Reductions	June 30, 2025
Assets:				
(a) Regulatory assets – legal settlements	\$ —	—	—	—
(b) Regulatory assets – solar incentive programs	136,480	—	(13,165)	123,315
(c) Regulatory assets – energy efficiency programs	625,958	80,042	(115,607)	590,393
(d) Regulatory assets – CC&B	16,392	—	(3,042)	13,350
Regulatory assets – other	778,830	80,042	(131,814)	727,058
(e) Regulatory assets – OPEB	—	—	—	—
Total regulatory assets – noncurrent	778,830	80,042	(131,814)	727,058
(f) Underrecovered costs – current	341,486	196,334	—	537,820
Total regulatory assets	\$ 1,120,316	276,376	(131,814)	1,264,878
Deferred inflows:				
(g) Deferred inflows from business activities	\$ 227,190	—	—	227,190
Total regulatory deferred inflows	\$ 227,190	—	—	227,190

Description	June 30, 2023	Additions	Reductions	June 30, 2024
Assets:				
(a) Regulatory assets – legal settlements	\$ 16,000	—	(16,000)	—
(b) Regulatory assets – solar incentive programs	150,375	—	(13,895)	136,480
(c) Regulatory assets – energy efficiency programs	649,093	95,043	(118,178)	625,958
(d) Regulatory assets – CC&B	19,433	—	(3,041)	16,392
Regulatory assets – other	834,901	95,043	(151,114)	778,830
(e) Regulatory assets – OPEB	30,568	—	(30,568)	—
Total regulatory assets – noncurrent	865,469	95,043	(181,682)	778,830
(f) Underrecovered costs – current	265,848	75,638	—	341,486
Total regulatory assets	\$ 1,131,317	170,681	(181,682)	1,120,316
Deferred inflows:				
(g) Deferred inflows from business activities	\$ 187,190	40,000	—	227,190
Total regulatory deferred inflows	\$ 187,190	—	—	227,190

**(a) Regulatory Assets – Legal Settlement**

In June 2007, the Power System reached an agreement from the courts related to the inclusion of capital components in the rates charged to other governmental organizations. The agreement required payment of \$160 million to the governmental organizations. The payment settlement included an immediate payout of \$127 million bill credits of \$17 million to be issued over a 10-year period, and \$15 million in payments to be paid over a 3-year period.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As provided in the Power System's rate structure, beginning in July 2014, customers' bills include a charge for this legal settlement to be collected over a 10-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset, which was fully amortized during fiscal year 2024.

**(b) Regulatory Assets – Solar Incentive Programs**

As part of the California Solar Incentive Program, initiated by California Senate Bill 1 (SB1) of 2006, the Power System implemented a multiyear program to provide customers with solar incentives for installing solar panels and necessary equipment to generate energy. The programs, per SB1, concluded at the end of calendar year 2018. Some payments for these incentives were processed in 2020 and 2021.

As provided in the Power System's rate structure, beginning April 2011, customers' bills include a charge for these solar incentive programs to be collected over a 20-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

**(c) Regulatory Assets – Energy Efficiency Programs**

As part of the Power System's ongoing efforts to reduce energy consumption and improve the environment, the Power System implemented numerous multi-year programs. The programs began in June 2012 and continued through 2025.

As provided in the Power System's rate structure, beginning July 2011, customers' bills include a charge for these energy efficiency programs to be collected over a 5 to 15-year period, depending on the program. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

**(d) Regulatory Assets – Customer Care and Billing System**

In 2013, the Power System implemented the customer care and billing system (CC&B). The implementation of the system required significant investment in training of the Power System's employees.

As provided in the Power System's rate structure, beginning January 2014, customers' bills include a charge related to training for the CC&B to be collected over a 15-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

**(e) Regulatory Assets – OPEB**

In connection with the recognition of the net OPEB liability (asset) under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Power System established a regulatory asset in the amount of \$451 million equal to the net OPEB liability reported at July 1, 2017, less the calculated balance of OPEB deferred outflows for contributions after the measurement date. Amortization of the regulatory asset is the difference between amounts paid toward actuarially determined contributions and actual OPEB expense which totaled \$92 million and

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

\$74 million for the years ended June 30, 2025 and 2024, respectively. During the year ended June 30, 2025 and 2024, the difference between the amounts paid toward actuarially determined contributions and actual OPEB expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – OPEB in the amount of \$136 million and \$44 million, respectively.

**(f) Regulatory Assets – Underrecovered Costs**

As provided in the electric rate ordinances, the Power System is required to maintain balancing accounts to record differences between specific costs incurred and amounts billed through rates to recover those costs. The net amount of these balancing accounts is presented on the statement of net position as a current asset when costs are underbilled (current portion of underrecovered costs) or as a current liability when costs are overbilled (overrecovered costs). All these balancing accounts are expected to be settled within a 12-month period through the adjustment of pass-through rates during the billing process and are reported as a component of underrecovered costs in the accompanying statement of net position.

For the fiscal year ended June 30, 2025 and 2024, regulatory assets related to current underrecovered costs of \$538 million and \$342 million, respectively, were composed of the following (amounts in thousands):

		<b>As of June 30</b>	
		<b>2025</b>	<b>2024</b>
Underrecovered balancing accounts – regulatory asset	\$	780,723	483,710
Less overrecovered balancing accounts – regulatory liability		(242,903)	(142,224)
Net underrecovered balancing accounts – regulatory asset	\$	<u>537,820</u>	<u>341,486</u>

**(g) Deferred Inflows from Regulated Business Activities**

These amounts represent revenue collected from customers where funds are deferred for future stabilization. For the years ended June 30, 2023 through June 30, 2025, the Power System did not utilize these funds and did not recognize any of this revenue. The Power System has \$227 million in these accounts on both June 30, 2025 and 2024.



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(7) Cash, Cash Equivalents, and Investments**

**(a) Restricted and Other Investments**

A summary of the Power System's restricted investments is as follows (amounts in thousands):

	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Restricted and other investments:		
Restricted investments:		
Debt reduction funds	\$ 543,913	515,742
Nuclear decommissioning funds	167,285	156,153
Natural gas fund	15,052	12,785
Hazardous waste treatment fund	2,693	2,527
CAISO markets trust fund	12,139	10,514
Wildfire self-insurance trust fund	46,242	—
Total restricted investments	<u>\$ 787,324</u>	<u>697,721</u>

The Power System also has \$9.3 million and \$2.6 million of cash collateral received from securities lending transactions in the City's securities lending program as of June 30, 2025 and June 30, 2024.

All restricted investments are to be used for a specific purpose as follows:

*(i) Debt Reduction Funds*

The debt reduction funds were established to provide for funding of the payment of principal and interest on long-term debt obligations and purchased power obligations arising from the Power System's participation in IPP and SCPPA. The Power System has transferred funds from purchased power precollections into these funds. Funds from operations may also be transferred by management as funds become available. See note 5.

*(ii) Nuclear Decommissioning Funds*

Nuclear decommissioning funds will be used to pay the Power System's share of decommissioning Palo Verde Nuclear Generating System at the end of its useful life. See note 14(b).

*(iii) Natural Gas Fund*

The natural gas fund was established to serve as a depository to pay for costs and post margin or collateral in connection with contracts for the purchase and delivery of financial transactions for natural gas. These transactions are entered into to stabilize the natural gas portion of the Power System's fuel for generation costs.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

(iv) *Hazardous Waste Treatment Storage and Disposal Fund*

The hazardous waste treatment, storage, and disposal fund was established to provide financial assurance for closure of the Main Street treatment and disposal facility.

(v) *CAISO Markets Trust Fund*

The California Independent System Operator (CAISO) Markets Trust Fund was established to facilitate timely and efficient settlement of CAISO energy market transactions.

(vi) *Wildfire Self-Insurance Trust Fund*

The Wildfire Self-Insurance Trust Fund was established to pay for judgments, fees, expenses and legal settlements related to wildfire claims.

As of June 30, 2025 and 2024, the Power System's restricted investments and their maturities are as follows (amounts in thousands):

2025		Investment maturities				
		1-30	31-60	61-365	366 days	Over
Investment type	Fair value	days	days	days	to 5 years	5 years
U.S. government securities	\$ 9,360	—	—	—	9,360	—
U.S. government agencies securities	558,009	2,500	997	17,501	481,996	55,015
Supranationals	5,953	4,988	—	—	965	—
Medium-term corporate notes	128,261	—	13,999	36,195	78,067	—
Commercial paper	4,944	—	—	4,944	—	—
California local agency bonds	23,599	—	8,429	1,715	13,455	—
California state bonds	7,111	—	—	2,204	4,907	—
Other state bonds	17,746	—	—	9,947	7,799	—
Money market funds	32,341	32,341	—	—	—	—
	<u>\$ 787,324</u>	<u>39,829</u>	<u>23,425</u>	<u>72,506</u>	<u>596,549</u>	<u>55,015</u>

2024		Investment maturities				
		1-30	31-60	61-365	366 days	Over
Investment type	Fair value	days	days	days	to 5 years	5 years
U.S. government securities	\$ 15,856	—	4,985	1,964	8,907	—
U.S. government agencies securities	424,264	12,124	3,190	56,948	344,940	7,062
Supranationals	11,372	—	—	5,437	5,935	—
Medium-term corporate notes	102,889	—	3,975	18,295	80,619	—
Certificates of deposit	27,827	12,432	—	15,395	—	—
California local agency bonds	52,651	—	20,866	9,163	22,622	—
California state bonds	9,855	—	—	4,817	5,038	—
Other state bonds	29,696	1,000	996	10,451	17,249	—
Money market funds	23,311	23,311	—	—	—	—
	<u>\$ 697,721</u>	<u>48,867</u>	<u>34,012</u>	<u>122,470</u>	<u>485,310</u>	<u>7,062</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

*(vii) Interest Rate Risk*

The Power System's investment policy limits the maturity of its investments to a maximum of 30 years for U.S. government and U.S. government agency securities; 5 years for medium-term corporate notes, California local agency obligations, California state obligations, and other state obligations; 270 days for commercial paper; 397 days for certificates of deposit; and 180 days for bankers' acceptances.

*(viii) Credit Risk*

Under its investment policy and the California Government Code, the Power System is subject to the prudent investor standard of care in managing all aspects of its portfolios. The prudent investor standard requires that the Power System "shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and in familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The U.S. government securities in the portfolio consist of securities issued by or explicitly guaranteed by the U.S. government. All the U.S. government securities in the portfolio, \$9.4 million as of June 30, 2025 and \$15.9 million as of June 30, 2024, carried the highest or second highest credit ratings of the Nationally Recognized Statistical Rating Organizations (NRSROs) that rated them.

The U.S. government agency securities in the portfolio consist of securities issued by government sponsored enterprises, which are not explicitly guaranteed by the U.S. government. As of June 30, 2025 and 2024, the U.S. government agency securities in the portfolio carry the following credit ratings by the NRSROs that rated them (amounts in thousands):

<b>Categories</b>	<b>June 30, 2025</b>		<b>June 30, 2024</b>	
	<b>Securities</b>	<b>Percentage</b>	<b>Securities</b>	<b>Percentage</b>
AAA or AA	\$ 492,342	88 %	\$ 362,175	85 %
Not rated	65,667	12	62,089	15
	<u>\$ 558,009</u>	<u>100 %</u>	<u>\$ 424,264</u>	<u>100 %</u>

The Power System's investment policy specifies that supranational notes must be rated AA or its equivalent or better by an NRSRO upon purchase. The Power System's investments in supranational notes, \$6.0 million as of June 30, 2025 and \$11.4 million as of June 30, 2024, were rated with the highest possible credit ratings by each of the NRSROs that rated them.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System's investment policy specifies that medium-term corporate notes must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in corporate notes as of June 30, 2025 and 2024 were rated in the category of A or its equivalent or better by at least one NRSRO as follows (amounts in thousands):

Categories	June 30, 2025		June 30, 2024	
	Corporate notes	Percentage	Corporate notes	Percentage
AAA	\$ 9,390	7 %	\$ 11,038	11 %
AA	47,661	37	36,024	35
A	71,210	56	55,827	54
	<u>\$ 128,261</u>	<u>100 %</u>	<u>\$ 102,889</u>	<u>100 %</u>

The Power System's investment policy specifies that commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by at least two NRSROs. As of June 30, 2025, there were \$4.9 million of investments in commercial paper, all rated with the highest letter and number rating as provided by at least two NRSROs. As of June 30, 2024, there were no investments in commercial paper.

The Power System's investment policy provides that negotiable certificates of deposit must be of the highest ranking or letter and number rating as provided for by at least two NRSROs and that for nonnegotiable certificates of deposit, the full amount of principal and interest is insured by the Federal Deposit Insurance Corporation or National Credit Union Administration. As of June 30, 2025, there were no investments in certificates of deposit. As of June 30, 2024, all the Power System's investments in certificates of deposit consisted of negotiable certificates of deposit and all were rated with at least the highest letter and number rating as provided by at least two NRSROs.

The Power System's investment policy specifies that bankers' acceptances must be of the highest ranking or letter and number rating as provided for by at least two NRSROs. As of June 30, 2025 and 2024, there were no investments in bankers' acceptances.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System's investment policy specifies that California local agency obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in California local agency bonds as of June 30, 2025 and 2024 were rated in the following categories by at least one NRSRO as follows (amounts in thousands):

<b>Categories</b>	<b>June 30, 2025</b>		<b>June 30, 2024</b>	
	<b>California Local Agency Bonds</b>	<b>Percentage</b>	<b>California Local Agency Bonds</b>	<b>Percentage</b>
AAA	\$ 4,017	17 %	\$ 12,475	24 %
AA	19,582	83	40,176	76
	<u>\$ 23,599</u>	<u>100 %</u>	<u>\$ 52,651</u>	<u>100 %</u>

The Power System's investment policy specifies that State of California obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. As of June 30, 2025 and 2024, the Power System's investments in State of California obligations were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

<b>Categories</b>	<b>June 30, 2025</b>		<b>June 30, 2024</b>	
	<b>State of California Obligations</b>	<b>Percentage</b>	<b>State of California Obligations</b>	<b>Percentage</b>
AAA	\$ 963	14 %	\$ 919	9 %
AA	6,148	86	8,936	91
	<u>\$ 7,111</u>	<u>100 %</u>	<u>\$ 9,855</u>	<u>100 %</u>

The Power System's investment policy specifies that obligations of other states in addition to California must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in other state obligations as of June 30, 2025 and 2024 were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

<b>Categories</b>	<b>June 30, 2025</b>		<b>June 30, 2024</b>	
	<b>Other state obligations</b>	<b>Percentage</b>	<b>Other state obligations</b>	<b>Percentage</b>
AAA	\$ 5,958	34 %	\$ 8,492	29 %
AA	11,788	66	21,204	71
	<u>\$ 17,746</u>	<u>100 %</u>	<u>\$ 29,696</u>	<u>100 %</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System's investment policy specifies that money market funds may be purchased as allowed under the California Government Code, which requires that the fund must have either (1) attained the highest ranking or highest letter and numerical rating provided by not less than two NRSROs or (2) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission (SEC) with not less than five years' experience in managing money market mutual funds with assets under management in excess of \$500 million. As of June 30, 2025 and 2024, each of the money market funds in the portfolio had the highest possible ratings by at least two NRSROs.

*(ix) Concentration of Credit Risk*

The Power System's investment policy specifies that there is no percentage limitation on the amount that can be invested in U.S. government agency securities, except that a maximum of 30% of the cost value of the portfolio may be invested in the securities of any single U.S. government agency issuer.

The Power System's total investments as of June 30, 2025 and 2024 in securities issued by U.S. government agencies are as follows (amounts in thousands):

	June 30, 2025		June 30, 2024	
	Securities	Percentage	Securities	Percentage
Federal Home Loan Bank	\$ 192,408	24 %	\$ 180,642	26 %
Federal Home Loan Mortgage Corp.	138,008	18	102,901	15
Federal Farm Credit Bank	116,438	15	24,854	3
Federal Agricultural Mortgage Corp.	65,667	8	62,088	9
Federal National Mortgage Assoc.	45,488	6	53,779	8
	<u>\$ 558,009</u>	<u>71 %</u>	<u>\$ 424,264</u>	<u>61 %</u>

*(x) Custodial Risk*

All investments are held in the Power System's name and therefore do not have custodial risk.

*(xi) Fair Value Measurements*

The Power System holds investments and derivative instruments that are measured at fair value on a recurring basis. Because investing is not a core part of the Power System's mission, the Power System determines that the disclosures related to these investments only need to be disaggregated by major type. The Power System chooses a tabular format for disclosing the levels within the fair value hierarchy. The Power System categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1      inputs are quoted prices for identical assets or liabilities in an active market.
- Level 2      inputs are quoted prices of similar assets or liabilities in active or not active markets.
- Level 3      inputs are unobservable inputs using the best information available to management.

		(In thousands) Fair value using			
	June 30, 2025	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Not classified
Investments by fair value level:					
Debt securities:					
U.S. government securities	\$ 9,360	9,360	—	—	—
U.S. government agencies securities	558,009	—	558,009	—	—
Supranationals	5,953	—	5,953	—	—
Medium-term corporate notes	128,261	—	128,261	—	—
California local agency bonds	23,599	—	23,599	—	—
California state bonds	7,111	—	7,111	—	—
Other state bonds	17,746	—	17,746	—	—
Total debt securities	750,039	9,360	740,679	—	—
Other:					
Commercial paper	4,944	—	4,944	—	—
Money market funds	32,341	—	—	—	32,341
Total other	37,285	—	4,944	—	32,341
Total investments by fair value level	\$ 787,324	9,360	745,623	—	32,341

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

		(In thousands) Fair value using			
	June 30, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Not classified
Investments by fair value level:					
Debt securities:					
U.S. government securities	\$ 15,856	15,856	—	—	—
U.S. government agencies securities	424,264	—	424,264	—	—
Supranationals	11,372	—	11,372	—	—
Medium-term corporate notes	102,889	—	102,889	—	—
California local agency bonds	52,651	—	52,651	—	—
California state bonds	9,855	—	9,855	—	—
Other state bonds	29,696	—	29,696	—	—
Total debt securities	646,583	15,856	630,727	—	—
Other:					
Commercial paper	—	—	—	—	—
Certificates of deposit	27,827	—	27,827	—	—
Money market funds	23,311	—	—	—	23,311
Total other	51,138	—	27,827	—	23,311
Total investments by fair value level	\$ 697,721	15,856	658,554	—	23,311

Debt and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using a multidimensional relationship model or matrix pricing model utilizing market data, including, but not limited to, benchmark yields, reported trades, and broker-dealer quotes. Money market funds with maturity dates of one year or less from the statement of net position date are recorded at amortized cost and not required to be categorized.

**(b) Pooled Cash**

The Power System's cash and cash equivalents and its collateral value of the City's securities lending program are included within the City Treasury's general and special investment pools. As of June 30, 2025 and 2024, the Power System's total share of the City's general and special investment pools was \$2.7 billion and \$2.5 billion, respectively, which represents approximately 16.3% and 16.4% of the pool funds, respectively. Amounts pooled in the City Treasury's general and special investment pools are not required to be classified in the fair value hierarchy per GASB Statement No. 72 since they are part of an internal investment pool.



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Pooled cash is recorded as follows on the statements of net position as of June 30, 2025 and 2024 (in thousands):

	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Cash and cash equivalents – unrestricted	\$ 1,085,572	1,090,739
Cash and cash equivalents – restricted noncurrent	592,482	570,941
Cash and cash equivalents – restricted current	997,295	824,509
Subtotal cash and cash equivalents	2,675,349	2,486,189
Cash – securities lending transactions	9,265	2,578
Total pooled cash	\$ 2,684,614	2,488,767

In accordance with GASB Statement No. 31, the Power System records its investment pool funds at fair market value. This fair market value adjustment is recognized as investment income (loss) on the statements of revenues, expenses, and changes in net position and is also recorded as an increase (decrease) to cash and cash equivalents – unrestricted on the statement of net position. The fair value gain (loss) recognized on the Power System's financial statements was \$63.2 million and \$38.9 million at June 30, 2025 and 2024, respectively.

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities, but safety and liquidity still take precedence over return. Investments in special investment pools will be managed in accordance with the respective pool's policy. If no policy exists, then investments must comply with the California State Government Code Sections 53600–53635 et seq. Special pool participants include the City, Airports, Power System and Water System, Harbor, Sewer, and Municipal Improvement Corporation of Los Angeles.

Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Council and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Unless allocation provisions are specifically stipulated in a City ordinance, Council action, or funding source, interest earned on certain funds is allocated to and recorded in the General Fund. The City measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607, the Council File No. 94-2160, the City Treasury shall render to the Council a statement of investment policy (Policy) annually. Council File No. 21-1494 was adopted on September 23, 2022, as the City's investment policy. This policy shall remain in effect until the Council and the Mayor approve a subsequent revision. Council File No. 23-0357 (the subsequent revision of investment policy dated February 15, 2023) was adopted on March 21, 2025. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

16429.1. The City Treasury further reports that the current policy allows for the purchase of bond issues by a local agency, U.S. Treasury obligations and Federal agency or United States government-sponsored enterprises with maturities up to 30 years.

The City issues a publicly available financial report that includes complete disclosures related to the City's pooled investments. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or the Los Angeles City Controller's website <http://www.lacontroller.org/reports>.

*General Investment Pool Securities Lending Program*

Securities lending is permitted and limited under provisions of California Government Code Section 53601. The Council approved the Securities Lending Program (SLP) on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines. The Power System invested \$9.3 million and \$2.6 million in the City's securities lending program as of June 30, 2025 and 2024, respectively.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions, which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction, and shall make a reasonable effort for two business days (the Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts, as necessary, to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (Pool) is available for lending. The City loans out U.S. Treasury Notes, U.S. Agencies Securities, and Medium-Term Notes. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 92 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

During fiscal year 2025, collateralizations on all loaned securities were compliant with the required 102% of the market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

**(8) Derivative Instruments**

In accordance with GASB Statement No. 53, the Power System records the fair value of its financial natural gas hedges on the statement of net position. As of June 30, 2025 and 2024, the fair values of the financial natural gas hedges were \$(14.3) million and \$(1.4) million, respectively, and were recorded as noncurrent (liabilities) assets in 2025 and 2024 on the statements of net position. The Power System enters into natural gas hedging contracts to stabilize the cost of gas needed to produce electricity to serve its customers. It is designed to cap gas prices over a portion of the forecasted gas requirements. The Power System does not speculate when entering into financial transactions. Financial hedges are variable to fixed-price swaps, and hedge transactions are layered in to achieve dollar-cost averaging.

As of June 30, 2025, the Power System's financial natural gas hedges by fiscal year are as follows (fair value in thousands):

<b>Derivative description</b>	<b>Notional Amount (total contract quantities*)</b>	<b>Contract price range dollar per unit</b>	<b>First effective date</b>	<b>Last termination date</b>	<b>Fair value</b>
Financial natural gas:					
FY 2025-26	28,835,000	2.23-5.90	July 1, 2025	June 30, 2026	\$ (8,035)
FY 2026-27	21,010,000	3.49-5.04	July 1, 2026	June 30, 2027	(366)
FY 2027-28	12,825,000	3.19-4.66	July 1, 2027	June 30, 2028	(3,246)
FY 2028-29	7,300,000	3.05-4.31	July 1, 2028	June 30, 2029	(2,257)
FY 2029-30	<u>3,650,000</u>	<u>3.87-3.91</u>	<u>July 1, 2029</u>	<u>June 30, 2030</u>	<u>(430)</u>
Total	<u><u>73,620,000</u></u>				<u><u>\$ (14,334)</u></u>

\* Contract quantities in MMBtu – Metric Million British Thermal Units

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2024, the Power System's financial natural gas hedges by fiscal year are the following (fair value in thousands):

<u>Derivative description</u>	<u>Notional amount (total contract quantities*)</u>	<u>Contract price range dollar per unit</u>	<u>First effective date</u>	<u>Last termination date</u>	<u>Fair value</u>
Financial natural gas:					
FY 2024-25	26,030,000	\$ 2.20-6.69	July 1, 2024	June 30, 2025	\$ (2,898)
FY 2025-26	23,470,000	2.23-4.75	July 1, 2025	June 30, 2026	3,267
FY 2026-27	14,940,000	3.49-5.04	July 1, 2026	June 30, 2027	(825)
FY 2027-28	9,775,000	3.49-4.66	July 1, 2027	June 30, 2028	(806)
FY 2028-29	4,110,000	3.61-4.31	July 1, 2028	June 30, 2029	(130)
Total	<u>78,325,000</u>				<u>\$ (1,392)</u>

\* Contract quantities in MMBtu – Metric Million British Thermal Units

The fair value of the natural gas hedges decreased by \$12.9 million during the year ended June 30, 2025 due to a decrease in natural gas prices during the year, and the balance of \$14.3 million at June 30, 2025 is reported as a noncurrent liability and is offset by a deferred outflow on the statement of net position. All fair values were estimated using Platt's forward curves, based on published settlement prices and supplemented by Platt's proprietary models wherever there is less liquid market activity.

**(a) Credit Risk**

The Power System is exposed to credit risk related to nonperformance by its counterparties under the terms of contractual agreements. To limit the risk of counterparty default, the Department has implemented a Counterparty Evaluation Credit Policy (Credit Policy). The Credit Policy has been amended from time to time, and the latest Board approval was on November 28, 2017. The Credit Policy's current scope includes physical power, transmission, physical natural gas, financial natural gas, and environmental products. Also, the credit limit structure is categorized into short-term and long-term structures where the short-term structure is applicable to transactions with terms of up to 18 months and the long-term structure covers transactions beyond 18 months.

The Policy includes provisions to limit risk, including the assignment of internal credit ratings to all of the Power System's counterparties based on counterparty and/or debt ratings; the use of expected default frequency equivalent credit rating for short-term transactions; the requirement for credit enhancements (including advance payments, irrevocable letters of credit, escrow trust accounts, and parent company guarantees) for counterparties that do not meet an acceptable level of risk; and the use of standardized agreements, which allow for the netting of positive and negative exposures associated with a single counterparty.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2025, the five financial natural gas hedge counterparties were rated by Moody's as follows: one at Aa1, one at Aa2, two at A1, and one at A2. The counterparties were rated by S&P as follows: one at AA-, one at A+, two at A-, and one at BBB+. As of June 30, 2024, the five financial natural gas hedge counterparties were rated by Moody's as follows: one at Aa1, one Aa2, two at A1, and one at A2. The counterparties were rated by S&P as follows: one at AA-, one at A+, two at A-, and one at BBB+.

Based on the International Swap Dealers Association agreements, the Power System or the counterparty may be required to post collateral to support the financial natural gas hedges subject to credit risk in the form of cash, negotiable debt instruments (other than interest-only and principal-only securities), or eligible letters of credit. As of June 30, 2025 and June 30, 2024, the fair values of the financial natural gas hedges were within the counterparties' credit limits and there were no cash and securities collateral posted.

**(b) Basis Risk**

The Power System is exposed to minimal to no basis risk between the financial natural gas hedges and the equivalent physical gas deliveries as both are settled using the first-of-the-month NW Rocky Mountains Index, while the physical gas deliveries are received at Kern River Opal, where the Power System negotiated firm transmission rights. Both locations are in the same region and are highly correlated.

**(c) Termination Risk**

The Power System or its counterparties may terminate the contractual agreements if the other party fails to perform under the terms of the contract. No termination events have occurred and there are no out of the ordinary termination events contained in contractual documents.

**(9) Long-Term Debt**

Long-term debt outstanding as of June 30, 2025 and 2024 consists of revenue bonds and refunding revenue bonds due serially in varying annual amounts as follows (amounts in thousands):

Bond issues	Date of issue	Effective interest rate %	Fiscal year of last scheduled maturity	Principal outstanding	
				2025	2024
Issue of 2001, Series B	June 5, 2001	Variable	2035	\$ —	322,800
Issue of 2002, Series A	August 22, 2002	Variable	2036	—	218,900
Issue of 2010, Series C	August 25, 2010	2.188	2028	139,775	139,775
Issue of 2010, Series D	December 2, 2010	4.342	2046	660,200	660,200
Issue of 2012, Series A	October 25, 2012	2.936	2036	4,195	4,195
Issue of 2013, Series A	April 2, 2013	2.504	2025	—	205
Issue of 2013, Series C	June 4, 2013	4.441	2038	27,855	27,855
Issue of 2014, Series B	June 10, 2014	4.008	2042	2,925	2,925
Issue of 2015, Series A	April 16, 2015	3.636	2037	—	415,935
Issue of 2016, Series A	May 19, 2016	3.265	2047	192,685	198,260
Issue of 2016, Series B	June 23, 2016	3.259	2047	213,405	216,075

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Bond issues	Date of issue	Effective interest rate %	Fiscal year of last scheduled maturity	Principal outstanding	
				2025	2024
Issue of 2017, Series A	February 9, 2017	3.782	2048	\$ 480,020	488,950
Issue of 2017, Series B	April 4, 2017	3.666	2040	326,840	338,255
Issue of 2017, Series C	July 13, 2017	3.710	2048	358,585	365,950
Issue of 2018, Series A	April 19, 2018	3.357	2039	330,960	334,140
Issue of 2018, Series B	November 1, 2018	2.244	2027	60,380	60,380
Issue of 2018, Series C	November 1, 2018	2.290	2027	31,095	45,485
Issue of 2018, Series D	December 20, 2018	3.587	2049	374,230	377,430
Issue of 2019, Series A	February 7, 2019	3.827	2050	345,845	345,845
Issue of 2019, Series B	May 9, 2019	2.305	2036	159,565	235,215
Issue of 2019, Series C	October 1, 2019	3.215	2050	325,000	325,000
Issue of 2019, Series D	December 23, 2019	3.196	2050	281,530	281,530
Issue of 2020, Series A	May 1, 2020	1.146	2030	338,480	338,480
Issue of 2020, Series B	July 1, 2020	3.060	2051	433,080	433,080
Issue of 2021, Series A	January 26, 2021	Variable	2052	250,000	250,000
Issue of 2021, Series B	June 29, 2021	2.962	2052	358,800	358,800
Issue of 2021, Series C	December 1, 2021	2.851	2052	401,705	401,705
Issue of 2022, Series A	February 3, 2022	3.058	2052	375,000	375,000
Issue of 2022, Series B	April 20, 2022	3.547	2053	360,000	360,000
Issue of 2022, Series C	June 30, 2022	4.123	2053	382,230	399,365
Issue of 2022, Series D	December 1, 2022	3.372	2027	28,455	28,455
Issue of 2022, Series E	December 1, 2022	3.016	2031	168,660	203,365
Issue of 2023, Series A	April 4, 2023	2.456	2033	279,905	294,475
Issue of 2023, Series B	June 28, 2023	3.869	2054	100,000	100,000
Issue of 2023, Series C	June 28, 2023	Variable	2058	—	350,000
Issue of 2023, Series D	November 1, 2023	4.215	2044	300,165	303,260
Issue of 2023, Series E	December 21, 2023	3.727	2054	428,120	428,120
Issue of 2023, Series F	December 28, 2023	Variable	2049	200,185	200,185
Issue of 2024, Series A	April 2, 2024	3.298	2045	350,955	372,480
Issue of 2024, Series B	April 18, 2024	3.279	2040	275,615	275,615
Issue of 2024, Series C	June 27, 2024	3.956	2055	507,305	507,305
Issue of 2024, Series D	August 29, 2024	4.183	2055	270,450	—
Issue of 2024, Series E	December 3, 2024	3.476	2055	507,905	—
Issue of 2025, Series A	May 22, 2025	4.675	2056	990,025	—
Issue of 2025, Series B	June 18, 2025	3.723	2036	501,030	—
Total principal amount				12,123,160	11,384,995
Unamortized premiums and discounts, net				1,389,342	1,349,410
Revenue bonds, net				13,512,502	12,734,405
Debt due within one year, long-term debt				(282,740)	(223,610)
Debt due within one year, variable rate demand bond liquidity advance not made				—	(134,189)
Revenue bonds, noncurrent, net				<u>\$ 13,229,762</u>	<u>12,376,606</u>

Revenue bonds generally are callable 10 years after issuance. The Power System has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Power System's net income, as defined, will be sufficient to pay certain amounts of future annual bond

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

interest and of future annual aggregate bond interest and principal maturities. Revenue bonds and refunding bonds are collateralized by the future revenue of the Power System.

**(a) Long-Term Debt Activity**

The Power System had the following activity in long-term debt for the fiscal years ended June 30, 2025 and 2024 (amounts in thousands):

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>
Revenue bonds:				
Principal:				
Beginning balance	\$ 11,384,995	—	—	11,384,995
Issuances	—	1,067,150	—	1,067,150
Refunding bonds	—	1,202,260	—	1,202,260
Scheduled maturities	—	—	(223,610)	(223,610)
Refunded/defeased bonds	—	—	(1,307,635)	(1,307,635)
	<u>11,384,995</u>	<u>2,269,410</u>	<u>(1,531,245)</u>	<u>12,123,160</u>
Premium (discount):				
Beginning balance	1,349,410	—	—	1,349,410
Issuances	—	74,623	—	74,623
Refunding bonds	—	107,182	—	107,182
Scheduled amortization	—	—	(117,178)	(117,178)
Written off due to refunding	—	—	(24,695)	(24,695)
	<u>1,349,410</u>	<u>181,805</u>	<u>(141,873)</u>	<u>1,389,342</u>
Revenue bonds, net	12,734,405	2,451,215	(1,673,118)	13,512,502
Direct placements	—	—	—	—
Total	<u>\$ 12,734,405</u>	<u>2,451,215</u>	<u>(1,673,118)</u>	<u>13,512,502</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2024</u>
Revenue bonds:				
Principal:				
Beginning balance	\$ 10,937,870	—	—	10,937,870
Issuances	—	613,125	—	613,125
Refunding bonds	—	1,473,840	—	1,473,840
Scheduled maturities	—	—	(214,040)	(214,040)
Refunded/defeased bonds	—	—	(1,425,800)	(1,425,800)
	<u>10,937,870</u>	<u>2,086,965</u>	<u>(1,639,840)</u>	<u>11,384,995</u>
Premium (discount):				
Beginning balance	1,308,208	—	—	1,308,208
Issuances	—	88,249	—	88,249
Refunding bonds	—	164,781	—	164,781
Scheduled amortization	—	—	(113,306)	(113,306)
Written off due to refunding	—	—	(98,522)	(98,522)
	<u>1,308,208</u>	<u>253,030</u>	<u>(211,828)</u>	<u>1,349,410</u>
Revenue bonds, net	12,246,078	2,339,995	(1,851,668)	12,734,405
Direct placements	<u>200,000</u>	<u>—</u>	<u>(200,000)</u>	<u>—</u>
Total	<u>\$ 12,446,078</u>	<u>2,339,995</u>	<u>(2,051,668)</u>	<u>12,734,405</u>

**(b) New Issuances**

*(i) Fiscal Year 2025*

In August 2024, the Power System issued \$270.5 million of Power System Revenue Bonds, 2024 Series D. The net proceeds of \$302.9 million, including a \$32.4 million issue premium net of underwriter's discount, were used to pay for capital improvements.

In December 2024, the Power System issued \$507.9 million of Power System Revenue Bonds, 2024 Series E. The net proceeds of \$579.4 million, including a \$71.5 million issue premium net of underwriter's discount, were used to pay for capital improvements and refund all the outstanding Power System Revenue Bonds, 2015 Series A, amounting to \$415.9 million. The transaction resulted in a net present value savings of \$57.8 million and a net gain for accounting purposes of \$27.7 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

In May 2025, the Power System issued \$990.0 million of Power System Revenue Bonds, 2025 Series A. The net proceeds of \$1,020.5 million, including a \$30.5 million issue premium net of underwriter's discount and bond insurance, were used to pay for capital improvements and refund



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

all the outstanding Power System Variable Rate Demand Revenue Bonds, 2023 Series C, amounting to \$350.0 million.

