



City of Los Angeles  
5th Regional Investors Conference

March 9, 2020

# Legal Disclaimer

The filing of this presentation does not constitute or imply any representation regarding any other financial or operating information about the Department of Water and Power of the City of Los Angeles (the “Department”) or any representation that no other circumstances or events have occurred which may have a bearing on the Department’s financial condition. In accordance with several continuing disclosure certificates entered into by the Department, the Department has covenanted to otherwise provide annual financial information and operating data relating to the Department on each Annual Report Date (as defined therein) and, in a timely manner, notice of certain events. This presentation is provided by the Department on a voluntary basis and the information herein is not provided or included pursuant to the Department’s continuing disclosure certificates or Securities and Exchange Commission Rule 15c2-12.

This presentation is provided as of March 6, 2020. If you are viewing this presentation after such date, there may have been events that occurred subsequent to such date that may have a material adverse effect on any information that is presented herein, and the Department has not undertaken any obligation to update the presentation. All information provided in this presentation are not warranted as to completeness or accuracy and are subject to change without notice.

**LADWP is the largest  
municipal utility in the US**



**Population: 4 million**





**1.5 million power customers**



**686,000 water customers**

# 2019 Figures

		Sales FYI 2018-19	Operating Revenue FY 2018-19	Total Liquidity As of Dec. 31, 2019*
Power		22.6M MWh	\$4.1B	\$2.2B
Water		195M HCF	\$1.2B	\$783M

\*Includes unrestricted cash of \$1.6 billion for the Power System and \$730 million for the Water System.

# Sustainability Initiatives

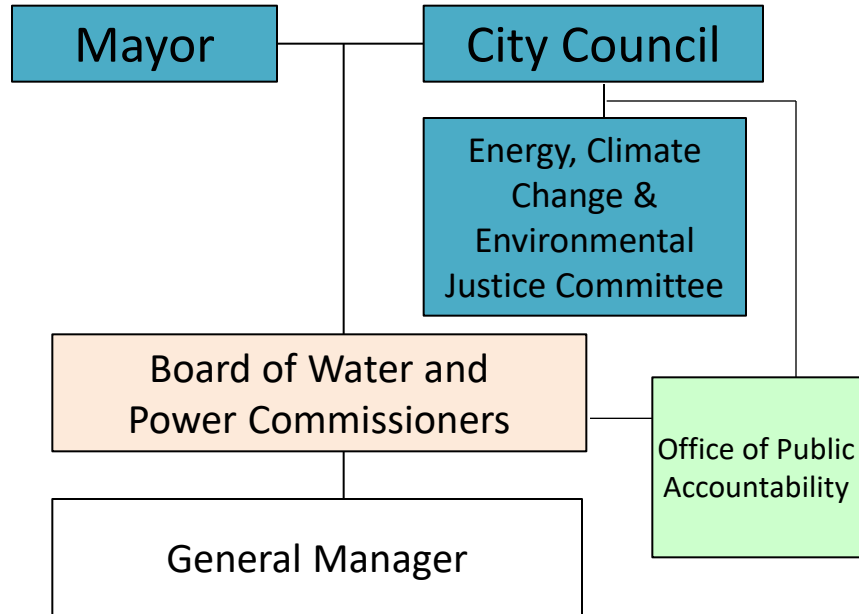


100% Renewable Energy by 2045



70% Local Water Supply by 2035

# Existing LADWP Governance



Transition to 100% clean energy



Build local water supplies



Improve customer service, keep rates competitive



Replace aging infrastructure



Expand customer facing automation



Electrify transportation sector

# Legal and Policy Mandates



State Mandates for GHGs, Renewables,  
Wildfire Mitigation, Energy Storage, Water  
Quality, Once Through Cooling

