



ANTONIO R. VILLARAIGOSA
Mayor

Commission
THOMAS S. SAYLES, *President*
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RICHARD F. MOSS
CHRISTINA E. NOONAN
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BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS
General Manager

July 19, 2012

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

Subject: Authorizes the Issuance of up to \$650 Million of Power System Revenue Bonds

Pursuant to Charter Section 609, enclosed for approval by your Honorable Body is Resolution No. 4844, adopted by the Board of Water and Power Commissioners (Board) on July 17, 2012, approved as to form and legality by the City Attorney, which authorizes the issuance of up to a maximum of \$650 million of Power System Revenue Bonds, to finance a majority of the Power System's capital improvement program for Fiscal Year 2012-2013. As directed by the Board, transmitted to you are supporting documents.

If there are any questions regarding this item, please contact Ms. Winifred Yancy, Director of Local Government and Community Relations, at (213) 367-0025.

Sincerely,

Barbara E. Moschos
Board Secretary

BEM:oja

Enclosures: LADWP Resolution
Board Letter
CAO Report
Letter from Public Resources Advisory Group
Chief Financial Officer's Letter

Water and Power Conservation ... a way of life

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c/enc: Mayor Antonio Villaraigosa
Jose Huizar, Chair, Energy and the Environment Committee
Gerry F. Miller, Chief Legislative Analyst
Miguel A. Santana, City Administrative Officer
Rafael Prieto, Legislative Analyst, CLA
William R. Koenig, Chief Administrative Analyst
Winifred Yancy

**INITIAL RESOLUTION
OF THE BOARD OF WATER AND POWER COMMISSIONERS
OF THE CITY OF LOS ANGELES**

**Authorizing the Borrowing of Up to \$650,000,000 Pursuant to Section 609 of
The Charter of The City of Los Angeles Through the Issuance of
Revenue Bonds Payable from the Power Revenue Fund**

Resolution No. 4844

**BE IT RESOLVED BY THE BOARD OF WATER AND POWER COMMISSIONERS OF
THE CITY OF LOS ANGELES:**

Section 1. This Board of Water and Power Commissioners of the City of Los Angeles (the "Board") hereby determines that the public interest and necessity demand that the Department of Water and Power of the City of Los Angeles (the "Department") should borrow money pursuant to Section 609 of The Charter of The City of Los Angeles (the "Charter") for the purposes specified in Section 3 of this Resolution, and should issue and sell revenue bonds as herein provided (the "Bonds") payable from the Power Revenue Fund to evidence the indebtedness created by such borrowing.

Section 2. The Board hereby authorizes the issuance of the Bonds pursuant to the provisions of Section 609 of the Charter for the purposes specified in Section 3 of this Resolution.

Section 3. The Bonds are to be issued for the purpose of financing one or more Capital Improvements to the Power System (as such terms are defined in Resolution No. 4596 (the "Master Bond Resolution") adopted by the Board on February 6, 2001).

Section 4. The maximum principal amount of the Bonds authorized by this Resolution is

SIX HUNDRED FIFTY MILLION DOLLARS (\$650,000,000)

and said Bonds are to be issued in one or more series or subseries at such time or times as the Board may determine.

Section 5. The maximum term for which any Bond is to run shall be forty-five years from the date of issuance of such Bond.

Section 6. The maximum interest cost to be incurred through the issuance of any Bond shall be twelve percent (12%) per annum. The interest cost for the purpose of determining whether such interest cost is within such maximum shall be on the basis of a year of 365 days for the actual number of days elapsed.

Section 7. This Board has received a report (the "Report") of the Chief Financial Officer of the Department stating that such officer has determined that a private sale of the Bonds will be of benefit to, and in the financial interests of, the Department and providing the reasons therefor. As authorized by subsection (d) of Section 609 of the Charter and Section 11.28.4 of Ordinance No. 172,353 of the City of Los Angeles (the "City"), as amended, constituting Article 6.5 of

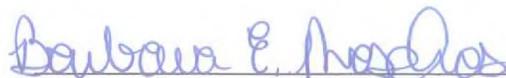
Chapter 1 of Division 11 of the Los Angeles Administrative Code (the "Procedural Ordinance"), this Board hereby authorizes the private sale of each series and subseries of the Bonds to one or more of the firms included in the team of underwriting firms selected by the Board pursuant to Section 11.28.4(b) of the Procedural Ordinance as such team is composed at the time of the sale of such series or subseries; provided, however, that underwriters' discount (exclusive of initial issue discount) with respect to the Bonds shall not exceed one percent of the principal amount of the Bonds and any initial issue discount with respect to the Bonds shall not exceed ten percent of the principal amount of the Bonds to which such initial issue discount shall apply.

Section 8. As provided in Section 11.28.5 of the Procedural Ordinance, in connection with, or incidental to, the issuance or carrying of the Bonds, the Department may enter into one or more credit enhancement or liquidity agreements (each for purposes of this Resolution and the Master Bond Resolution, a "Credit Support Agreement") with one or more banks, insurance companies or other financial institutions approved by the Board which shall contain such payment, interest rate, security, default, remedy and other terms and conditions as shall be approved by the Board. Notwithstanding Section 6 of this Resolution, the maximum interest cost to be incurred on amounts payable under each such Credit Support Agreement, including the interest rate on Credit Provider Bonds (as defined in the Master Bond Resolution) under such Credit Support Agreement, shall not exceed twenty percent (20%) per annum. The interest cost for the purpose of determining whether such interest cost is within such maximum shall be on the basis of a year of 365 days for the actual number of days elapsed.

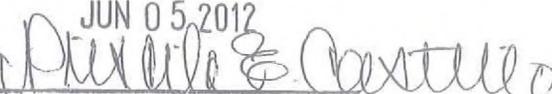
Section 9. The authorization of the issuance of the Bonds made by this Resolution is in addition to any and all other authorizations of the issuance of bonds on account of the Power System heretofore made by resolution of this Board.