In June 2025, the Power System issued \$501.0 million of Power System Revenue Bonds, 2025 Series B. The net proceeds of \$541.7 million, including a \$40.7 million issue premium net of underwriter's discount, were used to refund all the outstanding Power System Variable Rate Demand Revenue Bonds, 2001 Series B, amounting to \$322.8 million and all the outstanding Power System Variable Rate Demand Revenue Bonds, 2002 Series A, amounting to \$218.9 million. The transaction resulted in a net loss for accounting purposes of \$67.5 thousand, which was capitalized as deferred outflows on debt refunding and is being amortized over the life of the refunding bonds.

*(ii) Fiscal Year 2024*

In November 2023, the Power System issued \$303.3 million of Power System Revenue Bonds, 2023 Series D. The net proceeds of \$325.5 million, including a \$22.2 million issue premium net of underwriter's discount, were used to refund a portion of the outstanding Power System Revenue Bonds, 2014 Series B, amounting to \$293.9 million, and a portion of the outstanding Power System Revenue Bonds, 2018 Series B, amounting to \$32.0 million. The transaction resulted in a net present value savings of \$23.1 million and a net gain for accounting purposes of \$26.0 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

In December 2023, the Power System issued \$428.1 million of Power System Revenue Bonds, 2023 Series E. The net proceeds of \$493.4 million, including a \$65.3 million issue premium net of underwriter's discount, were used to pay for capital improvements and refund a portion of the outstanding Power System Revenue Bonds, 2014 Series B, amounting to \$6.4 million. The transaction resulted in a net present value savings of \$223.0 thousand and a net gain for accounting purposes of \$188.7 thousand, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

In December 2023, the Power System issued \$200.2 million of Power System Variable Rate Demand Revenue Bonds, 2023 Series F. The net proceeds of \$200.0 million, net of underwriter's discount, were used to refund all the outstanding Power System Revenue Bonds, 2014 Series A, amounting to \$200.0 million.

In April 2024, the Power System issued \$372.5 million of Power System Revenue Bonds, 2024 Series A. The net proceeds of \$427.3 million, including a \$54.8 million issue premium net of underwriter's discount, were used to refund a portion of the outstanding Power System Revenue Bonds, 2014 Series C, amounting to \$54.5 million, a portion of the outstanding Power System Revenue Bonds, 2014 Series D, amounting to \$162.3 million, and all of the outstanding Power System Revenue Bonds, 2014 Series E, amounting to \$211.1 million. The transaction resulted in a net present value savings of \$67.9 million and a net gain for accounting purposes of \$42.8 million, which was capitalized as deferred inflows on debt refunding and a portion is being amortized over

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

the life of the refunded bonds while the remaining portion is amortized over the life of the refunding bonds.

In April 2024, the Power System issued \$275.6 million of Power System Revenue Bonds, 2024 Series B. The net proceeds of \$327.4 million, including a \$51.8 million issue premium net of underwriter's discount, were used to refund all the outstanding Power System Revenue Bonds, 2010 Series A, amounting to \$316.0 million. The transaction resulted in a net present value savings of \$7.1 million and a net loss for accounting purposes of \$11.4 million, which was capitalized as deferred outflows on debt refunding and is being amortized over the life of the refunding bonds.

In June 2024, the Power System issued \$507.3 million of Power System Revenue Bonds, 2024 Series C. The net proceeds of \$562.3 million, including a \$55.0 million issue premium net of underwriter's discount, were used to pay for capital improvements, refund all the outstanding Power System Revenue Bonds, 2014 Series C, amounting to \$96.3 million, and refund all of the outstanding Power System Revenue Bonds, 2014 Series D, amounting to \$253.4 million. The transaction resulted in a net present value savings of \$38.8 million and a net gain for accounting purposes of \$29.6 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

**(c) Outstanding Debt Defeased**

The Power System defeased certain revenue bonds in the current and prior years by placing cash and the proceeds of new revenue bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Power System's financial statements. At June 30, 2025, the following revenue bonds outstanding are considered defeased (amounts in thousands):

Bond issues	Principal outstanding
Second issue of 1993	\$ 3,105
Issue of 1994	2,070
Issue of 2001 Series B	322,800
Issue of 2002 Series A	218,900
	<u>\$ 546,875</u>

**(d) Variable Rate Bonds**

As of June 30, 2025 and 2024, the Power System had variable rate bonds outstanding in the amounts of \$450.2 million and \$1,341.9 million, respectively. In May 2025, the Power System issued the Power System Revenue Bonds, 2025 Series A, to refinance all the Power System Variable Rate Demand Revenue Bonds, 2023 Series C, amounting to \$350.0 million. In June 2025, the Power System issued the Power System Revenue Bonds, 2025 Series B, to refinance all the Power System Variable Rate Demand Revenue Bonds, 2001 Series B, amounting to \$322.8 million, and all the Power System

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Variable Rate Demand Revenue Bonds, 2002 Series A, amounting to \$218.9 million. In December 2023, the Power System issued \$200.2 million of Power System Variable Rate Demand Revenue Bonds, 2023 Series F, to refund all the outstanding direct placement Power System Revenue Bonds, 2014 Series A, amounting to \$200.0 million. The variable rate bonds currently bear interest at weekly and daily rates ranging from 0.90% to 3.88% as of June 30, 2025 and 1.90% to 4.70% as of June 30, 2024. The Power System can elect to change the interest rate period of the bonds with certain limitations. The bondholders have the right to tender the bonds to the tender agent on any business day with seven days' prior notice. The Power System has entered into standby and line of credit agreements with a syndicate of commercial banks to provide liquidity for the variable rate bonds in the amount \$250 million and \$200 million as of June 30, 2025. The extended standby agreements expire in July 2026 for the \$250 million and June 2027 for the \$200 million.

Under the agreements, as of June 30, 2025, \$250 million variable rate bonds will bear interest that is payable monthly at the greatest of (a) the prime rate plus 1.00%, (b) the federal funds rate plus 2.00%, and (c) 7.50%; and \$200 million variable rate bonds will bear interest that is payable monthly at the greatest of (a) the prime rate and (b) 7.50%. The unpaid principal of each liquidity advance made by the liquidity provider is payable in 10 equal semiannual installments 90 days immediately following the related liquidity advance. At its discretion, the Power System can convert the outstanding bonds to fixed-rate obligations, which cannot be tendered by the bondholders. The agreements were ended in October 2025 when the Power System refinanced all outstanding variable rate bonds on a fixed-rate basis, as discussed in note 15.

The variable rate bonds have been classified as long-term in the statements of net position as the liquidity facilities give the Power System the ability to refinance on a long-term basis and the Power System intends to either renew the facility or exercise its right to tender the debt as long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements has been included in the current portion of long-term debt and was \$0 million and \$134 million at June 30, 2025 and 2024, respectively. The agreements ended in October 2025 when the Power System refinanced all outstanding variable rate bonds on a fixed-rate basis and the current portion of long-term debt due reflects the ending of such agreements and refinancing of related indebtedness, as discussed in note 15.

**(e) Direct Placements and Line of Credit**

Under GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the Power System has the following direct placement debt and unused line of credit:

In May 2020, the Power System entered into a Continuing Covenant Agreement (CCA) with Bank of America, N.A. (Bank of America) for the placement of the \$200 million Power System Revenue Bonds, 2014 Series A (Power 2014A Bonds) under a direct purchase structure. In May 2014, the Power System initially sold \$200 million of Power 2014A Bonds in an index floating rate mode under a direct purchase structure with Wells Fargo Municipal Capital Strategies, LLC (Wells Fargo) through a continuing covenant agreement that expired on May 5, 2017. The continuing covenant agreement with

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Wells Fargo was amended in May 2017 to extend for another three years and expired on May 4, 2020. The CCA with Bank of America was expected to expire on May 2, 2025. Under the CCA with Bank of America, the Power 2014A Bonds will pay interest at a fixed spread of 27 basis points (0.27%) above the Securities Industry and Financial Markets Association Index for the five-year term. At the end of the five-year term, the Power System would have the option to either renegotiate and renew a new index floating rate term with Bank of America or another bank or convert the bonds to another mode, such as a fixed rate mode or a traditional variable rate mode, which utilizes a standby agreement. Certain default provisions under the CCA include, but are not limited to, failure to pay amounts due under the CCA and certain other obligations of the Power System, failure to perform certain covenants under the CCA, actions taken in connection with a debt restructuring or similar of the Department, significant rating downgrades of obligations payable from the Power Revenue Fund, and significant nonappealable judgments against the Department. Such defaults may result in a mandatory redemption of the Power 2014A Bonds or other remedial actions taken by Bank of America. As of June 30, 2025, these terms are no longer applicable to the Power System, but they were applicable during the period that the direct purchase was outstanding. As discussed in notes 9(b) and 9(d), in December 2023, the Power System issued \$200.2 million of Power System Variable Rate Demand Revenue Bonds, 2023 Series F, to refund all of the outstanding Power System Revenue Bonds, 2014 Series A. The Power System does not have any assets pledged as collateral for direct placement debt, termination events with finance related consequences, or subjective acceleration clauses as of June 30, 2025 and 2024.

On May 25, 2023, the Power System entered into a Second Amended and Restated Revolving Credit Agreement (Second Amended RCA) and the related Second Amended and Restated Fee and Interest Rate Agreement with Wells Fargo Bank, National Association with a \$300 million commitment and the option to request additional commitment, as needed up to a total commitment of \$500 million. In March 2025, the Power System successfully executed the First Amendment to Second Amended RCA with Wells Fargo Bank, National Association to temporarily amend the Event of Default credit rating thresholds through October 31, 2025. In June 2025, the Board approved the authorization to execute a Third Amended and Restated Revolving Credit Agreement (Third Amended RCA), which was successfully executed on July 3, 2025, as discussed in note 15. The Department can request loans for Water System improvements, Power System improvements and/or such other lawful purposes of the Department. Under the Second Amended RCA, the interest charged for tax-exempt and taxable loans is based on daily Secured Overnight Financing Rate (SOFR) plus a spread of 0.39% and 0.47%, respectively. The Second Amended RCA is effective through July 2, 2025. As of June 30, 2025 and 2024, the Power System has \$150 million and \$0 million, respectively, outstanding under the Second Amended RCA.

In June 2025, the Power System borrowed \$150 million from the Wells Fargo Second Amended RCA, which was deposited into the Power Revenue Fund to offset a liquidity shortfall. The liquidity shortfall was primarily due to an increase in accounts receivable, largely driven by extended payment timelines and slower than anticipated collections. Under the Second Amended RCA, the \$150 million draw is a taxable loan bearing interest based on a daily SOFR Index Rate plus a 0.47% spread, which will be paid from the Power Revenue Fund. The Power System expects to repay the loan on or before June 2026 as under-collections are recovered. As of June 30, 2025, in addition to the \$150 million borrowed

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

by the Power System, the Water System had also borrowed \$300 million under the Wells Fargo Second Amended RCA. As a result, of the \$500 million dollar borrowing capacity available under the Wells Fargo Second Amended RCA, the Department had borrowed a total of \$450 million.

**(f) Principal Maturities and Interest**

As of June 30, 2025, annual principal maturities and interest on an accrual basis are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest and amortization</u>
Fiscal year(s) ending June 30:		
2026	\$ 282,740	453,167
2027	475,407	440,919
2028	327,388	424,995
2029	680,270	400,145
2030	369,020	390,847
2031–2035	2,206,275	1,732,642
2036–2040	2,210,300	1,324,454
2041–2045	2,522,875	839,150
2046–2050	1,877,460	342,571
2051–2055	959,605	75,052
2056–2060	100,155	—
	<hr/>	<hr/>
Total requirements	12,011,495	6,423,942
Debt service payments already paid to sinking fund – 2010C bonds	111,665	—
	<hr/>	<hr/>
	\$ 12,123,160	6,423,942
	<hr/>	<hr/>

Interest and amortization are net of \$1,552 million of unamortized discount/premium and gain/loss due to issuances of new and refunding bonds.

The schedule above is presented assuming that the tender options on the variable rate bonds, as discussed in notes 9(d) and 9(e) will not be exercised and should the bondholders exercise the tender options, the Power System would be required to redeem the \$0 million in variable rate bonds over the next six years. Variable debt interest rate in effect at June 30, 2025 averages 3.30%. Should the tender options be exercised, interest would be payable at the rate in effect at the time the standby agreements are activated. As discussed in note 15, the Power System refinanced all outstanding variable rate bonds on a fixed-rate basis in October 2025 and the standby agreements ended. Accordingly, the statements of net position do not recognize the possibility of the exercise of the tender options that could be due in fiscal year 2026 as a current portion of long-term debt payable. Interest and amortization include interest requirements for variable rate bonds over the regularly scheduled maturity period. The schedule above is presented with intermediate-term maturities related to previous refinancings of debt from past intermediate-term and variable-rate debt.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(10) Retirement Plan**

**(a) Plan Description**

The Power System has a funded contributory retirement plan covering substantially all of its employees. The Water and Power Employees' Retirement Fund (Fund Plan or Plan) operates as a single-employer defined-benefit plan to provide pension benefits to eligible department employees. The Fund Plan's assets are held in a special trust fund of the City. Plan benefits are generally based on years of service, age at retirement, and the employee's highest 12 consecutive months of salary before retirement. Active participants who joined the Plan on or after June 1, 1984 are required to contribute 6% of their annual covered payroll. Participants who joined the Plan prior to June 1, 1984 contribute an amount based upon an entry-age percentage rate. A new Tier 2 was added to the Plan and applies to members hired on or after January 1, 2014. Tier 2 plan participants are required to contribute 10% of their salary, and plan benefits are based on a three-year final average salary period.

Under the provisions of the City Charter, the Retirement Board of Administration (Retirement Board) has the responsibility and authority to administer the Plan and to invest its assets. The Retirement Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. The Retirement Board has seven members: one member of the Board of Water and Power Commissioners, the General Manager, the Chief Accounting Employee, three employee members who are elected for three-year terms by active members of the Plan, and one retiree who is appointed by the Board of Water and Power Commissioners for a three-year term.

Plan amendments must be approved by both the Retirement Board and the Board of Commissioners of the Department. The Plan issues separately available financial statements on an annual basis. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 N. Hope, Room 357, Los Angeles, CA 90012.

**(b) Benefits Provided**

The Plan provides retirement benefits to eligible employees. Most employees of the Power System become members of the Plan effective on the first day of bi-weekly payroll following employment or immediately following transfer from another City department. Members employed prior to January 1, 2014 are designated as Tier 1, and those hired on or after January 1, 2014 are designated as Tier 2 (unless a specific exemption applies to employee providing a right to Tier 1 status).

Tier 1 members are eligible to retire once they attain the age of 60 with 5 or more years of service or at age 55 with 10 or more years of service acquired in the last 12 years prior to retirement. A Tier 1 member with 30 years of service is eligible to retire regardless of age. Tier 2 members are eligible to retire once they attain the age of 60 with at least 5 years of continuous Department service or at any age with 30 years of service. For both tiers, combined years of service between the Plan and the Los Angeles City Employees' Retirement System is used to determine retirement eligibility and at least 5 years must be actual employment at the Department or the City (not purchased). For both tiers, members receiving Permanent Total Disability benefits may retire regardless of age. For Tier 1, to be eligible for a Formula Pension, the employee must have worked or been paid disability 4 of the last 5 years immediately preceding eligibility to retire, or while eligible to retire.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Formula Pension benefit the member will receive is based upon age at retirement, monthly average salary base, and years of retirement service credit. The Tier 1 Formula Pension is equal to 2.1% times years of service credit times monthly average salary base. In addition, members retiring after attaining age 55 with 30 years of service credit receive an increase in the benefit factor from 2.1% to 2.3%. A reduced early retirement benefit is paid for those members attaining age 55 with 10 years of service or any age (under 55) with 30 years of service. The reduction is 1.5% for each year of retirement age between 60 and 55 and 3.0% for each year of retirement before age 55.

Under Tier 2, there are various benefit factors that apply, as shown below:

- 1.5% at age 60 with 5 years of continuous Department service (or 10 years of qualifying service)
- 2.0% at age 55 with 30 years of service credit
- 2.0% at age 60 with 30 years of qualifying service
- 2.0% at age 63 with 5 years of continuous Department service (or 10 years of qualifying service)
- 2.1% at age 63 with 30 years of qualifying service

Reduced early retirement benefits are still available at any age (under 55) with 30 years of service and the reduction factors are the same as Tier 1. Note that these reduction factors continue to include the reduction from age 60 to 55 and from 55 to age at retirement.

For Tier 1 members, the maximum monthly retirement allowance is 100% of monthly average salary base. For Tier 2 members, the maximum monthly retirement allowance is 80% of monthly average salary base. Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period. Under Tier 2, pension benefits are calculated based on the average salary earned during a 36-month period.

The member may elect the full allowance or choose an optional retirement allowance. The full allowance provides the highest monthly benefit and up to a 50% continuance to an eligible surviving spouse or domestic partner. There are five optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the full allowance in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(c) Plan Membership**

As of June 30, 2024 and 2023, measurement dates for the June 30, 2025 and 2024 net pension liability, pension plan membership, which consisted of Water and Power System members, consisted of the following:

	<u>2025</u>	<u>2024</u>
Retired members or beneficiaries currently receiving benefits	9,877	9,756
Vested terminated members entitled to, but not yet receiving, benefits	1,786	1,765
Active members	<u>11,485</u>	<u>11,039</u>
Total	<u>23,148</u>	<u>22,560</u>

**(d) Contributions**

The Department contributes \$1.10 for each \$1 contributed by participants plus an actuarially determined annual required contribution (ARC) as determined by the Plan's independent actuary. The required contributions are allocated between the Power System and the Water System based on the current-year labor costs.

Employer contribution rates are adopted annually based upon recommendations received from the Plan's actuary after the completion of the annual actuarial valuation. The average employer contribution rates for fiscal years 2025, 2024, and 2023 (based on the July 1, 2024, 2023, and 2022 valuations) were 27.97%, 31.40%, and 29.84% of compensation, respectively. The average member contribution rates for fiscal years 2025, 2024, and 2023 (based on the July 1, 2024, 2023, and 2022 valuations) were 8.30%, 8.11% and 7.95% of compensation, respectively. Most Tier 1 members contribute at 6% of compensation and all Tier 2 members contribute at 10% of compensation. Employer contributions in fiscal years 2025, 2024, and 2023 amounted to \$296 million, \$295 million, and \$249 million, respectively.

**(e) Net Pension Liability**

At June 30, 2025 and 2024, the Power System reported a liability of \$147 million and \$393 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024 and 2023, respectively. The Power System's proportion of the net pension liability was based on the Power System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2025, the Power System's proportion was 68.8% compared to 67.6% and 67.1% as of June 30, 2024 and 2023, respectively.



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(f) Actuarial Assumptions**

The Department's net pension liability as of June 30, 2025 and 2024 was measured as of June 30, 2024 and 2023 using actuarial valuations as of July 1, 2024 and 2023, respectively. The actuarial assumptions used in the July 1, 2024 and 2023 valuations were based on the results of experience studies for the period from July 1, 2018 through June 30, 2021. The following assumptions were applied to all periods included in the measurement for the July 1, 2024 and 2023 actuarial valuations:

Actuarial assumptions	2024	2023
Inflation	2.50 %	2.50 %
Salary increases	4.25 %–10.00 %	4.25 %–10.00 %
Investment rate of return	6.50 %	6.50 %
Cost-of-living adjustments	Tier 1 is 2.75% and Tier 2 is 2.00% (Actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)	2.75 % (Actual increases are contingent upon CPI increases, with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)
Mortality	Postretirement: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021	Postretirement: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021

**(g) Discount Rate**

The discount rate used to measure the total pension liability was 6.50% as of June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability at June 30, 2025 and 2024.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(h) Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset proportionate share, adding expected inflation and subtracting expected investment expenses. The target allocation and projected best estimates of arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset class	June 2025		June 2024	
	Targeted allocation	Long-term expected arithmetic real rate of return	Targeted allocation	Long-term expected arithmetic real rate of return
Large Cap U.S. equity	21.10%	5.13%	21.10%	5.13 %
Small Cap U.S. equity	2.10%	5.86%	2.10%	5.86 %
Developed international large cap equity	12.20%	6.01%	12.20%	6.01 %
Developed international small cap equity	1.80%	5.72%	1.80%	5.72 %
Global equity	2.70%	5.94%	2.70%	5.94 %
Emerging market equity	5.10%	8.16%	5.10%	8.16 %
TIPS	3.50%	(0.23) %	3.50%	(0.23) %
Real estate	7.00%	4.60%	7.00%	4.60 %
Cash and equivalents	1.00%	(0.77) %	1.00%	(0.77) %
Commodities	1.50%	2.77%	1.50%	2.77 %
Private equity	10.00%	10.46%	10.00%	10.46 %
Private credit	2.40%	5.94%	2.40%	5.94 %
Hedge funds	5.00%	1.85%	5.00%	1.85 %
Non-Core real estate	3.00%	7.14%	3.00%	7.14 %
Custom fixed income	21.60%	0.68%	21.60%	0.68 %
Total	100.00%		1.00 %	

**(i) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Power System as of June 30, 2025 and 2024, calculated using the discount rate of 6.5%, as well as what the Department's pension liability (asset) would be as of June 30, 2025 if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (amounts in thousands):

Net pension liability (asset)	1% Decrease (5.5%)	Current discount rate (6.5%)	1% Increase (7.5%)
June 30, 2025	\$ 1,849,917	147,444	(1,251,395)

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

<b>Net pension liability (asset)</b>	<b>1% Decrease (5.50 %)</b>	<b>Current discount rate (6.50 %)</b>	<b>1% Increase (7.50 %)</b>
June 30, 2024	\$ 1,961,082	393,338	(896,454)

**(j) Pension Plan Fiduciary Net Position**

The pension plan's fiduciary net position is determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. Pension plan investments are recorded at fair value except for short-term investments, which are recorded at amortized cost. Benefit payments include costs as designated by the plan document, refunds of employee contributions due to terminations and member deaths, and administrative expenses.

**(k) Pension Expense, Deferred Outflow of Resources, and Deferred Inflow of Resources**

The Power System recognized pension expense of \$179.5 million and \$165.7 million for the years ended June 30, 2025 and 2024, respectively. Pension expense is recorded as operation and maintenance expense or construction work in progress, depending on where the related payroll is charged. At June 30, 2025 and 2024, the Power System reported \$610.9 million and \$601.3 million, respectively, for deferred outflows of resources and deferred inflows of resources of \$185.8 million and \$46.5 million, respectively.

The tables below summarize the deferred inflows of resources and deferred outflows of resources related to pensions at June 30, 2025 and 2024 (amounts in thousands):

<b>Deferred outflows of resources</b>	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Changes in proportion and differences between entity contributions and proportionate share of contributions	\$ 156	510
Net difference between projected and actual earnings on pension plan investments	—	115,230
Difference between actual and expected experience in the total pension liability	393,433	218,156
Changes of assumptions and other inputs	217,270	267,363
Total deferred outflows of resources	\$ 610,859	601,259

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

<b>Deferred inflows of resources</b>	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Changes in proportion and differences between entity contributions and proportionate share of contributions	\$ 7,573	5,187
Difference between projected and actual earnings on pension plan investments	145,864	—
Difference between expected and actual experience in the total pension liability	32,412	41,293
Total deferred inflows of resources	\$ 185,849	46,480

In addition to the deferred outflows of resources noted above, there are also \$295.7 million and \$295.5 million of deferred outflows related to pension contributions made after the measurement date as of June 30, 2025 and 2024, respectively. These deferred outflows of resources are recognized as a reduction of the net pension liability in the subsequent fiscal year.

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter by the Power System is as follows (in thousands):

<b>Year</b>	<b>2025</b>	<b>2024</b>
2025	\$ —	54,056
2026	(48,516)	(8,156)
2027	300,780	334,819
2028	15,709	54,924
2029	42,970	81,696
2030	66,384	32,621
2031	38,067	4,819
2032	9,616	—
Total	\$ 425,010	554,779

**(I) Overrecovered Costs – Pension**

During fiscal year 2025, the amounts paid toward actuarially determined contributions exceeded actual pension expense by \$116.3 million, resulting in an overrecovered costs—pension balance of \$632.6 million.

During fiscal year 2024, the difference between amounts paid toward actuarially determined contributions and actual pension expense exceeded the remaining balance in the pension regulatory asset and resulted in the recognition of overrecovered costs—pension in the amount of \$516.2 million.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(11) Other Postemployment Benefit Plans**

***(a) General Information About the Plan***

The Department provides retirees medical and dental benefits and death benefits to active and retired employees and their dependents. The retiree healthcare plan and death benefit plan are administered by the Department and the Retirement Board, respectively. The Retirement Board and the Board of Commissioners have the authority to approve provisions and obligations. Eligibility for benefits for retired employees is dependent on a combination of age and service of the participants pursuant to a predetermined formula. Any changes to these provisions must be approved by the Retirement Board and the Board.

The retiree healthcare and death benefit plans are single-employer, defined-benefit plans. Plan assets are administered through irrevocable trusts for each fund used solely for the benefit of providing benefits to eligible participants in the Plan. Assets of the trust are legally protected from creditors and dedicated to providing postemployment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan. Death benefits are provided to active and inactive employees in accordance with terms of the Plan.

The funds are administered in separate trust funds and presented as part of the retirement system financial statements. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 North Hope, Room 357, Los Angeles, CA 90012.

***(b) Benefits Provided***

For retiree healthcare, a medical subsidy is computed by a formula related to years of service and attained age of retirement. The subsidy limit is applied to the combined medical carrier and Medicare Part B premium but not the dental premium. For Tier 1, the monthly medical subsidy ranges from \$30.32 to \$2,364.88 depending on age and service at retirement. For Tier 2, the monthly medical subsidy ranges from \$30.32 to \$1,182.44, depending on age and service at retirement. The monthly dental subsidy for most retirees is \$37.71. The dental subsidy is not available to pay premiums for married and surviving spouses or domestic partners. All members hired before January 1, 2014 are Tier 1. All members hired on or after January 1, 2014 are Tier 2.

The death benefit fund pays death benefits to the beneficiaries of eligible employees. Generally, to be eligible for the family death benefit allowance, an employee must be a full member of the Plan and contributing to the Plan at the time of death. If death occurs after retirement, then, the retired member must be receiving a monthly retirement allowance from the Plan and had a least five years of department service at retirement. The Family Death Benefit Plan pays a monthly allowance of \$937 to the surviving spouse of a member with minor (or disabled) children plus \$937 for each minor (or disabled) child up to a maximum monthly allowance of \$2,187. In addition, the spouse's portion will not be paid if the spouse is receiving a survivor's optional death benefit allowance or an eligible spouse allowance from the retirement plan.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Supplemental Family Death Plan, which is part of the Death Benefit Fund, is optional and subject to making additional member contributions. The Supplemental Family Death Benefit Plan pays a monthly allowance of \$520 for each surviving spouse or child, in addition to the amounts payable from the Family Death Benefit Plan, subject to a maximum of \$1,066 for the additional benefits. The insured lives death benefit plan for contributing members provides death benefits to the beneficiaries of the active employees after they die. Generally, to be eligible, an employee must be a full member of the Plan and contributing to the Plan at the time of death. The benefit paid from the death benefit fund is a single sum that is equal to 14 times the member's monthly compensation with no maximum.

The insured lives death benefit plan for noncontributing members provides death benefits to employees who were employed by the Department for at least five years and death occurred after retirement. The death benefit is paid in a single sum that is equal to the lesser of 14 times the member's monthly full retirement allowance or \$20,000.

**(c) Employees Covered by Benefit Terms**

At the Department's measurement date of June 30, 2024 for the June 30, 2025 reporting period, the following employees were covered by the benefit terms:

<u>Plan membership</u>	<u>Retiree healthcare</u>	<u>Death benefit</u>
Beneficiaries currently receiving benefits	—	76
Retired members currently receiving benefits	8,638	7,958
Inactive members	—	559
Active members	11,485	11,485
Total	<u>20,123</u>	<u>20,078</u>

At the Department's measurement date of June 30, 2023 for the June 30, 2024 reporting period, the following employees were covered by the benefit terms:

<u>Plan membership</u>	<u>Retiree healthcare</u>	<u>Death benefit</u>
Beneficiaries currently receiving benefits	—	85
Retired members currently receiving benefits	8,552	7,819
Vested terminated members not receiving benefits	—	575
Active members	11,039	11,039
Total	<u>19,591</u>	<u>19,518</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(d) Contributions**

The Board establishes rates for retiree healthcare plan based on an actuarially determined rate. For the years ended June 30, 2025 and 2024, the Department's average contribution rate was 8.2% and 9.0% of covered employee payroll, respectively. Employees are not required to contribute to the retiree healthcare plan. Power System contributions to the retiree healthcare plan were \$87.2 million and \$72.2 million including administrative expenses of \$0.9 million and \$0.7 million for the fiscal years ended June 30, 2025 and 2024, respectively.

The Department contributes to the death benefit plan based on actuarially determined contribution rates adopted by the board of administration. Employer contribution rates are adopted annually based on recommendations received from the Plan's actuary after the completion of the review of the death benefit fund. The employer and member contribution rates as of June 30, 2025 are as follows:

	Department	Members	
		Active	Retired
Total death benefit fund	1.14% of payroll	N/A	N/A
Supplemental family death benefit insured lives		\$2.25 biweekly	\$4.90 monthly
Contributing		\$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Power System contributions to the death benefits plan were \$13.6 million including administrative expenses of \$1.8 million for the fiscal year ended June 30, 2025.

The employer and member contribution rates as of June 30, 2024 are as follows:

	Department	Members	
		Active	Retired
Total death benefit fund	1.21 % of payroll	N/A	N/A
Supplemental family death benefit insured lives		\$2.25 biweekly	\$4.90 monthly
Contributing		\$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Power System contributions to the death benefits plan were \$12.5 million including administrative expenses of \$1.3 million for the fiscal year ended June 30, 2024.

**(e) Net OPEB Liability (Asset)**

The Power System reported a liability of \$19 million and an asset of \$(160) million for its proportionate share of the net OPEB liability (asset) for retiree healthcare plan and the death benefit plan as of June 30, 2025 and 2024 reporting dates, respectively. The net OPEB liabilities (assets) for each of the

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

plans was measured as of June 30, 2024 and 2023 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by actuarial valuations for health benefit as of June 30, 2024 and 2023 and death benefit as of July 1, 2024 and 2023. The Power System's proportion of the net OPEB liability (asset) was based on the Power System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2025 and 2024, the Power System's proportion of the retiree healthcare plan and the death benefit plan net OPEB liabilities was 68.8% and 67.6%, respectively.

The following table shows the Power System's proportionate share of the net OPEB liability (asset) for each of the plans as of June 30, 2025 and 2024 (amounts in thousands):

	<u>2025</u>	<u>2024</u>
OPEB liability (asset) for retiree healthcare plan	\$ (52,376)	(233,654)
OPEB liability for death benefit plans	<u>71,488</u>	<u>73,455</u>
Net OPEB liability (asset)	<u>\$ 19,112</u>	<u>(160,199)</u>



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The total OPEB liability in the June 30, 2024 actuarial valuations used for the Power System's June 30, 2025 financial statements was determined using the following actuarial assumptions:

	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	6.50 %	2.75 %	2.75 %	2.75 %	2.75 %
Inflation rate	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Real across the board salary increases	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %
Projected salary increase	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date				
		—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.50 %, graded down to 4.50 % over 12 years	—	—	—	—
Medicare medical plans	10.00 %, then 6.50%, graded down to 4.50 % over 8 years	—	—	—	—
Dental and Medicare Part B	3.00% and 6.20% for 9 years, then 5.75%, graded down to an ultimate of 4.5% over 5 years	—	—	—	—
Member contribution rate	None	None	\$2.25 per biweekly period or \$4.90 per month if retired	\$1.00 per biweekly payroll period	None

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

	<b>Retiree healthcare plan</b>	<b>Family death benefit</b>	<b>Supplemental death benefit</b>	<b>Insured lives benefit (contributing active members)</b>	<b>Insured lives death benefit (noncontributing members)</b>
Department contribution rate	8.17%	1.14% of Payroll	—	—	—
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Monthly benefit	Tier 1 – \$30.32 to \$2,364.88. Tier 2 – \$30.32 to \$1,182.44	\$937 per month to each surviving child plus \$937 per month to eligible spouse	\$520 per month to each surviving child plus \$520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to \$20,000

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Participation rate	100 % for medical and 100 % for dental	—	—	—	—
Retirement rates	Based on 2022 experience study covering the period from July 1, 2018 through June 30, 2021	—	—	—	—

Mortality rates in the June 30, 2024 valuation were based on the Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. The actuarial assumptions used in the June 30, 2024 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2025, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

<b>Asset class</b>	<b>Targeted allocation</b>	<b>Long-term expected arithmetic real rate of return</b>
Large Cap U.S. equity	21.10 %	5.13 %
Small Cap U.S. equity	2.10 %	5.86 %
Developed international large cap equity	12.20 %	6.01 %
Developed international small cap equity	1.80 %	5.72 %
Global equity	2.70 %	5.94 %
Emerging market equity	5.10 %	8.16 %
TIPS	3.50 %	(0.23) %
Real estate	7.00 %	4.60 %
Cash and equivalents	1.00 %	(0.77) %
Commodities	1.50 %	2.77 %
Private equity	10.00 %	10.46 %
Private credit	2.40 %	5.94 %
Hedge funds	5.00 %	1.85 %
Non-Core real estate	3.00 %	7.14 %
Custom fixed income	21.60 %	0.68 %
Total	<u>100.00 %</u>	
	<b>Targeted allocation</b>	<b>Long-term expected arithmetic real rate of return</b>
Death benefit:		
Fixed income	<u>100 %</u>	0.36 %
	<u>100 %</u>	

The June 30, 2024 actuarial valuation for the retiree healthcare fund used to calculate the Power System's total OPEB liability for June 30, 2025 was measured utilizing a discount rate of 6.5%. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The June 30, 2024 actuarial valuation for the death benefit fund, used to calculate the Power System's total OPEB liability for June 30, 2025 was measured utilizing a discount rate of 2.75%.

The plan fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "cross-over date" when projected benefits are not covered by projected assets. The long-term expected rate of return on Plan investments of 2.75% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2024.