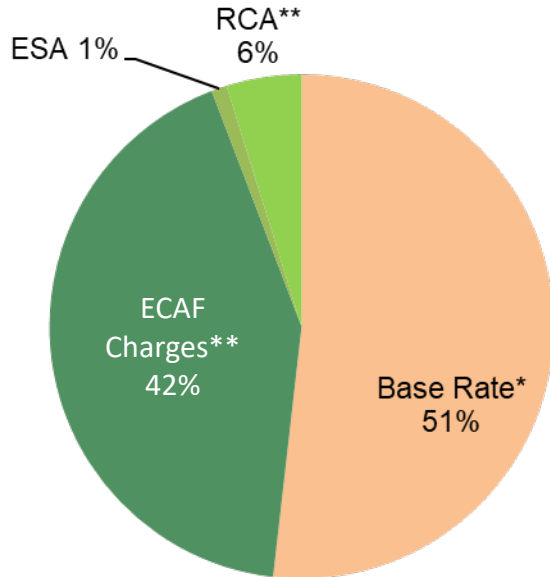


Green New Deal/Sustainable City pLAN

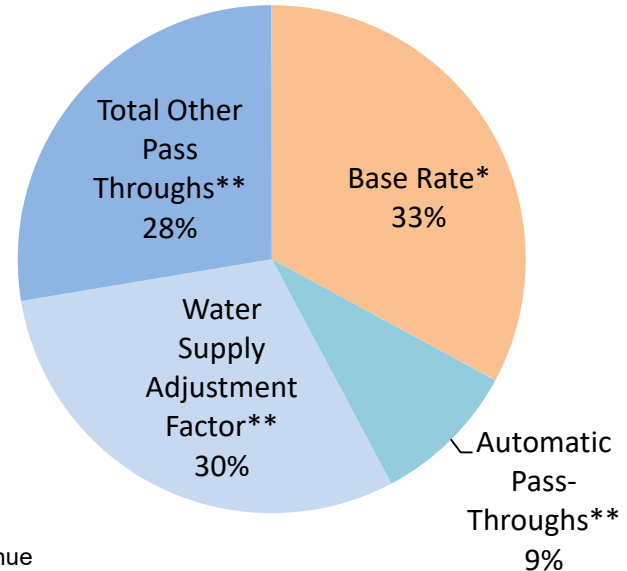


# Revenue Composition Under Current Rate Structure

## Power System: 49% Pass-Through



## Water System: 67% Pass-Through

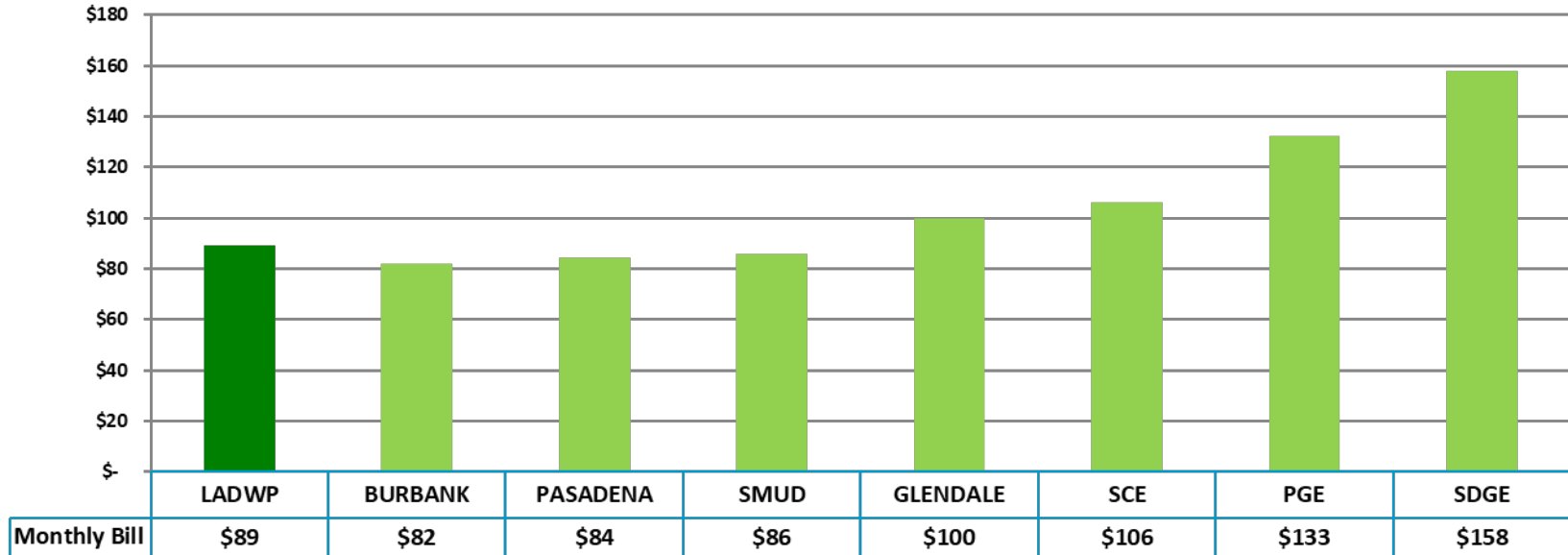


\* Decoupled Base Revenue  
\*\* Pass-Through Costs

Revenue composition is for fiscal years 2016 through 2019.

# Rates Remain Competitive: Residential

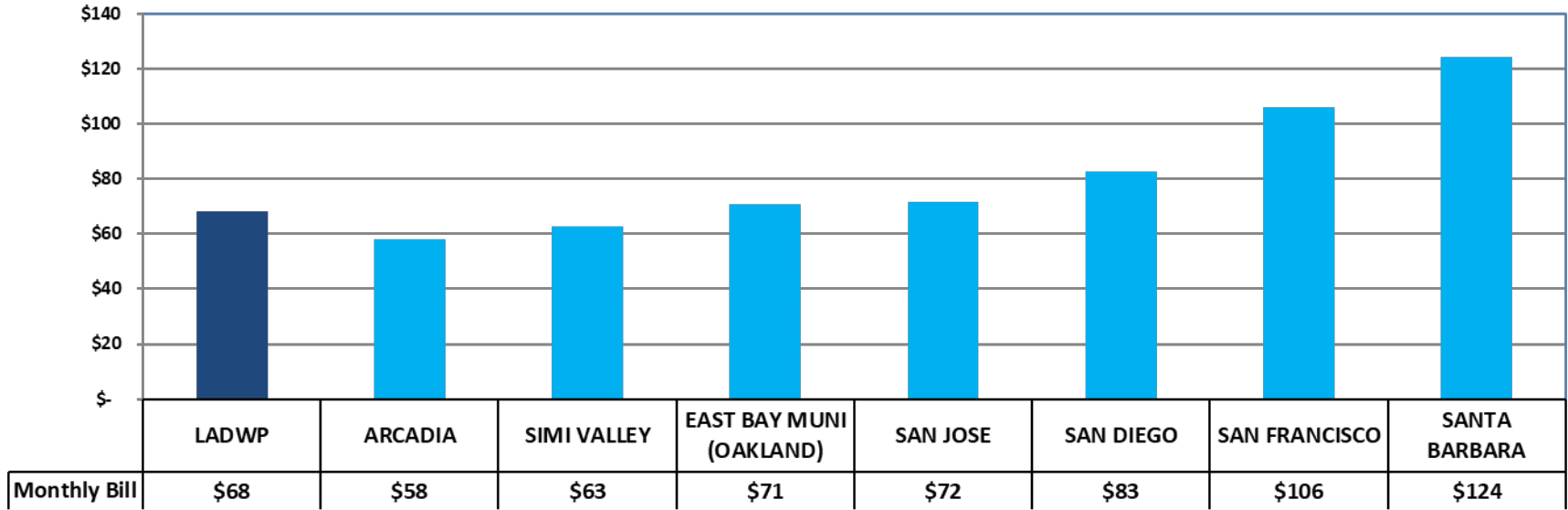
Comparative Residential Annualized Power Bills Excluding Tax  
Based on 500 kWh per Month as of January 2020



Sources: <https://www.smud.org/en/Rate-Information/Residential-Rates>  
<https://www.burbankwaterandpower.com/electric/rates-and-charge>;  
<https://ww5.cityofpasadena.net/water-and-power/rates/>;  
<http://www.glendaleca.gov/government/city-departments/glendale-water-and-power/rates>;  
<https://www.sce.com/wps/portal/home/regulatory/tariff-books/rates-pricing-choices>;  
[https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC\\_SCHDS\\_E-1.pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHDS_E-1.pdf);  
<https://www.sdge.com/total-electric-rates>;  
 Rates at other utilities subject to change

