

Los Angeles



Department of Water & Power

ERIC GARCETTI
Mayor

Commission
MEL LEVINE, *President*
WILLIAM W. FUNDERBURK JR., *Vice President*
JILL BANKS BARAD
MICHAEL F. FLEMING
CHRISTINA E. NOONAN
BARBARA E. MOSCHOS, *Secretary*

February 19, 2014

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

Honorable Members:

Subject: Authorizes the Issuance up to a Maximum of \$522 Million Power System Revenue Bond

Pursuant to Charter Section 609, enclosed for approval by your Honorable Body is Resolution No. 4871, adopted by the Board of Water and Power Commissioners on February 18, 2014, approved as to form and legality by the City Attorney, which authorizes the issuance up to a maximum of \$522 million Power System Revenue Bonds.

If additional information is required, please contact Ms. Winifred Yancy, Manager of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,

Handwritten signature of Barbara E. Moschos in cursive.

Barbara E. Moschos
Board Secretary

BEM:oja

Enclosures: LADWP Resolution
Board Letter
CAO Report
Fitch Ratings Public Finance Report
Chief Financial Officer's Report
Public Resources Advisory Group Letter
Summary of Statements Received from LADWP's
Pool Underwriters Providing Investment Banking Report
Department of Water and Power – Power Revenue Fund Receipts
Power Revenue Fund Capital Improvement Program

Los Angeles Aqueduct Centennial Celebrating 100 Years of Water 1913-2013

111 N. Hope Street, Los Angeles, California 90012-2607 Mailing address: Box 51111, Los Angeles, CA 90051-5700
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c/enc: Mayor Eric Garcetti
Councilmember Felipe Fuentes, 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 \$522,000,000 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. 4871

**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

FIVE HUNDRED TWENTY-TWO MILLION DOLLARS (\$522,000,000)

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

FEB 18 2014


Secretary

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

DEC 11 2013
BY 
PRISCILA CASTILLO KASHA
DEPUTY CITY ATTORNEY





Los Angeles
Department of
Water & Power

BOARD LETTER APPROVAL

PHILIP LEIBER
Chief Financial Officer

JAMES B. MCDANIEL
Interim General Manager

DATE: February 6, 2014

SUBJECT: Initial Authorization to Issue up to \$522 Million in Power System Revenue Bonds under Resolution No. 4871

SUMMARY

Proposed Resolution No. 4871 seeks authorization to issue up to a maximum of \$522 million of tax-exempt Power System Revenue Bonds (Bonds) payable from the Power Revenue Fund. The Bonds will be used to finance a portion of the Power System's budgeted capital improvements for Fiscal Year (FY) 2013-14. The bond funding was contemplated in the financial plan for the year, and the debt service that will be required to repay the debt is covered by the currently approved rate level.

Mayoral and City Council approvals are required pursuant to Section 609 of the Charter of the City of Los Angeles (Charter). A subsequent resolution, to be introduced at a subsequent Board meeting, will provide additional details about the proposed issuance as the transaction progresses further.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Initial Resolution (Resolution No. 4871) recommending City Council's approval to issue up to \$522 million of tax-exempt Power System Revenue Bonds per Charter Section 609.

ALTERNATIVES CONSIDERED

The Department of Water and Power (Department) has two sources for funding its capital improvements program: through Rates and Borrowing from the capital market. Annually, a budget is prepared and approved by the Board and presented to the City Council.

Collections directly from rates does not provide sufficient funding for the entire capital budget. Accordingly, it has been determined that the public interest and necessity demand that the Department should borrow \$522 million by issuing Power System Revenue Bonds pursuant to Section 609 of the Charter for the purpose of financing a portion of the Power System's budgeted capital improvements for FY 2013-14.

Based on the approved budgeted level of spending for FY 2013-14, the cash projections show that Power System will fall below the Board approved minimum cash requirement of \$300 million¹ by June 2014 if this bond issuance does not occur.