Section 10. The Secretary of this Board shall forthwith transmit certified copies of this Resolution, together with the Report of the Department's Chief Financial Officer, to the offices of the Mayor, the City Clerk and the City Administrative Officer (previously the Director of the Office of Administrative and Research Services) pursuant to Subsections (a) and (d) of Section 609 of the Charter and Sections 11.28.2 and 11.28.4 of the Procedural Ordinance.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held JUL 17 2012


Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

JUN 05 2012
BY 
PRISCILA E. CASTILLO
DEPUTY CITY ATTORNEY

LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE: June 27, 2012
 PHILIP LEIBER Chief Financial Officer		SUBJECT: Authorization to Issue Up to \$650 Million of Power System Revenue Bonds for Capital Improvements for Fiscal Year 2012-2013 Under Resolution No. 4844
 RONALD O. NICHOLS General Manager		
		FOR COMMISSION OFFICE USE: RESOLUTION NO. _____
CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION: 609	

PURPOSE

The attached Resolution No. 4844, if adopted, would authorize the issuance of up to a maximum of \$650 million of Power System Revenue Bonds (Bonds), payable out of the Power Revenue Fund. The Bonds will be used to finance a portion of the Power System's capital improvement program for Fiscal Year (FY) 2012-2013.

COST AND DURATION

The total estimated cost for the \$650 million bond issue, including principal and interest, is approximately \$1.314 billion over 30 years based on current interest rates for tax-exempt bonds. The debt issuance costs are estimated at \$3.43 million representing 0.53% of the total bond issue which includes underwriter's discount, bond counsel, disclosure counsel, financial advisor, and rating agencies fees.

BACKGROUND

Resolution No. 4844 is an "initial resolution" of the Board of Water and Power Commissioners (Board), setting forth the purpose for future indebtedness and establishing the maximum limit as to principal, interest costs, and term. Resolution No. 4844 also provides for the private sale of the Bonds to one or more of the firms included in the team of underwriting firms selected by the Board pursuant to the Procedural Ordinance. The Financial Services Organization (FSO) will present a "supplemental resolution" that will authorize the specific terms and conditions for the

Bonds, including the lead underwriters that will be selected from among the Department's investment banking team members and the principal financing documents related to the Bonds, at a future Board meeting.

The Power System's FY 2012-2013 Budget approved by the Board on May 24, 2012 under Resolution No. 012-248 and transmitted to City Council as required by Charter Section 684, reflects a need to borrow approximately \$1.13 billion of tax-exempt revenue bonds to support its planned capital improvement program over the same period. Resolution No. 4844 authorizes only \$650 million of Revenue Bonds or 57% of the financing needs for FY 2012-13. LADWP will submit a separate Initial Resolution for the remaining \$480 million when the rate increase as outlined in the budget is approved. The proceeds from the \$650 million bond issuance will be deposited into the Construction Fund of the Power System and would be drawn down to fund a portion of its capital improvement program.

Both the Department's Chief Financial Officer (CFO) and Financial Advisor, Public Resources Advisory Group (PRAG), recommend the Bonds be sold on a negotiated basis (i.e., private sale). The CFO's Report in connection with the proposed private sale, as required by Charter Section 609, is attached. Also attached is the report setting forth PRAG's opinion with respect to a private sale.

RECOMMENDATION

Mayoral and City Council approvals are required.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report is attached.

It is recommended that your Honorable Board adopt Resolution No. 4844.

MCI/JD:

Attachments

e-c/att: Ronald O. Nichols
Richard M. Brown
Aram Benyamin
James B. McDaniel
Philip Leiber
Gary Wong
Mark Sedlacek
Ann M. Santilli
Mario C. Ignacio
Peter Huynh
Judith G. Daco

0220-04523-0002

TRANSMITTAL

TO Ronald O. Nichols, General Manager Department of Water and Power	DATE JUN 13 2012	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	

PROPOSED ISSUANCE OF \$650 MILLION OF POWER SYSTEM REVENUE BONDS

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



Matthew Karatz
(COPY)
MAYOR

MAS:OAV:10120121T

REPORT FROM

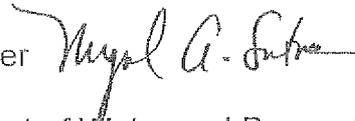
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 11, 2012

CAO File No. 0220-04523-0002
Council File No. None
Council District: All

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Letter from the General Manager, Department of Water and Power, March 19, 2012; referred for report March 23, 2012

Subject: **REQUESTED AUTHORITY TO ISSUE \$650 MILLION IN POWER SYSTEM REVENUE BONDS**

SUMMARY

The Department of Water and Power (DWP) requests approval of the Board of Water and Power Commissioners Resolution No. 4844 (Resolution) which authorizes the issuance of \$650 million in Power System Revenue Bonds, in order to finance a portion of the Power System's capital program during the fiscal year 2012-13. The DWP Power System multi-year capital program focuses on an integrated strategy which includes the Power Supply Replacement Program, the Power Reliability Program, and the Customer Opportunities Program. The Department states that the Resolution is an 'initial resolution' of the Board of Water and Power Commissioners (Board), which sets forth the purpose for future indebtedness and establishes the maximum limit as to principal, interest costs, and term. The Resolution also provides for the private or negotiated sale of the bonds to one or more underwriting firms selected by the Board pursuant to City Charter Section 609 (d) and Los Angeles Administrative Code Section 11.28.4 (the Procedural Ordinance). The bonds will be Power System Revenue Fund obligations and will not constitute an obligation of the City or the General Fund. The City Attorney has approved the proposed resolution as to form and legality.

BACKGROUND

The DWP Power System Capital Program's strategic priority is to transform its energy resources and power generation, to meet various state and federal mandates; replace aging infrastructure ensuring a robust and reliable distribution system; and promote customer control of their future energy usage; while maintaining regionally competitive rates for its customers. Funding for the fiscal year 2012-13 Capital Program consists of a number of major projects illustrated in the tables below.