# Rates Remain Competitive: Residential

Comparative Residential Annualized Water Bills Excluding Tax  
Based on 10 HCF per Month as of January 2020



Sources: <https://www.gswater.com/san-gabriel/>;  
<https://www.gswater.com/simi-valley/>;  
<https://www.ebmud.com/water/water-rates/>;  
<https://www.sjwater.com/customer-care/help-information/rates-regulations/>;  
<https://www.sandiego.gov/public-utilities/customer-service/water-and-sewer-rates/water/>;  
<http://sfwater.org/modules/showdocument.aspx?documentid=7742>;  
<https://www.santabarbaraca.gov/gov/depts/pw/resources/rates/wtrsewer/changes.asp>

Simi Valley and Arcadia Water bills are updated on February 2020.  
Rates at other utilities subject to change



**LA** Los Angeles  
**DWP** Department of  
Water & Power

# Power System

# Diverse Generation Mix

*Diverse mix of resources with net dependable capacity of 123% of peak demand*

<u>Department Owned Facilities</u>			
Type of Fuel	Facilities	Net Dependable	
		(MWs)	(%) <sup>1</sup>
Natural Gas	4	3,319	41.2%
Large Hydro	1	1,265	15.7%
Renewables	62	300	3.7%
<b>Total</b>	<b>67</b>	<b>4,884</b>	<b>60.6%</b>

<u>Jointly Owned Facilities and Contracted Capacity Rights</u>			
Type of Fuel	Facilities	Net Dependable	
		(MWs)	(%) <sup>1</sup>
Coal (IPP)	1	1,202	14.9%
Natural Gas (Apex)	1	480	6.0%
Hydro (Hoover)	1	302	3.7%
Nuclear (PVNGS)	1	380	4.7%
Renewables/DG	40,173	813	10.1%
<b>Total</b>	<b>40,177</b>	<b>3,177</b>	<b>39.4%</b>

1. As a percentage of all facilities. May not add due to rounding.

2. As of September 30, 2019. Excludes California Department of Water Resources' 120 MW share of net maximum capacity and 53 MW share of net dependable capacity.

3. The Net Dependable for Renewables/DG is based on statistical modeling.

# LADWP Transmission System



# Meeting Green Energy Goals

*Carbon Neutral Target of 2050*

## **Eliminating Coal**

The Department has decommissioned, divested from, or has contracts in place to eliminate coal by 2026

## **Once-Through Cooling (“OTC”)**

Will not repower remaining OTC plants  
Evaluating alternatives, including, but not limited to, transmission, energy storage and other clean energy that will aid in meeting the Department’s carbon neutral goals

## **Energy Efficiency**

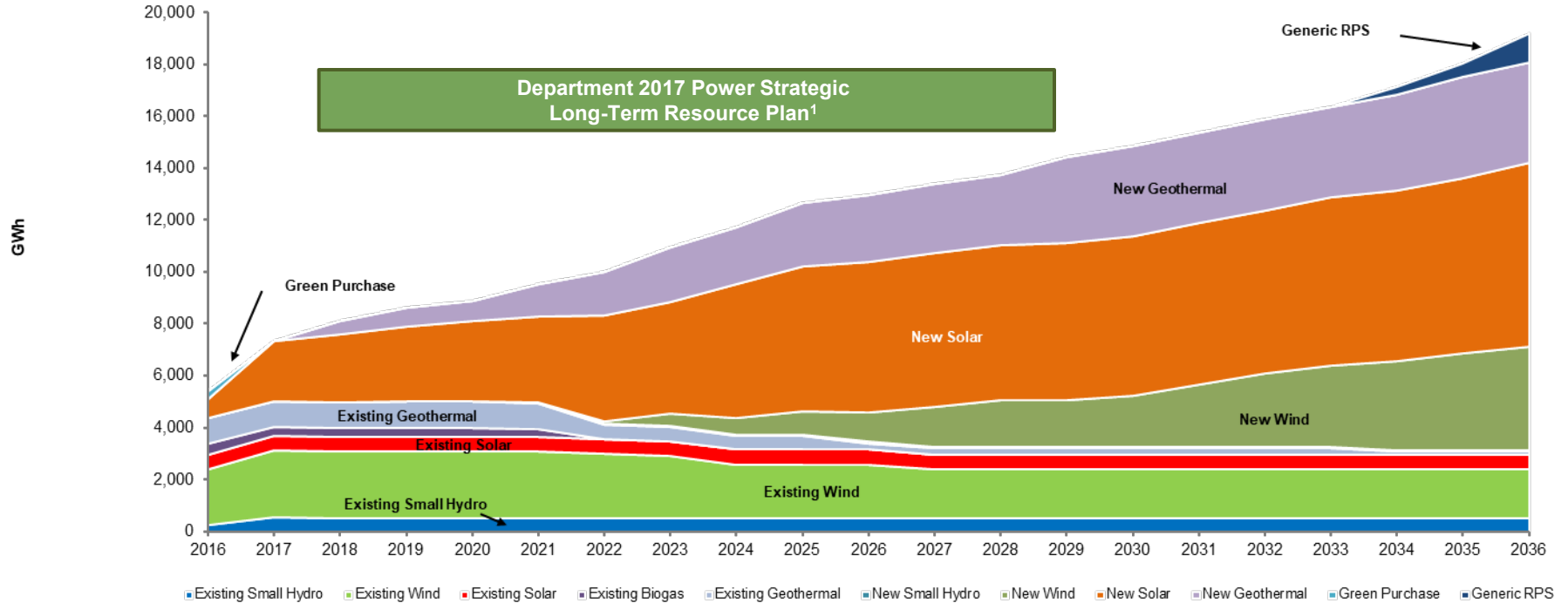
From 2000-2018, the Department estimates it reduced long-term peak demand and consumption by 672 MWs (3,768 GWh of energy savings)  
Goal of reducing usage by 15% by the end of 2020 compared to 2010 levels

## **Renewable Targets**

Renewables composed 32% of the Department’s 2018 energy mix  
Targeting 60% renewable by 2030 and 100% renewable and zero carbon by 2045 for energy sold to retail end-use customers

# Meeting Green Energy Goals

*Carbon Neutral Target of 2050*



<sup>1</sup> Based upon 2017 SLTRP (formerly IRP); LADWP is currently working to revise its long-term resource plan that will likely result in increased renewable targets.