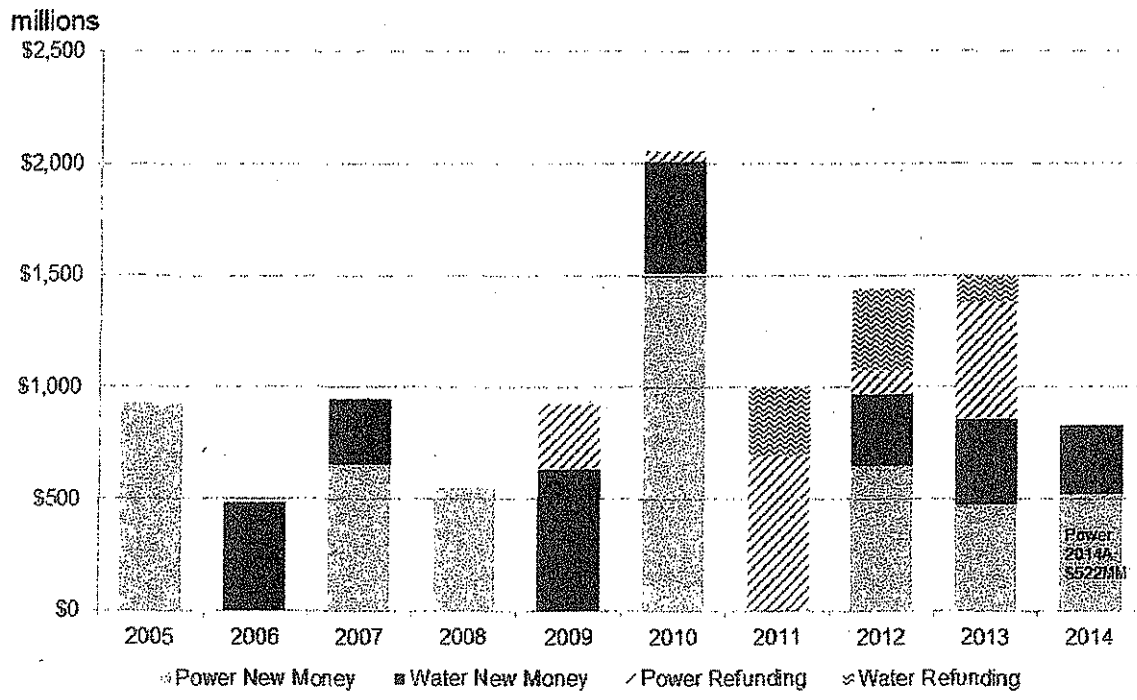
FINANCIAL INFORMATION

As a fixed-rate issue, the total estimated cost for the \$522 million bond issue, including principal and interest, is approximately \$1.04 billion over 30 years based on current interest rates for tax-exempt bonds. The debt issuance costs are estimated at \$2.49 million representing 0.48 percent of the total bond issue which includes underwriter's discount, bond counsel, disclosure counsel, financial advisor, and rating agencies fees.

BACKGROUND

Resolution No. 4871 is an "initial resolution" of the Board, setting forth the purpose for future indebtedness and establishing the maximum limit as to principal, interest costs, and term. Resolution No. 4871 also provides for the private sale of the Bonds to one or more of the firms included in the team of underwriting firms previously selected by the Board (in 2012) pursuant to the Procedural Ordinance. At a future Board meeting, the Financial Services Organization will present a "supplemental resolution" that will authorize the specific terms and conditions for the Bonds, including the underwriting firms that will be selected from among the Department's investment banking team members and the principal financing documents related to the Bonds. In the past three fiscal years, bond issuances have averaged \$882 million per year. A chart showing previous bond issuances for water and power systems (as well as this proposed offering) is shown below. It includes both new money and refunding bonds (used to refinance previously outstanding higher cost debt with lower interest debt).

¹ Additionally, the Department intends to enhance one of its financial metrics, the minimum targeted cash balance from \$300 million to 170 days of operating cash, and will request Board authorization for the change at an upcoming meeting.



Going forward, the Power System expects at least one bond issuance per year.

The Power System's FY 2013-14 Budget, approved by the Board on May 24, 2013 under Resolution No. 013-280 and transmitted to City Council in accordance with the Charter Section 684, reflects a need to borrow approximately \$456 million. Subsequently, the financial plan was updated which resulted in an increase to the borrowing by \$66 million, to a total of approximately \$522 million of tax-exempt revenue bonds to support its planned \$1.565 billion Capital Improvements Program over the same period. The reasons for the increase include but are not limited to the anticipated prepayment of high-interest-cost debt outstanding related to certain capital projects of the Hoover Dam Project, and changes in estimates for cash proceeds related to the disposition of other departmental assets.