The total OPEB liability in the June 30, 2023 actuarial valuations used for the Power System's June 30, 2024 financial statements was determined using the following actuarial assumptions:

	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	6.50 %	2.75 %	2.75 %	2.75 %	2.75 %
Inflation rate	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Real across the board salary increases	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %
Projected salary increase	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date				
		—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.00 %, graded down to 4.50 % over 10 years	—	—	—	—
Medicare medical plans	6.25 %, graded down to 4.50 % over 7 years	—	—	—	—
Dental and Medicare Part B	3.00 and 4.50 %	—	—	—	—
Member contribution rate	None	None	\$2.25 per biweekly period or \$4.90 per month if retired	\$1.00 per biweekly payroll period	None

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

	<b>Retiree healthcare plan</b>	<b>Family death benefit</b>	<b>Supplemental death benefit</b>	<b>Insured lives benefit (contributing active members)</b>	<b>Insured lives death benefit (noncontributing members)</b>
Department contribution rate	9.02 %	1.21 % of Payroll	—	—	—
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Monthly benefit	Tier 1 – \$30.32 to \$1,896.76. Tier 2 – \$30.32 to \$948.38	\$416 per month to each surviving child plus \$416 per month to eligible spouse	\$520 per month to each surviving child plus \$520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to \$20,000

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Participation rate	100 % for medical and 100 % for dental	—	—	—	—
Retirement rates	Based on 2022 experience study covering the period from July 1, 2018 through June 30, 2021	—	—	—	—

At June 30, 2023, mortality rates were based on the Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. The actuarial assumptions used in the June 30, 2023 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2024, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

<b>Asset class</b>	<b>Targeted allocation</b>	<b>Long-term expected arithmetic real rate of return</b>
Large Cap U.S. equity	21.10 %	5.13 %
Small Cap U.S. equity	2.10 %	5.86 %
Developed international large cap equity	12.20 %	6.01 %
Developed international small cap equity	1.80 %	5.72 %
Global equity	2.70 %	5.94 %
Emerging market equity	5.10 %	8.16 %
TIPS	3.50 %	(0.23) %
Real estate	7.00 %	4.60 %
Cash and equivalents	1.00 %	(0.77) %
Commodities	1.50 %	2.77 %
Private equity	10.00 %	10.46 %
Private credit	2.40 %	5.94 %
Hedge funds	5.00 %	1.85 %
Non-Core real estate	3.00 %	7.14 %
Custom fixed income	21.60 %	0.68 %
<b>Total</b>	<b>100.00 %</b>	

	<b>Targeted allocation</b>	<b>Long-term expected arithmetic real rate of return</b>
Death benefit:		
Fixed income	100 %	0.36 %
	<b>100 %</b>	

The June 30, 2023 actuarial valuation for the retiree healthcare fund used to calculate the Power System's total OPEB liability for June 30, 2024 was measured utilizing a discount rate of 6.5%. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The June 30, 2024 and 2023 actuarial valuations for the death benefit fund used to calculate the Power System's total OPEB liability for June 30, 2025 and 2024 was measured utilizing a discount rate and assumed investment rate of return of 2.75%.

The plan fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "crossover date" when projected benefits are discount rate and the long-term expected rate of return on Plan investments of 2.75% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2025 and 2024.

**(f) Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate Rates**

The following table represents the net OPEB liability (asset) of the Power System, calculated using the stated discount rate assumption as well as what the Power System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (amounts in thousands):

		June 30, 2025		
		1% Decrease	Current	1% Increase
Discount rate		5.50 %	6.50 %	7.50 %
Net OPEB liability (asset) – Retiree healthcare plan	\$	279,212	(52,376)	(323,103)
Discount rate		1.75 %	2.75 %	3.75 %
Net OPEB liability – Death benefit plan	\$	89,956	71,488	56,861

		June 30, 2024		
		1% Decrease	Current	1% Increase
Discount rate		5.50 %	6.50 %	7.50 %
Net OPEB liability (asset) – Retiree healthcare plan	\$	30,074	(233,654)	(449,121)
Discount rate		1.75 %	2.75 %	3.75 %
Net OPEB liability – Death benefit plan	\$	91,129	73,455	59,450

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(g) Sensitivity to Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates**

The following table represents the net OPEB liability (asset) of the Power System, calculated using the stated healthcare cost trend assumption as well as what the Power System's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend that is one percentage point lower or one percentage point higher than the current healthcare cost trend rates (amounts in thousands):

		<b>June 30, 2025</b>		
		<b>1% Decrease</b>	<b>Current*</b>	<b>1% Increase</b>
Net OPEB liability (asset) – Retiree healthcare plan	\$	(353,806)	(52,376)	328,741

\* Current trend rates: 7.50% graded down to 4.50% over 12 years for Non-Medicare medical plan costs; 10.00%, then 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; 3.00% for all years for Dental subsidy costs and 6.20% for 9 years, then 5.75%, graded down to an ultimate of 4.50% over 5 years for Medicare Part B subsidy costs.

		<b>June 30, 2024</b>		
		<b>1% Decrease</b>	<b>Current*</b>	<b>1% Increase</b>
Net OPEB liability (asset) – Retiree healthcare plan	\$	(473,476)	(233,654)	68,971

\* Current trend rates: 7.00% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.25% graded down to 4.50% over 7 years for Medicare medical plan costs, and 3.00% for all years for dental subsidy costs and 4.50% for all years for Medicare Part B subsidy costs

There is no trend rate assumption used in valuing the death benefit plan.

**(h) OPEB Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued plan financial report. The OPEB plans' fiduciary net positions are determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. OPEB plan investments are recorded at fair value, except for short-term investments, which are recorded at amortized cost. Benefit payments include costs designed by the plan document and administrative expenses.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(i) OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

In addition to amortization expense of the regulatory asset discussed in note 6, the Power System recognized OPEB expense of \$5.1 million and \$10.6 million for its proportionate share of the retiree healthcare and death benefits plans, respectively, for the year ended June 30, 2025. At June 30, 2025, the Power System reported deferred outflows and inflows of resources related to OPEB plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	\$ 1,702	2,334	1,453	636	3,155	2,970
Changes of assumptions	282,956	113,324	7,469	1,602	290,425	114,926
Net difference between projected and actual earnings on OPEB plan investments	—	36,549	2,113	—	2,113	36,549
Differences between expected and actual experience	22,210	110,403	1,456	588	23,666	110,991
	306,868	262,610	12,491	2,826	319,359	265,436
Employer contributions subsequent to the measurement date	87,175	—	13,552	—	100,727	—
Totals	\$ 394,043	262,610	26,043	2,826	420,086	265,436

In addition to amortization expense of the regulatory asset discussed in note 6, the Power System recognized OPEB expense of \$4.4 million and \$7.8 million for its proportionate share of the retiree healthcare and death benefits plans, respectively, for the year ended June 30, 2024.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2024, the Power System reported deferred outflows and inflows of resources related to OPEB plans from the following sources (in thousands):

	<b>Retiree healthcare plan</b>		<b>Death benefits plan</b>		<b>Total</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Change in proportion and differences between employer category's contributions	\$ 2,277	1,805	608	872	2,885	2,677
Changes of assumptions	32,745	131,213	8,769	2,629	41,514	133,842
Net difference between projected and actual earnings on OPEB plan investments	12,343	—	3,232	—	15,575	—
Differences between expected and actual experience	20,948	145,830	1,559	1,172	22,507	147,002
	68,313	278,848	14,168	4,673	82,481	283,521
Employer contributions subsequent to the measurement date	72,225	—	12,457	—	84,682	—
Totals	\$ 140,538	278,848	26,625	4,673	167,163	283,521

Contributions after the measurement date shown above will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows (in thousands):

	<b>For the year ended June 30, 2025</b>		
	<b>Retiree healthcare plan</b>	<b>Death benefits plan</b>	<b>Total</b>
Year ending June 30:			
2026	\$ (39,037)	1,588	(37,449)
2027	18,030	2,043	20,073
2028	(22,478)	1,781	(20,697)
2029	676	1,784	2,460
2030	17,727	1,797	19,524
2031	22,226	426	22,652
2032	33,102	180	33,282
Thereafter	14,012	66	14,078
	\$ 44,258	9,665	53,923

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

<b>For the year ended June 30, 2024</b>			
	<b>Retiree healthcare plan</b>	<b>Death benefits plan</b>	<b>Total</b>
Year ending June 30:			
2025	\$ (49,413)	871	(48,542)
2026	(59,576)	1,472	(58,104)
2027	(3,545)	1,917	(1,628)
2028	(43,319)	1,660	(41,659)
2029	(20,579)	1,665	(18,914)
2030	(17,871)	1,614	(16,257)
2031	(13,455)	269	(13,186)
Thereafter	(2,777)	27	(2,750)
	<u>\$ (210,535)</u>	<u>9,495</u>	<u>(201,040)</u>

**(j) Overrecovered Costs – OPEB**

In connection with the recognition of the net OPEB liability (asset) under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Power System established a regulatory asset in the amount of \$451 million equal to the net OPEB liability reported at July 1, 2017, less the calculated balance of OPEB deferred outflows for contributions after the measurement date. Amortization of the regulatory asset is the difference between amounts paid toward actuarial determined contributions and OPEB expense, and the regulatory asset was fully amortized during the year ended June 30, 2024. See note 6(e).

During the year ended June 30, 2025 and 2024, the difference between amounts paid toward actuarially determined contributions and actual OPEB expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – OPEB in the amount of \$136 million and \$44 million, respectively.

**(k) Disability Benefits**

The Power System's allocated share of disability benefit plan costs and administrative expenses totaled \$15 million and \$13 million for fiscal years 2025 and 2024, respectively. Disability benefits are paid to active employees who qualify under the Plan's provisions and terminate with the employee's retirement.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(12) Other Long-Term Liabilities and Deferred Inflows**

**(a) Other Long-Term Liabilities and Deferred Inflows**

The Power System has the following other long-term liabilities and deferred inflows of resources (amounts in thousands):

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025
Deferred inflows from regulated business activities: (i)				
Rate stabilization	\$ 220,000	—	—	220,000
Green Power Program	7,190	—	—	7,190
Total Deferred inflows from regulated business activities	\$ 227,190	—	—	227,190
Accrued workers' compensation claims (ii)	\$ 66,013	7,662	—	73,675
Other noncurrent liabilities:				
Subscription-based technology liability	6,041	3,893	—	9,934
Lease liability	39,749	—	(3,865)	35,884
Environmental remediation liability	77,986	4,372	—	82,358
Derivative instrument liabilities	1,391	12,943	—	14,334
Total other noncurrent liabilities	\$ 125,167	21,208	(3,865)	142,510
	Balance, June 30, 2023	Additions	Reductions	Balance, June 30, 2024
Deferred inflows from regulated business activities:				
Rate stabilization (i)	\$ 180,000	40,000	—	220,000
Green Power Program	7,190	—	—	7,190
Total Deferred inflows from regulated business activities:	\$ 187,190	40,000	—	227,190
Accrued workers' compensation claims (ii)	\$ 60,078	5,935	—	66,013
Other noncurrent liabilities:				
Subscription-based technology liability	6,524	—	(483)	6,041
Lease liability	42,327	—	(2,578)	39,749
Environmental remediation liability	81,510	—	(3,524)	77,986
Derivative instrument liabilities	—	1,391	—	1,391
Total other noncurrent liabilities	\$ 130,361	1,391	(6,585)	125,167

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(b) Deferred Inflows from Regulated Business Activities**

The Power System has deferred inflows that are related to revenue collected from customers but have not been earned. These funds are deferred and recognized as costs related to these deferrals are incurred.

*Rate Stabilization Account*

In April 2008, the City Council approved an amendment to the electric rate ordinance, which required the balance of the rate stabilization account to be maintained separately from the energy cost adjustment account. The ordinance also directed that the deferred amount within the energy cost adjustment account be the beginning balance of the rate stabilization account.

In October 2024, the Board adopted a resolution setting the rate stabilization account target at \$220 million as of June 30, 2024, deferring \$40 million to the rate stabilization deferred revenue account, and restricting \$40 million of cash to match the rate stabilization account balance. At both June 30, 2025 and 2024, the balance in the rate stabilization account was \$220 million.

**(c) Accrued Workers' Compensation Claims**

Liabilities for unpaid workers' compensation claims are recorded at their net present value when they are probable of occurrence and the amount can be reasonably estimated. The liability is actuarially determined based on an estimate of the present value of the claims outstanding and an amount for claim events incurred but not reported based on the Power System's loss experience, less the amount of claims and settlements paid to date. The discount rate used to calculate the accrued workers' compensation liability as presented in the statements of net position was 2% at both June 30, 2025 and 2024. The Power System has third-party insurance coverage for workers' compensation claims over \$1 million.

Overall reserves for workers' compensation claims for the Water System and the Power System, undiscounted, have been estimated at \$119 million and \$110 million for both June 30, 2025 and 2024, respectively. Workers' compensation claims typically take longer than one year to settle and close out. The entire discounted liability is shown as long-term on the statements of net position as of June 30, 2025 and 2024.

Changes in the Water and Power Systems' combined undiscounted workers' compensation liability for the last three fiscal years are summarized as follows (amounts in thousands):

		<b>June 30</b>	
		<b>2025</b>	<b>2024</b>
		<b>2024</b>	<b>2023</b>
Balance at beginning of year	\$	110,069	98,516
Current-year claims and changes in estimates		46,365	43,611
Payments applied		(37,633)	(32,058)
Balance at end of year	\$	118,801	110,069

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System's portion of the discounted accrued workers' compensation liability is estimated at \$74 million and \$66 million for the fiscal years ended June 30, 2025 and 2024, respectively.

**(13) Related Parties**

**(a) The City**

*(i) Power Sales and Related Services*

The Power System focuses on providing safe, reliable, and sustainable electricity and related services to all its customers, including the City. During the fiscal years 2025 and 2024, the Power System recognized operating revenues of \$200 million and \$182 million for electricity and related services provided to the City, respectively. As of June 30, 2025 and 2024, the Power System's gross accounts receivables balance due from the City totaled \$129 million and \$121 million, respectively.

*(ii) City Transfer*

Under the provisions of the City charter, the Power System transfers funds at its discretion to the reserve fund of the City. Pursuant to covenants contained in the bond indentures, the transfers may not be in excess of the increase in net position before transfers to the reserve fund of the City of the prior fiscal year. Management believes such payments are not in lieu of taxes and are recorded as a transfer in the statements of revenue, expenses, and changes in net position. During fiscal years 2025 and 2024, the Power System transferred \$219 million and \$245 million to the City, respectively. See note 14(a).

*(iii) Other*

The Power System reimburses the City for administrative and Office of Public Accountability costs incurred on behalf of the Power System. During fiscal years 2025 and 2024, the Power System made payments totaling \$31 million and \$27 million for services rendered by the Office of Public Accountability and the City, respectively.

**(b) Southern California Public Power Authority**

SCPPA is a California Joint Powers Agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System is a member of SCPPA and records its transactions as purchased power expense. See note 5 of the financial statements for a description of the purchased power commitments the Power System has with SCPPA.

**(c) Intermountain Power Agency**

The IPA is an agency of the State of Utah established to own, acquire, construct, operate, maintain, and repair the Intermountain Power Project. The Power System serves as the project manager and operating agent of IPP. See note 5 of the financial statements for a description of the financial activities of IPA.



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

**(d) *La Kretz Innovative Campus***

During fiscal year June 30, 2015, the Power System entered into a 50-year prepaid lease agreement to lease an office building to the La Kretz Innovative Campus (LKIC), a 501(c)(3) nonprofit organization. LKIC leased some of the workspaces in the building to assist energy innovation companies with the resources needed to validate energy efficient technology. The Power System also had energy efficiency staff located at the building to work with inventors and determine if there are new energy efficiency programs to launch.

In June 2024, the LKIC Board voted to dissolve the nonprofit organization. Concurrently with this dissolution, LKIC contributed certain assets to the Power System, which resulted in a recognition of \$9 million in capital contributions by the Power System.

**(14) Commitments and Contingencies**

**(a) *Transfers to the Reserve Fund of the City of Los Angeles***

Under the provisions of the City's charter, at the close of each fiscal year, the Power System transfers funds at its discretion to the reserve fund of the City. The transfer is based on the prior year's operating revenue. Pursuant to covenants contained in the bond indentures, the transfers may not be in excess of the increase in fund net assets before transfers to the reserve fund of the City of the prior fiscal year. Such payments are not in lieu of taxes and are recorded as a transfer in the statements of revenue, expenses, and changes in fund net assets.

On September 14, 2017, the Los Angeles County Superior Court preliminarily approved a settlement of a class action lawsuit under which revenue collected under the 2016 Incremental Electric Rate Ordinance (the 2016 Ordinance) is precluded from being transferred to the reserve fund of the City.

As of June 30, 2017, the Power System had billed approximately \$52 million under the 2016 Ordinance that under-the-settlement agreement needed to be returned to customers' net of attorneys' fees and other administrative costs. Accordingly, for the fiscal year ended June 30, 2017, the Power System reduced retail revenue by the same \$52 million and increased current accrued expenses accordingly. In October 2017, \$52 million was placed in an escrow account for return to customers. Upon proof of such return, the Power System can request funds from the escrow account accordingly. Going forward, the 2016 Ordinance rates will be reduced through the variable energy cost adjustment so that no revenue for transfers is billed under the 2016 Ordinance.

During fiscal year 2025 and 2024, the 2008 Electric Rate Ordinance (the 2008 Ordinance) and the 2016 Ordinance were in effect. Revenue from each ordinance is listed below as well as revenue from other sources, including contracts for wholesale energy and transmission revenue. The 12.628 cents under the 2008 Ordinance is determined based on the fiscal year's revenue billed and kilowatt hour (kWh) usage as of November 3, 2010. The 2008 Ordinance was the only ordinance in effect at that time.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The following table relates to revenue billed to customers for the year ended June 30, 2025 (in thousands), which is the basis for the FY 2025-2026 City transfer:

Revenue type	Basis of revenue	kWh	Rate per kWh under the 2008 ordinance	Revenue
Retail sales (2008 Ordinance)	The 2008 Ordinance	21,231,602	0.12628	\$ 2,681,126
Retail sales (2016 Ordinance)	The 2016 Ordinance	21,231,602		2,353,835
Wholesale sales	Contract			60,759
Transmission sales	Contract			87,206
Rent from electric property	Contract			2,227
Other service charges	Fee schedule			24,489
Unbilled sales	Estimated			191,850
Bad debt expense	Estimated			(93,192)
<b>Total operating revenue</b>				<b>\$ 5,308,300</b>

The following table relates to revenue billed to customers for the year ended June 30, 2024 (in thousands), which is the basis for the FY 2024-2025 City transfer:

Revenue type	Basis of revenue	kWh	Rate per kWh under the 2008 ordinance	Revenue
Retail sales (2008 Ordinance)	The 2008 Ordinance	20,828,936,823	0.12628	\$ 2,630,278
Retail sales (2016 Ordinance)	The 2016 Ordinance	20,828,936,823		2,003,960
Wholesale sales	Contract			66,738
Transmission sales	Contract			40,280
Rent from electric property	Contract			2,121
Other service charges	Fee schedule			22,271
Unbilled sales	Estimated			113,762
Bad debt expense	Estimated			(54,042)
<b>Total operating revenue</b>				<b>\$ 4,825,368</b>

The Power System authorized total transfers of \$219 million and \$245 million in fiscal years 2025 and 2024, respectively, from the Power System to the reserve fund of the City.

**(b) Asset Retirement Obligations**

The Power System is a minority owner of Palo Verde Nuclear Generating System. The Power System's minority share interest is 5.7% of the total decommissioning liability of \$4.0 billion and \$3.9 billion at June 30, 2025 and 2024, respectively. Arizona Public Service has operating responsibility as well as minority interest (29.1%). Other minority owners are Salt River Project (17.5%), El Paso Electric Company (15.8%), Public Service Company of New Mexico (10.2%), and SCPPA (5.9%). The Power System recorded its proportionate share of the asset retirement obligation based on its ownership percentage of estimates made by the primary owner of the asset.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

The Power System had the following asset retirement obligations at June 30, 2025 (in thousands):

Asset	Obligation event	Timeframe required for decommissioning	June 30, 2024	Additions	Payments	June 30, 2025
Navajo Generating Station	Legal agreements resulting from Sales Contract with Salt River Project	Plant was put out of commission as of December 2019	\$ 43,696	2,561	(1,727)	44,530
Palo Verde Nuclear Generating Station	Ownership agreement	Unit 1: June 1, 2045 Unit 2: April 24, 2046 Unit 3: November 25, 2047	221,210	7,742	—	228,952
Other	Lessee or ownership agreements	2029 – 2064	9,419	185	(45)	9,559
Total asset retirement obligation liability			<u>\$ 274,325</u>	<u>10,488</u>	<u>(1,772)</u>	<u>283,041</u>

The Power System had the following asset retirement obligations at June 30, 2024 (in thousands):

Asset	Obligation event	Timeframe required for decommissioning	June 30, 2023	Additions	Payments	June 30, 2024
Navajo Generating Station	Legal agreements resulting from Sales Contract with Salt River Project	Plant was put out of commission as of December 2019	\$ 21,882	28,179	(6,365)	43,696
Palo Verde Nuclear Generating Station	Ownership agreement	Unit 1: June 1, 2045 Unit 2: April 24, 2046 Unit 3: November 25, 2047	186,910	34,300	—	221,210
Other	Lessee or ownership agreements	2029 – 2064	9,240	179	—	9,419
Total asset retirement obligation liability			<u>\$ 218,032</u>	<u>62,658</u>	<u>(6,365)</u>	<u>274,325</u>

The Power System has restricted investments in the amount of \$167.3 million and \$156.2 million for the years ended June 30, 2025 and 2024, respectively, related to this reserve.

Deferred outflows related to the Power System's assets retirement obligations are as follows for the year ended June 30, 2025:

Asset	Remaining useful life of asset/ lease term	June 30, 2024	Additions	Amortization	June 30, 2025
Palo Verde Nuclear Generating Station	20	\$ 62,964	7,743	(2,862)	67,845
Other	4-39	4,487	185	(300)	4,372
Total deferred outflows – asset retirement obligations		<u>\$ 67,451</u>	<u>7,928</u>	<u>(3,162)</u>	<u>72,217</u>

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

Deferred outflows related to the Power System's assets retirement obligations are as follows for the year ended June 30, 2024 (in thousands):

Asset	Remaining useful life of asset/ lease term	June 30, 2023	Additions	Amortization	June 30, 2024
Palo Verde Nuclear Generating Station	21	\$ 29,968	34,299	(1,303)	62,964
Other	5-40	4,527	179	(219)	4,487
Total deferred outflows – asset retirement obligations		\$ 34,495	34,478	(1,522)	67,451

**(c) Environmental Liabilities**

Numerous federal, state, and local environmental laws and regulations affect the Power System's facilities and operations. The Power System monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. The Power System follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution and Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups.

The Power System estimates its environmental liabilities using the expected cash flow method as required by GASB Statement No. 49. This method estimates the current value of outlays expected to be incurred and measured as a sum of the probability weighted amounts in a range of possible estimated amounts. The Power System's environmental liabilities are primarily related to generating and service stations it owns that have had release of hazardous materials or waste it is obligated by a regulator to clean up. The estimated timeframe for cleanup and monitoring of sites is approximately 5- 25 years. The Power System's obligations are included in other noncurrent liabilities on the statements of net position and were approximately \$82 million and \$78 million as of June 30, 2025 and 2024, respectively. These estimates are reviewed and updated annually.

**(d) Litigation**

A number of claims and suits are pending against the Power System for alleged damages to persons and property and for other alleged liabilities arising out of its operations. In the opinion of management, any ultimate liability, which may arise from these actions, is not expected to materially impact the Power System's financial position, results of operations, or cash flows as of June 30, 2025.

Numerous lawsuits have also been filed against the Department by property owners whose properties were damaged during the severe fire fueled by windstorms that began in January 2025 and originated in the Pacific Palisades neighborhood. At this time, the Department cannot reasonably estimate the potential financial impact of this litigation. The outcome of the case is uncertain, and it is not possible to

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

determine the amount or range of potential loss. The uncertainty is due to the complexity of the legal issues involved and the potential for a lengthy legal process. The Department intends to vigorously defend against these fire related lawsuits.

**(e) Risk Management**

The Power System is subject to certain business risks common to the utility industry. The majority of these risks are mitigated by external insurance coverage obtained by the Power System. For other significant business risks, however, the Power System has elected to self-insure. Management believes that exposure to loss arising out of self-insured business risks will not materially impact the Power System's financial position, results of operations, or cash flows as of June 30, 2025.

**(f) Credit Risk**

Financial instruments, which potentially expose the Power System to concentrations of credit risk, consist primarily of retail and wholesale receivables. The Power System's retail customer base is concentrated on commercial, industrial, residential, and governmental customers located within the City. Although the Power System is directly affected by the City's economy, management does not believe significant credit risk exists as of June 30, 2025 except as provided in the allowance for losses. The Power System manages its credit exposure by requiring credit enhancements from certain customers and through procedures designed to identify and monitor credit.

**(15) Subsequent Events**

The Power System considers events and transactions that occur after the statement of net position date, but before the financial statements are issued, to provide additional evidence related to certain estimates or to identify matters that require additional disclosure. The following subsequent events have been identified:

**(a) Approval of Transfer to the Reserve Fund of the City of Los Angeles**

On November 18, 2025, the Board of Water and Power Commissioners approved a resolution agreeing to the adoption of an ordinance to transfer \$225.8 million from the Power Revenue Fund to the reserve fund of the City of Los Angeles during fiscal year 2025-2026.

**(b) Bond Issuance**

In October 2025, the Power System issued \$1,010.3 million of fixed rate revenue bonds, 2025 Series C. The net proceeds of \$1,093.1 million, including an \$82.8 million issue premium net of underwriter's discount, will be used to refund all of the outstanding Power System Variable Rate Demand Revenue Bonds, 2021 Series A, all of the outstanding Power System Variable Rate Demand Revenue Bonds, 2023 Series F, and pay for capital improvements to the Power System.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Notes to Financial Statements

June 30, 2025 and 2024

***(c) Direct Placements and Line of Credit***

On July 3, 2025, the Power System entered into a Third Amended RCA and the related Third Amended and Restated Fee and Interest Rate Agreement with Wells Fargo Bank, National Association with a \$500 million commitment. The Department can request loans for Water System improvements, Power System improvements and/or such other lawful purposes of the Department. The interest charge for tax-exempt loans is based on a daily SOFR plus a spread of 0.50%. The interest charge for taxable loans is based on daily SOFR plus a spread of 0.64%. The Third Amended RCA expires in May 2026.

On October 31, 2025, the Power System executed the First Amendment to Third Amended RCA with Wells Fargo Bank, National Association to extend the Event of Default credit rating thresholds through the term of the agreement.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Required Supplementary Information

June 30, 2025

(Unaudited)

**Schedule of the Power System's Proportionate Share of the Net Pension Liability\***

Last 10 fiscal years

(Amounts in thousands other than percentages)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Power System's proportion of the collective net pension liability	68.822 %	67.576 %	67.127 %	67.564 %	67.681 %	68.390 %	67.879 %	68.252 %	68.108 %	67.397 %
Power System's proportionate share of the collective net pension liability	\$ 147,444	393,338	413,626	(1,120,640)	752,368	564,130	618,010	916,758	1,492,508	771,122
Power System's covered payroll	965,595	850,947	790,766	757,984	764,838	703,197	647,319	609,032	586,967	565,606
Power System's proportionate share of the collective net pension liability as a percentage of covered payroll	15 %	46 %	52 %	(148) %	98 %	80 %	95 %	151 %	254 %	136 %
Pension plan's fiduciary net position as a percentage of total pension liability	99 %	97 %	96 %	111 %	92 %	94 %	93 %	89 %	82 %	90 %

\* The measurement period for each year presented is on a one-year lag and thus the measurement periods are June 30, 2015–2024 for the Power System's fiscal years of June 30, 2016–2025, respectively.

See accompanying independent auditors' report.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Required Supplementary Information

June 30, 2025

(Unaudited)

**Schedule of the Department's Pension Contributions\***

Last 10 fiscal years

(Amounts in thousands other than percentages)

<b>Reporting date for Power System June 30 <sup>(1)</sup></b>	<b>Actuarially determined contributions</b>	<b>Contributions in relation to the actuarially required contributions <sup>(2)</sup></b>	<b>Contributions deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
2025	\$ 420,137	426,136	(5,999)	1,520,422	28.03 %
2024	435,599	425,304	10,295	1,403,031	30.31
2023	372,209	361,586	10,623	1,259,246	28.71
2022	302,800	318,874	(16,074)	1,178,016	27.07
2021	373,374	378,990	(5,616)	1,121,884	33.78
2020	424,375	422,017	2,358	1,130,066	37.34
2019	408,750	410,165	(1,415)	1,028,212	39.89
2018	425,512	433,413	(7,901)	953,636	45.45
2017	403,780	391,717	12,063	892,331	43.90
2016	368,600	362,360	6,240	861,819	42.05

(1) The measurement date under GASB Statement No. 68 is on a one-year lag.

(2) Contributions do not include administrative expenses paid to the Plan.

\* Information in this schedule was not separately available for the Power System.

See accompanying independent auditors' report.



**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Required Supplementary Information

June 30, 2025

(Unaudited)

**Schedule of Power System's Proportionate Share of the Net OPEB Liability (Asset) – Retiree Healthcare Plan**

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate share of net OPEB liability (asset)	Proportionate share of net OPEB liability (asset)	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	Plan's fiduciary net position as a percentage of the total OPEB liability (asset)
June 30, 2025	June 30, 2024	68.82 %	\$ (52,376)	\$ 1,077,664	\$ 965,595	(5.42)%	102.38 %
June 30, 2024	June 30, 2023	67.58	(233,654)	975,615	850,947	(27.46)	113.17
June 30, 2023	June 30, 2022	67.13	(87,399)	879,262	790,766	(11.05)	104.95
June 30, 2022	June 30, 2021	67.56	(235,688)	833,238	757,984	(31.09)	113.58
June 30, 2021	June 30, 2020	67.68	126,221	820,155	764,838	16.50	92.51
June 30, 2020	June 30, 2019	68.39	316,575	780,931	703,197	45.02	82.75
June 30, 2019	June 30, 2018	67.88	260,393	728,719	647,319	40.23	84.46
June 30, 2018	June 30, 2017	68.25	297,306	676,930	609,032	48.82	81.44
June 30, 2017	June 30, 2016	68.11	436,658	632,647	586,967	79.34	72.53

Note: Information before measurement date June 30, 2016 is not available.

See accompanying independent auditors' report.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Required Supplementary Information

June 30, 2025

(Unaudited)

**Schedule of Power System's Proportionate Share of the Net OPEB Liability – Death Benefit Plan**

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate Share of net OPEB liability	Proportionate Share of net OPEB liability	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability as Percentage of covered payroll	Plan's fiduciary net position as a Percentage of the total OPEB liability
June 30, 2025	June 30, 2024	68.82 % \$	71,488	1,077,664 \$	965,595	7.40 %	35.15 %
June 30, 2024	June 30, 2023	67.58	73,455	975,615	850,947	8.63	29.98
June 30, 2023	June 30, 2022	67.13	75,627	879,262	790,766	9.56	26.45
June 30, 2022	June 30, 2021	67.56	63,037	833,238	757,984	8.32	30.39
June 30, 2021	June 30, 2020	67.68	65,226	820,155	764,838	8.53	27.94
June 30, 2020	June 30, 2019	68.39	72,118	780,931	703,197	10.26	21.46
June 30, 2019	June 30, 2018	67.88	79,188	728,719	647,319	12.23	18.91
June 30, 2018	June 30, 2017	68.25	81,373	676,930	609,032	13.36	18.79
June 30, 2017	June 30, 2016	68.11	89,173	632,647	586,967	13.66	19.32

Note: Information before measurement date June 30, 2016 is not available.

See accompanying independent auditors' report.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Required Supplementary Information

June 30, 2025

(Unaudited)

**Schedule of Department Contributions – Retiree Healthcare Plan\***

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Power System June 30	Actuarially determined contributions <sup>(1)</sup>	Contributions in relation to the actuarially required contributions <sup>(2)</sup>	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2025	\$ 86,635	128,243	(41,608)	1,520,422	8.43 %
2024	47,975	114,570	(66,595)	1,403,031	8.17
2023	55,585	113,571	(57,986)	1,259,246	9.02
2022	49,688	112,081	(62,393)	1,178,016	9.51
2021	63,165	109,282	(46,117)	1,121,884	9.74
2020	95,375	109,401	(14,026)	1,130,066	9.68
2019	80,851	101,595	(20,744)	1,028,212	9.88
2018	85,339	95,233	(9,894)	953,635	9.99
2017	93,920	90,310	3,610	892,332	10.12
2016	61,971	79,896	(17,925)	861,819	9.27

<sup>(1)</sup> All actuarially determined contributions through June 30, 2016 were determined as the annual requirement under GASB Statements No. 43 and No. 45.

<sup>(2)</sup> Contributions do not include administrative expenses paid to the Plan.

\* Information in this schedule was not separately available for the Power System.

See accompanying independent auditors' report.

**POWER REVENUE FUND OF THE  
DEPARTMENT OF WATER AND POWER  
OF THE CITY OF LOS ANGELES  
(POWER SYSTEM)**

Required Supplementary Information

June 30, 2025

(Unaudited)

**Schedule of Department Contributions – Death Benefit Plan\***

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Power System June 30	Actuarially determined contributions <sup>(1)</sup>	Contributions in relation to the actuarially required contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2025	\$ 17,029	17,225	(196)	1,520,422	1.13 %
2024	15,995	16,472	(477)	1,403,031	1.17
2023	15,237	14,632	605	1,259,246	1.16
2022	13,076	13,134	(58)	1,178,016	1.11
2021	12,565	12,899	(334)	1,121,884	1.15
2020	13,335	13,300	35	1,130,066	1.18
2019	7,260	7,260	—	1,028,212	0.71
2018	7,137	7,137	—	953,636	0.75
2017	7,138	7,138	—	892,332	0.80
2016	7,207	7,207	—	861,819	0.84

<sup>(1)</sup> Contributions do not include administrative expenses paid to the Plan.

\* Information in this schedule was not available separately for the Power System.

See accompanying independent auditors' report.

## APPENDIX C

### SUMMARIES OF CERTAIN DOCUMENTS

#### TABLE OF CONTENTS

	<u>Page</u>
Summary of Certain Provisions of the Indentures .....	C-1
Summary of Certain Provisions of the Mead-Adelanto Agreements .....	C-26
Summary of Certain Provisions of the Mead-Adelanto Transmission Service Contract (LADWP) .....	C-27
Summary of Certain Provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members)....	C-32
Summary of Certain Provisions of the Mead-Adelanto Transmission Service Contract (Western) .....	C-40
Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement .....	C-41
Summary of Certain Provisions of the Mead-Adelanto Operation Agreement .....	C-45
Summary of Certain Provisions of the Mead-Adelanto Fiscal Agency Agreement .....	C-48
Summary of Certain Provisions of the Mead-Phoenix Agreements .....	C-49
Summary of Certain Provisions of the Mead-Phoenix Transmission Service Contract (LADWP).....	C-49
Summary of Certain Provisions of the 1992 Mead-Phoenix Transmission Service Contracts (Members) .....	C-51
Summary of Certain Provisions of the Mead-Phoenix Transmission Service Contract (Western).....	C-53
Summary of Certain Provisions of the Mead-Phoenix Joint Ownership Agreement.....	C-53
Summary of Certain Provisions of the Mead-Phoenix Operation Agreement .....	C-54
Summary of Certain Provisions of the Mead-Phoenix Fiscal Agency Agreement .....	C-56
Summary of Certain Provisions of the Land Rights Agreement.....	C-56

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## SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The Mead-Adelanto Indenture and the Mead-Phoenix Indenture are identical in all material respects. The following is a summary of certain provisions of the Indentures. This summary is not to be considered a full statement of the terms of the Indentures and accordingly is qualified by reference thereto and is subject to the full text thereof. As used in this summary, references to the “Indenture” shall mean either the Mead-Adelanto Indenture or the Mead-Phoenix Indenture, as applicable. References to “Bonds” shall mean either Mead-Adelanto Bonds or Mead-Phoenix Bonds, as applicable, and references to “2026 Series A Bonds” shall mean either 2026 Mead-Adelanto Bonds or 2026 Mead-Phoenix Bonds, as applicable. References to “Project” shall mean either the Mead-Adelanto Project or the Mead-Phoenix Project, as applicable. Capitalized terms not defined in this summary or elsewhere in the Official Statement have the meanings set forth in the respective Mead-Adelanto Indenture or Mead-Phoenix Indenture, as applicable.