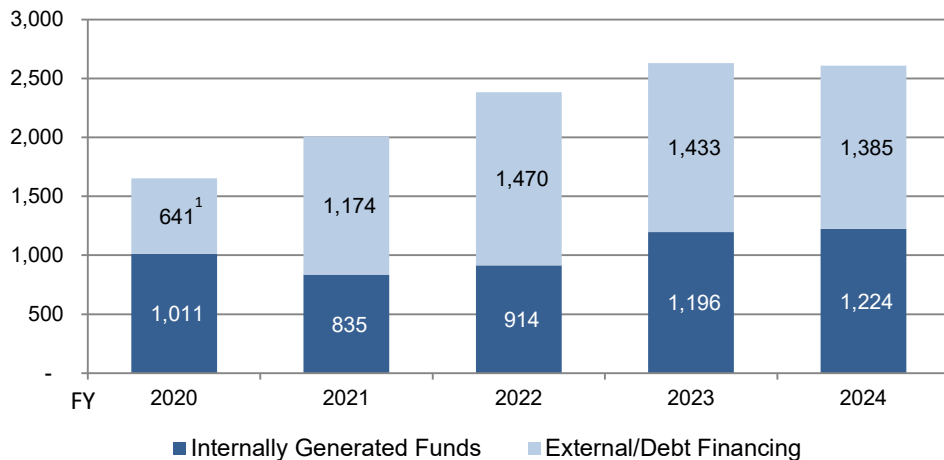


# Power System Five-Year Capital Improvements Plan

## \$11.3 Billion Over 5 years

### Summary of Power System 5-Year Capital Improvement Program

\$ in millions



5-Year Capital Investments	Total	(%)
<b>Power System Reliability Program</b>	<b>\$3,569</b>	<b>31.63%</b>
<b>Supply Transition &amp; Mandates:</b>		
Renewable Portfolio Standard	2,036	18.04%
Rebuild Local Power Plants <sup>2</sup>	775	6.87%
<b>Infrastructure:</b>		
Improvements	2,697	23.90%
<b>Energy Efficiency</b>		
	893	7.91%
<b>Shared Services:</b>		
IT, Facilities, Customer Services, Fleet	1,313	11.64%
<b>Total 5-Year Capital Budget</b>	<b>\$11,283</b>	<b>100.00%</b>
Internally Generated Funds	\$5,180	45.9%
External / Debt Financing	\$6,103	54.1%

*The Power System Capital Improvement Plan is focused on system reliability, transforming power supply, meeting mandates, and increasing energy efficiency*

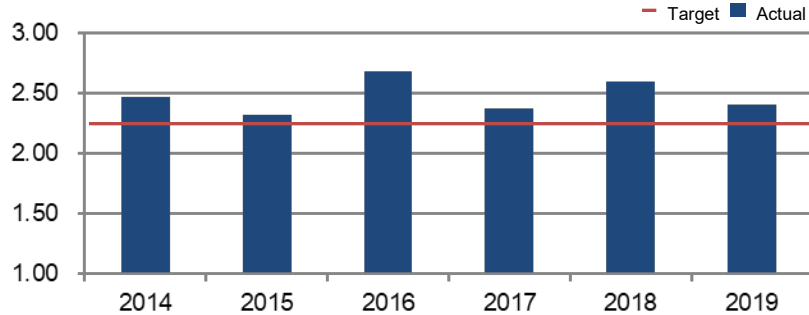
Based on fiscal year 2019 capital improvement budget. Note: Totals may not foot due to rounding.

<sup>1</sup> Of the \$641 million of debt to be issued in fiscal year 2020, \$525 million has been issued as of December 31, 2019.

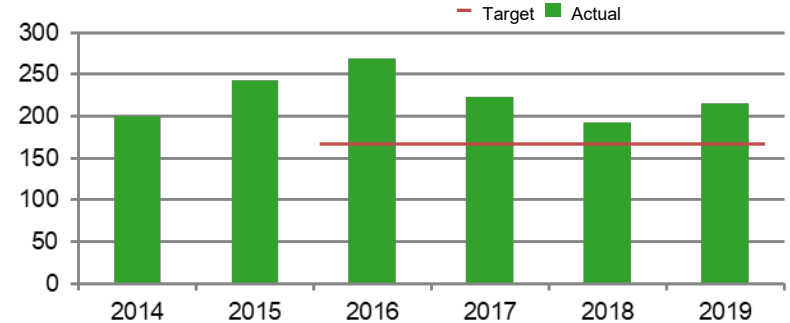
<sup>2</sup> The budget to rebuild local power plants may be materially impacted by the February 2019 announced decision to phase out Los Angeles Basin stations that utilize Once-Through-Cooling.

# Financial Overview: Power System Historical Trends

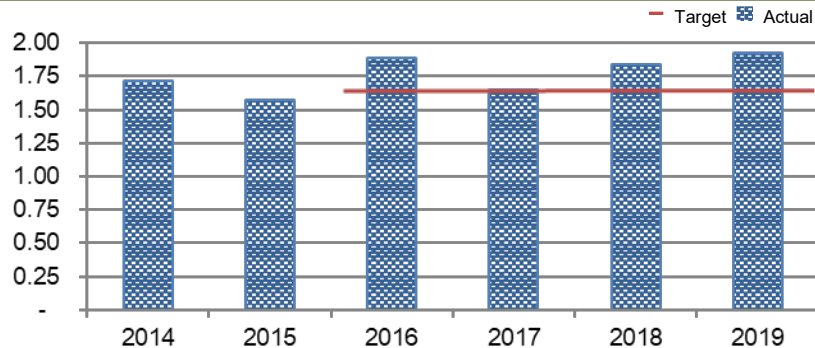
Debt Service Coverage (Min 2.25x)