The debt service on these Bonds is already funded by the approved FY 2013-14 Budget. In October 2012, a two-year rate increase for fiscal years 2012-13 and 2013-14 was approved by the Board and City Council. Revenues from the approved rate increase will support these debt service payments. The rate case originally contemplated a bond offering for FY 2013-14 in the amount of \$1.238 billion. Every year we adjust the required amount based on available proceeds from previous bond offerings, actual capital spending in the period year, and changes in the budget. Because of slower capital spending in FY 2012-13, we had remaining bond proceeds from that year that reduced the size of the bond offering needed this year from \$1.238 billion to \$522 million. The proceeds from the issuance of these bonds will be deposited into the Construction Fund of the Power System and would be drawn down to fund a portion of its capital improvements program.

Both the Department's Chief Financial Officer (CFO) and its financial advisor, the Public Resources Advisory Group (PRAG) recommends 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.

Ordinance No. 182138 requires investment banks to disclose their corporate citizenship which shall include their participation in charitable programs or scholarships within the City of Los Angeles and internal policies regarding utilization of subcontractors which are designated as small business and disabled veteran business enterprises. The Ordinance also states that the information requested shall be disclosed on a form to be provided by the City, which form is not currently available per the Office of the City Administrative Officer. In order to comply with the spirit of the Ordinance, in August 2013, while working on the issuance of the Water System Revenue Bonds, 2013 Series B, the eighteen (18) investment banks that are in the Department's current Pool of Underwriters were requested to submit to the Department a statement signed by an authorized firm representative disclosing their corporate citizenship as described above. Attached is a summary of the eighteen (18) Underwriters' statement of corporate citizenship.

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

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the request for authority to issue Power System Revenue Bonds is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061(b)(3).

CITY ATTORNEY

The Office of the City Attorney reviewed and approved Resolution No. 4871 as to form and legality.

ATTACHMENT

- A. Resolution
- B. Reports
- C. Underwriters' Summary

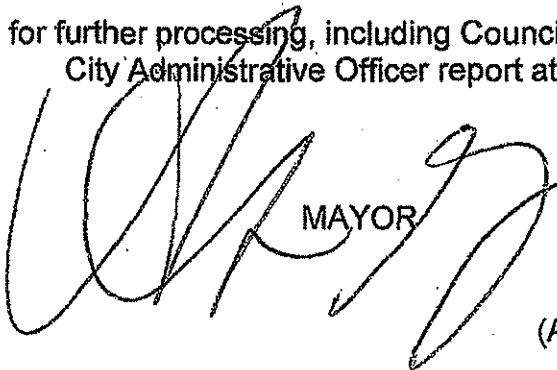
0220-04523-0004

TRANSMITTAL

TO Ronald O. Nichols, General Manager Department of Water and Power	DATE FEB 14 2014	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	

REQUESTED AUTHORITY TO ISSUE \$522 MILLION IN POWER SYSTEM REVENUE BONDS

Transmitted for further processing, including Council consideration. See the
City Administrative Officer report attached.



MAYOR

(Ana Guerrero)

MAS:OAV:10140128T



REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 29, 2014

CAO File No. 0220-04523-0004

Council File No. --

Council District: --

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Letter from the General Manager, Department of Water and Power, December 17, 2013;

Subject: **REQUESTED AUTHORITY TO ISSUE \$522 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. 4871 (Resolution) which authorizes the issuance of \$522 million in Power System Revenue Bonds, in order to finance a portion of the Power System's 2013-14 Capital Improvements Program. The DWP Power System's multi-year capital program focused on an integrated strategy which includes the Power Supply Replacement Program, Power Reliability Program, and Infrastructure Improvements Program. The Department states that the Resolution is an 'essential 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. Approval of the proposed resolution by the City Council and the Mayor is required by Charter Section 609(a).

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 energy future; while maintaining regionally competitive rates for its customers. Funding for the 2013-14 Capital Improvements Program consists of a number of major components illustrated in the following tables.