### Definitions

*Accrued Debt Service* shall mean, as of any date of calculation, an amount equal to the sum of the amounts of Debt Service with respect to any Series, calculating the accrued Debt Service with respect to such Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due that is to become due (if deemed to become due in the manner set forth in the definition of Debt Service) by the end of such calendar month.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series.

*Annual Budget* shall mean the Annual Budget relating to the Authority Interest (LADWP) described in the Indenture and prepared pursuant to the Transmission Service Contract (LADWP), adopted or in effect for a particular Fiscal Year as provided in the Indenture.

*Authority Agent* shall mean any agent appointed by the Authority pursuant to an agency agreement to act as an agent with respect to the Project.

*Authority Expenses* shall have the meaning ascribed thereto in the Transmission Service Contract.

*Authority Operating Expenses* shall mean, without duplication, each of the following as they relate to the Transmission Service Contract (LADWP) (i) Monthly Costs, (ii) any other current expenses or obligations required to be paid by the Authority under the provisions of the Indenture, or under the Project Agreements or by law to the extent properly allocable to Authority Interest (LADWP), or required or permitted to be incurred under or in connection with the performance of the Transmission Service Contract (LADWP), (iii) the fees and expenses of the Fiduciaries, (iv) to the extent not provided for in the most recently approved construction budget, Authority Expenses to the extent properly allocable to Authority Interest (LADWP), and (v) any other costs, expenses or obligations (other than the payment of principal, interest or premium on any Authority bonds, notes or other evidences of indebtedness relating to the Project) incurred by the Authority in carrying out its duties, responsibilities and obligations, and exercising its rights, under the Act, the Indenture, the Transmission Service Contract (LADWP), the Project Agreements and any other agreement with respect to the Project, all to the extent properly allocable to Authority Interest (LADWP).

*Authorized Authority Representative* shall mean (i) the President of the Authority, (ii) the Vice President of the Authority, (iii) the Executive Director of the Authority and (iv) any other officer or

employee of the Authority (including any officer or employee of an Authority Agent) authorized to perform specific acts or duties by resolution duly adopted by the Authority (or, in the case of an Authority Agent, by the applicable agency agreement therefor).

*Bank* shall mean the issuer of a Letter of Credit.

*Bond or Bonds* shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered under and pursuant to the Indenture and the Act.

*Capital Improvement* shall mean a Mead-Adelanto Capital Improvement or a Mead-Phoenix Capital Improvement, as applicable, as defined in the related Transmission Service Contract (LADWP).

*Code* shall mean the Internal Revenue Code of 1986.

*Cost of Acquisition and Operations* shall have the meaning ascribed thereto in the Transmission Service Contract (LADWP).

*Debt Service* for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Outstanding Bonds of such Series, except to the extent that such interest is to be paid from deposits into the related Debt Service Account for such Series made from Bond proceeds and (ii) that portion of each Principal Installment of Outstanding Bonds of such Series that would become due during such period if such Principal Installment were deemed to become due daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later); provided, however, that interest with respect to Paired Obligations shall be deemed to accrue at the combined fixed rate of such Paired Obligations. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof; provided, however, that if the Authority certifies to the Trustee that any Principal Installment and, if applicable, interest to accrue with respect to such Principal Installment is expected to be refunded on or prior to the due date therefor, no such amounts need be included in the calculation of Debt Service and set aside toward such Principal Installment and, if applicable, the interest thereon to be so refunded.

*Debt Service Account* shall mean the Participating Bonds Debt Service Account or a Series Debt Service Account, as the context may require.

*Debt Service Fund* shall mean the Debt Service Fund established by the Indenture.

*Debt Service Reserve Account* shall mean the Participating Bonds Debt Service Reserve Account or a Series Debt Service Reserve Account, as the context may require.

*Debt Service Reserve Account Policy* shall mean any surety bond, insurance policy, line of credit, letter of credit or similar instrument issued to the Trustee by an entity licensed to issue a surety bond, insurance policy, line of credit, letter of credit or similar instrument guaranteeing the timely payment of debt service on one or more Series of Bonds (such entity, a “municipal bond insurer”), which municipal bond insurer, at the time any such surety bond, insurance policy, line of credit, letter of credit or similar instrument is issued, shall have its claims paying ability rated in not lower than the second highest rating category (without regard to any gradations within any such category) by at least two nationally-recognized credit rating agencies.



*Debt Service Reserve Fund* shall mean the Debt Service Reserve Fund established by the Indenture.

*Debt Service Reserve Requirement* shall mean, as of any date of calculation: (i) with respect to the Participating Bonds Debt Service Reserve Account, the amount, if any, specified as the Debt Service Reserve Requirement for all Participating Bonds in the first Supplemental Indenture relating to a Series of Bonds which are Participating Bonds; and (ii) with respect to any Series Debt Service Reserve Account, the amount, if any, specified as the Debt Service Reserve Requirement for the related Series of Bonds in the Supplemental Indenture establishing such Series Debt Service Reserve Account.

*Defeasance Obligations* shall mean, except as otherwise provided in a Supplemental Indenture:

(i) non-callable, direct obligations of the United States of America, or obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America including, but not limited to, the interest components of Resolution Funding Corporation securities and obligations of the United States Agency for International Development, and non-callable, senior debt obligations of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank System, and the Federal Farm Credit System (collectively, "Government Obligations"); or

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and (a) rated no lower than the then-current rating on direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by an agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), or (b)(1) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash and/or Government Obligations, 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 specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which fund is sufficient, as verified by a nationally recognized independent certified public accountant or independent arbitrage consultant, 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 above, as appropriate.

*Fiduciary or Fiduciaries* shall mean the Trustee, the Bond Registrar, the Paying Agent, or any or all of them, as may be appropriate.

*Fiscal Year* shall mean the twelve-month period commencing at 0000 hours on July 1 of each year and ending at 2400 hours on the following June 30, or such other 12-month period as the Authority may adopt as its Fiscal Year.

*Interest Payment Date* shall mean with respect to any Series of Bonds, the dates specified as such, or determined as provided, in the Supplemental Indenture providing for the issuance of such Series of Bonds.

*Investment Securities* shall mean and include: (i) any of the securities that are at the time of purchase legal for investment of the Authority's funds under applicable law (including California Government Code Sections 53601 and 53635); (ii) investment agreements (including, but not limited to, guaranteed investment contracts, repurchase agreements, forward purchase agreements and reserve fund

put agreements) with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a monoline financial guaranty insurance company, claims paying ability of the guaranty for which, is rated at the time of execution of such investment agreement in not lower than the second highest rating category (without regard to any gradations within any such category) by at least two nationally-recognized credit rating agencies or at such lower rating as permitted by the then current investment policies of the Authority; or (iii) other forms of investment for which confirmation is received from each Rating Agency then rating any of the Bonds that such investment will not adversely affect such Rating Agency's rating on such Bonds.

*Letter of Credit* shall mean, with respect to any Series of Bonds, a lending, liquidity or credit facility or agreement as provided in the Supplemental Indenture authorizing such Series of Bonds.

*Letter of Credit Account* shall mean each Account (if any) so designated within the Debt Service Fund and established by a Supplemental Indenture with respect to a Series of Bonds to which a Letter of Credit relates.

*Maximum Interest Rate* shall mean, with respect to any particular Variable Interest Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Indenture authorizing such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear.

*Minimum Interest Rate* shall mean, with respect to any particular Variable Interest Rate Bonds, a numerical rate of interest, which may (but need not) be set forth in the Supplemental Indenture authorizing such Bonds, that shall be (if so set forth in such Supplemental Indenture) the minimum rate of interest such Bonds may at any time bear.

*Monthly Costs* shall have the meaning ascribed thereto in the Transmission Service Contract (LADWP).

*Outstanding*, when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Indenture except for:

(iii) Bonds cancelled by the Trustee on or prior to such date;

(iv) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest, if any, to the date of maturity or redemption date, shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(v) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(vi) Bonds deemed to have been paid as provided in the Indenture.

*Owner* shall mean each person who is the registered owner of any Bond or Bonds.

*Parity Swap* shall mean any interest rate exchange or swap agreement, cash flow exchange or swap agreement or other similar financial agreement (including all confirmations, schedules, exhibits, attachments, appendices and other documentation attached to such agreement or forming a part thereof or

incorporated therein) (a) that is entered into by the Authority and a Parity Swap Provider (and, if applicable, the Trustee), (b) that is permitted to be entered into by the Authority under the laws of the State of California applicable thereto at the time the Authority enters into such agreement, as evidenced by an opinion of counsel acceptable to the Authority, (c) as to which the documentation thereof provides that payments to be made by the Authority pursuant to such agreement (other than termination payments thereunder, which shall be payable on a basis subordinate and junior to the payments to be made on the Bonds and other payments due on the Parity Swap) constitute obligations payable on a parity basis with the payments to be made on the Bonds as and to the extent provided in the Indenture and (d) designated in writing to the Trustee by an Authorized Authority Representative as a Parity Swap under the Indenture.

*Parity Swap Provider* shall mean, with respect to each Parity Swap, the entity (other than the Authority and, if applicable, the Trustee) that is a party thereto, and its permitted successors and assigns, whose public credit ratings, or whose obligations under a Parity Swap are guaranteed by a financial institution whose public credit ratings, are (at the time the applicable Parity Swap is entered into), unless otherwise approved by the Authority, in not lower than the second highest rating category (without regard to any gradations within any such category) by any two nationally recognized credit agencies.

*Participating Bonds* shall mean all Bonds other than any Series of Bonds issued pursuant to a Supplemental Indenture that provides that such Series of Bonds are not Participating Bonds in accordance with the provisions of the Indenture.

*Participating Bonds Debt Service Account* shall mean the Account so designated established in the Debt Service Fund pursuant to the Indenture.

*Participating Bonds Debt Service Reserve Account* shall mean the Account so designated established in the Debt Service Reserve Fund pursuant to the Indenture.

*Paying Agent* shall mean any bank or trust company organized under the laws of any state of the United States or any national banking association designated as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Indenture.

*Principal Installment* shall mean, as of any date of calculation and with respect to any Series, so long as any Bond of such Series is Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, that would be payable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Project Agreements* shall have the meaning ascribed thereto in the Transmission Service Contract (LADWP).

*Project Participant* shall mean the Department of Water and Power of The City of Los Angeles as party to the Transmission Service Contract (LADWP).

*Purchase and Sale Agreement* shall mean the Purchase and Sale Agreement dated as of August 31, 2015, by and between M-S-R Public Power Agency and the Authority, as amended by that certain Letter Agreement dated December 1, 2015, and as the same may hereafter be further amended from time to time.

*Rating Agency* shall mean each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, Inc., if then rating the Bonds. Except as otherwise provided in the Indenture, if more than one Rating Agency maintains a credit rating with respect to the Bonds, then any action, approval or consent by or notice to a Rating Agency shall be effective only if such action, approval, consent or notice is given by or to each such Rating Agency.

*Redemption Price* shall mean, with respect to any Bond to be redeemed, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

*Refunding Bonds* shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to the Indenture to refund all or a portion of any Outstanding Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

*Revenues* shall mean: (a) all revenues, income, rents and receipts derived or to be derived by the Authority from or attributable to the applicable Authority Interest (LADWP) or to the payment of the costs thereof received or to be received by the Authority or the Trustee under the related Transmission Service Contract (LADWP) or under any other contract for the sale by the Authority of transmission and electrical capability of the applicable Authority Interest (LADWP) or any contractual or other arrangement with respect to the use of the applicable Authority Interest (LADWP) or any portion thereof or the services or capability thereof; (b) proceeds received by the Authority of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the applicable Authority Interest (LADWP); and (c) interest received or to be received on any moneys or securities held pursuant to the Indenture and required to be paid into the Revenue Fund; but excluding (X) interest and other investment income received or to be received on any moneys or securities held pursuant to an indenture of trust entered into by the Authority with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Bonds except to the extent that the Authority specifies that such interest and other investment income shall constitute Revenues, (Y) amounts received by or on behalf of the Authority pursuant to any interest rate swap agreement or interest rate cap agreement relating to the Indenture except to the extent that the Authority specifies that such amounts shall constitute Revenues and (Z) amounts received by or on behalf of the Authority pursuant to a Letter of Credit relating to the Indenture except to the extent that the Authority specifies that such amounts shall constitute Revenues. Revenues shall not include any Subsidy Payment received by the Authority, which Subsidy Payment shall be applied as provided in the Supplemental Indenture relating to the Series of Bonds for which Subsidy Payment is received.

*Series* shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture and the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

*Series Debt Service Account* shall mean each Account so designated within the Debt Service Fund and established by a Supplemental Indenture with respect to a Series of Bonds that are not Participating Bonds.

*Series Debt Service Reserve Account* shall mean each Account (if any) so designated within the Debt Service Reserve Fund and established by a Supplemental Indenture with respect to a Series of Bonds that are not Participating Bonds.

*Sinking Fund Installment* shall mean an amount so designated that is established pursuant to applicable provisions of the Indenture.

*Subsidy Payment* shall mean the payment (or reimbursement) from the United States Treasury to the Authority (or its designee) that is authorized by the Code and is calculated by reference to the interest due on a Series of Bonds (or portion thereof) on or about each Interest Payment Date therefor based upon the designation of such Series of Bonds (or portion thereof) as a “build America bond” or other similar direct payment obligation that may be authorized in the future under the Code.

*Supplemental Indenture* shall mean any indenture supplemental to or amendatory of the Indenture, executed by the Authority in accordance with the Indenture.

*Trustee* shall mean the trustee under the Indenture, being U.S. Bank Trust Company, National Association, and its permitted successor or successors and any other corporation that may at any time be substituted in its place pursuant to the Indenture.

*Variable Interest Rate* shall mean a variable interest rate to be borne by a Series of Variable Interest Rate Bonds or any one or more maturities within a Series of Variable Interest Rate Bonds. The method of computing such variable interest rate shall be specified in the Supplemental Indenture authorizing such Series of Variable Interest Rate Bonds and shall, unless otherwise provided in the Supplemental Indenture, be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., the prime lending rate) or a function of such objectively determinable interest rate or rates as may be in effect from time to time or at a particular time or times, provided, however, that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified in each case as provided in such Supplemental Indenture, or (ii) a stated interest rate that may be changed from time to time as provided in the Supplemental Indenture authorizing such Series. Such Supplemental Indenture shall also specify either (a) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (b) the time or times upon which any change in such variable interest rate shall become effective and the method by which such variable interest rate shall be determined.

*Variable Interest Rate Bond* shall mean any Bond that bears a Variable Interest Rate.

### **Pledge Effected by the Indenture**

Under the Indenture, the Authority has pledged and assigned to the Trustee, for the benefit of the Bondowners and any Parity Swap Providers, (1) the proceeds of the sale of the Bonds, (2) the Revenues, and (3) all amounts on deposit in any Fund or Account established by the Indenture (other than such other Funds and Accounts that the Indenture provides are not a source of payment for the Bonds or any Parity Swaps and other than any moneys held by the Trustee or the Authority to pay any rebate amount owed to the federal government) including the investments, if any, thereof, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, as security for the payment of the Bonds, the interest thereon, and premium, if any, with respect thereto, as security for the payment obligations of the Authority under any Parity Swaps and as security for the performance of any other obligations of the Authority under the Indenture, all in accordance with the provisions of the Bonds, the Indenture and any Parity Swaps.

### **Nature of Obligation**

The Indenture provides that the principal or Redemption Price of, and interest on the Bonds and any Parity Swaps shall be payable solely as provided in the Indenture. The Bonds are not an obligation of

the State of California or any public agency thereof (other than the Authority) or the Project Participant or any other member of the Authority and neither the faith and credit nor the taxing power of the State of California or any public agency thereof or the Project Participant or any other member of the Authority is pledged to the payment of the principal or Redemption Price of or interest on the Bonds or the obligations of the Authority (or the Trustee, if applicable) under any Parity Swaps. The Bonds and the Parity Swaps shall never constitute the debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution of the State of California or statutes of the State of California, nor shall they constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

## **Application of Revenues**

Revenues are pledged under the Indenture to payment of the principal or Redemption Price of, and interest on, the Bonds, subject to the provisions of the Indenture permitting application for other purposes. The Indenture establishes the following Funds and Accounts for the application of Revenues:

<b><u>Funds</u></b>	<b><u>Held By</u></b>
Project Fund	Trustee
– Each project account, if any, and each costs of issuance subaccount therein, if any, established pursuant to a Supplemental Indenture	
Revenue Fund	Trustee
Operating Fund	Trustee
– Operating Account	
– Operating Reserve Account	
Debt Service Fund	Trustee
– Participating Bonds Debt Service Account	
– Each Series Debt Service Account established pursuant to a Supplemental Indenture	
– Each Letter of Credit Account (if any) established pursuant to a Supplemental Indenture	
Debt Service Reserve Fund	Trustee
– Participating Bonds Debt Service Reserve Account	
– Each Series Debt Service Reserve Account (if any) established pursuant to a Supplemental Indenture	
Reserve and Contingency Fund	Trustee
General Reserve Fund	Trustee

Under the Second Supplemental Indenture to the Indenture, in the Project Fund, there is established a separate subaccount therein referred to as the 2026 Series A Costs of Issuance Subaccount, to be held by the Trustee.

All Revenues and, except as provided in a Supplemental Indenture, any interest and other investment income received on any moneys or securities held pursuant to the Indenture shall be promptly deposited in the Revenue Fund upon receipt thereof. Amounts in the Revenue Fund shall be paid monthly in the following order of priority for application therefrom as follows:

1. To (i) the Operating Account, a sum that is equal to the total moneys appropriated for Authority Operating Expenses for deposit in the Operating Account as provided in the Annual Budget for the then current month and (ii) the Operating Reserve Account the amount required by the Annual Budget (if any). Such sum shall be paid to the Operating Fund as soon as practicable in each month after deposit of Revenues as provided in the Indenture, but not later than the last Business Day of such month, in accordance with written instructions from the Authority. At the

requisition of the Authority, signed by two Authorized Authority Representatives, amounts in the Operating Fund shall be paid out by the Trustee (i) from time to time for reasonable and necessary Authority Operating Expenses and (ii) at one time or from time to time, a sum or sums of up to \$250,000, such sum or sums to be used by the Authority to establish a revolving fund for the purpose of paying such items of the Authority Operating Expenses as cannot conveniently be paid as otherwise provided in the Indenture.

If on the last Business Day of any month the amount in the Operating Account is less than the amount required to be in the Operating Account to pay Authority Operating Expenses in such month, the Trustee will transfer amounts, if any, from the Operating Reserve Account to the Operating Account to the extent of the deficiency. The Indenture provides for the application of any excess amounts in the Operating Account or the Operating Reserve Account to make up any deficiencies in certain other funds and accounts established under the Indenture and any Supplemental Indenture and thereafter for any remaining excess to be transferred to the General Reserve Fund; provided, however, that any excess moneys in the Operating Account shall first be applied to any deficiency in the Operating Reserve Account in accordance with the Indenture.

2. To the Debt Service Fund (for the ratable security and payment pursuant to clause (i) and clause (ii) of this paragraph, except as otherwise provided in, and subject to the provisions of, the Indenture: (i) (A) for credit to the Participating Bonds Debt Service Account the amount, if any, required so that the balance in said Account shall equal the Accrued Debt Service with respect to the Participating Bonds as of the last day of the then current month, and (B) for credit to each Series Debt Service Account, the amount, if any, required so that the balance in each such Account shall equal the Accrued Debt Service with respect to the related Series of Bonds as of the last day of the then current month; provided that, for the purposes of computing the amount on deposit in any of such Accounts, there shall be excluded from the balance of such Account the amount, if any, set aside in such Account from the proceeds of Bonds (including amounts, if any, transferred thereto from the Project Fund) for the payment of interest on the related Bonds, less that amount of such proceeds to be applied in accordance with the Indenture to the payment of interest accrued and unpaid and to accrue on such related Bonds to the last day of the then current month; and provided further, however, that the amount of Accrued Debt Service with respect to Variable Interest Rate Bonds shall be determined in accordance with the Supplemental Indenture authorizing such Variable Interest Rate Bonds; and (ii) (A) for credit to the Participating Bonds Debt Service Account, the amounts due and payable by the Authority during such month under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for Participating Bonds as provided in the related Supplemental Indenture or Supplemental Indentures, and (B) for credit to each Series Debt Service Account, the amounts due and payable by the Authority during such month under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for the related Series of Bonds as provided in the related Supplemental Indenture or Supplemental Indentures; provided that, in any case, any termination payments under any Parity Swap shall be payable on a basis subordinate and junior to the payments to be made on the Bonds; and provided, however, that, in any event, if there shall be a deficiency of Revenues to make all of the deposits described in this paragraph, such Revenues shall be deposited into each Debt Service Account on a pro rata basis based on the amounts due.

Notwithstanding the foregoing or any other provisions of the Indenture to the contrary, so long as there shall be held in any Debt Service Account an amount sufficient to pay in full all Outstanding Bonds to which such Account relates in accordance with their terms (including principal or applicable Sinking Fund Installment and interest thereon), no deposits shall be required to be made into such Debt Service Account.

The Trustee shall pay out of the Participating Bonds Debt Service Account (a) to the Paying Agents, if any, for the Participating Bonds (i) on or before each Interest Payment Date for any of the Outstanding Participating Bonds the amount required for the interest payable on such Participating Bonds on such date, (ii) on or before each due date therefor, the amount required for the Principal Installments payable on such Outstanding Participating Bonds on such due date, and (iii) on or before any redemption date for Outstanding Participating Bonds, the amount required for the payment of the Redemption Price of, and any unpaid accrued interest on, such Participating Bonds then to be redeemed and (b) to each Parity Swap Provider, if any, of any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for Participating Bonds any regularly-scheduled amounts due and payable by the Authority under any such Parity Swap on the due date therefor. Amounts so paid to the Paying Agents with respect to Outstanding Participating Bonds shall be applied by any such Paying Agents on the due dates therefor. The Trustee shall also pay out of the Participating Bonds Debt Service Account the accrued interest included in the purchase price of any Participating Bonds purchased for retirement and any other amounts payable by the Authority under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for any Participating Bonds. Notwithstanding anything to the contrary in the Indenture, any termination payments payable by the Authority under any Parity Swap shall be payable on a basis subordinate and junior to the payments due to Parity Swap Providers described in clause (b) of this paragraph. Except as provided in the immediately preceding sentence, all amounts held at any time in the Participating Bonds Debt Service Account shall be held until applied on a parity basis for the ratable security and payment of (i) Accrued Debt Service on the Outstanding Participating Bonds and (ii) amounts due and payable by the Authority under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for any Participating Bonds, if any, at any time, in proportion to the amounts accrued or due and payable, as applicable.

The Trustee shall pay out of each Series Debt Service Account (a) to the Paying Agent, if any, for the related Series of Bonds (i) on or before each Interest Payment Date for any of the Outstanding Bonds of such Series the amount required for the interest payable on the Bonds of such Series on such date, (ii) on or before each due date therefor, the amount required for the Principal Installments payable on the Outstanding Bonds of such Series on such due date, and (iii) on or before any redemption date for Outstanding Bonds of such Series then to be redeemed, the amount required for the payment of the Redemption Price thereof, and any unpaid accrued interest thereon and (b) to each Parity Swap Provider, if any, of any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for any Bonds of the related Series any regularly-scheduled amounts due and payable by the Authority under any such Parity Swap on the due date therefor. Amounts so paid to the Paying Agents with respect to such Outstanding Bonds shall be applied by any such Paying Agents on the due dates therefor to the purposes set forth in the preceding sentence. The Trustee shall also pay out of each Series Debt Service Account the accrued interest included in the purchase price of any Bonds of the related Series purchased for retirement and any other amounts payable by the Authority under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for such Bonds. Notwithstanding anything to the contrary in the Indenture, any termination payments payable by the Authority under any Parity Swap shall be payable on a basis subordinate and junior to the payments due to Parity Swap Providers described in clause (b) of this paragraph. Except as provided in the immediately preceding sentence, all amounts held at any time in any Series Debt Service Account shall be held until applied on a parity basis for the ratable security and payment of (i) Accrued Debt Service on the Outstanding Bonds of the related Series and (ii) amounts due and payable by the Authority under any Parity Swap which shall be designated to the Trustee by an Authorized Authority Representative as a Parity Swap for any Bonds of the



related Series, if any, at any time, in proportion to the amounts accrued or due and payable, as applicable.

Amounts accumulated in a Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may, and if so directed by the Authority shall, be applied by the Trustee, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. After the sixtieth (60th) day but on or prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the applicable Debt Service Account (exclusive of amounts, if any, set aside therein that were deposited therein from the proceeds of Bonds) may, and if so directed by the Authority shall, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. Any purchase of Bonds as described in this paragraph shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by the Authority. The applicable Redemption Price of any Bonds (or principal amount of maturing Bonds) so purchased or redeemed shall be deemed to constitute part of the related Debt Service Account until such Sinking Fund Installment due date, for the purpose of calculating the amount on deposit in such Account. As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in the Indenture, on such due date, Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the related Debt Service Account to the appropriate Paying Agent, if any, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of any such Bonds then maturing), and such amount shall be applied by the appropriate Paying Agent to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds as hereinabove described shall be paid from the Operating Fund.

In the event of the refunding (or other defeasance) of any Bonds (or portions thereof), the Trustee shall, upon the direction of an Authorized Authority Representative acting with the advice of Bond Counsel, withdraw from the related Debt Service Account or Accounts amounts accumulated therein with respect to Debt Service on the Bonds (or portions thereof) being refunded (or otherwise defeased) and, unless otherwise instructed in writing as to an alternative use of such amounts, deposit such amounts with itself as escrow agent to be held for the payment of the principal or Redemption Price, if applicable, of, and interest on the Bonds (or portions thereof) being refunded (or otherwise defeased); provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded (or otherwise defeased) shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in such related Debt Service Account or Accounts after such withdrawal shall not be less than the amount required to be held therein pursuant to the Indenture.

If a Letter of Credit is in effect for any Series of Bonds, proceeds of any Drawings on a Letter of Credit are to be deposited in the applicable separate subaccount of the Letter of Credit Account in the Debt Service Fund and amounts in the applicable Letter of Credit Account of the Debt Service Fund are to be paid by the Trustee to the Paying Agent, if any, for the related Series

of Bonds (i) on or before each Interest Payment Date for any of the Bonds of such Series, the amount required for the interest payable thereon on such date, (ii) on or before each due date therefor, the amount required for the Principal Installments payable on the Outstanding Bonds of such Series on such due date, and (iii) on or before any redemption date for Outstanding Bonds of such Series to be redeemed, the amount required for the payment of interest on such Bonds then to be redeemed; provided, however, that, notwithstanding the foregoing, interest coming due with respect to any such Series of Bonds for which a Letter of Credit has been provided may be payable in such other manner as the Supplemental Indenture authorizing such Series of Bonds shall specify. If a Letter of Credit is in effect for any Series of Bonds, the Trustee shall also pay out of the applicable Letter of Credit Account the accrued interest included in the purchase price of the Bonds of the related Series purchased for retirement. The obligations of the Authority to the Bank providing a Letter of Credit (including reimbursement obligations) shall be secured as provided in the Indenture and the related Supplemental Indenture. In addition, if a Letter of Credit is in effect with respect to a Series of Bonds covered by a Sinking Fund Installment, the Trustee shall call for the redemption of such Bonds, and shall pay out of the appropriate subaccount of the Letter of Credit Account the amount required for the redemption of such Bonds.

3. To the Debt Service Reserve Fund for credit to the Participating Bonds Debt Service Reserve Account and each Series Debt Service Reserve Account, the amount, if any, required to be deposited therein so that the balance in each such Account shall be equal to the requirement therefor as of the last day of the then current month in accordance with the provisions of the Indenture or the applicable provisions of the related Supplemental Indenture; provided, however, that, in any event, if there shall be a deficiency of Revenues to make all of the deposits described in this paragraph, such Revenues shall be deposited into each Debt Service Reserve Account on a pro rata basis based on the amounts due. **Pursuant to the Second Supplemental Indenture, the 2026 Series A Bonds are not Participating Bonds, the Debt Service Reserve Requirement in connection with the 2026 Series A Bonds shall be \$0, and no Debt Service Reserve Account will be funded for the 2026 Series A Bonds.**

Except as otherwise provided in the Indenture, there shall be maintained in each Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement (if any) applicable to such Account.

If on the last Business Day of any month the amount in any Debt Service Account shall be less than the amount required to be in such Account as hereinabove described with respect to the related Bonds, the Trustee shall pay out of the related Debt Service Reserve Account for credit to such Debt Service Account the amount necessary to restore the balance therein to the required amount. The Trustee shall also pay out of the related Debt Service Reserve Account the amount necessary to reimburse any provider of a Debt Service Reserve Account Policy credited to such Account for any draw on such Debt Service Reserve Account Policy, together with interest or other amounts due to such provider as a result of such draw pursuant to the terms of such Debt Service Reserve Account Policy or any related agreement with the provider thereof.

In the event that the balance in any Debt Service Reserve Account shall at any time be less than the Debt Service Reserve Requirement applicable to such Account, the deficiency in such Account shall be replenished by the deposit monthly into such Account of at least one-twelfth (1/12) of the aggregate amount of each unreplenished prior withdrawal from such Account and the full amount of any portion of any such deficiency due to the required valuations of the investments in such Account pursuant to the Indenture until the balance in such Account is at least equal to the Debt Service Reserve Requirement applicable to such Account.

Except as otherwise provided in the Indenture, whenever the moneys on deposit in a Debt Service Reserve Account shall exceed the applicable Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of any drawing on a Debt Service Reserve Account Policy credited to such Account and to the payment of interest or other amounts due to the provider of any such Debt Service Reserve Account Policy to the extent payable from such Account.

Notwithstanding anything in the Indenture to the contrary, at the option of the Authority any amounts required to be held or deposited in any Debt Service Reserve Account may be substituted, in whole or in part, by the deposit therein of a Debt Service Reserve Account Policy in a stated amount equal to the amounts so substituted, and any Debt Service Reserve Account Policy then held in any such Account may be replaced at the option of the Authority by cash or by another Debt Service Reserve Account Policy in whole or in part; provided that prior to the substitution or replacement of any such Debt Service Reserve Account Policy the Rating Agencies then rating the Bonds to which such Debt Service Reserve Account relates shall have been notified by the Authority of such proposed substitution or replacement and the substitution or replacement shall not result, as evidenced by letters from such Rating Agencies, in a downgrading or withdrawal of any rating of such Bonds then in effect by such Rating Agencies; and provided further that the Authority shall have first received an Opinion of Bond Counsel to the effect that such substitution or replacement will not adversely affect the exclusion of interest on such Bonds from the gross income of the owners thereof for federal income tax purposes, if applicable. Any moneys so withdrawn from a Debt Service Reserve Account shall, with the approval of Bond Counsel, be transferred to the General Reserve Fund and used in accordance with the provisions of the Indenture or otherwise used in a manner that is consistent with such Opinion of Bond Counsel, if applicable.

For the purposes of the Indenture, in computing the amount on deposit in any Debt Service Reserve Account, each Debt Service Reserve Account Policy credited to such Account shall be valued at the amount available to be drawn or payable thereunder on the date of computation. The Trustee shall draw upon or otherwise take such action as is necessary (including the giving of notice) in accordance with the terms of any Debt Service Reserve Account Policy credited to a Debt Service Reserve Account to receive payments thereunder: (i) on any date on which moneys will be required to be withdrawn from such Debt Service Reserve Account and applied to the payment of a Principal Installment or the Redemption Price of, or interest on, any Bonds secured by such Account and such withdrawal cannot be met by amounts held as cash or Investment Securities on deposit in such Debt Service Reserve Account; (ii) unless such Debt Service Reserve Account Policy expires on the final maturity date for the Outstanding Bonds secured by such Debt Service Reserve Account, on the first Business Day which is at least thirty (30) days prior to the expiration date of the Debt Service Reserve Account Policy, in an amount equal to the deficiency which would exist in such Debt Service Reserve Account to which such Debt Service Reserve Account Policy is credited if the Debt Service Reserve Account Policy expired, unless a substitute Debt Service Reserve Account Policy with an expiration date not earlier than one hundred eighty (180) days after the expiration date of the expiring Debt Service Reserve Account Policy is credited to such Account prior to such date or the Authority deposits funds in such Account on or before such date, in an amount sufficient to cause the balance of such Account (without regard to the expiring Debt Service Reserve Account Policy) to be at least equal to the applicable Debt Service Reserve Requirement.

Whenever the amount in a Debt Service Reserve Account (excluding any Debt Service Reserve Account Policy credited thereto), together with the amount in the related Debt Service Account available for such purpose, is sufficient to pay in full all Outstanding Bonds to which such Accounts relate in accordance with their terms (including principal or applicable Sinking Fund Installment and interest thereon), the funds on deposit in such Debt Service Reserve Account shall

be transferred to the related Debt Service Account and applied to the payment or redemption of the related Bonds.

In the event of the refunding (or other defeasance) of any Bonds (or portions thereof), the Trustee, upon the direction of an Authorized Authority Representative acting with the advice of Bond Counsel, shall withdraw from the related Debt Service Reserve Account any or all of the amounts accumulated therein (excluding any Debt Service Reserve Account Policy credited thereto) with respect to Debt Service on the Bonds (or portions thereof) being refunded (or otherwise defeased) and, unless otherwise instructed in writing as to an alternative use of such amounts, deposit such amounts with itself as escrow agent to be held for the payment of the principal or Redemption Price, if applicable, of, and interest on, the Bonds being refunded (or otherwise defeased); provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded (or otherwise defeased) shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in such Debt Service Reserve Account after such withdrawal shall not be less than the applicable Debt Service Reserve Requirement for such Account.

4. To the Reserve and Contingency Fund, the amount, if any, provided for deposit therein during the then current month in the Annual Budget in accordance with the written instructions from the Authority.

Amounts in the Reserve and Contingency Fund shall be applied to any portion of the allocable costs of any Capital Improvements, to the payment of extraordinary Authority Operating Expenses and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Project or to prevent a loss of revenue therefrom, and to payment of replacements, repairs, additions, improvements and betterments (including planning and design costs) in connection with the Project or any facilities (including planning and design costs) relating to, or for the benefit of, the Project, all to the extent properly attributable to the Authority Interest (LADWP) and not provided for from other proceeds of Bonds, notes or other evidences of indebtedness issued by the Authority to finance or refinance the Cost of Acquisition and Operations or any portion of the allocable costs of any Capital Improvements. No payments shall be made from the Reserve and Contingency Fund if and to the extent that the applicable portion of any proceeds of insurance, including any proceeds of any self-insurance fund, or other moneys recoverable as the result of damage, if any, are available to pay the costs otherwise payable from the Reserve and Contingency Fund.

If at any time the amount in any Debt Service Account is less than the requirement of such account pursuant to the Indenture, or the amount in any Debt Service Reserve Account is less than the requirement of such Account pursuant to the Indenture, and there are not on deposit in the General Reserve Fund available moneys sufficient to cure such deficiencies; then upon the written direction of the Authority the Trustee shall transfer moneys from the Reserve and Contingency Fund in the following order of priority: (a) to each Debt Service Account, pro rata based on the amount of such deficiency, the amount necessary (or all the moneys in the Reserve and Contingency Fund if less than the amount necessary) to make up such deficiency; and (b) to each Debt Service Reserve Account, pro rata based on the amount of such deficiency, the amount necessary (or all the moneys in the Reserve and Contingency Fund if less than the amount necessary) to make up such deficiency.