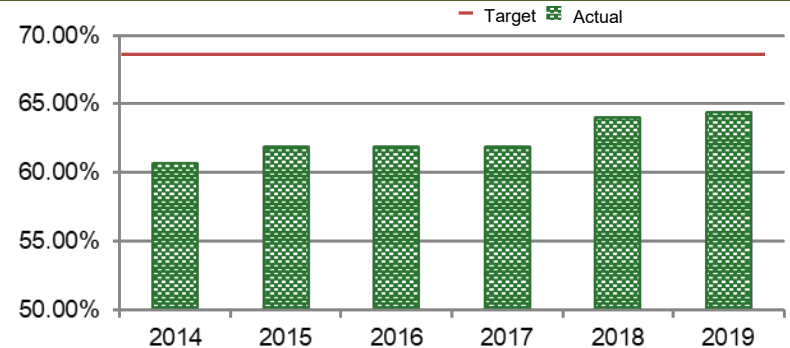
Days Cash on Hand (Min 170 days)



Full Obligation Coverage (Min 1.7x)



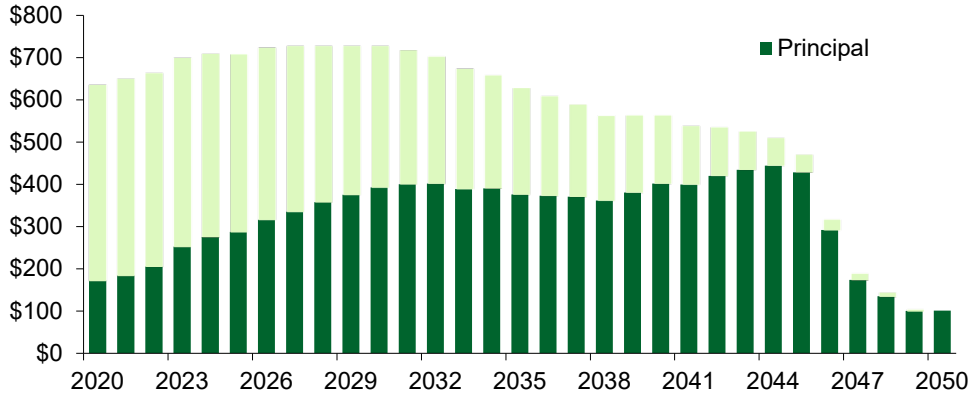
Debt to Capitalization Ratio (Max 68%)



# Financial Overview: Power System Maintains a Conservative Debt Profile

*Outstanding debt of \$9.79 billion as of December 31, 2019*

**LADWP Debt Profile (FY – in Millions)**



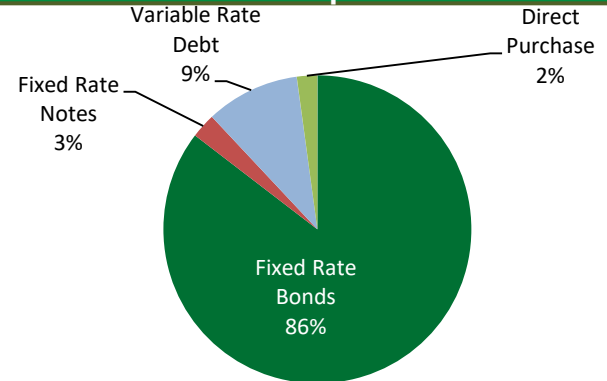
■ Approximately \$1.2 billion in outstanding principal will amortize through 2025

## Bond Ratings

As of 3/3/20

Moody's	Aa2
Fitch	AA
S&P	AA-

**Debt Composition**



- Additional \$1.463 billion of take-or-pay obligations related to jointly-owned and capacity rights for generation and transmission facilities
- LADWP has pre-paid \$386.0 million of its IPA debt obligations

Take-or-Pay Obligations	Amount
SCPPA & IPA Projects	\$1.463 bn
IPA Prepayment	(0.386) bn
Net Off BS Debt	\$1.077 bn

*Note: Excludes interest subsidy for BABs and CREBs/QECBs; Excludes sinking fund established for Power System 2010 Series C; Power System 2018 Series B amortized based on anticipated rollover; No interest rate swaps or auction rate notes; VRDB bank facilities extended with staggered expiration dates from 2020 through 2023; Interest rates assumed for Variable Rate Bonds: FY 2020 and thereafter: 2.14%. Bond ratings are as of 3/3/20.*



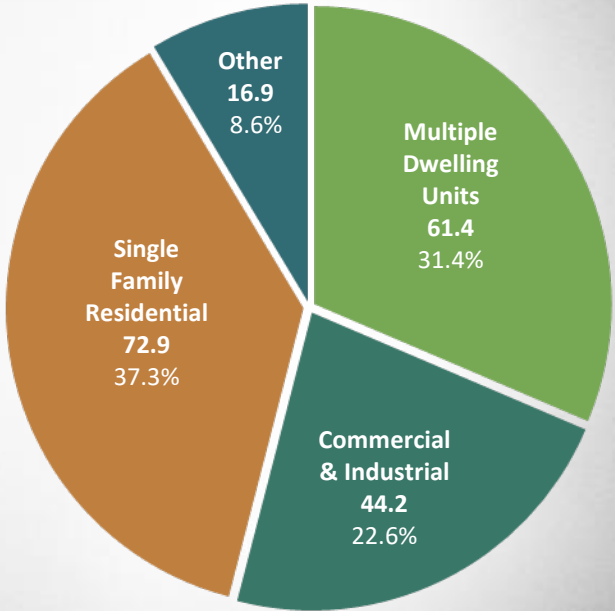
Los Angeles  
Department of  
Water & Power

# Water System




# Water System FYE 2019 Sales

(Millions of Billing Units of 100 cubic feet)



Total Sales FYE 2019: 195 M  
billing units of 100 CF



<b>Year Ended June 30, 2019</b>	<b>Customers</b>	<b>%</b>
Single-Family Residential	491,000	71.6%
Multiple Dwelling Units	121,000	17.8%
Commercial and Industrial	66,000	9.6%
Other	8,000	1.0%
<b>Total</b>	<b>686,000</b>	<b>100.0%</b>