2013-14 Power System Capital Improvements Program

Power Supply Replacement Program

\$ in millions

<i>Integrated Resource Plan:</i> Rebuilding Local Power Plants (Complete Repower Haynes Units 5 and 6, Castaic Modernization; Continue Repower Scattergood Unit 3)	\$ 396
<i>Renewable Portfolio Standard:</i> Renewable Resources (SB1 Solar Incentive; Van Norman Reservoir Solar Project & completing the Pine Tree Solar Project; long term transmission development; Gorge Generator Upgrade; and Barren Ridge Transmission Projects)	294
<i>Energy Conservation</i>	138
<i>Natural Gas Drilling</i> Capital Investments	5

Power Supply Replacement Program **\$ 833**

Power Reliability Program

<i>Power Reliability Program:</i> 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)	\$ 516
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Power Reliability Program **\$ 516**

Infrastructure Reliability Program

<i>Infrastructure Reliability:</i> Additions and improvements in various generating stations; Investments in Automatic Meter Reading; and fleet acquisitions	\$ 132
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Infrastructure Reliability Program **\$ 132**

Operating Support

<i>Operating Support</i> and adjustments	\$ 84
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Operating Support **\$ 84**

Total Power System Capital Improvements Program

\$ 1,565

Capital Program Financing

In order to support an overall planned \$1.565 billion capital improvements program during this period, a combination of borrowings and internally generated funds will be required. The Power System's fiscal year 2013-14 Budget adopted by the Board on May 24, 2013 and transmitted to Council as required by Charter Section 684, includes the need to borrow approximately \$456 million of tax-exempt revenue bonds. However, subsequent adjustments were made to the updated financial plan which resulted in an increase to the borrowing by \$66 million to a total of \$522 million. The increase is primarily due to a reduction in the estimated value of the anticipated coal project divestiture as well as the anticipated prepayment of high-interest-cost debt outstanding related to certain capital projects of the Hoover Dam Project and changes in estimates for cash proceeds related to the disposition of other departmental assets. The maximum interest cost to be incurred through the issuance of the bonds is twelve percent per annum consistent with California

Government Code Section 5353; the maximum term for any bond is 45 years from the date of issuance. Although the Board Resolution sets a maximum rate of 12%, based on the current market conditions, the interest cost is expected to be in the range of 4.5% – 5.5%.

This bond issue is already included as part of the approved fiscal year 2013-14 Budget. In October 2012, a two-year rate increase for fiscal years 2012-13 and 2013-14 was approved by the Board of Water and Power Commissioners, the Mayor and the City Council. Revenues from the approved increase will support these debt service payments.

Debt Service Coverage

The table below illustrates the Power System's debt service coverage, Net Available Revenue Coverage and Net Operating Cash flow Coverage over the last decade. The Net Operating Cash Flow Coverage has declined, from 4.7 times coverage in 2003 to 1.7 times in 2011 and increased to 2.5 times in 2012. The Power System continued to maintain a minimum Debt Service Coverage Ratio (Net Available Revenue Coverage) of 2.25 times¹. This is consistent with the Board action taken on May 21, 2009 as amended on September 12, 2012, directing the DWP to generally use the following financial planning criteria: 1) maintain a minimum debt service coverage of 2.25 times(actual 3.0); 2) maintain a minimum operating cash target of \$300 million; and 3) maintain a capitalization ratio of less than 68 percent.

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)
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	2,043,182	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
2012	3,267,679	2,235,522	1,032,157	343,093	3.0	851,613	2.5

- (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 2012 Comprehensive Annual Financial Report, February 2013.

The typical residential customer bill (usage of 500kWh/month) prior to the October 2012 rate increase was \$65.79. Over two years, that typical residential customer will see their bill increase by \$3.65 or 5.5%. Of that \$3.65 increase, approximately 35 cents (or 9.6% of the increase) can be attributed to this \$522 million bond offering.

In addition, the 2013 edition of the *U.S. 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 consistent with 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.