EXHIBIT 1
(COPY)

	<i>Fiscal Year 2012-13</i>
Power Supply Replacement Program (<i>\$ in millions</i>)	
Rebuilding Local Power Plants (Complete Haynes Units 5 and 6; Begin Scattergood Unit 3; and Castaic Modernization Units 1 and 7)	\$ 428
Renewable Energy Resources (SB1 Solar Incentive; Utility built solar; Commitments to sites and permitting activities for renewable energy projects; completing the Adelanto and Pine Tree Solar Projects; and Barren Ridge Renewable Transmission)	\$ 150
Natural Gas Drilling Capital Investments	\$ 20
Power Supply Replacement Program	\$ 598
Power Reliability Program	
Power Reliability Program: Invest in distribution system reliability, substation reliability improvements and expansion, substation automation (prioritize replacements to address most critical problems first; focus on repair and equipment replacement on the worst performing circuits; replace vital equipment, such as poles, transformers, cables, and overhead circuits, integrate use of smart grid technology to detect and address problems)	\$ 427
Infrastructure Reliability: additions and improvements in various generating stations; investments in Automatic Meter Reading; and fleet acquisitions	\$ 195
Operating Support and maintenance	\$ 97
Power Reliability Program	\$ 719
Customer Opportunities Program	
Energy Conservation Incentive Programs	\$127
Customer Opportunities Program	\$ 127
Total Power System Capital Improvements Budget	\$ 1,444

Capital Program Financing

In order to support an overall planned \$1.444 million capital improvement program during this period, a combination of borrowings and internally generated funds will be required. The Power System's Budget, as adopted by the Board on May 24, 2012 and transmitted to Council as required by Charter Section 684, includes the need to borrow approximately \$1.13 billion of tax-exempt revenue bonds. The attached resolution only authorizes \$650 million of revenue bonds for 57.5% of the financing needs for fiscal year 2012–13. These bonds are not dependent on a power rate increase. The Department will submit a separate initial resolution for the remaining \$480 million at a later date during the upcoming fiscal year after Council consideration of the power rate proposal as anticipated in the DWP budget. The maximum interest cost to be incurred through the issuance of the bonds is 12% per annum and the maximum term for any bond is 45 years from the date of issuance. Based on the current market conditions, the interest cost is expected to be in the range of 4.0% – 5.0%.

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The chart below illustrates the Power System's debt service coverage, Net Available Revenue Coverage and Net Operating Cash Flow Coverage over the last decade. The coverage has declined, from 4 times the coverage in 2002 to barely 2 times the coverage in 2011. The Power System continues to maintain a debt service coverage ratio (Net Available Revenue Coverage) of 2.25 times. This is consistent with the Board action taken on May 21, 2009, directing the DWP to generally use the following financial planning criteria: 1) maintain a minimum debt service coverage of 2.25 times; 2) maintain a minimum operating cash target of \$300 million; and, 3) maintain a capitalization ratio of less than 60 percent.

In addition, the 2011 edition of the *US Public Power Peer Study* published by Fitch ratings, the financial performance of the DWP, compared to other utilities in the same AA- senior debt rating category, is slightly below the median of these utilities. The *Study* is based on several Financial Ratios that measure operating cash coverage; liquidity; and debt burden. A comparison of the DWP Financial Ratios with other Fitch-rated public power utilities is provided in the Attachments.

**Power Revenue Fund Revenue Bonds and Notes
Pledged- Revenue Coverage
Last Ten Fiscal Years
(Dollar amounts expressed in thousands)**

Fiscal Year	Operating Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)	Net Available Revenue Coverage	Net Operating Cash Flow	Net Operating Cash Flow Coverage (4)
2002	2,457,375	1,568,032	889,343	189,338	4.7	784,933	4.1
2003	2,318,167	1,655,240	662,927	168,119	3.9	792,585	4.7
2004	2,437,461	1,771,230	666,231	170,466	3.9	505,187	3.0
2005	2,401,458	1,835,594	565,864	189,105	3.0	611,579	3.2
2006	2,665,535	2,016,080	649,455	223,678	2.9	559,157	2.5
2007	2,799,140	1,996,649	802,491	267,144	3.0	507,934	1.9
2008	2,989,725	2,176,056	813,669	250,484	3.2	469,188	1.9
2009	2,924,155	2,043,192	880,963	270,357	3.3	427,647	1.6
2010	3,387,361	2,287,434	1,099,927	309,349	3.6	741,881	2.4
2011	3,288,476	2,308,188	980,288	400,846	2.4	666,711	1.7

- (1) Operating revenues include capital contributions, net non-operating revenues and allowance for funds used during construction.
 (2) Operating expenses do not include depreciation and amortization expenses.
 (3) Debt service includes principal and interest payments on bonds and commercial paper notes.
 (4) Net operating cash flow coverage is presented to show the Funds' ability to generate sufficient cash flow to cover debt service costs.

Source: Office of the Controller, City of Los Angeles, FY 2011 Comprehensive Annual Financial Report; February 2012.

In developing a method of financing the Capital Program, DWP has requested authority to conduct private, negotiated sales of bonds to one or more investment banking firms. Listed below are the firms selected by the Board to serve as the Department's underwriting team, pursuant to the Procedural Ordinance. The Department will select from the team of underwriters for each individual bond issuance.