Amounts in the Reserve and Contingency Fund not required to meet any deficiencies in any Debt Service Account or any Debt Service Reserve Account or not needed for any of the purposes for which such Fund was established, shall be transferred to the Project Fund or the

Operating Fund, if and to the extent deemed necessary or desirable by the Authority, to make up any deficiencies in such Fund. Any remaining excess shall be deposited into the General Reserve Fund.

5. To the General Reserve Fund, the balance, if any, in the Revenue Fund after making the above deposits. The Trustee shall transfer from the General Reserve Fund amounts in the following order of priority: (a) to each Debt Service Account, pro rata based on the amount of any deficiency therein, the amount necessary (or all the moneys in the General Reserve Fund if less than the amount necessary) to make up any deficiencies in required payments to said Accounts; (b) to each Debt Service Reserve Account, pro rata based on the amount of any deficiency therein, the amount necessary (or all the moneys in the General Reserve Fund if less than the amount necessary) to make up any deficiencies in payments to such Accounts or resulting from any transfer to the Debt Service Fund or Accounts required by the Indenture; and (c) to the Reserve and Contingency Fund the amount necessary (or all the moneys in the General Reserve Fund if less than the amount necessary) to make up any deficiencies in payments to the Reserve and Contingency Fund required by the Indenture.

Amounts in the General Reserve Fund not required to meet any of the deficiencies described above will, upon determination of the Authority and after consultation with Bond Counsel, be applied to or set aside for any one or more of the following: (i) payment into the Revenue Fund or any other Fund or Account established by the Indenture or any fund or account established by an indenture with respect to bonds, notes or other evidences of indebtedness issued by the Authority to finance or refinance the Cost of Acquisition and Operations or any portion of the allocable costs of Capital Improvements; (ii) the purchase or redemption of any Bonds, and expenses or any reserves in connection therewith; (iii) to reduce the monthly transmission service costs of the Project Participant under the Transmission Service Contract (LADWP); (iv) payments required to be made to any fund or account established pursuant to an indenture of trust with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Bonds; and (v) any other lawful purpose of the Authority related to the Authority Interest (LADWP). Bonds purchased or redeemed with amounts in the General Reserve Fund shall be credited toward any Sinking Fund Installment thereafter to become due an amount determined as provided in the Indenture.

Deposits from the Revenue Fund into the Debt Service Fund, the Reserve and Contingency Fund and the General Reserve Fund shall be made as soon as practicable in each month after the deposit of Revenues into the Revenue Fund and the payment to the Operating Fund have been made for such month, but not later than the last Business Day of such month.

### **Project Fund**

The Indenture establishes a Project Fund, to be held by the Trustee, into which will be paid amounts required by the provisions of the Indenture and any Supplemental Indenture and into which may be paid, at the written direction of the Authority, any moneys received, unless required to be otherwise applied as provided in the Indenture. In addition, subject to and except as otherwise provided in the Indenture, the proceeds of any condemnation award received by the Authority with respect to the Authority Interest (LADWP) and the proceeds received by the Authority to the extent attributable to the Authority Interest (LADWP) of insurance, including the proceeds of any self-insurance fund, for physical loss of or damage to the Project or casualty loss or of contractors' performance or guarantee bonds or other assurances of completion or levels of performance with respect thereto (but excluding the proceeds of business interruption loss insurance, which shall be deposited into the Revenue Fund), will be paid into the Project Fund.

The Trustee will pay, upon the requisition of the Authority therefor, in connection with the acquisition of the Authority Interest (LADWP) or during construction of any Capital Improvements to the Project, from the Project Fund (i) the Cost of Acquisition and Operations relating to the Authority Interest (LADWP) (including the costs of issuance of the Bonds) or the allocable costs of any Capital Improvements (or a portion thereof) and (ii) in connection with the acquisition of the Authority Interest (LADWP) or during construction of any Capital Improvements to the Project, at one time or from time to time, a sum or sums of up to \$250,000, such sum or sums to be used by the Authority to establish a revolving fund for the purpose of paying such items of the Cost of Acquisition and Operations or the allocable costs of any Capital Improvements as cannot conveniently be paid as in the Indenture otherwise provided.

Upon receipt of any requisition for payment or reimbursement from the Project Fund, the Trustee will, unless instructed by the Authority in such requisition that such payment is to be made from another project account established pursuant to a Supplemental Indenture, to the extent that such requisition is for the payment of costs of issuance of the 2026 Series A Bonds, pay such requisitioned amounts out of the 2026 Series A Costs of Issuance Subaccount established pursuant to the Second Supplemental Indenture.

Upon the filing of a certificate of the Authority determining that moneys are no longer needed in the Project Fund to pay the Cost of Acquisition and Operations or any portion of the allocable costs of any Capital Improvements, as applicable, the balance in the Project Fund established therefor not required to complete payment for the Cost of Acquisition and Operations or any remaining part of the allocable costs of Capital Improvements, as applicable, will be applied to make up any deficiencies in the following Funds and Accounts in the order stated: each Debt Service Account, if and to the extent necessary to make up any deficiency in any such Account, pro rata based on the amount of each such deficiency (with such transferred amount to be used to pay interest on Bonds and, with the prior approval of Bond Counsel, principal on Bonds), and each Debt Service Reserve Account, if and to the extent necessary to make up any deficiency in any such Account, pro rata based on the amount of each such deficiency, and the excess, if any, will be transferred to the General Reserve Fund. To the extent that other moneys are not available therefor, amounts in the Project Fund (if any) will be applied to the payment of principal and interest on Bonds when due.

### **Certain Requirements of and Conditions to Issuance of Bonds**

Bonds shall be authenticated by the Trustee pursuant to the Indenture upon compliance with certain requirements and conditions, including, among others, the following:

(a) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Indenture has been duly authorized, executed and delivered by the Authority and constitutes a valid and binding agreement of the Authority and that the Bonds of the Series being issued have been duly and validly authorized and issued and are valid and binding obligations of the Authority as provided in the Indenture and as to certain other matters concerning the Indenture; and

(b) Except in the case of the initial Series of Bonds issued under the Indenture and any Series of Refunding Bonds, the Authority shall have certified that it is not in default in the performance of any of its covenants, conditions, agreements or provisions contained in the Indenture.

The Indenture authorizes the issuance of Bonds to be issued in one or more Series and at one time or from time to time to pay (or refinance) all or a portion of the Cost of Acquisition and Operations with respect to the Authority Interest (LADWP) (and associated participation share and related rights and interests) and other costs relating thereto or to pay all or a portion of the allocable costs of any Capital

Improvements and other costs relating thereto. Proceeds, including accrued interest, of each Series of Bonds are to be applied as determined by the Supplemental Indenture authorizing such Series.

The Indenture also provides that each Supplemental Indenture authorizing a Series of Bonds shall establish the Principal Installment or Principal Installments for such Series or shall prescribe the methodology for determining the same.

### **Refunding Bonds**

Refunding Bonds may be issued to refund all or a portion of any Outstanding Bonds. Refunding Bonds shall be authenticated and delivered by the Trustee pursuant to the Indenture upon compliance with certain requirements and conditions, including the receipt by the Trustee of either (i) moneys sufficient to pay the applicable Redemption Price of the refunded Bonds to be redeemed plus the amount required to pay principal of refunded Bonds not to be redeemed together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, or (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest, and having such terms as required by the Indenture to pay the principal or Redemption Price, if applicable, and interest due on or prior to the redemption date or maturity date, as the case may be.

### **Investment of Certain Funds and Accounts**

The Indenture provides that moneys held in any Debt Service Account and in any Debt Service Reserve Account and in the Revenue Fund and the Project Fund shall be invested and reinvested in Investment Securities. The Indenture provides that such Investment Securities shall mature or become available no later than such times as are necessary to provide moneys when needed for payments from such Funds and Accounts. Moneys in the Operating Fund shall be invested by the Trustee in Investment Securities that mature within twelve months from the date of such investment and amounts in the Reserve and Contingency Fund and the General Reserve Fund shall be invested by the Trustee in Investment Securities that mature within five years from the date of such investment, and in any case the Investment Securities in such Funds or in the Accounts therein shall mature not later than such times as shall be necessary to provide moneys when needed to provide payments from such Funds or Accounts.

Interest and other investment income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment and (ii) is required to offset the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts (other than the Project Fund), to the extent resulting in a balance that is in excess of any requirement for such Fund or Account, shall be paid into the Revenue Fund; provided, however, that such interest and other investment income shall be paid into the Project Fund to the extent provided in the Supplemental Indentures entered into from time to time. Interest and other investment income earned on moneys or investments in the Project Fund or a separate account therein shall be held in such Fund or Account for the purposes thereof unless otherwise provided in a Supplemental Indenture.

In computing the amount in any Fund or Account created under the Indenture, obligations purchased as an investment of moneys therein shall be valued at the greater of the cost of such obligations or the amortized value thereof, exclusive of accrued interest, except as otherwise provided in a Supplemental Indenture for funds or accounts created thereunder. Such computations shall be determined as of July 1 in each year.

The Trustee shall not be liable or responsible for any loss resulting from any investment made in the manner provided in the Indenture except to the extent of its own negligence, misconduct or default. The Trustee may make such investment at the direction of the Authority. In the absence of written direction

from the Authority, the Trustee shall invest solely in a taxable money market fund comprised of obligations issued or guaranteed by the United States Government or repurchase agreements collateralized by such obligations.

### **Rate Covenant**

The Authority covenants in the Indenture that as long as any Bonds are Outstanding it has and will have good right and lawful power to establish charges and cause to be collected amounts with respect to the use of the Authority Interest (LADWP), subject to the terms of the Transmission Service Contract (LADWP). The Authority covenants that it will at all times establish and collect (or cause to be collected) amounts for the use of the Authority Interest (LADWP) (including amounts payable under the Transmission Service Contract (LADWP) as shall be required to provide Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of all of the following:

- (a) Authority Operating Expenses during such Fiscal Year;
- (b) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (c) The amount, if any, to be paid during such Fiscal Year into the Participating Bonds Debt Service Reserve Account and any Series Debt Service Reserve Account;
- (d) The amount, if any, to be paid during such Fiscal Year into the Reserve and Contingency Fund;
- (e) The amount, if any, required to be paid into any fund or account during such Fiscal Year with respect to bonds, notes or other evidences of indebtedness payable on a basis subordinate to the Bonds;
- (f) The amount, if any, required to be deposited in the General Reserve Fund during such Fiscal Year; and
- (h) The amount, if any, required to pay all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

The Authority will not furnish or supply or cause to be furnished or supplied any use or service of the Project free of charge to any person, firm or corporation, public or private, and the Authority will, subject to the Indenture and consistent with the Project Agreements and subject to the Transmission Service Contract (LADWP), enforce the payment of any and all amounts owing to the Authority by reason of the Project by discontinuing such use or service, or by filing suit therefor, as soon as practicable 90 days after any such amounts are due, or by both such discontinuance and by filing suit.

### **Creation of Liens; Sale of Authority Interest (LADWP)**

Except as otherwise expressly provided in the Indenture, the Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds or Parity Swaps, payable out of or secured by a security interest in or a pledge or assignment of the Revenues or other moneys, securities or funds held or set aside by the Authority or by the Fiduciaries under the Indenture for the benefit of the Owners of the Bonds and for any Parity Swap Providers and shall not create or cause to be created any lien or charge on the Revenues, or on such other moneys, securities or funds; provided, however, that nothing contained in the Indenture shall prevent the Authority from issuing, if and to the extent permitted by law (i) evidences of indebtedness (a) payable out of moneys in the Project Fund as part



of the Cost of Acquisition and Operations or any portion of the allocable costs of Capital Improvements, or (b) payable out of or secured by a security interest in or pledge and assignment of Revenues to be derived on and after such date as the pledge of the Revenues provided in the Indenture has been discharged and satisfied as provided in the Indenture, or (ii) bonds, notes or other evidences of indebtedness (including, but not limited to, any interest rate exchange or swap agreement, cash flow exchange or swap agreement or other similar financial agreement) payable on a basis subordinate and junior to the Bonds and any Parity Swaps and secured by a lien or charge on Revenues that is subordinate and junior to the lien of the Bonds and the Parity Swaps on Revenues.

The Authority will not sell, assign, lease or otherwise dispose of the Authority Interest (LADWP) if such sale or disposition would materially adversely affect the rights or security of the Bondowners under the Indenture. For so long as the Transmission Service Contract (LADWP) is in effect, the Authority will not sell any transmission service utilizing the Authority Interest (LADWP) or the transmission capability thereof except as provided in or permitted by the Transmission Service Contract (LADWP) or consent to the sale, lease, mortgage or other disposal of the Authority Interest (LADWP) other than in accordance with the Transmission Service Contract (LADWP).

### **Covenants with Respect to the Transmission Service Contract (LADWP) and Project Agreements**

Except as otherwise provided in the Indenture, the Trustee covenants that it shall receive and deposit in the Revenue Fund all amounts payable to the Trustee pursuant to the Transmission Service Contract (LADWP) or otherwise payable to it with respect to the use of the Authority Interest (LADWP) or any part thereof (to the extent amounts payable pursuant to any other such contract are properly allocable to the Indenture). Subject to the Indenture, the Authority shall enforce or cause to be enforced the provisions of the Transmission Service Contract (LADWP) and duly perform its covenants and agreements thereunder, and will not consent or agree to or permit any rescission of or amendment to, or otherwise take any action under or in connection with, the Transmission Service Contract (LADWP) that would materially adversely affect the rights or security of Owners of the Bonds under the Indenture.

Subject to the Indenture, the Authority shall enforce or cause to be enforced the provisions of the Project Agreements to which it is a party and duly perform its covenants and agreements thereunder. The Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Project Agreements that will impair or diminish the obligation of the Project Participant under the Transmission Service Contract (LADWP).

### **Annual Budget**

Not less than 20 nor more than 45 days prior to the beginning of each Fiscal Year, the Authority shall adopt and file with the Trustee for such Fiscal Year an Annual Budget prepared in accordance with the provisions of, and in the manner contemplated by, the Transmission Service Contract (LADWP). Each such Annual Budget shall set forth in reasonable detail the estimated Revenues required to be collected for such Fiscal Year and the estimated amount to be deposited in each month of the Fiscal Year in the Funds and Accounts under the Indenture, and shall include, particularly, provision for the amounts required (or in good faith estimated to be required) for the accrual or payment (as applicable) of Accrued Debt Service on the Bonds, the payment of Authority Operating Expenses, the funding or replenishment of any reserves (including all Accounts in the Debt Service Reserve Fund) required by the Indenture, provision for any general reserve for Authority Operating Expenses and the estimated amount to be deposited in the Reserve and Contingency Fund (if any), and provision for any such other expenditures and deposits as the Authority shall determine shall be necessary or appropriate so as to enable the Authority to comply with the Indenture and the Project Agreements, including, where applicable, provision for the payment of the allocable costs of Capital Improvements which are not being financed by proceeds of Bonds for such Fiscal Year. As

provided in the Transmission Service Contract (LADWP), the Annual Budget shall provide the basis for the monthly billing of amounts to be paid by the Project Participant thereunder, and shall include all amounts necessary for the Authority to satisfy all of its obligations under the Project Agreements attributable to the Authority Interest (LADWP) and all of its obligations under the Indenture. If there are at any time during any Fiscal Year extraordinary receipts or payments of unusual costs with respect to the Authority Interest (LADWP), or the amount in the Debt Service Fund or the Debt Service Reserve Fund shall be less than the respective balances (if any) required by the Indenture, the Authority shall promptly adopt in accordance with the provisions of the Transmission Service Contract (LADWP) and file with the Trustee an amended Annual Budget for the remainder of such Fiscal Year. The Authority may also at any time adopt in accordance with the provisions of the Transmission Service Contract (LADWP) and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year.

### **Tax Covenants for the 2026 Series A Bonds**

Capitalized terms used in this description of the tax covenants with respect to the 2026 Series A Bonds shall have the meanings ascribed thereto in the Second Supplemental Indenture.

The Authority shall not take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the excludability of interest on any 2026 Series A Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes and, furtherance thereof, shall comply with the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 executed and delivered by the Authority on the date of delivery of the 2026 Series A Bonds, as the same may be supplemented or amended, including any and all exhibits attached thereto. The Authority and the Trustee shall execute such amendments of the Indenture and supplements thereto (and shall comply with the provisions thereof) as are, in the Opinion of Bond Counsel, necessary to preserve such exclusion. The Authority shall comply with this covenant at all times prior to the last maturity of 2026 Series A Bonds or, if necessary, until no longer required to maintain the excludability of interest on any 2026 Series A Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes, unless to comply with such covenant, either generally or to the extent stated therein, shall not adversely affect the excludability of interest on any 2026 Series A Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the Authority, generally or to such extent as the case may be.

### **Insurance**

The Authority shall, at all time after it shall acquire the Authority Interest (LADWP), insure (or cause to be insured) the Authority Interest (LADWP) (which may include by the procurement of insurance for the Project as provided for pursuant to the Project Agreements) from such causes customarily insured against for similar interests held by similar parties and in such relative amounts as are usually obtained, to the extent available on commercially reasonable terms. The Authority shall also use its best efforts to maintain or cause to be maintained (i) insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those with rights and interests similar to the Authority Interest (LADWP), to the extent available on commercially reasonable terms and (ii) any additional or other insurance that the Authority deems necessary or advisable to protect its interests, to the extent available on commercially reasonable terms.

If any useful portion of the Project attributable to the Authority Interest (LADWP) is damaged, destroyed or taken by eminent domain proceedings, the Authority continuously and diligently enforce its rights under the Project Agreements (or otherwise not inconsistent therewith) to cause to be completed the repair, reconstruction or replacement thereof. The proceeds of any condemnation award or insurance

payable to the Authority, including the proceeds of any self-insurance fund, paid on account of such damage, destruction or taking (other than any business interruption loss insurance) shall, to the extent attributable to the Authority Interest (LADWP), be deposited in the Project Fund and held by the Trustee and applied, to the extent necessary, to the Cost of Acquisition and Operations or any portion of the costs of the Capital Improvements, as applicable. The applicable portion of any proceeds of any business interruption loss insurance shall be paid into the Revenue Fund.

## **Fiduciaries**

The Trustee may at any time resign by giving not less than 60 days' written notice to the Authority and any Parity Swap Providers specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority with the approval of the Owners as provided in the Indenture, in which event such resignation shall take effect immediately on the appointment of such successor. The Trustee may at any time be removed by (i) an instrument in writing, filed with the Trustee, signed by two Authorized Authority Representatives, unless an Event of Default has occurred and is continuing, or (ii) an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. Such removal shall take effect immediately upon the appointment of a successor Trustee as provided in the Indenture and acceptance of such appointment by such successor.

In case at any time the Trustee resigns or is removed or has become incapable of acting, or is adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property, is appointed, or if any public officer takes charge or control of the Trustee or of its property or affairs, a successor Trustee may be appointed by the Owners of a majority in principal amount of Bonds then Outstanding, and failing such an appointment the Authority shall appoint a successor to hold office until a successor Trustee shall be appointed by the Owners. The Trustee and each successor Trustee, if any, shall be a bank, a trust company, or a national banking association, doing business and having a corporate trust office in either New York, New York, Los Angeles, California or San Francisco, California and having capital stock and surplus aggregating at least \$75,000,000, if there be such a bank, trust company or national banking association willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties imposed on it by the Indenture.

The Indenture provides for the appointment by the Authority of a Paying Agent (which may include the Trustee). The Trustee, the Paying Agent or either or both of them, as may be appropriate, are a Fiduciary for purposes of the Indenture.

If no Event of Default is occurring, the Trustee shall perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and has not been cured or waived, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Subject to the above, no Fiduciary shall be liable in connection with the performance of its duties under the Indenture except for its own negligence, misconduct or default.

The Authority is required to pay to each Fiduciary reasonable compensation for all services rendered under the Indenture and all reasonable expenses, charges, counsel fees and other disbursements, incurred in the performance of its powers and duties under the Indenture. Each Fiduciary has a lien on any and all funds held by it under the Indenture securing its right to compensation. The Authority also agrees to indemnify and save each Fiduciary, its officers, directors, employees and agents harmless, to the extent permitted by law, against any claims, costs, expenses or liabilities that it may incur in the exercise and

performance of its powers and duties under the Indenture that are not due to its negligence, misconduct or default.

### **Events of Default and Remedies**

Events of Default specified in the Indenture are as follows: (i) failure to pay principal or Redemption Price of any Bond when due except as provided in the Indenture; (ii) failure to pay any interest installment on any Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; and (iii) failure by the Authority in the observance or performance of any other covenants, agreements or conditions contained in the Indenture or in the Bonds for 120 days after written notice thereof from the Trustee or the Owners of not less than 25% in principal amount of Bonds then Outstanding.

Upon the occurrence of any Event of Default which has not been remedied, the Authority shall, if demanded in writing by the Trustee, (1) account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Indenture, and (2) cause to be paid over to the Trustee (a) forthwith, all moneys, securities and funds then held by the Authority in any Fund or Account under the Indenture (except for such Funds and Accounts and any other amounts that the Indenture provides are not a source of payment for the Bonds) and (b) promptly after receipt, all Revenues. The Trustee shall apply all moneys, securities, funds and Revenues pledged to the benefit of the Owners of the Bonds and any Parity Swap Providers (i) received during the continuance of an Event of Default and (ii) held by the Trustee pursuant to the Indenture in the following order: (1) to payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, including, without limitation, those of its attorneys and advisors; (2) to the payment of reasonable and necessary Authority Operating Expenses; and (3) first, to the payment of interest on the Bonds and second, to the payment of principal or Redemption Price on any Bonds that shall have become due, whether at maturity or by call for redemption, and all obligations under any Parity Swaps that shall have become due and payable (with any termination payments due under any Parity Swaps being payable on a basis subordinate and junior to the payment of the principal or Redemption Price of any Bonds), in order of their due dates, and if the amount available shall not be sufficient to pay in full all the Bonds and Parity Swaps (other than termination payments thereunder) due on any date, then to the payment thereof, ratably, according to the amounts of principal or Redemption Price or payments due under any Parity Swaps (other than termination payments thereunder), due on such date. In addition, the Trustee shall have the right to apply in an appropriate proceeding for appointment of a receiver or custodian of the Revenues and of all amounts in the Funds and Accounts established by the Indenture.

If an Event of Default has occurred and has not been remedied the Trustee may, and upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding, upon being indemnified as provided in the Indenture, shall, proceed to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Indenture or in aid of the execution of any power granted in the Indenture or any remedy granted under the Act, or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right, as the Trustee deems most effective to enforce any of its rights or to perform any of its duties under the Indenture. The Trustee shall have the power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain any suits or proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or to preserve or protect the interests of the Trustee and of the Owners of the Bonds.

No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture

or for any remedy under the Indenture, unless (1) such Owner previously has given the Trustee written notice of an Event of Default; (2) the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have offered the Trustee a reasonable opportunity to exercise its powers or to institute such suit, action or proceeding; and (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and the Trustee has refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity. The Indenture provides that nothing therein or in the Bonds affects or impairs the Authority's obligations to pay the principal or Redemption Price, if any, of the Bonds and interest thereon when due or the right of any Owner to enforce such payment of his or her Bonds.

The Owners of not less than a majority in principal amount of Bonds then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided however that the Trustee has a right to decline to follow any such direction upon advice of counsel as to the unlawfulness thereof, or upon its good faith determination that such action would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction, or if the Trustee has not been indemnified to its satisfaction by the Owners.

### **Amendments and Supplemental Indentures**

Except as otherwise provided in the Indenture, any of the provisions of the Indenture may be amended by the Authority by a Supplemental Indenture upon the written consent of the Owners of at least a majority in aggregate principal amount of Bonds then Outstanding and, if less than all of the Outstanding Bonds are affected by the amendment, the Owners of at least a majority in aggregate principal amount of Outstanding Bonds so affected. However, if such amendment or modification will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required, and such Bonds shall not be deemed to be Outstanding for the purposes of such calculation. For purposes of obtaining the requisite consent of the Owners, the written consent of the Owner shall be deemed to have been received if the amendment is expressly referred to in the Supplemental Indenture relating to a Series of Bonds and in the text of such Bonds it recites that the Owner of the Bonds shall be deemed to have consented to such amendments by accepting such Bonds. No amendment or modification shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount, Redemption Price, or rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of the consents required for a further amendment or modification, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be adversely affected by any modification or amendment of the Indenture and any such determination will be binding and conclusive on the Authority and all Owners of the Bonds.

The Authority may execute and deliver a Supplemental Indenture, which shall become effective upon the filing with the Trustee of a copy thereof, without the consent of the Owners, for any of the following purposes: (1) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (2) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements to be observed by the Authority that are not contrary or inconsistent with the Indenture as theretofore in effect; (3) to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Authority that are not

contrary to or inconsistent with the Indenture as theretofore in effect; (4) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things or provide for the issuance of such Series of Bonds as tax credit bonds or other forms of bonds the interest on which is not excluded from gross income of the Owners thereof for federal income tax purposes and to comply with any applicable tax law requirements with respect thereto referred to in the Indenture, and also any other matters and things relative to such Bonds that are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds; (5) to confirm, as further assurance, any security interest or pledge created under the Indenture; (6) to authorize the establishment of a fund or funds to enable the Authority to self-insure against the risks and hazards relating to the Authority Interest (LADWP) and the interests of the Authority and of the Owners as described in the Indenture; (7) to modify any of the provisions of the Indenture in any other respect, provided that (i) no Bonds are Outstanding at the date of the execution and delivery of such Supplemental Indenture or (ii) (a) such modification shall be, and be expressed to be, effective only after all Bonds then Outstanding at the date of the execution and delivery of such Supplemental Indenture shall cease to be Outstanding and (b) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of execution of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; (8) to amend, modify, or supplement the Indenture in such manner as does not materially adversely affect the rights of the Owners of the Bonds (including, but not limited to, amending, modifying or supplementing the Indenture in such manner as the Authority deems appropriate to provide for an interest rate exchange or swap agreement, cash flow exchange or swap agreement or other similar financial agreement payable on a basis subordinate and junior to the Bonds and any Parity Swaps, as provided in the Indenture), provided that the Trustee is first furnished with an Opinion of Bond Counsel to the effect that such amendment, modification or supplement is permitted under the Indenture and shall not adversely affect the validity of the Bonds and, if applicable, the exclusion of interest on the Bonds from the gross income of the Owners thereof for federal income tax purposes; and (9) to comply with additional requirements that a Rating Agency may impose in order to issue or maintain a rating on the Bonds, provided that any Supplemental Indenture whose purpose is to effect such changes shall be effective only upon delivery to the Authority and the Trustee of an Opinion of Bond Counsel that such changes shall not adversely affect the validity of the Bonds and, if applicable, the exclusion of interest on the Bonds from the gross income of the Owners thereof for federal income tax purposes.

The Authority may execute and deliver Supplemental Indentures with the consent of the Trustee (without the consent of any Owners of the Bonds required) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture.

## **Defeasance**

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to Owners of all Bonds the principal or Redemption Price, if applicable, of and interest, if any, due or to become due thereon, and to each of the Parity Swap Providers, if any, all of the amounts of the Authority under any Parity Swaps, at the times and in the manner stipulated therein and in the Indenture, then the lien of the Indenture and all covenants, agreements and other obligations of the Authority to the Owners and the Parity Swap Providers thereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as otherwise provided in the Indenture. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver, as directed by the Authority, all moneys or securities held by them pursuant to the Indenture that are not required for the

payment of principal or Redemption Price, if applicable, or interest due or to become due on Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any Outstanding Bonds the principal or Redemption Price, if applicable, and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except for the remaining rights of registration of transfer and exchange of Bonds.

Bonds (which may be less than all of the Bonds then Outstanding) or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or the Paying Agent (through deposit pursuant to the Indenture of funds for such payment or redemption or otherwise) at the maturity, payment or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Outstanding Bonds shall prior to the maturity or earlier redemption thereof be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if: (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to mail as provided in the Indenture notice of redemption of such Bonds on said date; (b) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to any Supplemental Indenture) in an amount that shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys that, together with the moneys, if any, on deposit with the Trustee, shall be sufficient, in the opinion of an independent certified public accountant or independent arbitrage consultant, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be; and (c) the Authority shall have given the Trustee, in form satisfactory to it irrevocable instructions to mail, postage prepaid, to the Owners of such Bonds, at their last addresses, if any, appearing upon the registry books, a notice that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, as certified to the Trustee by an Accountant's Certificate, shall be paid over upon the direction of the Authority as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested pursuant to the direction of the Authority in Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds, on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over as received by the Trustee, free and clear of any lien, pledge or security interest securing said Bonds or otherwise existing under the Indenture. For the purposes described in this paragraph, Defeasance Obligations shall mean and include only such securities which shall not be subject to redemption prior to their maturity other than at the option of the owner thereof.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or

Defeasance Obligations and moneys, if any, in accordance with the Indenture, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, for any period for which such interest shall not yet be determinable, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Obligations on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount that would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the Indenture, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Indenture. Notwithstanding the foregoing, if (i) Variable Interest Rate Bonds of a given maturity provide that the interest rate for such Variable Interest Rate Bonds may bear a fixed rate of interest for a period of six months or longer, (ii) the interest rate with respect to such Variable Interest Rate Bonds is currently accruing at a fixed rate of interest for a period of six months or longer and (iii) all or a portion of such Variable Interest Rate Bonds are to be purchased or redeemed on or prior to the last date upon which such Variable Interest Rate Bonds are to bear such fixed rate of interest, then in determining the amount of moneys or Defeasance Obligations required to be set aside as provided in the Indenture, such Variable Interest Rate Bonds shall be deemed to bear a fixed rate of interest and the provisions described in this paragraph shall not apply.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-ADELANTO AGREEMENTS**

Summaries of certain provisions of the Mead-Adelanto Transmission Service Contract (LADWP), the 1992 Mead-Adelanto Transmission Service Contracts (Members), the Mead-Adelanto Transmission Service Contract (Western), the Mead-Adelanto Joint Ownership Agreement, the Mead-Adelanto Operation Agreement and the Mead-Adelanto Fiscal Agency Agreement (collectively, the “Mead-Adelanto Agreements”) are provided below. For the purposes of the summaries of the Mead-Adelanto Joint Ownership Agreement, the Mead-Adelanto Operation Agreement, and the Mead-Adelanto Fiscal Agency Agreement, the term “Project Participant” does not refer exclusively to the Department as the sole “Project Participant” with respect to the Authority Interest (LADWP) in the Mead-Adelanto Project as so identified in the front part of this Official Statement. This summary is not to be considered a full statement of the terms of such Mead-Adelanto Agreements and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not defined in this summary or, as applicable, elsewhere in the Official Statement have the respective meanings set forth in the respective Mead-Adelanto Agreements summarized below, except that the term “Mead-Adelanto Project” shall have the meaning attributed in the respective Mead-Adelanto Agreements to the term “Project.”

#### **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-ADELANTO TRANSMISSION SERVICE CONTRACT (LADWP)**

The following is a summary of certain provisions of the Mead-Adelanto Transmission Service Contract (LADWP) entered into between the Authority and the Department relating to the Authority Interest (LADWP) in the Mead-Adelanto Project. This summary relates only to the Mead-Adelanto Transmission Service Contract (LADWP) entered into by the Department with the Authority with respect to the Authority Interest (LADWP) in the Mead-Adelanto Project acquired by the Authority from M-S-R PPA pursuant to the Purchase and Sale Agreement, which Transmission Service Contract (LADWP) is separate and distinct from the Department’s 1992 Mead-Adelanto Transmission Service Contract (Members) with the Authority relating to the Department’s entitlement share in the Authority Interest (Members) in the Mead-Adelanto Project.



## **Purchase of Entire Capability**

Pursuant to the Mead-Adelanto Transmission Service Contract (LADWP), the Authority provides to the Department and the Department contracts with the Authority for use of 100% of the capability associated with the Authority Interest (LADWP) in the Mead-Adelanto Project. The Authority has caused to be undertaken the acquiring, insuring, administering, operating and maintaining of the Authority Interest (LADWP) in the Mead-Adelanto Project pursuant to the applicable Mead-Adelanto Project agreements (as defined in the Mead-Adelanto Transmission Service Contract (LADWP), the “Project Agreements”) and has effectuated the purchase of the Authority Interest (LADWP) (and associated participation share and related rights and interests) in the Mead-Adelanto Project from M-S-R PPA pursuant to the Purchase and Sale Agreement.

## **Billings and Payments**

The Authority will provide to the Department by the fifth calendar day of each Month during each Transmission Service Year a Monthly Statement showing the amount of Transmission Service Costs to be paid by the Department, including costs and expenses paid or incurred by the Authority with respect to any judgment of the Department against any Mead-Adelanto Owner (an “Owner” as defined in the Mead-Adelanto Joint Ownership Agreement) or the Operation Manager in connection with electric service to the Department caused by the operation or failure of operation of the Mead-Adelanto Project or any portion thereof. Transmission Service Costs to be paid by the Department each Month are to be billed based on the then current Annual Budget and will include all costs of the Authority attributable to the Authority Interest (LADWP) in the Mead-Adelanto Project, to the extent not paid from the proceeds of bonds, notes or other evidences of indebtedness issued by the Authority to finance or refinance the Cost of Acquisition and Operations of the Authority Interest (LADWP) in the Mead-Adelanto Project (as defined in the Mead-Adelanto Transmission Service Contract (LADWP), “Bonds”), resulting from the ownership, operation and maintenance of, and renewals and replacements to, the Mead-Adelanto Project, and including all items as required by the Mead-Adelanto Indenture (or other indenture of trust, bond resolution or similar instrument with respect to the financing of any Cost of Acquisition and Operations of the Authority Interest (LADWP) in the Mead-Adelanto Project by the Authority (as defined in the Mead-Adelanto Transmission Service Contract (LADWP), an “Indenture of Trust”). The Department is required to pay its Monthly Statement within twenty calendar days of its receipt.

## **Disputed Monthly Statement**

The Department shall pay the full amount of each Monthly Statement notwithstanding any dispute regarding such amount. Upon determination of the correct amount, the difference, if any, between such correct amount and the amount so paid, plus interest at the lesser of the highest fixed legal rate (if one exists) or two percent above the Bank of America National Trust and Savings Association (or its successor in interest) then effective reference rate prorated on a daily basis on the amount of such difference, will be credited to the Department. However, no such interest shall be due to the extent such overpayment is acknowledged and repaid to the Department by the Authority by the fifteenth day following receipt by the Authority of such disputed overpayment and written notification by the Department of such dispute.

## **Annual Budget and Adjustment of Billing**

The Authority will prepare or cause to be prepared an Annual Budget for each Transmission Service Year, which will be the basis for billing Transmission Service Costs. Within 150 days after the end of each Transmission Service Year, the Authority will submit to the Department a detailed statement of the actual aggregate Transmission Service Costs and other amounts payable under the Mead-Adelanto Transmission Service Contract (LADWP) including any credits thereto and any adjustments for any prior Transmission

Service Year, based on the annual audit required by the Mead-Adelanto Transmission Service Contract (LADWP). If for any Transmission Service Year the actual amount payable under the Mead-Adelanto Transmission Service Contract (LADWP) exceeds the amount which the Department has been billed, the Department will pay the amount of such excess to the Trustee under the Indenture of Trust. If such amounts are less than the amounts billed, the Authority will credit the excess against the Department's next Monthly Statement.

### **Periodic Reports**

The Authority will provide periodic reports regarding, among other things, the status of the Annual Budget and analysis of operations relating to the Authority Interest (LADWP).