# Water System's Goals

## Commitment to Financial Stability

Management & Board-adopted financial metrics

Strong cash balances

Consistently strong debt service coverage

## Maintain Competitive Rates

Cost adjustment factors designed to recover certain costs

Utilize rate increases as appropriate

Commitment to maintaining affordable rates

## Maintain Diverse Water Sources

Maintain sources from Los Angeles Aqueduct and Metropolitan Water District of Southern California

Increased use of recycled water and stormwater capture

Clean-up and expand use of groundwater

## Sound Management Principles

Maintain and upgrade infrastructure

Ensure future reliability

Provide safe, high quality water

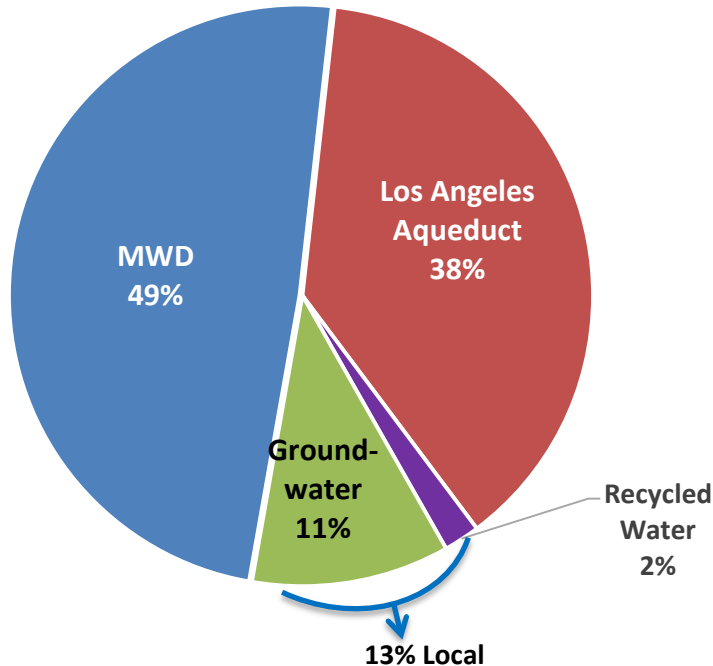
# Water Resources



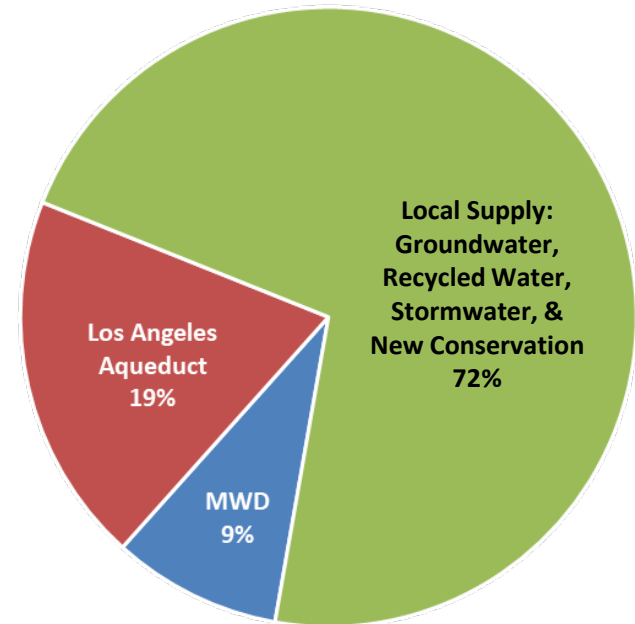


# Goal: Source 70% of Water Locally by 2035

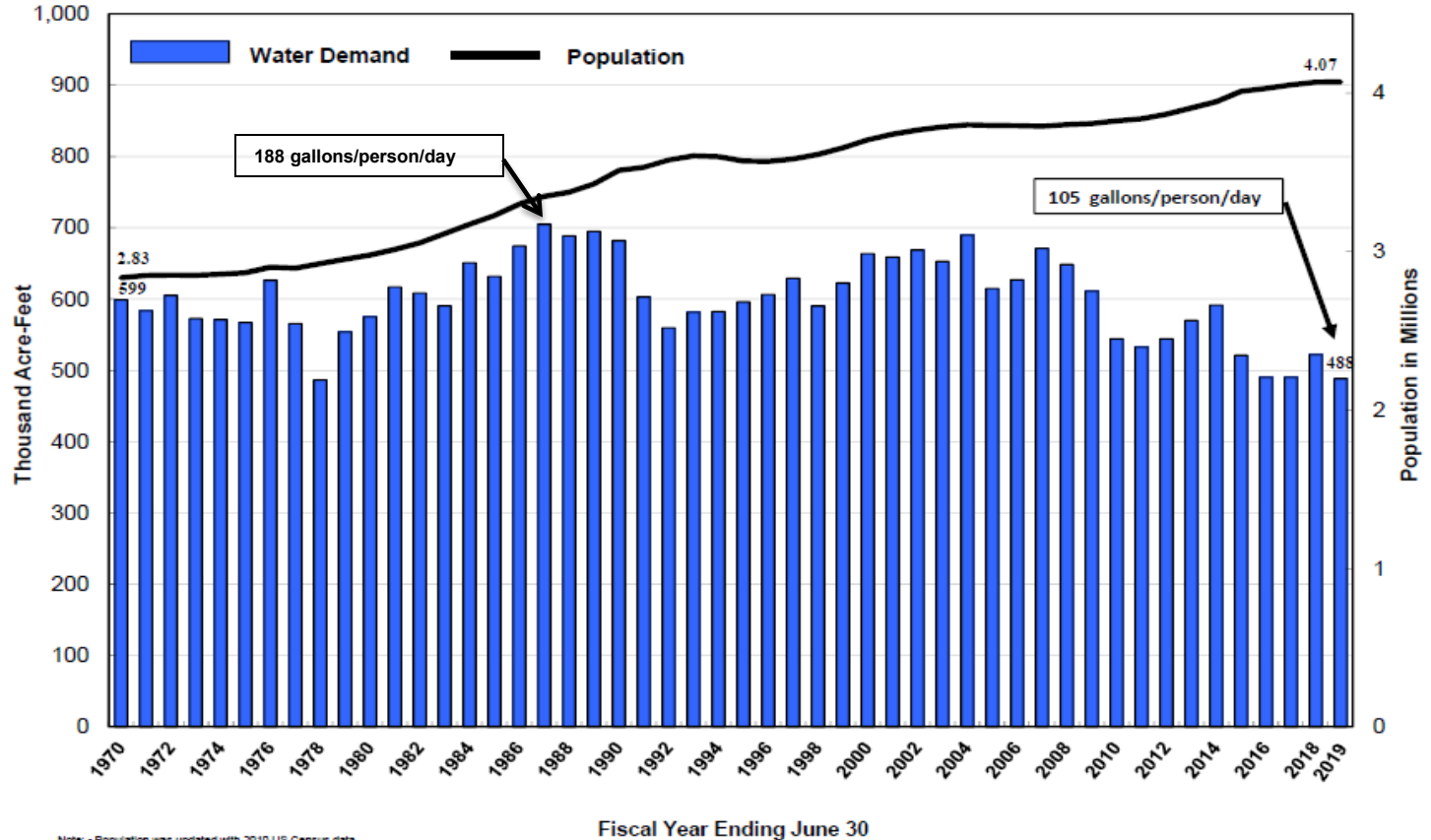
Fiscal Year End 2015 - 2019 Average  
Total Supply: 502,405 AF