Department of Water and Power Selected Underwriting Team	
• Bank of America Merrill Lynch	• BMO Capital Markets Inc.
• Barclays Capital Inc.	• Cabrera Capital Markets, LLC
• De La Rosa & Co.	• Citigroup Global Markets Inc.
• Goldman Sachs & Co.,	• Fidelity Capital Markets
• JP Morgan Securities LLC	• Loop Capital Markets, LLC
• Morgan Stanley & Co., LLC	• Mitsubishi UFJ Securities (USA) Inc.
• RBC Capital Markets, LLC	• Ramirez & Co., Inc.
• Siebert Branford Shank & Co., LLC	• The Williams Capital Group, L.P.
• Wells Fargo Securities	• U.S. Bancorp

Charter Section 609 Compliance

Section 609 of the City Charter requires that the Council and Mayor approve issuance of debt for the proprietary departments. Although the City's Debt Management Policy states that the issuance of debt shall be through a competitive sale whenever feasible, Section 609 (d) allows the private sale of bonds subject to the following conditions:

- The Board has authorized the sale of bonds pursuant to private sale after written recommendation of the Chief Financial Officer stating the reasons why a private sale will benefit the Department;
- The Council, after receiving a report from the City Administrative Officer, has approved the sale; and
- The Council be provided an opportunity, as set forth in the Procedural Ordinance, to disapprove the selection by a department of the underwriting firm(s) for the private sale of bonds

Pursuant to the Procedural Ordinance, the recommendations for private bond sale (Attachments) have been made by both the DWP's CFO and by its financial advisor, the Public Resources Advisory Group (PRAG).

Debt Issuance Costs

Debt issuance costs are estimated by the DWP at approximately \$3.43 million for the total \$650 million new bond issuance. A detail of the services provided and the estimated debt issuance costs are included in the chart below.

Debt Issuance Costs - \$ 650 million Power System Revenue Bonds	
<i>Service</i>	<i>Estimated Cost</i>
Rating Agencies	\$ 333,700
Financial Advisor	53,000
Bond/Underwriter's Counsel	212,500
Disclosure Counsel	50,000
Underwriter's Discount	2,775,000
Printing of Official Statements	7,500
TOTAL	\$ 3,431,700
<i>Source: Department of Water & Power - Financial Services System</i>	

Competitive v. Negotiated Bond Sale

The advantages and disadvantages of a competitive versus negotiated bond sale can be debated on their own individual merits. Charter Section 609 and the City's adopted Debt Management Policy require the sale of revenue bonds through a competitive basis. This Office has traditionally advocated for the issuance of bonds through a competitive sale, as competitive sales are conducted through an open process and most often result in the lowest cost of borrowing to the City. However, with respect to this issuance, a negotiated sale may be more advantageous to the DWP. A negotiated sale would allow for additional explanation of the transformation of the generation resource portfolio to include more renewable energy and transition away from coal, replacing and upgrading aging infrastructure to improve power reliability efforts in order to develop sufficient market interest; as well as to explain why the bonds are a solid investment. In addition, due to the size of the proposed issuance, a negotiated sale, will allow DWP to provide meaningful roles for local and regional firms, will provide meaningful participation of retail investors who are less sensitive to price compared to institutional investors, will allow DWP to structure specialized bonds to meet specific needs of investors, and will provide flexible timing in the pricing of the bonds to attempt to avoid the recent high volatility in the public capital markets.

Indebtedness

As of December 31, 2011, the Power System reported approximately \$6.3 billion in long-term debt obligations and \$200 million of commercial paper program. Long-term debt obligations consist of approximately \$969 million of variable rate debt and \$5.3 billion of fixed rate revenue bonds. All debt service payments are payable from the Power Revenue Fund. The following table identifies recent Power System long-term debt activity.

Power System Long-Term Debt Activity - Recent Issuances					
<i>Fiscal</i>	<i>(\$ in millions)</i>				<i>Type of</i>
<i>Year</i>	<i>Issuance</i>		<i>Rate</i>	<i>Purpose</i>	<i>Sale</i>
2011	\$694.10	Tax-exempt	Fixed	Refunding Bonds	Negotiated
2010	\$760.20	BABs*	Fixed	Capital Improvements	Negotiated
2010	\$139.80	CREBs/QECB**	Fixed	Capital Improvements	Negotiated
2010	\$52.10	Tax-exempt	Fixed	Refunding Bonds	Negotiated
	\$616.00	BABs*		Capital Improvements	

* Build America Bonds-American Recovery and Investment Act (ARRA) 35% of interest subsidized by the Federal Government

** CERB-Clean Renewable Energy Bonds/QECB-Qualified Energy Conservation Bonds (60% of interest subsidized by the Federal Government)

RECOMMENDATION

That the Mayor approve the Board of Water and Power Commissioners' Resolution No. 4844 authorizing the Department of Water and Power to issue through private sales, a maximum of \$650 million in Power System Revenue Bonds in accordance with the provisions of Charter Section 609 and Article 6.5 of the Los Angeles Administrative Code Sections 11.28.1 – 11.28.9; and return the Resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

There is no direct impact on the City's General Fund. Approval of the recommended action will authorize the DWP to issue \$650 million of Power System Revenue Bonds to finance a portion of its capital improvements program for fiscal year 2012-13. DWP estimates the net impact of this issuance will be to increase debt service costs of the Power System Revenue Fund by approximately \$41 million annually. One-time costs of issuance from the Power System Revenue Fund are estimated at approximately \$3.43 million. One-time costs consist of underwriter's discount; bond and disclosure counsels, financial advisor; and ratings agencies fees.