### **Source of Payments**

Payment of billings under the Mead-Adelanto Transmission Service Contract (LADWP) is limited to revenues available to the Department from its electric revenue funds and shall constitute a cost of transmission service and an operating expense of its electric utility system. The Department will annually include in its power system budget an appropriation from the revenues of its electric system sufficient to satisfy all payments required in such year under the Mead-Adelanto Transmission Service Contract (LADWP) until all payments required thereunder have been paid in full.

### **Rate Covenant**

The Department will establish, maintain and collect rates and charges for electric service so as to provide sufficient revenues (together with available electric system reserves) to enable the Department to pay all amounts payable when due under the Mead-Adelanto Transmission Service Contract (LADWP) and other amounts payable from (and all lawful charges against or liens on) revenues of its electric system.

### **Coordinating Committee Participation**

The Department is entitled to participate in the decisions of the Mead-Adelanto Coordinating Committee with respect to the Mead-Adelanto Project in accordance with the voting rights given to it under the Mead-Adelanto Joint Ownership Agreement.

### **Payment Obligation Unconditional**

The Department is unconditionally obligated to pay its Monthly Statement whether or not the Mead-Adelanto Project or any part thereof is operating or operable or its service is suspended, curtailed or terminated in whole or in part. Payments are not subject to reduction whether by offset or otherwise and are not conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

### **Capability Entitlements**

All service with respect to the Authority Interest (LADWP) in the Mead-Adelanto Project will be scheduled by or on behalf of the Department in accordance with practices and procedures established pursuant to the applicable Project Agreements. Subject to the terms of the Mead-Adelanto Transmission Service Contract (LADWP), the Department is entitled to schedule energy up to an amount equal to the Available Transmission Capability and utilize Available Electrical Capability up to the Available Electrical Capability of the Authority Interest (LADWP).

## **Issuance of Bonds; Pledge of Payments**

The Authority is required to finance (i) the Cost of Acquisition and Operations of the Mead-Adelanto Project pursuant to the Purchase and Sale Agreement and (ii) the Cost of any Mead-Adelanto Capital Improvement or capital improvement under any Participation/Interconnection Agreement to the extent that money is not available under the Indenture of Trust. All or any portion of the payments required to be made by the Department in accordance with or pursuant to any provision of the Mead-Adelanto Transmission Service Contract (LADWP) may be pledged by the Authority to secure the payment of the Bonds, and interest thereon, subject to the application thereof to such purposes and on such terms as provided in the Indenture of Trust. The Authority may assign to the Trustee its rights to receive from the Department all or any portion of the payments to be made by the Department under the Mead-Adelanto Transmission Service Contract (LADWP) and may direct the Department to make all or any portion of such payments directly to the Trustee.

## **Adjustment of Transmission Service Costs**

In the event the proceeds from the sale of any Bonds exceed the aggregate required for the purposes for which such Bonds were issued, the amount of any such excess will be used to make up any deficiency existing in any funds or accounts under the Indenture of Trust in the manner provided therein. Any balance may be used by the Authority to retire Bonds by purchase or redemption in advance of maturity, or as otherwise directed by the Authority (with approval from Bond Counsel in either case) and the Transmission Service Costs of the Department will be reduced accordingly.

## **Refunding Bonds**

If the Authority's Board of Directors determines that Transmission Service Costs would be reduced by the refunding of any of the Bonds or that it would be otherwise advantageous to refund any Bonds, the Authority will issue and sell refunding Bonds.

## **Federal Tax Exemption**

The Authority and the Department each commit that it will take all actions necessary to establish and maintain the Federal Tax Exemption with respect to any Tax-Exempt Bonds, and shall refrain from taking any action that would adversely affect such Federal Tax Exemption. The Department shall provide to the Authority such representations and certifications as are reasonably requested by the Authority to establish compliance and promptly act in accordance with written instructions that the Authority may reasonably require from time to time in connection with such Federal Tax Exemption. Such covenants shall survive any termination of the Mead-Adelanto Transmission Service Contract (LADWP) for so long as necessary to maintain the Federal Tax Exemption of any Tax-Exempt Bonds.

## **Default and Remedies**

In the event of any failure by the Department to make a payment when due under the Mead-Adelanto Transmission Service Contract (LADWP), which failure continues for 30 or more calendar days subsequent to notice thereof having been transmitted to the Department (a "Payment Default"), the Authority may (i) if such Payment Default is continuing and upon 30 days' advance notice to the Department, discontinue the Department's use of Mead-Adelanto Project facilities during the continuation of such Payment Default, without reduction of the obligation of the Department to make payments when due under the Mead-Adelanto Transmission Service Contract (LADWP) (except to the extent of the transfer or disposal of the Department's rights as described in "Transfer of the Department's Rights Following Default" below), (ii) bring any suit, action or proceeding at law or in equity as may be necessary or

appropriate to enforce against the Department the obligations which gave rise to the Payment Default, and/or (iii) take any action permitted by law to enforce the Authority's rights or recover damages with respect to such Payment Default under the Mead-Adelanto Transmission Service Contract (LADWP). In the event of a failure by the Department to comply with, carry out or discharge any covenant, duty or obligation under the Mead-Adelanto Transmission Service Contract (LADWP) other than to make a payment when due (a "Performance Default"), the Authority may (i) bring any suit, action or proceeding at law or in equity to enforce against the Department any covenant, duty or obligation which gave rise to such Performance Default and/or (ii) take any action permitted by law to enforce the rights of the Authority under the Mead-Adelanto Transmission Service Contract (LADWP) or to recover damages with respect to such Performance Default.

### **Transfer of the Department's Rights Following Default**

In the event of a Payment Default and a discontinuation of the Department's use of the Mead-Adelanto Project pursuant to the terms of the Mead-Adelanto Transmission Service Contract (LADWP), the Authority will offer for transfer or temporary use, to each requesting Mead-Adelanto Owner, the Department's rights in the Mead-Adelanto Project under the Mead-Adelanto Transmission Service Contract (LADWP), on a pro rata basis if such requests exceed the amount of the Department's remaining rights, and then to third parties; provided however, that the Authority may not offer for transfer or temporary use the Department's rights in such a manner as shall in the opinion of Bond Counsel adversely affect the Federal Tax Exemption with respect to any Tax-Exempt Bonds. The payment obligation of the Department, including the costs to the Authority related to such default, transfer and sale, will be reduced to the extent the payments are received through transfer and/or temporary use.

### **Curtailment of Service**

Curtailment of use of the Mead-Adelanto Project facilities (in proportion to the Department's rights thereto attributable to the Authority Interest (LADWP)) is permitted for certain planned outages and Operating Emergencies with respect to the Mead-Adelanto Project. No such curtailment relieves the Department of its obligation to make payments under the Mead-Adelanto Transmission Service Contract (LADWP).

### **Performance by Department as Agent of Certain Obligations**

The Department is authorized to perform, as agent of the Authority, such duties and obligations of the Authority contained in the Mead-Adelanto Transmission Service Contract (LADWP) as shall be requested by the Authority pursuant to the terms and conditions set forth in an existing Agency Agreement for the Mead-Adelanto Project, dated August 4, 1992, between the Authority and the Department, which Agency Agreement provides for such performance and for payment to the Department of its costs in connection therewith.

### **Liability**

Subject to the Mead-Adelanto Transmission Service Contract (LADWP), the Department extends to the Authority and its directors, officers, employees, agents and any other person or entity whose act or failure to act would be imputed to such entities or individuals, the Department's covenant not to execute on any judgment obtained by it against any of them for loss or damages suffered by the Department regarding the operation, maintenance or ownership of the Mead-Adelanto Project, except for any judgment (i) collectible from valid Mead-Adelanto Project or other insurance, or (ii) for liability of the Department for loss or damages suffered by anyone other than the Department to the extent such liability results from an act or failure to act regarding the operation, maintenance or ownership of the Mead-Adelanto Project.

The exception set forth in clause (ii) above is subject to the Department's assumption of all liability for any claim, action or judgment arising out of or in connection with electric service to any of its customers caused by the operation or failure of operation of the Mead-Adelanto Project or any portion thereof and the Department's obligation to indemnify and hold harmless the Authority from any such claim, action or judgment. Notwithstanding the foregoing, the Department or the Authority may determine, protect or enforce its rights under the Mead-Adelanto Transmission Service Contract (LADWP) or any Project Agreement by a suit or suits in equity for specific performance of, or declaratory action with respect to, any obligation or duty thereunder.

### **Restrictions on Disposition of Department's Entire System or Department's Rights**

The Department must give prior written notice to the Authority and the Mead-Adelanto Coordinating Committee of its intention to sell, lease or otherwise dispose of all or substantially all of its electric utility system and must meet the following conditions: (i) the Department must assign and the new entity must assume and agree fully to perform and discharge all obligations of the Department under the Mead-Adelanto Transmission Service Contract (LADWP); (ii) such sale, lease or other disposition shall not, in and of itself, cause the rating of any Bond (without giving effect to any credit enhancement) to be downgraded, suspended or withdrawn (which fact shall be evidenced by letters of the rating agencies then rating the Bonds); (iii) an independent engineer or engineering firm selected by the Authority must deliver an opinion that the new entity is reasonably able to charge and collect rates and charges for the electric service of its electric system as required to meet its obligations under the Mead-Adelanto Transmission Service Contract (LADWP); (iv) the Board of Directors must determine that such sale, lease or other disposition will not adversely affect the value of the Mead-Adelanto Transmission Service Contract (LADWP) as security for the payment of the Bonds and the interest thereon; and (v) Bond Counsel must render an opinion that such sale, lease or other disposition will not adversely affect the Federal Tax Exemption (to the extent applicable).

Subject to the provisions of the Mead-Adelanto Transmission Service Contract (LADWP), the Department must also give written notice to the Authority and the Mead-Adelanto Coordinating Committee of its intention to sell, assign or otherwise dispose of all or any portion of the Department's rights to the available transmission capability, available electrical capability, or any other service from or use of the Mead-Adelanto Project facilities under the Mead-Adelanto Transmission Service Contract (LADWP), and no such sale, assignment or disposition shall be effective until such notice has been given and Bond Counsel must render an opinion that such sale, assignment or other disposition will not adversely affect the Federal Tax Exemption (to the extent applicable). The Department may, however, without giving such notice or obtaining such opinion, contract to provide service from or use of the Mead-Adelanto Project to which it is entitled under the Mead-Adelanto Transmission Service Contract (LADWP) in a transaction which complies with guidelines established by the Board of Directors and approved by Bond Counsel from time to time. No such sale, assignment, other disposition or contract may, however, release the Department from its obligations under its Mead-Adelanto Transmission Service Contract (LADWP).

### **Expiration Date of Transmission Service Contract**

The date of termination of the Mead-Adelanto Transmission Service Contract (LADWP) will be the later of the date the Authority's Joint Powers Agreement (including any extensions thereof) expires or the date on which all the Bonds and the interest thereon shall have paid in full or adequate provision for such payment has been made and the Bonds are no longer outstanding, subject to the provisions of the Mead-Adelanto Transmission Service Contract (LADWP) for earlier termination if all Bonds and interest thereon have been paid in full or adequate provision for such payment has been made and the Mead-Adelanto Transmission Service Contract (LADWP) has been superseded because either the Department has

become an owner of the Mead-Adelanto Project under the Mead-Adelanto Joint Ownership Agreement or has entered into replacement transmission service or other agreements with the Authority.

### **Transmission Service Contract Subject to Indenture of Trust, Project Agreements and Licenses**

The Department agrees that the Authority must comply with the requirements of the Indenture of Trust, the Project Agreements, and all licenses, permits and regulatory approvals relating to the Mead-Adelanto Project and therefore agree that the Mead-Adelanto Transmission Service Contract (LADWP) is made subject to the provisions of the Indenture of Trust, the Project Agreements, and all such licenses, permits and regulatory approvals relating to the Mead-Adelanto Project.

### **Amendment of Transmission Service Contract**

Until all Bonds and interest thereon have been paid or adequate provision for such payment has been made, the Mead-Adelanto Transmission Service Contract (LADWP) (except as specifically provided therein) shall not be terminated, amended, modified, supplemented or otherwise altered in any manner which will materially reduce the payments pledged as security for the Bonds or extend the time of such payments or which will in any manner impair or adversely affect the Federal Tax Exemption with respect to any Tax-Exempt Bonds or which will materially impair or materially adversely affect the rights of the holders of the Bonds.

## **SUMMARY OF CERTAIN PROVISIONS OF THE 1992 MEAD-ADELANTO TRANSMISSION SERVICE CONTRACTS (MEMBERS)**

The following is a summary of certain provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members), entered into between the Authority and each of the Department and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena and Riverside (for purposes of this summary of the 1992 Mead-Adelanto Transmission Service Contracts (Members), the “Authority Member-Participants”) relating to the Authority Interest (Members) in the Mead-Adelanto Project.

### **Purchase of Entire Capability**

Pursuant to each of the 1992 Mead-Adelanto Transmission Service Contracts (Members), the Authority provides to the respective Authority Member-Participant a party thereto a share of the available capability associated with the Authority Interest (Members) in the Mead-Adelanto Project (for purposes of this summary of the 1992 Mead-Adelanto Transmission Service Contracts (Members), the Authority Member-Participant’s “entitlement share.”). The Authority agrees to cause to be undertaken the planning, designing, acquiring, constructing, operating and maintaining of the Mead-Adelanto Project pursuant to the applicable Mead-Adelanto Project agreements (as defined in the 1992 Mead-Adelanto Transmission Service Contracts (Members), the “Project Agreements”) to effectuate the sale of the Authority Member-Participants’ entitlement share of the capability of the Authority Interest (Members) in the Mead-Adelanto Project.

### **Schedule of Authority Member-Participant Entitlement Shares**

The Authority Interest (Members) represents a 67.9167% ownership interest of the Authority in the Mead-Adelanto Project. The following table sets forth the entitlement shares of each of the Authority Member-Participants in the 67.9167% Authority Interest (Members) in the Mead-Adelanto Project.

## 1992 Mead-Adelanto Transmission Service Contracts (Members)

<u>Authority Member-Participant</u>	<u>Share</u>
Department of Water and Power of Los Angeles <sup>(1)</sup> .....	35.7055%
City of Anaheim .....	13.4969
City of Riverside .....	13.4969
City of Burbank .....	11.5337
City of Glendale.....	11.0430
City of Pasadena .....	8.5890
City of Colton .....	2.5767
City of Azusa .....	2.2086
City of Banning.....	1.3497
Total.....	<u>100.0000%</u>

<sup>(1)</sup> The Department's 35.7055% entitlement share in the Authority Interest (Members) is in addition to and distinct from the rights of the Department to use under the Mead-Adelanto Transmission Service Agreement (LADWP) of 100% of the project capability attributable to the Authority Interest (LADWP).

### Billings and Payments

The Authority will provide to each of the Authority Member-Participants by the fifth calendar day of each Month during each Transmission Service Year a Monthly Statement showing the amount of Transmission Service Costs to be paid by the Authority Member-Participant. The Monthly Statement will include the Authority Member-Participant's share of the aggregate Transmission Service Costs associated with the Authority Interest (Members), including costs and expenses paid or incurred by the Authority with respect to any judgment of the Authority Member-Participant against any Mead-Adelanto Owner (an "Owner" as defined in the Mead-Adelanto Joint Ownership Agreement), the Construction Manager or the Operation Manager in connection with electric service to the Authority Member-Participant caused by the operation or failure of operation of the Mead-Adelanto Project or any portion thereof. Transmission Service Costs consist of all costs of the Authority attributable to the Authority Interest (Members) and, to the extent not paid from the proceeds of bonds, notes or other evidences of indebtedness issued by the Authority to finance or refinance any costs of acquisition or construction of the Authority Interest (Members) in the Mead-Adelanto Project (as defined in the 1992 Mead-Adelanto Transmission Service Contracts (Members), "Bonds"), resulting from the ownership, operation and maintenance of, and renewals and replacements to, the Mead-Adelanto Project. Such costs with respect to any Month in the Transmission Service Year include, without limitation, (i) amounts required under any indenture of trust, bond resolution or similar instrument with respect to the financing of costs of acquisition and construction of the Authority Interest (Members) (as defined in the 1992 Mead-Adelanto Transmission Service Contracts (Members) and for purposes of this summary of the 1992 Mead-Adelanto Transmission Service Contracts (Members), an "Indenture of Trust") to be paid or deposited during such Month into funds or accounts established for debt service and for any reserve requirements for such Bonds; (ii) one-twelfth of the amount required under any Indenture of Trust to be paid or deposited during the Transmission Service Year into any other fund or account established by an Indenture of Trust to provide for the payment of principal or interest of such Bonds or any other financial obligation of the Authority with respect to the Mead-Adelanto Project, including any amounts required to make up a deficiency in any such fund whether or not resulting from a default in payments by any of the Authority Member-Participants under any 1992 Mead-Adelanto Transmission Service Contract (Members); (iii) one-twelfth of the amount required under an Indenture of Trust to be paid or deposited during the Transmission Service Year into any other fund or account established by an Indenture of Trust relating to the Authority Interest (Members) to provide for the payment of any shortfall in revenues to pay Monthly Costs, including any amounts required to make up a deficiency in any such fund whether or not resulting from a default in payment by any of the Authority Member-

Participants under any 1992 Mead-Adelanto Transmission Service Contract (Members); (iv) one-twelfth of the amount required for the payment of (a) Monthly Costs during such Transmission Service Year and (b) Authority Expenses (Members) during such Transmission Service Year; and (v) one-twelfth of the amount necessary during such Transmission Service Year to pay or provide reserves for all taxes required to be paid by the Authority to the extent not included in costs of acquisition and construction or Monthly Costs of the Authority Interest (Members). Each Authority Member-Participants is required to pay its Monthly Statement within twenty calendar days of its receipt.

**The 1992 Mead-Adelanto Transmission Service Contracts (Members) relating to the Authority Interest (Members) and the Bonds issued by the Authority to finance the costs thereof are separate and distinct from the Mead-Adelanto Transmission Service Contract (LADWP) relating to the Authority Interest (LADWP) and the 2026 Mead-Adelanto Bonds or other Mead-Adelanto Bonds issued under the Mead-Adelanto Indenture referred to elsewhere in this Official Statement. Payments made to the Authority by the Authority Member-Participants under the 1992 Mead-Adelanto Transmission Service Contracts (Members) relating to the Authority Interest (Members) do not constitute Revenues under the Mead-Adelanto Indenture relating to the Authority Interest (LADWP) and do not in any manner secure the 2026 Mead-Adelanto Bonds or any other Mead-Adelanto Bonds issued under the Mead-Adelanto Indenture relating to the Authority Interest (LADWP).**

### **Disputed Monthly Statement**

The Authority Member-Participants shall pay the full amount of their Monthly Statement notwithstanding any dispute regarding such amount. Upon determination of the correct amount, the difference, if any, between such correct amount and the amount so paid, plus interest at the lesser of the highest fixed legal rate (if one exists) or two percent above the Bank of America National Trust and Savings Association (or its successor in interest) then effective reference rate prorated on a daily basis on the amount of such difference, will be credited to the appropriate Authority Member-Participant. However, no such interest shall be due to the extent such overpayment is acknowledged and repaid to the applicable Authority Member-Participant by the Authority by the fifteenth day following receipt by the Authority of such disputed overpayment and written notification by the Authority Member-Participant of such dispute.

### **Annual Budget and Adjustment of Billing**

The Authority will prepare or cause to be prepared an annual budget for each Transmission Service Year, which will be the basis for billing Transmission Service Costs. Within 150 days after the end of each Transmission Service Year, the Authority will submit to each Authority Member-Participant a detailed statement of the actual aggregate Transmission Service Costs and other amounts payable under its 1992 Mead-Adelanto Transmission Service Contract (Members) including any credits thereto and any adjustments for any prior Transmission Service Year, based on the annual audit required by the 1992 Mead-Adelanto Transmission Service Contracts (Members). If for any Transmission Service Year the actual amount payable under a 1992 Mead-Adelanto Transmission Service Contract (Members) exceeds the amount which the Authority Member-Participant has been billed, the Authority Member-Participant will pay the amount of such excess to the trustee under the Indenture of Trust. If such amounts are less than the amounts billed, the Authority will credit the excess against the Authority Member-Participant's next Monthly Statement.

### **Periodic Reports**

The Authority will provide periodic reports regarding, among other things, the status of the annual budget and analysis of operations relating to the Mead-Adelanto Project.



## **Source of Payments**

Payment of billings under each 1992 Mead-Adelanto Transmission Service Contract (Members) is limited to revenues available to the respective Authority Member-Participant from its electric revenue funds and shall constitute a cost of transmission service and an operating expense of its electric utility system. Each Authority Member-Participants will annually include in its power system budget an appropriation from the revenues of its electric system sufficient to satisfy all payments required in such year under its 1992 Mead-Adelanto Transmission Service Contract (Members) until all payments required under the 1992 Mead-Adelanto Transmission Service Contract (Members) have been paid in full.

## **Rate Covenant**

Each Authority Member-Participant covenants to establish, maintain and collect rates and charges for electric service so as to provide sufficient revenues (together with available electric system reserves) to enable the Authority Member-Participant to pay all amounts payable when due under its 1992 Mead-Adelanto Transmission Service Contract (Members) and other amounts payable from (and all lawful charges against or liens on) revenues of its electric system.

## **Coordinating Committee Participation**

Each Authority Member-Participants is entitled to participate in the decisions of the Mead-Adelanto Coordinating Committee with respect to the Mead-Adelanto Project in accordance with the voting rights given to it under the Mead-Adelanto Joint Ownership Agreement.

## **Payment Obligation Unconditional**

Each Authority Member-Participant is unconditionally obligated to pay its Monthly Statement whether or not the Mead-Adelanto Project or any part thereof is operating or operable or its service is suspended, curtailed or terminated in whole or in part. Payments are not subject to reduction whether by offset or otherwise and are not conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## **Capability Entitlements**

All service with respect to the Authority Interest (Members) in the Mead-Adelanto Project will be scheduled in accordance with practices and procedures established pursuant to the applicable Project Agreements. Subject to the terms of the 1992 Mead-Adelanto Transmission Service Contracts (Members), each Authority Member-Participant is entitled to (i) schedule energy using Available Transmission Capability up to a rate of delivery equal to its entitlement share in the Mead-Adelanto Project multiplied by Available Transmission Capability and (ii) utilize Available Electrical Capability up to its entitlement share in the Mead-Adelanto Project multiplied by Available Transmission Capability.

## **Issuance of Bonds; Pledge of Payments**

The Authority was required to finance (i) the costs of acquisition and construction of the Authority Interest (Members) in the Mead-Adelanto Project following the execution and delivery of certain agreements relating to the Mead-Adelanto Project identified in the 1992 Mead-Adelanto Transmission Service Contracts (Members) and (ii) the costs of acquisition and construction of any Mead-Adelanto Capital Improvement or capital improvements under any Participation/Interconnection Agreement attributable to the Authority Interest (Members) to the extent that money is not available under an Indenture of Trust relating thereto. All or any portion of the payments by the Authority Member-Participants may be

pledged by the Authority to secure the payment of Bonds relating to the Authority Interest (Members), and interest thereon, subject to the application thereof to such purposes and on such terms as provided in the related Indenture of Trust. The Authority may assign to the trustee for such Bonds its rights to receive from the Authority Member-Participants all or any portion of the payments to be made by the Authority Member-Participants under the 1992 Mead-Adelanto Transmission Service Contracts (Members) and may direct the Authority Member-Participants to make all or any portion of such payments directly to such trustee.

**Bonds issued by the Authority to finance costs attributable to the acquisition and construction of the Authority Interest (Members) are separate and distinct from the 2026 Mead-Adelanto Bonds or other Mead-Adelanto Bonds referred to elsewhere in this Official Statement and issued by the Authority to finance costs of acquisition and operations of the Authority Interest (LADWP). Payments made to the Authority by the Authority Member-Participants under the 1992 Mead-Adelanto Transmission Service Contracts (Members) relating to the Authority Interest (Members) do not constitute Revenues under the Mead-Adelanto Indenture relating to the Authority Interest (LADWP) and do not in any manner secure the 2026 Mead-Adelanto Bonds or any other Mead-Adelanto Bonds issued under the Mead-Adelanto Indenture relating to the Authority Interest (LADWP).**

### **Adjustment of Transmission Service Costs**

In the event the proceeds from the sale of any Bonds relating to the Authority Interest (Members) exceed the aggregate required for the purposes for which such Bonds were issued, the amount of any such excess will be used to make up any deficiency existing in any funds or accounts under the related Indenture of Trust for such Bonds in the manner provided therein. Any balance may be used by the Authority to retire the related Bonds by purchase or redemption in advance of maturity, and the Transmission Service Costs of each of the Authority Member-Participants under the 1992 Mead-Adelanto Transmission Service Contracts (Members) will be reduced accordingly.

### **Refunding Bonds**

If the Authority's Board of Directors determines that Transmission Service Costs under the 1992 Mead-Adelanto Transmission Service Contracts (Members) would be reduced by the refunding of any of the Bonds issued to finance costs of acquisition and construction of the Authority Interest (Members) or that it would be otherwise advantageous to refund any such Bonds, the Authority will issue and sell refunding Bonds.

### **Federal Tax Exemption**

Each Authority Member-Participant commits under its 1992 Mead-Adelanto Transmission Service Contract (Members) that it will not adversely affect the exclusion from federal gross income (to the extent applicable) of interest paid or to be paid on any bonds, notes or other evidences of indebtedness issued by any Mead-Adelanto Owner with respect to the Mead-Adelanto Project.

### **Default and Remedies**

In the event of a failure by an Authority Member-Participant to make a payment when due under its 1992 Mead-Adelanto Transmission Service Contract (Members), which failure continues for 30 or more calendar days subsequent to notice thereof (a "Payment Default"), the Authority may (i) if such Payment Default is continuing and upon 30 days' advance notice, discontinue such Authority Member-Participant's use of Mead-Adelanto Project facilities during the continuation of such Payment Default, without reduction of the obligation of the defaulting Authority Member-Participant to make payments when due under its

1992 Mead-Adelanto Transmission Service Contract (Members) (except to the extent of the transfer or disposal of the defaulting Authority Member-Participant's rights as described in "Transfer of Defaulting Authority Member-Participant's Rights Following Default" below), (ii) bring suit to enforce the obligations which gave rise to the Payment Default, and/or (iii) take any action permitted by law to enforce the Authority's rights or recover damages with respect to such Payment Default under such 1992 Mead-Adelanto Transmission Service Contract (Members). In the event of a failure of an Authority Member-Participant to fulfill any obligation under its 1992 Mead-Adelanto Transmission Service Contract (Members) other than to make a payment when due (a "Performance Default"), the Authority may (i) bring suit to enforce against the defaulting Authority Member-Participant any obligation which gave rise to such Performance Default and/or (ii) take any action permitted by law to enforce the rights of the Authority under the 1992 Mead-Adelanto Transmission Service Contract (Members) or to recover damages with respect to such Performance Default.

### **Transfer of Defaulting Authority Member-Participant's Rights Following Default**

In the event of a Payment Default and a discontinuation of an Authority Member-Participant's use of the Mead-Adelanto Project, the Authority will offer for transfer or temporary use on a pro rata basis to each requesting non-defaulting Authority Member-Participant the defaulting Authority Member-Participant's rights in the Authority Interest (Members) under its 1992 Mead-Adelanto Transmission Service Contract (Members) and each requesting Authority Member-Participant will assume the defaulting Authority Member-Participant's obligations with respect to such rights so transferred or temporarily used. Any such rights not so transferred or temporarily used will, to the extent possible, be offered on the best terms readily available first to other Mead-Adelanto Owners and then to third parties, provided such transfer or temporary use would not in the opinion of Bond Counsel adversely affect the Federal Tax Exemption (to the extent applicable). The payment obligation of the defaulting Authority Member-Participant, including the costs to the Authority related to such default, transfer and sale, will be reduced to the extent the payments are received through transfer and/or temporary use.

### **Effect on Other Authority Member-Participants of Payment Default**

To the extent that the amount to be paid by a defaulting Authority Member-Participant is not offset by revenues from the transfer or temporary use of such defaulting Authority Member-Participant's rights in the Authority Interest (Members), a Payment Default may result in deficits in funds or accounts under the an Indenture of Trust related to Bonds issued to finance costs of acquisition and construction of the Authority Interest (Members). In such event, the Authority would be required to amend the annual budget to provide increases in Transmission Service Costs in subsequent Monthly Statements to all Authority Member-Participants, including the defaulting Authority Member-Participant, equal to the amount of such deficiency. Such increases are not conditioned upon any transfer of the defaulting Authority Member-Participant's rights and interests in the Authority Interest (Members) to the other Authority Member-Participants. Amounts thereafter collected from such defaulting Authority Member-Participant shall be credited against the next billing for the Authority Interest (Members) of such other Authority Member-Participants as appropriate. In the event, however, of a termination of the Authority Interest (Members) in the Mead-Adelanto Project and a resultant default by the Authority under a related Indenture of Trust, each Authority Member-Participant would be severally obligated to pay only its respective entitlement share of the debt service on the related Bonds issued to finance costs of acquisition and construction of the Authority Interest (Members) (including fees and expenses of the applicable trustee and any paying agent) and other fixed costs.

## **Curtailment of Service**

Curtailment of service is permitted for certain planned outages and Operating Emergencies in proportion to the respective entitlement shares of the Authority Member-Participants in the Authority Interest (Members). No such curtailment relieves the Authority Member-Participant of its obligation to make payments under its 1992 Mead-Adelanto Transmission Service Contract (Members).

## **Obligations Several**

Each Authority Member-Participant is solely responsible and liable for its performance under its 1992 Mead-Adelanto Transmission Service Contract (Members) and the obligation to make payments thereunder is a several obligation and not a joint obligation with any other Authority Member-Participants.

## **Liability**

Subject to the 1992 Mead-Adelanto Transmission Service Contracts (Members), each Authority Member-Participant extends to the Authority and each other Authority Member-Participant its covenant not to execute on any judgment obtained by it against any of them for loss or damages suffered by such Authority Member-Participant regarding the design, construction, operation, maintenance or ownership of the Mead-Adelanto Project, except for any judgment (i) collectible from valid Mead-Adelanto Project or other insurance, (ii) based on a failure by any Authority Member-Participant to make payments when due under any 1992 Mead-Adelanto Transmission Service Contract (Members), or (iii) for liability of any Authority Member-Participant for loss or damages suffered by anyone other than a Authority Member-Participant to the extent such liability results from an act or failure to act regarding the design, construction, operation, maintenance or ownership of the Mead-Adelanto Project. The exception set forth in clause (iii) above is subject to each Authority Member-Participant's assumption of all liability for any claim, action or judgment arising out of or in connection with electric service to any of its customers caused by the operation or failure of operation of the Mead-Adelanto Project or any portion thereof and the Authority Member-Participant's obligation to indemnify and hold harmless each other Authority Member-Participant and the Authority from any such claim, action or judgment.

## **Restrictions on Disposition of Authority Member-Participant's Entire System or Authority Member-Participant's Rights**

An Authority Member-Participant must give notice to the Authority and the Mead-Adelanto Coordinating Committee of its intention to sell, lease or otherwise dispose of all or substantially all of its electric utility system and must meet the following conditions: (i) the Authority Member-Participant must assign and the new entity must assume and agree fully to perform and discharge all obligations of the Authority Member-Participant under its 1992 Mead-Adelanto Transmission Service Contract (Members); (ii) the senior debt of the new entity must be rated "A" or higher by at least one nationally-recognized credit rating agency; (iii) an independent engineer or engineering firm selected by the Authority must deliver an opinion that the new entity is reasonably able to charge and collect rates and charges for the electric service of its electric system as required to meet its obligations under the 1992 Mead-Adelanto Transmission Service Contract (Members); (iv) the Board of Directors must determine that such sale, lease or other disposition will not adversely affect the value of the 1992 Mead-Adelanto Transmission Service Contract (Members) as security for the payment of the Bonds issued to finance costs of acquisition and construction of the Authority Interest (Members) and the interest thereon; and (v) Bond Counsel must render an opinion that such sale, lease or other disposition will not adversely affect the Federal Tax Exemption (to the extent applicable).

Subject to the provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members), an Authority Member-Participant must also give written notice to the Authority and the Mead-Adelanto Coordinating Committee of its intention to sell, assign or otherwise dispose of all or any portion of the Authority Member-Participant's entitlement share in the Authority Interest (Members) or the Authority Member-Participant's rights to service from or use of the Mead-Adelanto Project facilities under the 1992 Mead-Adelanto Transmission Service Contracts (Members) and Bond Counsel must render an opinion that such sale, assignment or other disposition will not adversely affect the Federal Tax Exemption (to the extent applicable). The Authority Member-Participants may, however, without giving such notice or obtaining such opinion, contract to provide service from or use of the Mead-Adelanto Project to which it is entitled under its 1992 Mead-Adelanto Transmission Service Contract (Members) (a) to any entity which is a governmental unit within the meaning of Section 141(b)(7) of the Internal Revenue Code of 1986, as amended, or (b) in a transaction which complies with guidelines established by the Board of Directors and approved by Bond Counsel from time to time. No such sale, assignment, other disposition or contract may, however, release the Authority Member-Participant from its obligations under its 1992 Mead-Adelanto Transmission Service Contract (Members).

### **Expiration Date of Transmission Service Contracts**

The date of termination of the 1992 Mead-Adelanto Transmission Service Contracts (Members) will be October 31, 2030 or such later date as all the Bonds issued to finance costs of acquisition and construction of the Authority Interest (Members) and the interest thereon shall have paid in full or adequate provision for such payment has been made, subject to the provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members) for earlier termination if all such Bonds and interest thereon have been paid in full or adequate provision for such payment has been made and the Authority has notified the Authority Member-Participants that the 1992 Mead-Adelanto Transmission Service Contracts (Members) have been superseded because either all Authority Member-Participants have become owners of the Mead-Adelanto Project under the Mead-Adelanto Joint Ownership Agreement or have entered into replacement transmission service or other agreements with the Authority.

### **Transmission Service Contracts Subject to related Indenture of Trusts, Project Agreements and Licenses**

The parties to the 1992 Mead-Adelanto Transmission Service Contracts (Members) agree that the Authority must comply with the requirements of any Indenture of Trust relating to Bonds issued to finance the costs of acquisition and construction of the Authority Interest (Members), the Project Agreements, and all licenses, permits and regulatory approvals relating to the Mead-Adelanto Project and therefore agree that the 1992 Mead-Adelanto Transmission Service Contracts (Members) are made subject to the provisions of any such Indenture of Trust, the Project Agreements, and all such licenses, permits and regulatory approvals relating to the Mead-Adelanto Project.

### **Amendment of Transmission Service Contracts**

Until all Bonds issued to finance the costs of acquisition and construction of the Authority Interest (Members) and interest thereon have been paid or adequate provision for such payment has been made, the 1992 Mead-Adelanto Transmission Service Contracts (Members) (except as specifically provided therein) shall not be amended, modified, supplemented or otherwise altered in any manner which will reduce the payments pledged as security for such Bonds or extend the time of such payments or will adversely affect the Federal Tax Exemption (to the extent applicable) or the rights of the holders of such Bonds.

## **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-ADELANTO TRANSMISSION SERVICE CONTRACT (WESTERN)**

The following is a summary of certain provisions of the Mead-Adelanto Transmission Service Contract (Western), entered into between the Authority and Western, relating to the Authority Interest (Western) in the Mead-Adelanto Project.