L.A.'s Green New Deal  
FY 2039-40 Average Hydrology  
Total Est. Supply: 675,700 AF

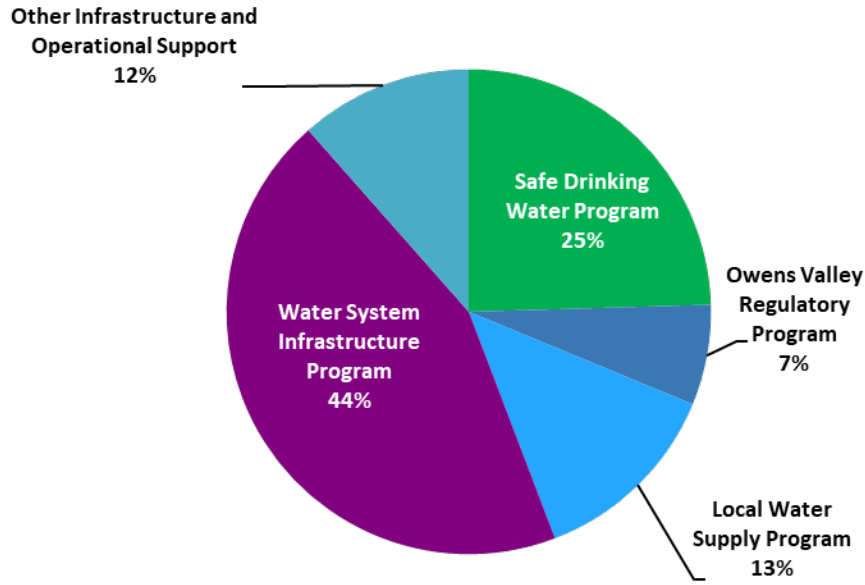


# City of Los Angeles Water Use and Population

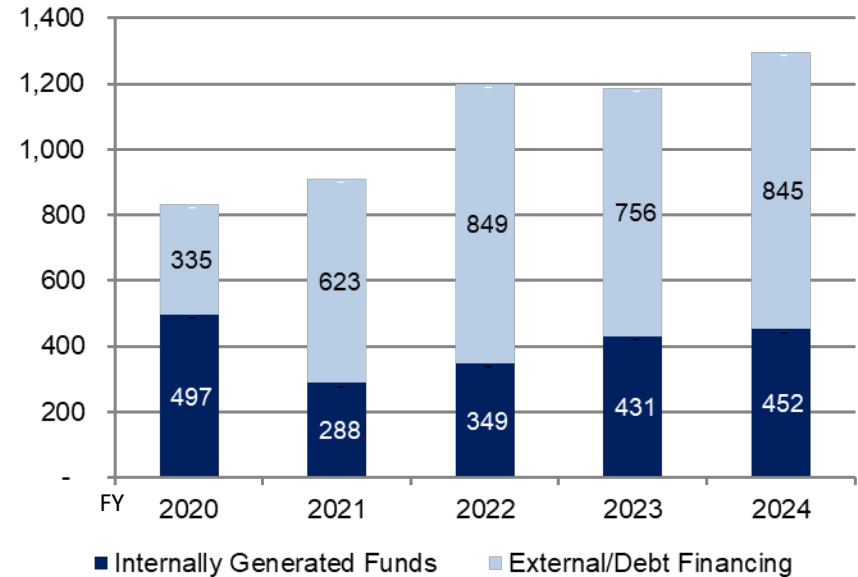


# Focus on Infrastructure Replacement

## Summary of Water System 5-Year Capital Improvement Plan



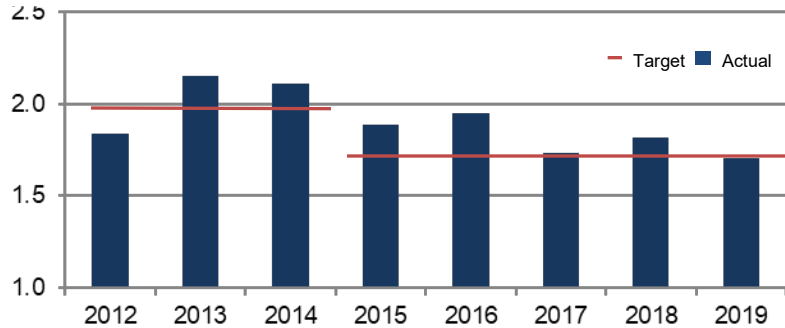
\$ in millions



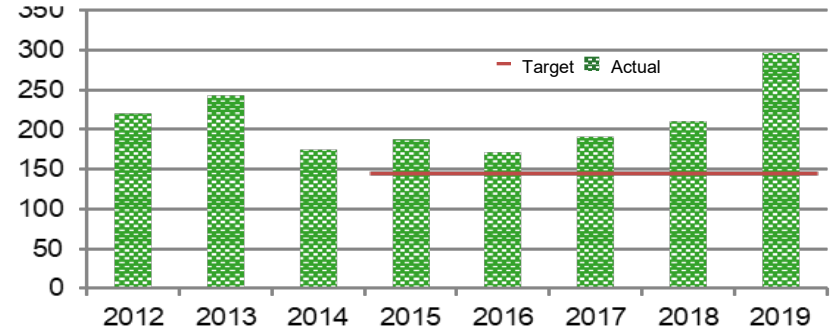
Based on fiscal year 2019 capital improvement budget.  
Note: Totals may not foot due to rounding.