MAS:OAV:10120121

Attachments

Financial Ratios by Rating Category — All Retail Systems

Rated Company	Region	Total Revenues (\$000)	Debt Service Coverage (x)	Debt/FADS (%)	Equity/Capitalization (%)	Days Cash on Hand	Transfer/Revenue (%)	Capex/Depreciation (%)	Debt/Customer (\$)
'AAA' Rated Senior Debt									
Memphis Light, Gas & Water — Electric Division, TN	SERC	1,281,485	1.92	3.5	55.1	49	3.0	50.8	2,126
'AA+' Rated Senior Debt									
Chattanooga Electric Power Board — Electric System, TN	SERC	483,071	1.98	9.1	48.9	103	2.4	448.2	1,717
Chelan County Public Utility District No. 1 — Consolidated, WA	WECC	216,355	1.27	11.5	26.5	284	2.9	84.7	21,354
Nashville Electric Service, TN	SERC	1,063,155	2.05	5.6	—	40	2.5	131.4	1,396
San Antonio City Public Service, TX (CPS Energy)	ERCOT	1,930,504	2.28	5.9	41.4	121	14.1	279.6	6,571
Median			2.02	7.5	45.2	112	2.7	205.5	4,144
'AA' Rated Senior Debt									
Colorado Springs Utilities, CO	WECC	797,546	1.43	13.0	36.6	79	3.9	199.9	10,765
Concord Utility Funds, NC	SERC	103,003	2.45	4.5	64.2	262	0.0	60.8	4,083
Gainesville Regional Utilities, FL	FRCC	370,460	2.10	6.3	32.8	102	9.3	155.8	9,780
Grant County Public Utility District No. 2 — Consolidated, WA	WECC	272,725	1.41	10.6	38.9	201	3.8	351.0	23,335
Lincoln Electric Fund, NE	SPP	261,377	2.04	7.0	24.7	88	4.3	116.9	5,095
New Braunfels Utilities, TX	ERCOT	105,363	5.57	1.9	86.8	103	5.4	92.1	1,262
Orlando Utilities Commission, FL	FRCC	863,814	1.83	6.4	36.6	182	8.6	120.6	9,673
Pasadena Water & Power, CA	WECC	183,712	4.43	2.7	75.7	275	9.2	265.1	2,490
Springfield Public Utility, MO	SPP	359,507	1.65	10.0	53.0	36	3.2	484.3	7,192
Median			2.04	6.4	38.9	103	4.3	155.8	7,192
'AA-' Rated Senior Debt									
Anaheim Electric Utilities Fund, CA	WECC	377,387	1.44	8.3	33.2	115	3.7	132.2	5,730
Austin Electric Fund, TX	ERCOT	1,147,676	1.62	5.3	53.2	55	8.8	181.0	3,416
Bountiful Electrical System, UT	WECC	24,872	52.09	N.A.	100.0	218	8.9	47.6	0
Eugene Electric Board, OR	WECC	245,691	2.42	4.6	54.1	103	5.5	423.8	2,953
Floresville Electric Light & Power System, TX	ERCOT	27,079	2.90	3.9	66.3	74	3.0	166.7	1,133
Gallup Joint Utilities Fund, NM	WECC	38,423	7.38	1.3	72.0	186	4.8	82.3	2,370
Georgetown Utility Funds, TX	ERCOT	82,159	3.58	3.1	75.3	138	8.0	141.9	3,265
Heber Light & Power Company, UT	WECC	12,063	1.05	10.8	66.1	79	2.5	60.9	1,210
Hydro-Quebec	Northeast	12,338,000	2.48	5.1	0.0	102	15.3	150.3	9,641
Jacksonville Beach Combined Utility Funds, FL	FRCC	108,134	3.43	2.3	80.6	134	4.4	277.2	1,144
JEA — Electric System and Bulk Power Supply System, FL	FRCC	1,416,181	3.34	7.5	13.8	77	11.0	139.2	7,514
Kerrville Public Utility Board, TX	ERCOT	40,866	1.98	1.7	81.1	123	3.0	111.4	415

FADS — Funds available for debt service. ERCOT — Electric Reliability Council of Texas. FRCC — Florida Reliability Coordinating Council. SERC — Southeastern Electric Reliability Council. SPP — Southwest Power Pool. WECC — Western Electricity Coordinating Council. N.A. — Not applicable. *Continued on next page.*
 Source: Fitch Ratings.

Financial Ratios by Rating Category — All Retail Systems (Continued)

Rated Company	Region	Total Revenues (\$000)	Debt Service Coverage (x)	Debt/FADS (%)	Equity/Capitalization (%)	Days Cash on Hand	Transfer/Revenue (%)	Capex/Depreciation (%)	Debt/Customer (\$)
'AA-' Rated Senior Debt (Continued)									
Kissimmee Utility Authority, FL	FRCC	196,382	1.14	8.2	43.5	170	4.3	240.6	3,477
Lakeland Electric Utility, FL	FRCC	354,216	1.87	4.7	37.0	178	7.2	121.3	4,163
Los Angeles Department of Water & Power — Power System, CA	WECC	3,235,193	2.45	7.9	45.0	152	6.8	210.3	4,113
Pedernales Electric Cooperative Inc., TX	ERCOT	550,770	2.27	5.7	32.0	29	1.0	245.2	3,169
Riverside Electric Utility, CA	WECC	308,627	2.59	4.3	46.7	299	10.9	221.0	4,720
Rochester Public Utilities, MN	Midwest	150,901	3.36	3.2	72.5	145	5.8	103.6	1,882
Snohomish County Public Utility District No. 1, WA	WECC	560,769	2.07	7.5	74.2	233	5.5	157.8	1,211
Tacoma Power, WA	WECC	366,853	1.87	6.1	55.0	283	6.4	155.0	3,594
Tallahassee Electric Fund, FL	FRCC	334,353	2.51	6.3	43.5	104	7.0	176.6	4,513
Vero Beach Electric System Fund, FL	FRCC	99,446	4.29	2.0	66.5	106	5.9	43.2	1,716
Winter Park Electric Services Fund, FL	FRCC	58,054	5.41	5.7	2.3	0	5.5	121.0	5,124
Median			2.48	5.2	54.1	123	5.8	150.3	3,265
'A+' Rated Senior Debt									
Alameda Municipal Power — Electric Services, CA	WECC	48,948	2.81	4.7	58.7	238	8.3	62.4	1,144
Anchorage Electric Utility Fund, AK ⁹	Other	129,563	1.68	4.5	47.6	146	8.6	199.2	8,428
Benton County Public Utility District No. 1, WA	WECC	127,076	1.84	5.6	64.9	99	7.7	144.0	1,252
Bryan Utilities City Electric System, TX	ERCOT	136,621	2.23	9.8	49.2	110	6.2	180.9	5,575
Clark County Public Utility District — Electric System, WA	WECC	354,142	1.49	4.2	44.8	11	5.3	59.6	1,233
Dover Electric Revenue Fund, DE	Central	100,278	3.55	2.4	75.4	82	8.7	132.9	1,501
Farmington Utility Funds, NM	WECC	113,943	5.41	0.7	92.9	318	4.5	181.3	650
Fort Pierce Utilities Authority, FL	FRCC	108,258	2.04	5.3	62.4	84	4.5	45.2	3,887
Garland Electric Fund, TX	ERCOT	232,469	3.85	4.5	50.5	350	8.8	127.0	4,413
Glendale Electric Funds, CA	WECC	178,804	6.17	3.1	74.4	176	10.7	204.3	1,433
Granbury Municipal Utilities, TX	ERCOT	16,953	1.09	6.8	59.1	25	6.3	33.3	5,003
Greer Commission of Public Works, SC	SERC	75,350	3.11	6.0	60.2	75	1.7	102.4	5,243
Imperial Irrigation District — Energy, CA	WECC	436,746	4.29	6.1	70.7	162	0.0	346.3	2,582
Kansas City Board of Public Utilities, MO	Midwest	264,991	2.69	4.1	52.0	51	10.5	56.7	5,866
Leesburg Electric Utility Fund, FL	FRCC	68,654	5.01	3.1	60.3	110	8.4	223.3	1,912
Lubbock Power & Light Fund, TX	SPP	143,222	3.09	2.7	66.7	293	5.0	87.8	1,114
Muscatine Power & Water — Electric Utility, IA	Central	95,692	1.12	1.7	86.4	77	0.0	11.1	2,299
Roseville Electric Fund, CA	WECC	163,315	1.69	11.2	48.0	41	9.5	42.0	4,954
Seguin Utility Fund, TX	ERCOT	39,290	4.17	2.5	75.3	162	0.2	128.6	1,964