### **The Agreement**

The Authority and Western have entered into a Transmission Service Contract (Western) pursuant to which the Authority will provide or cause to be provided to Western and Western will purchase from the Authority the entire capability of the Mead-Adelanto Project attributable to the Authority Interest (Western). The Authority agreed to cause to be undertaken the planning, designing, acquiring, constructing, operating and maintaining of the Mead-Adelanto Project attributable to the Authority Interest (Western) to effectuate the sale of capability of the Mead-Adelanto Project attributable to the Authority Interest (Western) to Western. The obligation of Western to make payments under the Mead-Adelanto Transmission Service Contract (Western) is subject to the United States Congress making the necessary appropriation for such payments. Western commits to taking all steps available to it to include in the budget presented to Congress each fiscal year an appropriation for moneys due under the Mead-Adelanto Transmission Service Contract (Western).

**Payments made to the Authority by Western under the Mead-Adelanto Transmission Service Contract (Western) relating to the Authority Interest (Western) do not constitute Revenues under the Mead-Adelanto Indenture and do not in any manner secure the 2026 Mead-Adelanto Bonds or any other Mead-Adelanto Bonds issued under the Mead-Adelanto Indenture relating to the Authority Interest (LADWP).**

## **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-ADELANTO JOINT OWNERSHIP AGREEMENT**

The following is a summary of certain provisions of the Mead-Adelanto Joint Ownership Agreement, dated as of August 4, 1992 (as amended and supplemented from time to time, the “Mead-Adelanto Joint Ownership Agreement”), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official Statement) and M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement).

### **Ownership**

Subject to the provisions of the Mead-Adelanto Joint Ownership Agreement, each of the entities identified therein as owning an undivided interest as a tenant-in-common in the Mead-Adelanto Project (as more specifically defined in the Mead-Adelanto Joint Ownership Agreement, the “Owners”) accepts, acquires and owns its Interest in the Mead-Adelanto Project (the percentage undivided ownership interest of each such Owner, its “Interest” as defined in the Mead-Adelanto Joint Ownership Agreement). Since the acquisition of the Interest theretofore owned by M-S-R PPA in the Mead-Adelanto Project pursuant to the Purchase and Sale Agreement, the Authority owns the following separate ownership interests: the Authority Interest (LADWP), the Authority Interest (Members) and the Authority Interest (Western), and is a separate Owner with respect to each such Interest.

## **Use of Line**

Each Owner is entitled to use, schedule energy over and sell to others, Available Transmission Capability arising from its Interest.

## **Project Coordinating Committee**

The Project Coordinating Committee is the oversight committee for the Mead-Adelanto Project. The Coordinating Committee is comprised of a representative from each of the Authority Interest (Members), one non-voting representative from the Authority, and one representative of each of the other Owners in the Mead-Adelanto Project (for purposes of this summary of the Mead-Adelanto Joint Ownership Agreement, each of such represented voting parties is referred to herein as a “Mead-Adelanto Project Participant”). Each matter is approved or disapproved upon an affirmative vote of not less than 82.5% of the votes entitled to be cast on the matter. An affirmative vote of 100% of the votes entitled to be cast is required for certain matters (*i.e.*, billing of non-defaulting Owners for certain amounts owed by a defaulting Owner and approval of sale and leaseback transactions). The affirmative vote of the representative of the Mead-Adelanto Project Participant that is the Operation Manager is required unless such representative is expressly precluded from voting by the provisions of any Transmission Line Agreement. Project Coordinating Committee voting percentages are equal to the percentage of Available Transmission Capability each Mead-Adelanto Project Participant is entitled to schedule as set forth in the Mead-Adelanto Joint Ownership Agreement (for purposes of this summary of the Mead-Adelanto Joint Ownership Agreement, a “Project Participant Share” as defined in the Mead-Adelanto Joint Ownership Agreement). The powers and duties of the Project Coordinating Committee are set forth in the Mead-Adelanto Joint Ownership Agreement.

## **Engineering and Operations Committee**

The Engineering and Operations Committee has responsibility for reviewing the practices and procedures of the Operation Manager and maintenance outages schedules, as well as other powers and duties as set forth in the Mead-Adelanto Joint Ownership Agreement. Representation and voting on the Engineering and Operations Committee is similar to representation and voting on the Project Coordinating Committee.

## **Operation of Project**

Operation and maintenance of the Transmission Line is the responsibility of the Operation Manager in accordance with the Transmission Line Agreements. The Mead-Adelanto Project Participants are entitled (in the aggregate) to 100% of the Available Transmission Capability. Operating Costs are allocated to each Owner in accordance with its ownership Interest.

## **Capital Improvements**

Capital Improvement Construction Costs will be included with the annual budget for Operating Work. However, the Project Coordinating Committee or the Engineering and Operations Committee may authorize additional Capital Improvements at any time, notwithstanding that the related Capital Improvement Construction Costs were not previously included with the annual budget for Operating Work. The Capital Improvement Construction Costs incurred for such Capital Improvements will be allocated to each Owner in accordance with its ownership Interest. The Operation Manager will be responsible for planning, designing, acquiring, constructing, installing and equipping all Capital Improvements, and for accounting for and allocating Capital Improvement Construction Costs.

## **Upgrade or Enhancement of the Transmission Line**

The Transmission Line may be upgraded or enhanced in accordance with the applicable provisions of the Operation Agreement. See “Summary of Certain Provisions of the Mead-Adelanto Operation Agreement – Increasing the Available Transmission Capability of the Transmission Line” below.

## **Damage or Destruction**

If any useful portion of the Transmission Line is damaged or destroyed, the Operation Manager will notify the Mead-Adelanto Project Participants and the Authority and repair, reconstruct or replace such damaged or destroyed facilities, unless determined otherwise by the Project Coordinating Committee. The proceeds of any insurance paid on account of such damage or destruction (other than any business interruption loss insurance) will be made available by the Owners for the cost of such repair, reconstruction or replacement. If insurance proceeds are insufficient, the deficiency will be allocated to each Owner in accordance with its ownership Interest.

## **Defaults**

In the event of any failure by an Owner to make a payment when due under any Project Agreement (for purposes of this summary, as defined in the Mead-Adelanto Joint Ownership Agreement, a “Project Agreement”), which failure has continued for 30 days or more subsequent to notice thereof having been transmitted to such Owner (a “Payment Default”), the defaulting Owner’s use of the Mead-Adelanto Project may be discontinued upon notice. However, the obligation of the defaulting Owner to make payments when due under the Project Agreements continues. During such discontinuance, each non-defaulting Owner is entitled to use a pro rata share of the defaulting Owner’s right to schedule energy. If the Payment Default continues for 14 months or more, the defaulting Owner’s rights may be sold, transferred or disposed of, on commercially reasonable terms, first to non-defaulting Owners and then to third parties.

In the event an Owner fails to make payment of a Funds Request, the non-defaulting Owners are obligated to pay the amount of the default in proportion to their ownership Interests. This obligation is limited to no more than 15 Funds Requests of the defaulting Owner for Operating Costs. The defaulting Owner’s cure of all previous failures to pay Funds Requests or the unanimous consent of the Project Coordinating Committee is necessary to require the non-defaulting Owners to pay additional Funds Requests.

A Payment Default by Western under its Mead-Adelanto Transmission Service Contract (Western) is considered a Payment Default under the Mead-Adelanto Joint Ownership Agreement by the Authority attributable solely to its Authority Interest (Western). The Authority is released by the Owners from any financial liability regarding Western’s failure to make its payments except for the obligation of non-defaulting Owners to pay their pro rata portion of the amount of a default in the payment of a Funds Request.

In the event of a Payment Default or a Performance Default (*i.e.*, any failure by an Owner to comply with, carry out or discharge any covenant, duty or obligation under any Project Agreement other than a failure by an Owner to make a payment when due), the Operation Manager may bring any suit, action or proceeding at law or in equity necessary or appropriate to enforce against such defaulting Owner any covenant, duty or obligation or take any action permitted by law to enforce the rights of the non-defaulting Owners under any Project Agreement or to recover damages with respect to such Payment Default or Performance Default.



## **Liability**

Each Owner extends to each other Owner its covenant not to execute on any judgment obtained by it against any other Owner for loss or damages regarding the design, construction, operation, maintenance or ownership of the Mead-Adelanto Project. The covenant not to execute does not extend to judgments collectible from insurance; judgments up to \$500,000 for Willful Action by an Owner or its agents while acting in the capacity of the Operation Manager or an Owner or its agents; judgments for the failure by an Owner to make payments under any Project Agreement; or judgments for liability of any Owner for loss or damages suffered by anyone other than an Owner as a result of the Mead-Adelanto Project. Each Owner assumes all liability for any claim or judgment arising out of or in connection with electric service to any of its customers, and the customers of its customers, caused by the Mead-Adelanto Project and indemnifies and holds harmless each other Owner and the Operation Manager from any such claim or judgment. Western covenants in its Mead-Adelanto Transmission Service Contract (Western) not to execute on any judgment against any Owner with respect to liability arising out of or in connection with electric service to Western caused by the Mead-Adelanto Project. The Authority will pay, to the extent of moneys made available therefor under such Mead-Adelanto Transmission Service Contract (Western), any judgment of a customer of Western against any Owner arising out of or in connection with electric service to such customer caused by the Mead-Adelanto Project. "Customer of Western" is defined as any customer receiving energy from Western for other than resale purposes.

## **Mortgage, Transfer, Sale and Leaseback of Ownership Interests**

An Owner may mortgage, create or provide for a security interest in or convey in trust all or a part of its ownership Interest to a trustee under a deed of trust, mortgage, or indenture, or to a secured party under a security agreement as security for its present or future bonds, and to any successors and assigns thereof.

Subject to the provisions of the Mead-Adelanto Joint Ownership Agreement, an Owner may sell and leaseback its Interest, under a net lease having a primary term of not less than seven years, to a trustee under a grantor trust, and to any successors and assigns thereof. The Project Coordinating Committee must approve such sale and leaseback transaction by a unanimous vote. Moreover, the lessee Owner's entire Interest must be sold and leased back, and for the purpose of the Mead-Adelanto Joint Ownership Agreement, the lessee Owner remains the sole "Owner," and upon expiration of the lease, the lessee Owner's Interest must revert to the lessee Owner.

## **Relationship of Owners**

The covenants, obligations and liabilities of the Owners are intended to be several and not joint or collective and, except as expressly provided in the Mead-Adelanto Joint Ownership Agreement, nothing contained therein will ever be construed to create an association, joint venture, trust or partnership. Each Owner is responsible for its own covenants, obligations and liabilities as provided in the Mead-Adelanto Joint Ownership Agreement.

## **Limited Sources of Payments**

Sources of payment of obligations under the Project Agreements are limited to certain sources of revenue with respect to ownership Interests. Nevertheless, the unavailability of funds does not excuse any Payment Default or release any Owner from the provisions regarding defaults.

## Project Participants' Shares and Owners' Interests

The Mead-Adelanto Project Participants' Shares and the Owners' Interests are as follows:

Entity	Participant Share	Owner Interest
City of Anaheim	9.1666%	0.0000%
City of Azusa	1.5000	0.0000
City of Banning	0.9167	0.0000
City of Burbank	7.8334	0.0000
City of Colton	1.7500	0.0000
City of Glendale	7.5000	0.0000
Department of Water and Power of Los Angeles <sup>(1)</sup>	41.7500	0.0000
City of Pasadena	5.8334	0.0000
City of Riverside	9.1666	0.0000
StarTrans IO, LLC <sup>(2)</sup>	6.2500	6.2500
Western	8.3333	0.0000
Authority (LADWP)	0.0000	17.5000
Authority (Members)	0.0000	67.9167
Authority (Western)	0.0000	8.3333
Total	100.0000%	100.0000%

<sup>(1)</sup> Includes the Department's entitlement share in the Authority Interest (Members) under its 1992 Mead-Adelanto Transmission Service Contract (Members) and its entitlement to the Authority Interest (LADWP) acquired by the Authority from M-S-R PPA as described herein.

<sup>(2)</sup> Share transferred from Vernon as described herein.

## SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-ADELANTO OPERATION AGREEMENT

The following is a summary of certain provisions of the Operation Agreement relating to the Mead-Adelanto Project, dated as of August 4, 1992 (as amended and supplemented from time to time, the "Mead-Adelanto Operation Agreement"), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official Statement), M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement) and the Department.

### Appointment of Operation Manager

The Department was appointed by the Owners (as defined in the "Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement" above) as Operation Manager (the "Operation Manager") and directed to carry out all the duties of the Operation Manager, including Operating Work. The Operation Manager will undertake such Operating Work according to Prudent Utility Practice.

### Unused Available Transmission Capability

Unused Available Transmission Capability shall not be used by another Mead-Adelanto Project Participant (as defined in the "Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement" above), the Operation Manager or a third party unless there is prior agreement between the Mead-Adelanto Project Participant(s) with unused Available Transmission Capability and the entity which desires to use such unused Available Transmission Capability. The Operation Manager must produce

records reflecting the hourly total Available Transmission Capability and the Project Participant Share (as defined in the “Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement” above) of each Mead-Adelanto Project Participant and the total use thereof during any Month of the twelve Months preceding the request date upon the request of a Mead-Adelanto Project Participant.

### **Transmission Losses**

Transmission losses are deemed to be 1.6% of the net energy scheduled by the Mead-Adelanto Project Participants. The Operation Manager will be compensated for transmission losses by accepting at the point of delivery the amount of energy scheduled at the point of receipt minus the amount of transmission losses occurring between the point of receipt and the point of delivery.

### **Operating Contracts**

All Operating Contracts will be negotiated by the Operation Manager. Operating Contracts exclusively related to the Transmission Line will be negotiated and arranged for pursuant to applicable contracting procedures of the Authority. Operating Contracts will be executed by the Authority in the name of the Owners except when the contract is not exclusively related to the Transmission Line. Major Contracts will be subject to review and approval or disapproval of the Project Coordinating Committee.

### **Mitigation Monitoring Program**

Unless otherwise determined by the Project Coordinating Committee, a mitigation monitoring program will be developed and implemented by the Operation Manager if required by the California Environmental Quality Act.

### **Operating Costs**

Operating Costs will be allocated among the Owners on the basis of ownership Interest (as defined in the “Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement” above). The Operation Manager will prepare and transmit to each Owner on or before the 20th calendar day of each Month a Funds Request specifying the amount of Operating Costs estimated to be due and payable on or before the last calendar day of the next succeeding Month. A copy of the Funds Request with respect to Authority Interest (Western) will be transmitted to Western at the same time and in the same manner as the original Funds Request to the Authority. Each Owner will pay the amount of its Funds Request to the bank or trust company at the time serving as fiscal agent under the Mead-Adelanto Fiscal Agency Agreement (the “Fiscal Agent”) by the tenth calendar day of the Month immediately succeeding the Month the Funds Request was transmitted to the Owner. The Operation Manager will provide to the Fiscal Agent a copy of the Funds Request accompanied by the relevant Payment Request at least five business days prior to the first day payment is due under such Payment Request. Similar provisions are applicable to the billing and payment of the Operation Manager’s Cost for Operating Work, except that the Operation Manager is not obligated to provide the Fiscal Agent with a copy of the Funds Request and the related Payment Request until five days prior to the first day payment is due and the Fiscal Agent will not pay the Payment Request therefor prior to the fifteenth day of such Month.

### **Capital Improvements**

Mead-Adelanto Capital Improvements required by law will be reviewed by, but not be subject to the approval of, the Project Coordinating Committee or the Engineering and Operations Committee. Facilities which do not increase Available Transmission Capability require approval of the Engineering and Operations Committee if estimated to cost less than \$1 million, and the Project Coordinating Committee if

estimated to cost more than \$1 million. Facilities which increase Available Transmission Capability may be undertaken if (i) determined to be feasible, (ii) agreed to by all Mead-Adelanto Project Participants and the Authority, (iii) determined not to adversely affect the interests of the holders of bonds, notes or other evidences of indebtedness issued by the Authority or another Owner to finance or refinance its capital costs with respect to its Interest (for purposes of this summary of the Mead-Adelanto Operation Agreement, "Bonds") and (iv) determined not to adversely affect the Federal Tax Exemption (to the extent applicable). Capital Improvement Construction Costs will be allocated among the Owners on the basis of ownership Interest. If the Project Coordinating Committee determines not to undertake an increase as a Mead-Adelanto Capital Improvement, one or more Mead-Adelanto Project Participants may undertake such increase at their own cost. Billing and payment of Capital Improvement Construction Costs are similar to the billing and payment of Operating Costs.

### **Increasing the Available Transmission Capability of the Transmission Line**

Facilities which increase the Available Transmission Capability of the Mead-Adelanto Project shall be considered and approved or disapproved in accordance with the following provisions:

(i) Upon the request of any Mead-Adelanto Project Participant, the Project Coordinating Committee shall consider increasing the Available Transmission Capability of the Transmission Line. As a part of such consideration, the Project Coordinating Committee shall, unless otherwise determined by the Project Coordinating Committee, institute a feasibility study undertaken in accordance with criteria established by the Project Coordinating Committee to make recommendations as to the feasibility for various levels of increase. Such study shall be conducted by an independent engineer or firm of engineers (unless otherwise determined by the Project Coordinating Committee), shall be at the expense of the requesting Mead-Adelanto Project Participant and shall be submitted to the Project Coordinating Committee upon completion. If such study recommendations show that such increase is feasible, the Project Coordinating Committee shall establish the arrangements for such increase and offer to each Mead-Adelanto Project Participant the right to participate in such increase in proportion to its Project Participant Share. Each Mead-Adelanto Project Participant electing to so participate shall reimburse the Mead-Adelanto Project Participants requesting the study for its proportionate share of the cost of such study.

(ii) If the arrangements established by the Project Coordinating Committee for such increase are agreed to by all Mead-Adelanto Project Participants and the Authority, do not adversely affect the interests of the holders of Bonds and do not adversely affect the Federal Tax Exemption, such increase shall be determined by the Project Coordinating Committee to be, and shall be undertaken as, a Mead-Adelanto Capital Improvement.

(iii) In the event that a request is made as described in paragraph (i) above and such increase in capability is not determined by the Project Coordinating Committee to be, or is not undertaken as, a Mead-Adelanto Capital Improvement in accordance with paragraph (ii) above, each requesting Mead-Adelanto Project Participant may, alone or in combination with other requesting Mead-Adelanto Project Participants, undertake at its or their own cost the construction and acquisition of facilities to so increase the capability of the Transmission Line and shall be entitled to such increased capability, provided that the Project Coordinating Committee determines, which determination shall not be unreasonably withheld, that the arrangements therefor (1) do not adversely affect the interests of the holders of Bonds, (2) do not adversely affect the Federal Tax Exemption, (3) do not have an adverse impact on the operation or maintenance of the Transmission Line or the systems of the non-requesting Mead-Adelanto Project Participants and (4) do not create any financial liability on the Authority or any Mead-Adelanto Project Participant which does not agree to participate in the increased capability. Such facilities to so increase the capability of the Transmission Line shall be constructed by the Operation Manager upon terms and conditions to be agreed upon by such undertaking Mead-Adelanto Project Participants and the Operation Manager.

## **Operating Emergencies**

Operating Emergencies will be terminated by the Operation Manager in accordance with Prudent Utility Practice and procedures approved by the Engineering and Operations Committee. The Operation Manager will advise (i) the Mead-Adelanto Project Participants of an Operating Emergency, (ii) protect the health and safety of employees and the public and (iii) submit to the Project Coordinating Committee the following information when costs required to terminate an Operating Emergency are estimated to exceed \$1 million (or such other amount as determined by the Project Coordinating Committee): (a) the estimated date the Operating Emergency will be terminated; (b) recommendations regarding Operating Work required to terminate the Operating Emergency; and (c) a determination of the various costs of the Operating Emergency. Costs of terminating an Operating Emergency will be apportioned on the basis of the Mead-Adelanto Joint Ownership Agreement and ownership Interests.

## **Liability**

Each Owner extends to the Operation Manager and the Operation Manager extends to each Owner its covenant not to execute on any judgment obtained against the other for loss or damages suffered by it with respect to the design, construction, operation, maintenance or ownership of the Mead-Adelanto Project. The covenant not to execute does not extend to judgments collectible from insurance, judgments up to \$500,000 for Willful Action of the Operation Manager or its agents or an Owner or its agents (such \$500,000 constituting an aggregate amount in combination with any judgment rendered against the Owner acting as Operation Manager), judgments for failure by any Owner to make payments when due under any Project Agreement (as defined in the Mead-Adelanto Operation Agreement, a "Project Agreement"), or judgments for liability of any Owner or the Operation Manager for loss suffered by anyone other than an Owner or the Operation Manager with respect to the design, construction, operation, maintenance or ownership of the Mead-Adelanto Project. Each Owner and the Operation Manager assumes all liability for any claim or judgment arising out of or in connection with electric service to any of its customers (and the customers of its customers) caused by the Mead-Adelanto Project and indemnifies and holds harmless each other Owner and the Construction Manager from any such claim or judgment. For purposes of the Mead-Adelanto Operation Agreement, Authority Member-Participants (as defined in the "Summary of Certain Provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members)" above) are customers of the Authority. Western covenants in its Mead-Adelanto Transmission Service Contract (Western) not to execute on any judgment against any Owner or the Operation Manager with respect to liability arising out of or in connection with electric service to Western caused by the Mead-Adelanto Project or any portion thereof. The Authority will pay, to the extent of moneys made available therefor under such Mead-Adelanto Transmission Service Contract (Western), any judgment of a customer of Western against any Owner or the Operation Manager arising out of or in connection with electric service to such customer caused by the Mead-Adelanto Project or any portion thereof. For purposes of the Mead-Adelanto Operation Agreement, customer of Western means any customer receiving energy from Western for other than resale purposes.

## **Insurance**

During Operating Work, the Operation Manager will obtain and maintain (i) insurance from such causes as are customarily insured against and in such relative amounts as are usually obtained for facilities similar to the Transmission Line and (ii) insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those with rights and interests similar to the Owners and the Mead-Adelanto Project Participants.

## **Removal/Resignation of Operation Manager**

The Operation Manager cannot resign and cannot be removed by the Owners under the Mead-Adelanto Operation Agreement.

## **Limited Sources of Payments**

Sources of payment of obligations under the Project Agreements are limited to certain sources of revenue of the ownership Interests. Nevertheless, the unavailability of funds from such limited sources will not excuse any Payment Default or release any Owner from the provisions regarding default under the Project Agreements.

## **Termination of the Mead-Adelanto Operation Agreement**

The termination of the Mead-Adelanto Operation Agreement occurs on the date of termination of the Mead-Adelanto Joint Ownership Agreement, except for those duties and obligations under the Mead-Adelanto Joint Ownership Agreement or the Mead-Adelanto Operation Agreement not fully discharged or completed as of such date.

### **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-ADELANTO FISCAL AGENCY AGREEMENT**

The following is a summary of certain provisions of the Fiscal Agency Agreement relating to the Mead-Adelanto Project, dated as of August 4, 1992 (as amended and supplemented from time to time, the “Mead-Adelanto Fiscal Agency Agreement”), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official Statement), M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement) and the Fiscal Agent (as defined in the “Summary of Certain Provisions of the Mead-Adelanto Operation Agreement” above).

The Fiscal Agent is required to be a commercial bank or trust company or national banking association doing business and having its principal office in New York, New York, Chicago, Illinois, Los Angeles, California, San Francisco, California or Phoenix, Arizona, and having capital stock and surplus aggregating at least \$50 million. The Mead-Adelanto Fiscal Agency Agreement establishes a Construction Account, an Operation Account and a Capital Improvement Account for each ownership Interest (as defined in the “Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement” above) and each of the Accounts are maintained by the Fiscal Agent. Disbursements from any Owner’s (as defined in the “Summary of Certain Provisions of the Mead-Adelanto Joint Ownership Agreement” above) Construction Account, Operation Account, or Capital Improvement Account requires the filing of a copy of the Funds Request accompanied by the corresponding Payment Request. Moneys held by the Fiscal Agent in any account under the Mead-Adelanto Fiscal Agency Agreement shall be invested (i) in taxable government money market portfolios restricted to obligations maturing one year or less issued by, or guaranteed as to payment by, the United States or (ii) as parties to the Mead-Adelanto Fiscal Agency Agreement may agree. The Fiscal Agent may resign at any time by giving notice to the other Parties and may be removed by the Owners with the approval of the Project Coordinating Committee with respect to the Mead-Adelanto Project. No removal or resignation of the Fiscal Agent will be effective until the appointment of, and acceptance by, a successor Fiscal Agent.

## **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-PHOENIX AGREEMENTS**

Summaries of certain provisions of the Mead-Phoenix Transmission Service Contract (LADWP), the 1992 Mead-Phoenix Transmission Service Contracts (Members), the Mead-Phoenix Transmission Service Contract (Western), the Mead-Phoenix Joint Ownership Agreement, the Mead-Phoenix Operation Agreement, the Mead-Phoenix Fiscal Agency Agreement and the Land Rights Agreement (collectively, the “Mead-Phoenix Agreements”) are provided below. Except as described in this summary, all of the Mead-Phoenix Agreements are identical in all material respects to the Mead-Adelanto Agreements, except that all references to Mead-Adelanto in the summaries of the Mead-Adelanto Agreements should be read to refer to Mead-Phoenix in this context. Similarly, all references to the Project Coordinating Committee in the summaries of the Mead-Adelanto Agreements should be read to refer to the Project Management Committee for the purposes of the Mead-Phoenix Agreements. For the purposes of the summaries of the Mead-Phoenix Joint Ownership Agreement, the Mead-Phoenix Operation Agreement and the Mead-Phoenix Fiscal Agency Agreement, the term “Project Participant” does not refer exclusively to the Department as the sole “Project Participant” with respect to the Authority Interest (LADWP) in the Mead-Phoenix Project as so identified in the front part of this Official Statement. This summary is not to be considered a full statement of the terms of such Mead-Phoenix Agreements and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not defined in this summary, in the summary of the respective Mead-Adelanto Agreements, or, as applicable, in the Official Statement have the respective meanings set forth in the respective Mead-Phoenix Agreements summarized below, except that the term “Mead-Phoenix Project” shall have the meaning attributed in the respective Mead-Phoenix Agreements to the term “Project.”

## **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-PHOENIX TRANSMISSION SERVICE CONTRACT (LADWP)**

This summary relates only to the Mead-Phoenix Transmission Service Contract (LADWP) entered into by the Department with the Authority with respect to the Authority Interest (LADWP) in the Mead-Phoenix Project acquired by the Authority from M-S-R PPA pursuant to the Purchase and Sale Agreement, which Transmission Service Contract (LADWP) is separate and distinct from the Department’s 1992 Mead-Phoenix Transmission Service Contract (Members) with the Authority relating to the Department’s entitlement share in the Authority Interest (Members) in the Mead-Phoenix Project. The Mead-Phoenix Transmission Service Contract (LADWP) is identical in all material respects to the Mead-Adelanto Transmission Service Contract (LADWP) (see “Summary of Certain Provisions of the Mead-Adelanto Transmission Service Contract (LADWP)” above) except as to the following:

### **Billings and Payments**

Transmission Service Costs to be paid by the Department each Month (and billed based upon the Annual Budget) include the (a) Aggregate Costs with respect to each of the three Mead-Phoenix Project Components (the Westwing-Mead Project Component, the Mead Substation Project Component and the Mead-Marketplace Project Component) (collectively the “Mead-Phoenix Project Components”) to the extent attributable to the Authority Interest (LADWP) in the Mead-Phoenix Project, which Aggregate Costs are to be allocated among the three Mead-Phoenix Project Components based upon the respective costs of operating and maintaining each Project Component, in each case, based upon the periodic billing information, including Funds Requests, provided to the Authority by the Mead-Phoenix Operation Manager or Marketplace Operating Agent; and (b) costs and expenses paid or incurred by the Authority with respect to any judgment of the Department against any Mead-Phoenix Owner (an “Owner” as defined in the Mead-Phoenix Joint Ownership Agreement) or the Operation Manager in connection with electric service to the Department caused by the operation or failure of operation of the Mead-Phoenix Project or any portion

thereof. Aggregate Costs with respect to any Month in any Transmission Service Year shall include, but not be limited to, the following to the extent attributable to the Authority Interest (LADWP): (i) amounts required under the Mead-Phoenix Indenture (or other indenture of trust, bond resolution or similar instrument with respect to the financing of any Cost of Acquisition and Operations of the Authority Interest (LADWP) in the Mead-Phoenix Project by the Authority (as defined in the Mead-Phoenix Transmission Service Contract (LADWP), an “Indenture of Trust”) to be paid or deposited during such Month into funds or accounts established by the Indenture of Trust for Debt Service and for any reserve requirements for bonds, notes or other evidences of indebtedness issued by the Authority to finance or refinance the Cost of Acquisition and Operations of the Authority Interest (LADWP) in the Mead-Phoenix Project (as defined in the Mead-Phoenix Transmission Service Contract (LADWP), “Bonds”); (ii) one-twelfth of the amount required under the Indenture of Trust to be paid or deposited during the Transmission Service Year into any other fund or account established by the Indenture of Trust to provide for the payment of principal or interest of the Bonds or any other financial obligation of the Authority with respect to the Authority Interest (LADWP) in the Mead-Phoenix Project, and includes, without limitation, any amounts required to make up a deficiency in any such fund established under the Indenture of Trust whether or not resulting from a default in payments by the Department; (iii) one-twelfth of the amount required under the Indenture of Trust to be paid or deposited during the Transmission Service Year into any other fund or account established by the Indenture of Trust to provide for the payment of any shortfall in revenues to pay Monthly Costs, and shall include, without limitation, any amounts required to make up a deficiency in any such fund established under the Indenture of Trust whether or not resulting from a default in payment by the Department; (iv) one-twelfth of the amount required for the payment of Monthly Costs during such Transmission Service Year; and (v) one-twelfth of the amount necessary during such Transmission Service Year to pay or provide reserves for all taxes required to be paid by the Authority to the extent not included in Cost of Acquisition and Construction or Monthly Costs.

### **Management Committee Participation**

The Department is entitled to participate in the decisions of the Mead-Phoenix Management Committee with respect to the Mead-Phoenix Project in accordance with the voting rights given to it under the Mead-Phoenix Joint Ownership Agreement.

### **SUMMARY OF CERTAIN PROVISIONS OF THE 1992 MEAD-PHOENIX TRANSMISSION SERVICE CONTRACTS (MEMBERS)**

The 1992 Mead-Phoenix Transmission Service Contracts (Members) are identical in all material respects to the 1992 Mead-Adelanto Transmission Service Contract (Members) (see “Summary of Certain Provisions of the 1992 Mead-Adelanto Transmission Service Contracts (Members)” above) except as to the following:

### **Schedule of Authority Member-Participant Entitlement Shares**

The Authority Interest (Members) in the Mead-Phoenix Project represents an 18.3077% ownership interest in the Westwing-Mead Component, a 17.7563% ownership interest in the Mead Substation Component, and a 22.4082% ownership interest in the Mead-Marketplace Component of the Mead-Phoenix Project. The following table sets forth the entitlement shares of each of the Authority Member-Participants with respect to the Authority Interest (Members) in each Project Component of the Mead-Phoenix Project.



### 1992 Mead-Phoenix Transmission Service Contracts (Members)

<u>Authority Member-Participant</u>	<u>Westwing Mead Component Share</u>	<u>Mead Substation Component Share</u>	<u>Mead Marketplace Component Share</u>
City of Anaheim.....	19.7479%	50.0000%	26.5060%
City of Glendale.....	11.7647	22.7273	19.2771
Department of Water and Power of Los Angeles <sup>(1)</sup> .....	31.0924	0	17.8313
City of Burbank .....	14.7059	15.9091	16.8675
City of Pasadena .....	13.8656	11.3636	14.4578
City of Riverside.....	5.0420	0	2.8916
City of Azusa .....	1.2605	0	0.7229
City of Banning.....	1.2605	0	0.7229
City of Colton .....	1.2605	0	0.7229
Total.....	<u>100.0000%</u>	<u>100.0000%</u>	<u>100.0000%</u>

<sup>(1)</sup> The Department's percentage entitlement share in each component of the Authority Interest (Members) is in addition to and distinct from the rights of the Department to use under the Mead-Phoenix Transmission Service Agreement (LADWP) of 100% of the project capability attributable to the Authority Interest (LADWP) in the Mead-Phoenix Project.

### Billings and Payments

Transmission Service Costs to be paid by each Authority Member-Participant each Month (and billed based upon the Annual Budget) shall equal the sum of: (a) Aggregate Costs with respect to each of the three Mead-Phoenix Project Components (the Westwing-Mead Project Component, the Mead Substation Project Component and the Mead-Marketplace Project Component) (collectively the "Mead-Phoenix Project Components") to the extent attributable to the Authority Interest (Members) in the Mead-Phoenix Project multiplied by the entitlement share of the Authority Member-Participant with respect to each such Component; (b) Authority Expenses (administrative expenses of the Authority with respect to the Authority Interest (Members) and Authority Interest (Western)) for such Month multiplied by the Authority Expenses Percentage of the Authority Member-Participant; and (c) costs and expenses paid or incurred by the Authority with respect to any judgment of the Authority Member-Participant against any Mead-Phoenix Owner (an "Owner" as defined in the Mead-Phoenix Joint Ownership Agreement), the Construction Manager, the Operation Manager or the Lands Manager in connection with electric service to the Authority Member-Participant caused by the operation or failure of operation of the Mead-Phoenix Project or any portion thereof. Aggregate Costs (which exclude Authority Expenses) with respect to any Month in any Transmission Service Year include: (i) amounts required under any indenture of trust, bond resolution or similar instrument with respect to the financing of costs of acquisition and construction of the Authority Interest (Members) (as defined in the 1992 Mead-Phoenix Transmission Service Contracts (Members) and for purposes of this summary of the 1992 Mead-Phoenix Transmission Service Contracts (Members), an "Indenture of Trust") to be paid or deposited during such Month into funds or accounts established for debt service and for any reserve requirements for bonds, notes or other evidences of indebtedness issued by the Authority to finance or refinance any costs of acquisition or construction of the Authority Interest (Members) in the Mead-Phoenix Project (as defined in the 1992 Mead-Phoenix Transmission Service Contracts (Members), "Bonds"); (ii) one-twelfth of the amount required under any Indenture of Trust to be paid or deposited during the Transmission Service Year into any other fund or account established by the Indenture of Trust to provide for the payment of principal or interest of such Bonds or any other financial obligation of the Authority with respect to the Mead-Phoenix Project, and includes, without limitation, any amounts required to make up a deficiency in any such fund established

under an Indenture of Trust whether or not resulting from a default in payments by any of the Authority Member-Participants under any 1992 Mead-Phoenix Transmission Service Contract (Members); (iii) one-twelfth of the amount required under an Indenture of Trust to be paid or deposited during the Transmission Service Year into any other fund or account established by an Indenture of Trust relating to the Authority (Members) to provide for the payment of any shortfall in revenues to pay Monthly Costs, and shall include, without limitation, any amounts required to make up a deficiency in any such fund established under an Indenture of Trust relating to the Authority (Members) whether or not resulting from a default in payment by any of the Authority Member-Participants under any 1992 Mead-Phoenix Transmission Service Contract (Members); (iv) one-twelfth of the amount required for the payment of Monthly Costs during such Transmission Service Year; and (v) one-twelfth of the amount necessary during such Transmission Service Year to pay or provide reserves for all taxes required to be paid by the Authority to the extent not included in Cost of Acquisition and Construction or Monthly Costs.

The Authority will allocate Aggregate Costs among the Mead-Phoenix Project Components based upon (i) in the case of capital and capital related costs, the respective costs of acquiring, constructing and placing each Project Component into operation and (ii) in the case of operation and operation-based costs, the respective costs of operating and maintaining each Project Component, and in each such case based upon periodic billing information, including Funds Requests, provided to it by the Mead-Phoenix Operation Manager or the Marketplace Operating Agent.