# Financial Overview: Water System Historical Trends

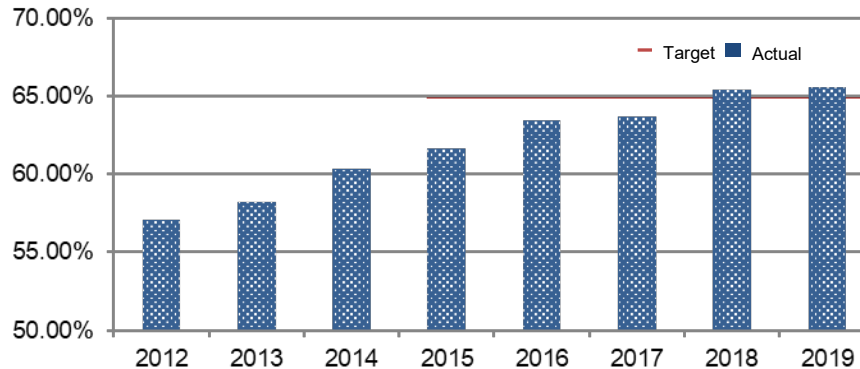
**Debt Service Coverage (Min 1.7x)**



**Days Cash on Hand (Min 150 days)\***



**Debt to Capitalization Ratio (Max 65%)**



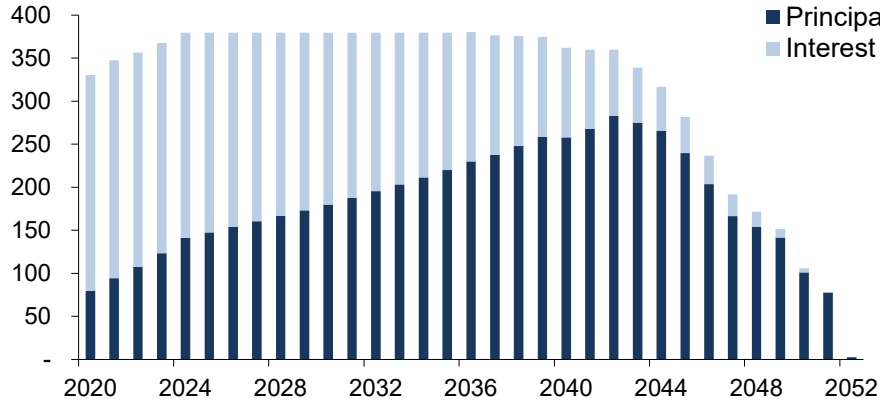
Note: Financial Planning Criteria are subject to ongoing reviews and adjustments by the Board with advice from the Department's financial advisors and were last revised on May 20, 2014.  
 \* Prior to FY2016, the Board approved financial metric for minimum cash balance was \$200 million

# Financial Overview:

## Water System Maintains a Conservative Debt Profile

*Outstanding debt of \$5.88 billion as of December 31, 2019*

**Water System Debt Profile (FY – in Millions)**

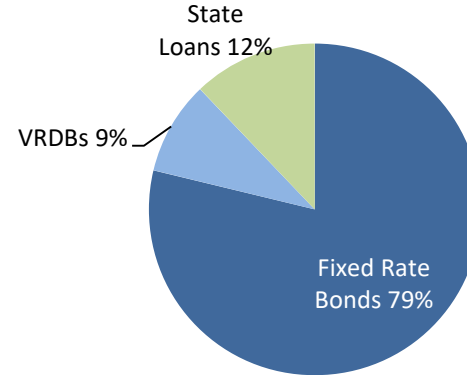


### Bond Ratings

As of 3/3/20

Moody's	Aa2
Fitch	AA
S&P	AA+

**Debt Composition**



Total: \$5.88 billion

- Total Debt outstanding of \$5.88 billion. Includes \$729.0 million of State Loans.
- No interest rate swaps or auction rate securities; VRDB bank facilities extended with staggered expiration dates from 2020 through 2022

# Bond Security Legal Protections

	Power	Water
<b>Source of Payment:</b> Power and Water revenue funds are separate funds established by City Charter in the City Treasury under the control of Board of Commissioners.	✓	✓
<b>Rate Covenant.</b> Board sets rates and charges, subject to approval of City Council as mandated by City Charter, to provide revenues that together with other available funds shall be at least sufficient to pay debt service and operating and maintenance expenses.	✓	✓
<b>Additional Obligations.</b> Adjusted net Income for any 12 consecutive months within 18 consecutive months ending immediately prior to issuance of Additional Parity Obligations shall be at least 1.25 times the Maximum Annual Adjusted Debt Service on all Parity Obligations including proposed bonds.	✓	✓
<b>Transfer to the City.</b> May not exceed the net income of the prior fiscal year or increase Power System debt to total capitalization to exceed 75%.	✓	

# LADWP Is Committed to Meeting Operational Needs and Financial Goals

- Diverse power and water sources
- Meet or exceed all regulatory commitments
  - Power: RPS, carbon reduction, other environmental
  - Water: quality, safety, sustainability, environmental
- Continue investing in Water and Power System reliability
- Maintain competitive retail rates and financial stability
- Improve customer service

# Upcoming Financing Transactions\*

## Power System

**Week of April 6, 2020** – Approximately \$394 Million Power System 2020 Series A  
Refunding Bonds

**Week of June 15, 2020** – Approximately \$356 Million Power System 2020 Series B  
Refunding/New Money Bonds

## Water System

**Week of May 26, 2020** – Approximately \$300 Million Water System 2020 Series A  
Refunding/New Money Bonds