⁹Unaudited financial information. FADS — Funds available for debt service. ERCOT — Electric Reliability Council of Texas. FRCC — Florida Reliability Coordinating Council. SERC — Southeastern Electric Reliability Council. SPP — Southwest Power Pool. WECC — Western Electricity Coordinating Council. *Continued on next page.*
Source: Fitch Ratings.



ANTONIO R. VILLARAIGOSA
Mayor

Commission
THOMAS S. SAYLES, *President*
ERIC HOLOMAN, *Vice President*
RICHARD F. MOSS
CHRISTINA E. NOONAN
JONATHAN PARFREY
BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS
General Manager

CHIEF FINANCIAL OFFICER'S REPORT

Private Sale of Los Angeles Department of Water and Power, Power System Revenue Bonds

This report is being delivered in connection with the proposed private sale of Los Angeles Department of Water and Power, Power System Revenue Bonds (Bonds), pursuant to Charter Section 609.

The Power System's budget for Fiscal Year 2012-13 presented to the Board of Water and Power Commissioners on May 24, 2012 and transmitted to City Council pursuant to Charter Section 684, indicates a need to borrow approximately \$1.13 billion of tax-exempt revenue bonds to support its planned capital improvement program over the same period. Resolution No. 4844 authorizes only \$650 million of Revenue Bonds or 57% of the financing needs for FY 2012-13. The Department will submit a separate Initial Resolution for the remaining \$480 million when the rate increase as outlined in the budget is approved. Also, the current interest rate environment provides the Power System with an opportunity to lower its effective interest cost by issuing bonds to finance FY 2012-13 capital programs at historically favorable interest rates.

Due to the size of the proposed bond issue, efforts to provide a meaningful opportunity for minority, women and other business enterprises to participate in the sale of the Bonds consistent with the goals set forth in the Department's Outreach Program, the desire to coordinate the timing of what continues to be a volatile interest rate environment, and the desire to implement a retail order period aimed at reducing borrowing costs, I have determined that a private sale of the Bonds would be of benefit to the Department and recommend the private sale of the Bonds as provided in the attached Resolution No. 4844.

PHILIP LEIBER
Chief Financial Officer
June 5, 2012

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Telephone: (213) 367-4211 Cable address: DEWAPOLA



Public Resources Advisory Group

June 4, 2012

Mr. Philip Leiber
Chief Financial Officer
Department of Water and Power of
the City of Los Angeles
111 North Hope Street
Los Angeles, CA 90012

Dear Mr. Leiber:

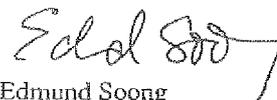
The Department of Water and Power of the City of Los Angeles (the "Department") has requested that Public Resources Advisory Group ("PRAG"), as financial advisor to the Department, discuss the merits of negotiated bond transactions for the issuance of debt to fund the capital improvement program of the Power System. The Department currently anticipates issuing \$650,000,000 of Power System Revenue Bonds during fiscal year 2012-13.

The benefits of negotiated versus competitive sales have been analyzed by municipal market participants for many years. The debate will continue into the future due to the rare frequency (or possible absence) of simultaneous negotiated and competitive bond pricings for the same issuer and same credit. In general, PRAG believes that all things being equal a competitive sale will provide an issuer with the lowest cost of funds for the majority issuances, but not necessarily in all cases. There are other important factors and market circumstances that have an impact on the decision for issuers to negotiate bond sales. The following are some of the factors that the Department faces with its upcoming new money Power System Revenue Bonds that support the decision of issuing on a negotiated basis:

- A negotiated sale will allow for the Department to provide meaningful roles for local and regional firms;
- Retail investors can be an important factor in the market, as the retail buyer is less sensitive to price compared to the institutional investor and retail orders in significant volume can only be achieved through a negotiated sale;
- Negotiated sales allow the Department to structure specific portions of the issuance to meet investor demand (such as, bifurcated coupons, callable premium bonds, non-callable bonds, specified par amounts, non-traditional couponing and similar features); and
- Negotiated bond sales' increased flexibility in the timing and structuring of bond sales allows the Department to attempt to navigate through difficult market conditions;
 - For example, as a result of significant and rapid shifts in the supply and demand relationships for municipal bonds, there has recently been high volatility in the public capital markets, including narrowing and widening credit spreads;
 - Negotiated issuers have been able to respond to then current market conditions by modifying the timing and structure of their bonds to better meet investor demands.