**The 1992 Mead-Phoenix Transmission Service Contracts (Members) relating to the Authority Interest (Members) and the Bonds issued by the Authority to finance the costs thereof are separate and distinct from the Mead-Phoenix Transmission Service Contract (LADWP) relating to the Authority Interest (LADWP) and the 2026 Mead-Phoenix Bonds or other Mead-Phoenix Bonds issued under the Mead-Phoenix Indenture referred to elsewhere in this Official Statement. Payments made to the Authority by the Authority Member-Participants under the 1992 Mead-Phoenix Transmission Service Contracts (Members) relating to the Authority Interest (Members) do not constitute Revenues under the Mead-Phoenix Indenture relating to the Authority Interest (LADWP) and do not in any manner secure the 2026 Mead-Phoenix Bonds or any other Mead-Phoenix Bonds issued under the Mead-Phoenix Indenture relating to the Authority Interest (LADWP).**

#### **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-PHOENIX TRANSMISSION SERVICE CONTRACT (WESTERN)**

The Mead-Phoenix Transmission Service Contract (Western), entered into between the Authority and Western, relating to the Authority Interest (Members) in the Mead Phoenix Project is identical in all material respects to the Mead-Adelanto Transmission Service Contract (Western).

**Payments made to the Authority by Western under the Mead-Phoenix Transmission Service Contract (Western) relating to the Authority Interest (Western) do not constitute Revenues under the Mead-Phoenix Indenture and do not in any manner secure the 2026 Mead-Phoenix Bonds or any other Mead-Phoenix Bonds issued under the Mead-Phoenix Indenture relating to the Authority Interest (LADWP).**

#### **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-PHOENIX JOINT OWNERSHIP AGREEMENT**

The following is a summary of certain provisions of the Mead-Phoenix Joint Ownership Agreement, dated as of August 4, 1992 (as amended and supplemented from time to time, the “Mead-Phoenix Joint Ownership Agreement”), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official

Statement), M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement), Salt River Project and APS.

### **Ownership**

The Owners (as defined in the Mead-Phoenix Joint Ownership Agreement, the “Owners”) acquire undivided interests as tenants-in-common in each of three Project Components.

### **Use of Line**

Available Transmission Capability of the Mead-Phoenix Project is determined on a Component basis.

### **Project Management Committee**

Each matter is approved or disapproved by the Project Management Committee upon an affirmative vote of not less than 85% of the votes entitled to be cast on the matter. Project Management Committee voting percentages are set forth in the Mead-Phoenix Joint Ownership Agreement.

### **Liability**

Each Owner extends to each other Owner its covenant not to execute on any judgment obtained by it against any other Owner for loss or damages regarding the design, construction, operation, maintenance or ownership of the Mead-Phoenix Project. The covenant not to execute certain judgments does not extend to judgments collectible from insurance; judgments up to \$500,000 for Willful Action by an Owner or its agents while acting on its own behalf, or in the capacity of the Operation Manager or the Lands Manager; judgments for the failure by an Owner to make payments under any Project Agreement (for purposes of this summary, as defined in the Mead-Phoenix Joint Ownership Agreement, a “Project Agreement”); and judgments for liability of any Owner for loss or damages suffered by anyone other than an Owner as a result of the Mead-Phoenix Project. Each Owner assumes all liability for any claim or judgment arising out of or in connection with electric service to any of its customers and the customers of its customers caused by the Mead-Phoenix Project and indemnifies and holds harmless each other Owner, the Operation Manager and the Lands Manager from any such claim or judgment.

## Project Participants' Shares and Owners' Interests

The Mead-Phoenix Project Participants' Shares and the Owners' Interests are as follows:

<b>Entity</b>	<b>Westwing-Mead Component</b>		<b>Mead Substation Component</b>		<b>Mead-Marketplace Component</b>	
	<b>Participant Share</b>	<b>Owner Share</b>	<b>Participant Share</b>	<b>Owner Share</b>	<b>Participant Share</b>	<b>Owner Share</b>
City of Anaheim	3.61540%	0.00000%	8.8781%	0.0000%	5.9395%	0.0000%
APS	18.15385	18.15385	19.0476	19.0476	12.7430	12.7430
City of Azusa	0.23080	0.00000	0.0000	0.0000	0.1620	0.0000
City of Banning	0.23080	0.00000	0.0000	0.0000	0.1620	0.0000
City of Burbank	2.69230	0.00000	2.8249	0.0000	3.7797	0.0000
City of Colton	0.23080	0.00000	0.0000	0.0000	0.1620	0.0000
City of Glendale	2.15380	0.00000	4.0355	0.0000	4.3197	0.0000
Department of Water and Power of Los Angeles <sup>(1)</sup>	17.23080	11.53850	0.0000	0.0000	12.0950	8.0993
City of Pasadena	2.53850	0.00000	2.0178	0.0000	3.2397	0.0000
City of Riverside	0.92300	0.00000	0.0000	0.0000	0.6479	0.0000
Salt River Project	18.15385	18.15385	19.0476	19.0476	21.3823	21.3823
StarTrans IO, LLC <sup>(2)</sup>	2.15380	2.15380	3.7934	3.7934	4.0497	4.0497
Western	31.69230	0.00000	40.3551	0.0000	31.3175	0.0000
Authority (Members)	0.00000	18.30770	0.0000	17.7563	0.0000	22.4082
Authority (Western)	0.00000	31.69230	0.0000	40.3551	0.0000	31.3175
Total	100.00000%	100.00000%	100.0000%	100.0000%	100.0000%	100.0000%

<sup>(1)</sup> Includes the Department's entitlement share in the Authority Interest (Members) under its 1992 Mead-Adelanto Transmission Service Contract (Members) and its entitlement to the Authority Interest (LADWP) to be acquired by the Authority from M-S-R PPA as described herein.

<sup>(2)</sup> Share transferred from Vernon as described herein.

## SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-PHOENIX OPERATION AGREEMENT

The following is a summary of certain provisions of the Operation Agreement relating to the Mead-Phoenix Project, dated as of August 4, 1992 (as amended and supplemented from time to time, the "Mead-Phoenix Operation Agreement"), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official Statement), M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement), Salt River Project, APS and Western.

### Appointment of Operation Manager

Salt River Project and Western were each appointed by the Owners (as defined in the Mead-Phoenix Joint Ownership Agreement, the "Owners") as an Operation Manager (the "Operation Manager") and directed to carry out all the duties of the Operation Manager, including the Operating Work.

### Unused Available Transmission Capability

The Operation Manager is not required to produce records reflecting the hourly total Available Transmission Capability and the Project Participant Share of each Mead-Phoenix Project Participant and the total use thereof during any Month of the 12 Months preceding the request date upon the request of a Mead-Phoenix Project Participant.

## **Transmission Losses**

Losses on the Transmission Line will be determined by the Operation Manager using a methodology approved by the Engineering and Operations Committee. Losses will be repaid kilowatt-hour for kilowatt-hour in like-time periods, unless other repayment provisions are agreed upon by the Operation Manager and the Mead-Phoenix Project Participant.

## **Operating Contracts**

Operating Contracts will be executed by an Operation Manager in the name of the Owners except when the contract is not exclusively related to the Transmission Line. Operating Contracts exclusively related to the Transmission Line are not required to be negotiated and arranged for pursuant to the applicable contracting procedures of the Authority.

## **Mitigation Monitoring Program**

The Mead-Phoenix Operation Agreement does not provide for a mitigation monitoring program.

## **Allocation of Responsibilities Between Each Operation Manager**

Generally, Western will undertake Operating Work for all Transmission Line facilities and property except the Transmission Line facilities and property at Westwing Substation, and Salt River Project will undertake Operating Work for Transmission Line facilities and property at Westwing Substation which are not operated and maintained by the Westwing Substation operating agent. However, the allocation of Operating Work between Western and Salt River Project may be changed upon mutual agreement of Western and Salt River Project and the approval of the Project Management Committee. Western and Salt River Project are to cooperate and consult with each other in performance of their obligations under the Mead-Phoenix Operation Agreement.

## **Operating Costs**

Provisions similar to those applicable to Operating Costs are applicable to the billing and payment of the Operation Manager's Cost for Operating Work, with certain exceptions, including timing of the transmittal and payment of the Funds Request for Western's Operation Manager's Cost for Operating Work and the timing of the provision of the copy of the Funds Request and relevant Payment Request to the Fiscal Agent, and the timing of the Fiscal Agent's payments.

## **Liability**

The Operation Managers do not assume liability for any claim or judgment arising out of or in connection with electric service to any of its respective customers and the customers of its customers caused by the Mead-Phoenix Project and only each Owner and Salt River Project in its capacity as Operation Manager indemnify and hold harmless each other Owner and Operation Manager from any such claim or judgment.

## **Insurance**

Salt River Project will be responsible for obtaining and maintaining the relevant insurance.

## **Operating Emergencies**

In addition to advising the Mead-Phoenix Project Participants of Operating Emergencies, each Operation Manager will also so advise the other Operation Manager.

### **SUMMARY OF CERTAIN PROVISIONS OF THE MEAD-PHOENIX FISCAL AGENCY AGREEMENT**

The following is a summary of certain provisions of the Fiscal Agency Agreement relating to the Mead-Phoenix Project, dated as of August 4, 1992 (as amended and supplemented from time to time, the “Mead-Phoenix Fiscal Agency Agreement”), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official Statement), M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement), Salt River Project and APS.

As of the date of the Mead-Phoenix Fiscal Agency Agreement, Salt River Project was designated, and continues to serve as, the Fiscal Agent (the “Fiscal Agent”). The qualifications of the Fiscal Agent mentioned in the Mead-Phoenix Fiscal Agency Agreement are not mirrored in the Mead-Phoenix Fiscal Agency Agreement. The Fiscal Agent established a Project Operation Account which is maintained by a commercial bank, trust company or national banking association doing business and having its principal office in New York, New York, Chicago, Illinois, Los Angeles, California, San Francisco, California or Phoenix, Arizona, and having capital stock and surplus aggregating at least \$50 million. The Fiscal Agent maintains on its books an Operation Subaccount and a Capital Improvement Subaccount for each ownership Interest (as defined in the Mead-Phoenix Joint Ownership Agreement). Disbursements from the Project Operation Account (with respect to Operating Costs, as defined in the Mead-Phoenix Fiscal Agency Agreement) require filing a copy of the Funds Request accompanied by the corresponding Payment Request. Moneys held in the Project Operation Account shall be invested (i) in taxable government money market portfolios restricted to obligations maturing one year or less issued by, or guaranteed as to payment by, the United States or (ii) as parties to the Mead-Phoenix Fiscal Agency Agreement may agree. The Fiscal Agent may resign at any time by giving notice to the other Parties and it may be removed by the Owners (as defined under the Mead-Phoenix Joint Ownership Agreement) with the approval of the Project Management Committee with respect to the Mead-Phoenix Project or by the Project Management Committee with respect to the Mead-Phoenix Project. The Fiscal Agent is required to tender its resignation as the Fiscal Agent if it fails to maintain investment grade ratings on its long-term debt obligations.

### **SUMMARY OF CERTAIN PROVISIONS OF THE LAND RIGHTS AGREEMENT**

The following is a summary of certain provisions of the Land Rights Agreement relating to the Mead-Phoenix Project, dated as of August 4, 1992 (as amended and supplemented from time to time, the “Land Rights Agreement”), originally entered into among the Authority, the City of Vernon (whose interest was subsequently transferred to StarTrans as described in the front part of this Official Statement), M-S-R PPA (whose interest was subsequently acquired by the Authority for the benefit of the Department as described in the front part of this Official Statement), Salt River Project, APS and Western.

Western is the Lands Manager (the “Lands Manager”), appointed by the Owners (as defined in the Mead-Phoenix Joint Ownership Agreement, the “Owners”) to acquire all land for the Transmission Line. Title to land acquired by the Lands Manager shall remain in the name of the United States and shall be acquired with federally appropriated funds pursuant to laws and regulations applicable to federal land acquisitions. The Lands Manager issued a license to the Owners to locate, construct, reconstruct, operate, maintain, repair and replace the Transmission Line. Title to the Transmission Line remains in the Owners under the Mead-Phoenix Joint Ownership Agreement. Assignment of rights under any license (other than

assignments permitted by the Transmission Line Agreements) will be subject to the approval of the Lands Manager. Compensation for each license is the Fair Market Value of the land rights acquired, based upon an appraisal made by the Lands Manager in accordance with the Uniform Appraisal Standards; however, the Fair Market Value may not exceed the cost incurred by the Lands Manager for procurement of such land rights, including administrative and general expenses. The termination date of the term of each initial license is 50 years from date of its issuance or the date of retirement of the Transmission Line, whichever occurs earlier. If the Transmission Line continues operating beyond the term of any initial license, the Lands Manager will issue a new license with similar provisions at no additional cost or issue an appropriate out-grant in lieu thereof. The performance of the Lands Manager under the Land Rights Agreement beyond the Lands Manager's current fiscal year is contingent upon the Lands Manager obtaining appropriations from Congress; nevertheless, any license issued and the Lands Manager's obligation to issue any license under the Land Rights Agreement remains valid and in force. Sources of payment of obligations under the Mead-Phoenix Project Agreements are limited to certain sources of revenue; however, the unavailability of funds from such limited sources will not excuse a Payment Default or release an Owner regarding default provisions under the Mead-Phoenix Joint Ownership Agreement. Western granted to the Owners the right to occupy all necessary space at Mead Substation for the construction, interconnection and operation and maintenance of the Transmission Line and such grant remains in effect until the Transmission Line is retired.

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## APPENDIX D

### FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2026 BONDS

#### Continuing Disclosure Undertaking

for the purpose of providing  
continuing disclosure information  
under Section (b)(5) of Rule 15c2-12

\_\_\_\_\_, 2026

This Continuing Disclosure Undertaking (the “Agreement”) is executed and delivered by the Southern California Public Power Authority (the “Authority”) in connection with the issuance of its \$\_\_\_ Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2016, from the Authority to U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as supplemented and amended (the “Indenture”).

In consideration of the issuance of the Bonds by the Authority and the purchase of such Bonds by the beneficial owners thereof, the Authority covenants and agrees as follows:

1. Purpose of This Agreement. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule (as defined below). Each of SCPPA and the Obligated Project Participant is hereby determined by Authority to be an “obligated person” within the meaning of the Rule (and are the only “obligated persons” within the meaning of the Rule for whom financial information or operating data are presented in the Final Official Statement). Each such person shall only be an “obligated person” if and for so long as such person is an “obligated person” within the meaning of the Rule.

2. Definitions. (a) The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“Annual Financial Information” means the financial information and operating data described in Exhibit I.

“Annual Financial Information Disclosure” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“Audited Financial Statements” means collectively, the audited financial statements of the Authority and the Obligated Project Participant (relating to its electric utility fund), each prepared pursuant to the standards and as described in Exhibit I.

“Business Day” means any day other than (a) a Saturday or Sunday, or (b) a day on which commercial banks in New York, New York or the cities in which are located the designated corporate trust offices of the Dissemination Agent or the designated operational office of the Authority are authorized by law or executive order to close.

“Dissemination Agent” means any agent designated as such in writing by the Authority and which has filed with the Authority a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Final Official Statement” means the Official Statement dated [\_\_\_\_], 2026, relating to the Bonds.

“Financial Obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of an obligation or instrument described in clause (a) or (b) of this definition; provided however, the term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Obligated Project Participant” means the The Department of Water and Power of The City of Los Angeles.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

“Reportable Event” means the occurrence of any of the Events with respect to the Bonds set forth in Exhibit II.

“Reportable Events Disclosure” means dissemination of a notice of a Reportable Event as set forth in Section 5.

“Rule” means Rule 15c2-12 adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

“Undertaking” means the obligations of the Authority pursuant to Sections 4 and 5.

(b) Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

3. CUSIP Numbers. The CUSIP Numbers of the Bonds are as follows:

<u>MATURITY</u>	<u>AMOUNT</u>	<u>CUSIP NUMBER</u>
-----------------	---------------	-------------------------

The Authority will include the CUSIP Numbers (or applicable CUSIP Number) in all disclosure described in Sections 4 and 5 of this Agreement.

4. Annual Financial Information Disclosure. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate or cause to be disseminated on its behalf its Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth in Exhibit I) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Authority will disseminate a statement to such effect as part of the Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Reportable Events Disclosure. Subject to Section 8 of this Agreement, the Authority hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information. References to “material” in Exhibit II refer to materiality as it is interpreted under the Exchange Act. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. Consequences of Failure of the Authority to Provide Information. The Authority shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the Authority to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Authority by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation pursuant to a “no-action” letter issued by the SEC, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Authority (such as the Trustee), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment.

If the SEC, the MSRB or other regulatory authority approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Authority shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. Termination of Undertaking. The Undertaking of the Authority shall be terminated hereunder if the Authority no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The Authority shall give notice to EMMA in a timely manner if this Section is applicable.

9. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which

is required by this Agreement. If the Authority chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If the name of the Authority is changed, the Authority shall disseminate such information to EMMA.

11. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. Recordkeeping. The Authority shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. Assignment. The Authority shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the Authority under this Agreement or to execute an Undertaking under the Rule.

14. Governing Law. This Agreement shall be governed by the laws of the State of California.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By \_\_\_\_\_  
Daniel E Garcia  
Executive Director

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data, including:

(a) Updated versions of the type of information contained in the Final Official Statement relating to the following:

1. any financial information and operating data relating to the Mead-Adelanto Project as set forth in the Final Official Statement under the section entitled “MEAD-ADELANTO PROJECT”; and
2. the debt service requirements contained in Appendix G to the Final Official Statement.

(b) Updated versions of the type of information for the Obligated Project Participant contained in Appendix A to the Final Official Statement relating to the following:

1. the description of operations and the summary of operating results of the Obligated Project Participant’s Electric System; and
2. the summary of financial results of Obligated Project Participant’s Electric System.

“Audited Financial Statements” means the audited financial statements of the Authority and the Obligated Project Participant’s electric utility fund, in each case for the most recent fiscal year (commencing with the fiscal year ended June 30, 2026), in each case prepared in accordance with generally accepted accounting principles as promulgated to comply with governmental entities from time to time (or such other accounting principles as may be applicable to the Authority and the Project Participant, as the case may be, in the future pursuant to applicable law).

All or a portion of the Annual Financial Information and the Audited Financial Statements set forth above may be included by reference to other documents which have been submitted to EMMA or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement must be available on EMMA. The final official statement need not be available from the SEC. The Authority shall clearly identify each such item of information included by reference.

Annual Financial Information with respect to the Obligated Project Participant shall be submitted to EMMA by each December 31 after the end of such Obligated Project Participant’s fiscal year, commencing with the fiscal year ending June 30, 2026.

Annual Financial Information with respect to the Authority (i.e., the information described in clauses (b) and (c) of the definition of Annual Financial Information) will be submitted to EMMA by each December 31 after the end of the Authority’s fiscal year, commencing with the fiscal year ending June 30, 2026.

Audited Financial Statements as described above should be filed at the same times as the Annual Financial Information for the Obligated Project Participant and the Authority. If Audited Financial

Statements are not available when such Annual Financial Information is filed, unaudited financial statements shall be included.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Authority will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Authority\*
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Incurrence of a Financial Obligation of the Authority or any Obligated Project Participant (relating to its electric utility fund), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or any Obligated Project Participant (relating to its electric utility fund), any of which reflect financial difficulties.

\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the 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 governing 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.



## **Continuing Disclosure Undertaking**

for the purpose of providing  
continuing disclosure information  
under Section (b)(5) of Rule 15c2-12

\_\_\_\_\_, 2026

This Continuing Disclosure Undertaking (the “Agreement”) is executed and delivered by the Southern California Public Power Authority (the “Authority”) in connection with the issuance of its \$\_\_\_\_ Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2016, from the Authority to U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as supplemented and amended (the “Indenture”).

In consideration of the issuance of the Bonds by the Authority and the purchase of such Bonds by the beneficial owners thereof, the Authority covenants and agrees as follows:

1. Purpose of This Agreement. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule (as defined below). Each of SCPPA and the Obligated Project Participant is hereby determined by Authority to be an “obligated person” within the meaning of the Rule (and are the only “obligated persons” within the meaning of the Rule for whom financial information or operating data are presented in the Final Official Statement). Each such person shall only be an “obligated person” if and for so long as such person is an “obligated person” within the meaning of the Rule.

2. Definitions. (a) The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“Annual Financial Information” means the financial information and operating data described in Exhibit I.

“Annual Financial Information Disclosure” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“Audited Financial Statements” means collectively, the audited financial statements of the Authority and the Obligated Project Participant (relating to its electric utility fund), each prepared pursuant to the standards and as described in Exhibit I.

“Business Day” means any day other than (a) a Saturday or Sunday, or (b) a day on which commercial banks in New York, New York or the cities in which are located the designated corporate trust offices of the Dissemination Agent or the designated operational office of the Authority are authorized by law or executive order to close.

“Dissemination Agent” means any agent designated as such in writing by the Authority and which has filed with the Authority a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Final Official Statement” means the Official Statement dated [\_\_\_\_], 2026, relating to the Bonds.

“Financial Obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of an obligation or instrument described in clause (a) or (b) of this definition; provided however, the term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Obligated Project Participant” means the The Department of Water and Power of The City of Los Angeles.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

“Reportable Event” means the occurrence of any of the Events with respect to the Bonds set forth in Exhibit II.

“Reportable Events Disclosure” means dissemination of a notice of a Reportable Event as set forth in Section 5.

“Rule” means Rule 15c2-12 adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

“Undertaking” means the obligations of the Authority pursuant to Sections 4 and 5.

(b) Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

3. CUSIP Numbers. The CUSIP Numbers of the Bonds are as follows:

<u>MATURITY</u>	<u>AMOUNT</u>	<u>CUSIP NUMBER</u>
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The Authority will include the CUSIP Numbers (or applicable CUSIP Number) in all disclosure described in Sections 4 and 5 of this Agreement.

4. Annual Financial Information Disclosure. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate or cause to be disseminated on its behalf its Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth in Exhibit I) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Authority will disseminate a statement to such effect as part of the Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Reportable Events Disclosure. Subject to Section 8 of this Agreement, the Authority hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information. References to “material” in Exhibit II refer to materiality as it is interpreted under the Exchange Act. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. Consequences of Failure of the Authority to Provide Information. The Authority shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the Authority to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Authority by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation pursuant to a “no-action” letter issued by the SEC, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Authority (such as the Trustee), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment.

If the SEC, the MSRB or other regulatory authority approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Authority shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. Termination of Undertaking. The Undertaking of the Authority shall be terminated hereunder if the Authority no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The Authority shall give notice to EMMA in a timely manner if this Section is applicable.

9. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which

is required by this Agreement. If the Authority chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If the name of the Authority is changed, the Authority shall disseminate such information to EMMA.

11. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. Recordkeeping. The Authority shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. Assignment. The Authority shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the Authority under this Agreement or to execute an Undertaking under the Rule.

14. Governing Law. This Agreement shall be governed by the laws of the State of California.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By \_\_\_\_\_  
Daniel E Garcia  
Executive Director

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data, including:

(a) Updated versions of the type of information contained in the Final Official Statement relating to the following:

1. any financial information and operating data relating to the Mead-Phoenix Project as set forth in the Final Official Statement under the section entitled “MEAD-PHOENIX PROJECT”; and
2. the debt service requirements contained in Appendix H to the Final Official Statement.

(b) Updated versions of the type of information for the Obligated Project Participant contained in Appendix A to the Final Official Statement relating to the following:

1. the description of operations and the summary of operating results of the Obligated Project Participant’s Electric System; and
2. the summary of financial results of Obligated Project Participant’s Electric System.

“Audited Financial Statements” means the audited financial statements of the Authority and the Obligated Project Participant’s electric utility fund, in each case for the most recent fiscal year (commencing with the fiscal year ended June 30, 2026), in each case prepared in accordance with generally accepted accounting principles as promulgated to comply with governmental entities from time to time (or such other accounting principles as may be applicable to the Authority and the Project Participant, as the case may be, in the future pursuant to applicable law).

All or a portion of the Annual Financial Information and the Audited Financial Statements set forth above may be included by reference to other documents which have been submitted to EMMA or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement must be available on EMMA. The final official statement need not be available from the SEC. The Authority shall clearly identify each such item of information included by reference.

Annual Financial Information with respect to the Obligated Project Participant shall be submitted to EMMA by each December 31 after the end of such Obligated Project Participant’s fiscal year, commencing with the fiscal year ending June 30, 2026.

Annual Financial Information with respect to the Authority (i.e., the information described in clauses (b) and (c) of the definition of Annual Financial Information) will be submitted to EMMA by each December 31 after the end of the Authority’s fiscal year, commencing with the fiscal year ending June 30, 2026.

Audited Financial Statements as described above should be filed at the same times as the Annual Financial Information for the Obligated Project Participant and the Authority. If Audited Financial

Statements are not available when such Annual Financial Information is filed, unaudited financial statements shall be included.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Authority will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Authority\*
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Incurrence of a Financial Obligation of the Authority or any Obligated Project Participant (relating to its electric utility fund), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or any Obligated Project Participant (relating to its electric utility fund), any of which reflect financial difficulties.

\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the 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 governing 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.



## APPENDIX E

### PROPOSED FORM OF BOND COUNSEL OPINION

*On the delivery date of the 2026 Bonds, Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Delivery Date]

Board of Directors  
Southern California Public Power Authority  
1160 Nicole Court  
Glendora, California 91740

Southern California Public Power Authority  
Mead-Adelanto Project, Authority Interest (LADWP),  
Refunding Revenue Bonds, 2026 Series A

Southern California Public Power Authority  
Mead-Phoenix Project, Authority Interest (LADWP),  
Refunding Revenue Bonds, 2026 Series A

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$\_\_\_\_\_ aggregate principal amount of Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “2026 Mead-Adelanto Bonds”) and \$\_\_\_\_\_ aggregate principal amount of Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “2026 Mead-Phoenix Bonds”) and together with the 2026 Mead-Adelanto Bonds, the “2026 Bonds”) by Southern California Public Power Authority (the “Authority”), a public entity of the State of California, and such other matters of law as we have deemed necessary to enable us to render the opinions expressed herein.

The 2026 Bonds are issued under and pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of California, as amended (the “Act”). The 2026 Mead-Adelanto Bonds are issued under and pursuant to an Indenture of Trust, dated as of May 1, 2016, from the Authority to U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as previously supplemented and as supplemented by the Second Supplemental Indenture of Trust, dated as of March 1, 2026, from the Authority to Trustee relating to the 2026 Mead-Adelanto Bonds (as so supplemented, the “Mead-Adelanto Indenture”). The 2026 Mead-Phoenix Bonds are issued under and pursuant to an Indenture of Trust, dated as of May 1, 2016, from the Authority to the Trustee, as previously supplemented and as supplemented by the Second Supplemental Indenture of Trust, dated as of March 1, 2026, from the Authority to Trustee relating to the 2026 Mead-Phoenix Bonds (as so supplemented, the “Mead-Phoenix Indenture”). The Mead-Adelanto Indenture and the Mead-Phoenix Indenture are collectively referred to herein as the “Indentures.”

The 2026 Bonds are dated, and shall bear interest from, their date of delivery. Interest on the 2026 Bonds is payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2026. The 2026 Mead-Adelanto Bonds mature as provided in the Mead-Adelanto Indenture, and the 2026 Mead-Phoenix Bonds mature as provided in the Mead-Phoenix Indenture.

The 2026 Mead-Adelanto Bonds are subject to redemption prior to maturity as provided in the Mead-Adelanto Indenture, and the 2026 Mead-Phoenix Bonds are subject to redemption prior to maturity as provided in the Mead-Phoenix Indenture. The 2026 Bonds will be issued in denominations of \$5,000 or

any integral multiple thereof. The 2026 Bonds will be issued in fully registered form, are exchangeable and transferable as provided in the respective Indenture, and are lettered and numbered as provided therein.

The 2026 Mead-Adelanto Bonds are being issued by the Authority to (i) provide funds, together with certain other available amounts, to refund and redeem all of the Authority's outstanding \$11,955,000 Mead-Adelanto Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A, and (ii) pay the costs of issuance of the 2026 Mead-Adelanto Bonds. The Mead-Phoenix Bonds are being issued by the Authority to (i) provide funds, together with certain other available amounts, to refund and redeem all of the Authority's outstanding \$9,705,000 Mead-Phoenix Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A, and (ii) pay the costs of issuance of the 2026 Mead-Phoenix Bonds. The 2026 Mead-Adelanto Bonds and the 2026 Mead-Phoenix Bonds are payable from Revenues (as defined in the Mead Adelanto Indenture and Mead-Phoenix Indenture, respectively) and from certain funds and accounts established in the related Indenture, subject only to the provisions of such Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

The Authority has entered into two separate transmission service contracts, the "Mead-Adelanto Transmission Service Contract (LADWP)" and the "Mead-Phoenix Transmission Service Contract (LADWP)," respectively, and together, the "Transmission Service Contracts (LADWP)," each dated as of March 17, 2016, with the Project Participant, under which the Authority has agreed to provide to the Project Participant, and the Project Participant has purchased from the Authority, an entitlement to use of 100% of the capability of the Authority Interest (LADWP) in the Mead-Adelanto Project and 100% of the capability of the Authority Interest (LADWP) in the Mead-Phoenix Project, respectively.

Capitalized terms not defined herein shall have the respective meanings set forth in the related Indenture, unless otherwise provided herein.

From such examination, we are of the opinion that:

1. The Authority has been duly created and is validly existing under the provisions of the Act.
2. The Authority has the right and authority to enter into and carry out its obligations under the Transmission Service Contracts (LADWP) and has duly authorized, executed and delivered the Transmission Service Contracts (LADWP) which, assuming due authorization, execution and delivery by, and enforceability against, the Project Participant, each constitute a valid and binding agreement of the Authority, enforceable in accordance with its respective terms.
3. The Authority has the right and power under the Act to enter into the Indentures, the Indentures have been duly and lawfully authorized, executed and delivered by the Authority, and assuming due authorization, execution and delivery by, and enforceability against, the other party thereto, each of the Indentures constitutes a valid and binding agreement of the Authority enforceable in accordance with its respective terms. Each of the Indentures creates the valid pledge that it purports to create of the Revenues (as defined in therein) and the funds and accounts established by the respective Indenture (other than such funds and accounts that such Indenture provides are not a source of payment for bonds (including the related 2026 Bonds) issued thereunder and any funds held by the Trustee or the Authority to pay any rebate amount pursuant to such Indenture), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
4. The Authority is duly authorized to issue the 2026 Bonds, and the 2026 Bonds have been duly and validly authorized and issued by the Authority in accordance with the related Indenture and the Constitution and applicable statutes of the State of California, including the Act. The 2026 Bonds constitute valid and binding obligations of the Authority as provided in the related Indenture, are enforceable in

accordance with their terms and the terms of the related Indenture, and are entitled to the benefits of the Act and the related Indenture. The 2026 Bonds are not an obligation of the State of California, any public agency thereof (other than the Authority), any member of the Authority or the Project Participant and neither the faith and credit nor the taxing power of any of the foregoing (including the Authority) is pledged for the payment of the 2026 Bonds. The Authority has no taxing power.

Our opinions are based on existing law, which is subject to change. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2026 Bonds.

The opinions expressed in paragraphs 2, 3 and 4 hereof are qualified to the extent that the enforceability of the Indentures, the 2026 Bonds and the Transmission Service Contracts (LADWP) may be limited by any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Indentures, the 2026 Bonds and the Transmission Service Contracts (LADWP) is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California (including, but not limited to, rights of indemnification).

Respectfully submitted,

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## APPENDIX F

### PROPOSED FORM OF SPECIAL TAX COUNSEL OPINION

*On the delivery date of the 2026 Bonds, Nixon Peabody LLP, Los Angeles, California, Special Tax Counsel, proposes to render its opinion in substantially the following form:*

[Delivery Date]

Southern California Public Power Authority  
1160 Nicole Court  
Glendora, CA 91740

Ladies and Gentlemen:

We have acted as special tax counsel to the Southern California Public Power Authority (the “Authority”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of its Mead-Adelanto Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A, (the “Mead-Adelanto Bonds”) and \$\_\_\_\_\_ aggregate principal amount of its Mead-Phoenix Project, Authority Interest (LADWP), Refunding Revenue Bonds, 2026 Series A (the “Mead-Phoenix Bonds” and, together with the Mead-Adelanto Bonds, the “Bonds”).

The Bonds are being issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the “Act”). The Mead-Adelanto Bonds will be issued under an Indenture of Trust, dated as of May 1, 2016, relating to the Mead-Adelanto Project Authority Interest (LADWP), from the Authority to U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), as previously supplemented and as supplemented by the Second Supplemental Indenture of Trust thereto, dated as of March 1, 2026, providing for the issuance of the Mead-Adelanto Bonds (as so supplemented, the “Mead-Adelanto Indenture”). The Mead-Phoenix Bonds will be issued under a separate Indenture of Trust, dated as of May 1, 2016, relating to the Mead-Phoenix Project Authority Interest (LADWP), from the Authority to the Trustee, as previously supplemented and as supplemented by the Second Supplemental Indenture of Trust thereto, dated as of March 1, 2026, providing for the issuance of the Mead-Phoenix Bonds (as so supplemented, the “Mead-Phoenix Indenture”). The Mead-Adelanto Indenture and the Mead-Phoenix Indenture, as the same may be supplemented and amended from time to time as therein permitted, are collectively referred to herein as the “Indentures.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indentures. In rendering the opinions set forth below, we have relied upon the approving opinions of Norton Rose Fulbright US LLP, Bond Counsel to the Authority, delivered on even date herewith, relating among other things to the validity of the Bonds.

The Bonds are being issued to (i) provide funds, together with certain other available amounts, to refund and redeem all of the Authority’s outstanding \$11,955,000 Mead-Adelanto Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A (the “Refunded 2016 Mead-Adelanto Bonds”), (ii) provide funds, together with certain other available amounts, to refund and redeem all of the Authority’s outstanding \$9,705,000 Mead-Phoenix Project, Authority Interest (LADWP), Revenue Bonds, 2016 Series A (the “Refunded 2016 Mead-Phoenix Bonds” and, together with the Refunded 2016 Mead-Adelanto Bonds, the “Refunded Bonds”), and (iii) pay the costs of issuance of the Bonds.

In our capacity as special tax counsel, we have reviewed the Act, the Indentures, the Authority's Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 with respect to the Bonds (the "Tax Certificate"), certifications of the Authority, the Trustee, the Project Participant and others, opinions of counsel to the Authority, the Trustee and to the Project Participant, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, 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 third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indentures.

The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indentures and the Tax Certificate, the Authority has covenanted to comply with each applicable requirement of the Code necessary to qualify the Bonds as obligations described in section 103(a) of the Code. In addition, the Authority and the Project Participant have made certain representations and certifications in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

Under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

We are also of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present law.

Except as stated in the preceding two paragraphs, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

Very truly yours,

**APPENDIX G**

**DEBT SERVICE REQUIREMENTS FOR THE  
2026 MEAD-ADELANTO BONDS  
(Accrual Basis)**

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	\$	\$ <sup>(1)</sup>	\$ <sup>(1)</sup>
Totals:	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Includes accrued interest from the dated date of the 2026 Mead-Adelanto Bonds.

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**APPENDIX H**

**DEBT SERVICE REQUIREMENTS FOR THE  
2026 MEAD-PHOENIX BONDS  
(Accrual Basis)**

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	\$	\$ <sup>(1)</sup>	\$ <sup>(1)</sup>
Totals:	\$	\$	\$

<sup>(1)</sup> Includes accrued interest from the dated date of the 2026 Mead-Phoenix Bonds.

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