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

- | | |
|---|---|
| <ul style="list-style-type: none"> • Bank of America Merrill Lynch • Barclays Capital Inc. • De La Rosa & Co. • Goldman Sachs & Co. • JP Morgan Securities LLC • Morgan Stanley & Co., LLC • RBC Capital Markets, LLC • Siebert Branford Shank & Co., LLC • Wells Fargo Securities | <ul style="list-style-type: none"> • BMO Capital Markets Inc. • Cabrera Capital Markets, LLC • Citigroup Global Markets Inc. • Fidelity Capital Markets • Loop Capital Markets, LLC • Mitsubishi UFJ Securities (USA) Inc. • Ramirez & Co., Inc. • The Williams Capital Group, L.P. • 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 Chief Financial Officer and by its financial advisor, the Public

Resources Advisory Group (PRAG).

Debt Issuance Costs

Debt issuance costs are estimated by the DWP at approximately \$2.49 million for the total \$522 million new bond issuance. A detail of the services provided and the estimated debt issuance costs are included in the table below.

Debt Issuance Costs \$480 million Power System Revenue Bonds	
Service	Estimated Cost
Rating Agencies	\$ 384,000
Financial Advisor	57,000
Bond Counsel	166,000
Disclosure Counsel	50,000
Underwriter's Discount	1,827,000
Printing of Official Statements	4,000
TOTAL	\$ 2,488,000

Source: Department of Water & Power - Financial Services Organization

Competitive vs. 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 into 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 in timing the pricing of the bonds to attempt to avoid the recent high volatility in the public capital markets.

Indebtedness

As of November 30, 2013, the Power System reported approximately \$7.06 billion in long-term debt obligations and \$200 million of commercial paper program obligations. Long-term debt obligations consist of approximately \$969 million of variable rate debt and \$6.09 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.

Year	Issuance	Rate	Purpose	Sale
2013	\$27.86 QECBs Taxable*	Fixed	Capital Improvements	Negotiated
	\$452.14 Tax-exempt	Fixed	Capital Improvements	Negotiated
2013	\$527.31 Tax-exempt	Fixed	Refunding Bonds**	Negotiated
2013	\$650.00 Tax-exempt	Fixed	Capital Improvements	Negotiated
	\$104.08 Tax-exempt	Fixed	Refunding Bonds**	Negotiated
2011	\$694.10 Tax-exempt	Fixed	Refunding Bonds**	Negotiated
2010	\$760.20 BABs Taxable	Fixed	Capital Improvements	Negotiated
2010	\$139.80 CREBs/QECB Taxable	Fixed	Capital Improvements	Negotiated
2010	\$52.10 Tax-exempt	Fixed	Refunding Bonds	Negotiated
	\$616.00 BABs Taxable		Capital Improvements	

* The Federal Qualified Energy Conservation Bonds which were the unused portion of the 2009 City ARRA funds.

** The Refunding transactions yielded a combined present value savings of \$232.2 million or 17.5% of refunding bonds

The above mentioned aspects of the proposed resolution and this report are based upon revised information received from the Department subsequent to the initial request submittal.

RECOMMENDATION

That the Mayor approve the Board of Water and Power Commissioners' Resolution No. 4871 authorizing the Department of Water and Power to issue through private sales, a maximum of \$522 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 \$522 million of Power System Revenue Bonds to finance a portion of its capital improvements program for fiscal year 2013-14. DWP estimates the net impact of this issuance will be to increase debt service costs of the Power System Revenue Fund by approximately \$33.5 million annually for 30 years. One-time costs of issuance from the Power System Revenue Fund are estimated at approximately \$2.49 million. One-time costs consist of underwriter's discount; bond and disclosure counsels, financial advisor; and ratings agencies fees.