In our opinion, the factors above should be considered by the Department when making the decision to issue Power System Revenue Bonds on a negotiated sale basis. I hope the foregoing meets your needs. Please call me at 310-477-1453 or William Cobbs at 212-566-7800 if you have any questions on this matter.

Sincerely,



Edmund Soong
Executive Vice President

Department of Water and Power



the City of Los Angeles

ANTONIO R. VILLARAIGOSA
Mayor

Commission
THOMAS S. SAYLES, *President*
ERIC HOLOMAN, *Vice President*
RICHARD F. MOSS
CHRISTINA E. NOONAN
JONATHAN PARFREY
BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS
General Manager

June 5, 2012

The Honorable Antonio R. Villaraigosa
Mayor, City of Los Angeles
Room 303, City Hall
Mail Stop 370

Attention: Ms. Mandy Morales, Legislative Coordinator

Dear Mayor Villaraigosa:

Subject: Authorization to Issue up to \$650 Million of Power System Revenue Bonds
for Capital Improvements for FY 2012-2013 under Resolution No. 4844

In accordance with Executive Directive No. 4, enclosed is a copy of a Board Letter, Resolution, and supporting documents recommending approval and transmittal to the Los Angeles City Council authorizing issuance of up to \$650 Million of Power System Revenue Bonds to finance a portion of the Power System's capital improvement program for Fiscal Year 2012-2013.

It is respectfully requested that your review be completed as soon as possible. Once the required City Administrative Officer report has been received, the matter will be scheduled for action by the Los Angeles Board of Water and Power Commissioners and forwarded to the Los Angeles City Council for final consideration.

Please contact Ms. Winifred J. Yancy, Director of Local Government and Community Relations, at (213) 367-0025 upon completion of the review or if the review will take longer than 30 days, or if there are any questions regarding this item.

Sincerely,

Ronald O. Nichols
General Manager

MCI/JGD
Enclosures

c/enc: Mr. Matthew Karatz, Office of the Mayor
Commissioner Thomas S. Sayles, President
Commissioner Eric Holoman, Vice President
Commissioner Richard F. Moss

Commissioner Christina E. Noonan
Commissioner Jonathan Parfrey
Ms. Winifred J. Yancy

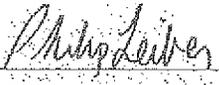
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LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE:
 PHILIP LEIBER Chief Financial Officer		SUBJECT: Authorization to Issue up to \$650 Million of Power System Revenue Bonds for Capital Improvements for FY 2012-2013 under Resolution No. 4844
_____ _____		
CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION: 609	

PURPOSE

The attached Resolution No. 4844, if adopted, would authorize the issuance of up to a maximum of \$650 million of Power System Revenue Bonds (Bonds), payable out of the Power Revenue Fund. The Bonds will be used to finance a portion of the Power System's capital improvement program for Fiscal Year (FY) 2012-2013.

COST AND DURATION

The total estimated cost for the \$650 million bond issue, including principal and interest, is approximately \$1.314 billion over 30 years based on current interest rates for tax-exempt bonds. The debt issuance costs are estimated at \$3.43 million representing 0.53% of the total bond issue which includes underwriter's discount, bond counsel, disclosure counsel, financial advisor, and rating agencies fees.

BACKGROUND

Resolution No. 4844 is an "initial resolution" of the Board of Water and Power Commissioners (Board), setting forth the purpose for future indebtedness and establishing the maximum limit as to principal, interest costs, and term. Resolution No. 4844 also provides for the private sale of the Bonds to one or more of the firms included in the team of underwriting firms selected by the Board pursuant to the

Procedural Ordinance. The Financial Services Organization (FSO) will present a "supplemental resolution" that will authorize the specific terms and conditions for the Bonds, including the lead underwriters that will be selected from among the Department's investment banking team members and the principal financing documents related to the Bonds, at a future Board meeting.

The Power System's FY 2012-2013 Budget presented to the Board on May 24, 2012 and transmitted to City Council as required by Charter Section 684, reflects a need to borrow approximately \$1.13 billion of tax-exempt revenue bonds to support its planned capital improvement program over the same period. Resolution No. 4844 authorizes only \$650 million of Revenue Bonds or 57% of the financing needs for FY 2012-2013. LADWP will submit a separate Initial Resolution for the remaining \$480 million when the rate increase as outlined in the budget is approved. The proceeds from the \$650 million bond issuance will be deposited into the Construction Fund of the Power System and would be drawn down to fund a portion of its capital improvement program.

Both the Department's Chief Financial Officer (CFO) and Financial Advisor, Public Resources Advisory Group (PRAG), recommend the Bonds be sold on a negotiated basis (i.e., private sale). The CFO's Report in connection with the proposed private sale, as required by Charter Section 609, is attached. Also attached is the report setting forth PRAG's opinion with respect to a private sale.

RECOMMENDATION

Mayoral and City Council approvals are required.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report has been requested.

It is recommended that your Honorable Board adopt Resolution No. 4844.

MCI/JD

Attachments

e-c/att: Ronald O. Nichols
Richard M. Brown
Aram Benyamin
James B. McDaniel
Philip Leiber
Gary Wong
Mark Sedlacek
Ann M. Santilli
Mario C. Ignacio
Peter Huynh
Judith G. Daco

**INITIAL RESOLUTION
OF THE BOARD OF WATER AND POWER COMMISSIONERS
OF THE CITY OF LOS ANGELES**

**Authorizing the Borrowing of Up to \$650,000,000 Pursuant to Section 609 of
The Charter of The City of Los Angeles Through the Issuance of
Revenue Bonds Payable from the Power Revenue Fund**

Resolution No. 4844

**BE IT RESOLVED BY THE BOARD OF WATER AND POWER COMMISSIONERS OF
THE CITY OF LOS ANGELES:**

Section 1. This Board of Water and Power Commissioners of the City of Los Angeles (the "Board") hereby determines that the public interest and necessity demand that the Department of Water and Power of the City of Los Angeles (the "Department") should borrow money pursuant to Section 609 of The Charter of The City of Los Angeles (the "Charter") for the purposes specified in Section 3 of this Resolution, and should issue and sell revenue bonds as herein provided (the "Bonds") payable from the Power Revenue Fund to evidence the indebtedness created by such borrowing.

Section 2. The Board hereby authorizes the issuance of the Bonds pursuant to the provisions of Section 609 of the Charter for the purposes specified in Section 3 of this Resolution.

Section 3. The Bonds are to be issued for the purpose of financing one or more Capital Improvements to the Power System (as such terms are defined in Resolution No. 4596 (the "Master Bond Resolution") adopted by the Board on February 6, 2001).

Section 4. The maximum principal amount of the Bonds authorized by this Resolution is

SIX HUNDRED FIFTY MILLION DOLLARS (\$650,000,000)

and said Bonds are to be issued in one or more series or subseries at such time or times as the Board may determine.

Section 5. The maximum term for which any Bond is to run shall be forty-five years from the date of issuance of such Bond.

Section 6. The maximum interest cost to be incurred through the issuance of any Bond shall be twelve percent (12%) per annum. The interest cost for the purpose of determining whether such interest cost is within such maximum shall be on the basis of a year of 365 days for the actual number of days elapsed.

Section 7. This Board has received a report (the "Report") of the Chief Financial Officer of the Department stating that such officer has determined that a private sale of the Bonds will be of benefit to, and in the financial interests of, the Department and providing the reasons therefor. As authorized by subsection (d) of Section 609 of the Charter and Section 11.28.4 of Ordinance No. 172,353 of the City of Los Angeles (the "City"), as amended, constituting Article 6.5 of

Chapter 1 of Division 11 of the Los Angeles Administrative Code (the "Procedural Ordinance"), this Board hereby authorizes the private sale of each series and subseries of the Bonds to one or more of the firms included in the team of underwriting firms selected by the Board pursuant to Section 11.28.4(b) of the Procedural Ordinance as such team is composed at the time of the sale of such series or subseries; provided, however, that underwriters' discount (exclusive of initial issue discount) with respect to the Bonds shall not exceed one percent of the principal amount of the Bonds and any initial issue discount with respect to the Bonds shall not exceed ten percent of the principal amount of the Bonds to which such initial issue discount shall apply.

Section 8. As provided in Section 11.28.5 of the Procedural Ordinance, in connection with, or incidental to, the issuance or carrying of the Bonds, the Department may enter into one or more credit enhancement or liquidity agreements (each for purposes of this Resolution and the Master Bond Resolution, a "Credit Support Agreement") with one or more banks, insurance companies or other financial institutions approved by the Board which shall contain such payment, interest rate, security, default, remedy and other terms and conditions as shall be approved by the Board. Notwithstanding Section 6 of this Resolution, the maximum interest cost to be incurred on amounts payable under each such Credit Support Agreement, including the interest rate on Credit Provider Bonds (as defined in the Master Bond Resolution) under such Credit Support Agreement, shall not exceed twenty percent (20%) per annum. The interest cost for the purpose of determining whether such interest cost is within such maximum shall be on the basis of a year of 365 days for the actual number of days elapsed.

Section 9. The authorization of the issuance of the Bonds made by this Resolution is in addition to any and all other authorizations of the issuance of bonds on account of the Power System heretofore made by resolution of this Board.

Section 10. The Secretary of this Board shall forthwith transmit certified copies of this Resolution, together with the Report of the Department's Chief Financial Officer, to the offices of the Mayor, the City Clerk and the City Administrative Officer (previously the Director of the Office of Administrative and Research Services) pursuant to Subsections (a) and (d) of Section 609 of the Charter and Sections 11.28.2 and 11.28.4 of the Procedural Ordinance.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held _____, 2012.

Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

JUN 05 2012
BY 
PRISCILA E. CASTILLO
DEPUTY CITY ATTORNEY

Public Resources Advisory Group

June 4, 2012

Mr. Philip Leiber
Chief Financial Officer
Department of Water and Power of
the City of Los Angeles
111 North Hope Street
Los Angeles, CA 90012

Dear Mr. Leiber:

The Department of Water and Power of the City of Los Angeles (the "Department") has requested that Public Resources Advisory Group ("PRAG"), as financial advisor to the Department, discuss the merits of negotiated bond transactions for the issuance of debt to fund the capital improvement program of the Power System. The Department currently anticipates issuing \$650,000,000 of Power System Revenue Bonds during fiscal year 2012-13.

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- A negotiated sale will allow for the Department to provide meaningful roles for local and regional firms;
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 - For example, as a result of significant and rapid shifts in the supply and demand relationships for municipal bonds, there has recently been high volatility in the public capital markets, including narrowing and widening credit spreads;
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In our opinion, the factors above should be considered by the Department when making the decision to issue Power System Revenue Bonds on a negotiated sale basis. I hope the foregoing meets your needs. Please call me at 310-477-1453 or William Cobbs at 212-566-7800 if you have any questions on this matter.

Sincerely,



Edmund Soong
Executive Vice President



ANTONIO R. VILLARAIGOSA
Mayor

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ERIC HOLOMAN, *Vice President*
RICHARD F. MOSS
CHRISTINA E. NOONAN
JONATHAN PARFREY
BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS
General Manager

CHIEF FINANCIAL OFFICER'S REPORT

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Due to the size of the proposed bond issue, efforts to provide a meaningful opportunity for minority, women and other business enterprises to participate in the sale of the Bonds consistent with the goals set forth in the Department's Outreach Program, the desire to coordinate the timing of what continues to be a volatile interest rate environment, and the desire to implement a retail order period aimed at reducing borrowing costs, I have determined that a private sale of the Bonds would be of benefit to the Department and recommend the private sale of the Bonds as provided in the attached Resolution No. 4844.

A handwritten signature in cursive script that reads "Philip Leiber".

PHILIP LEIBER
Chief Financial Officer
June 5, 2012

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