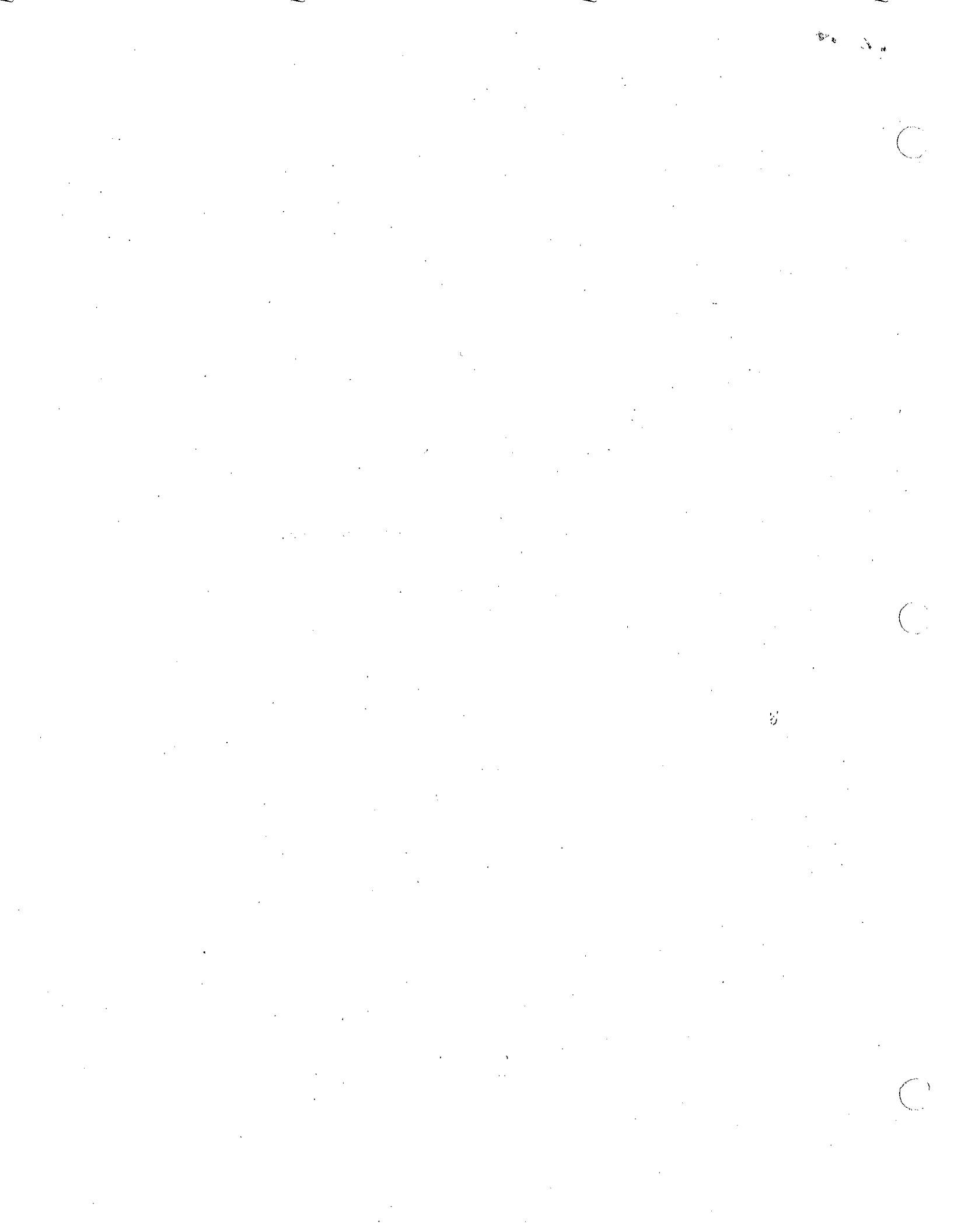
TIME LIMIT FOR COUNCIL ACTION

The City Attorney advises that there is no time limitation for the Council to act on items approved by ordinance.

Public Power Operating Profiles (Continued)

Issuer	Rating	Outlook/Watch	Type	Self-Regulated	Primary Fuel Exposure	Total Debt 2012 (\$000)	Total Members/Wholesale Customers ^a	Total Retail Customers ^b
Southwest Power Pool (SPP)								
Grand River Dam Authority, OK	A	RO: Stable	Wholesale	Yes	Coal	911,982	25	NM
Kansas City Board of Public Utilities, KS	A+	RO: Stable	Retail	Yes	Coal	521,290	—	63,281
Lubbock Power & Light Fund, TX	A+	RO: Stable	Retail	Yes	Coal	131,705	—	101,036
Nebraska Public Power District	A+	RO: Stable	Wholesale	Yes	Coal	2,211,568	76	89,335
Oklahoma Municipal Power Agency	A	RO: Stable	Wholesale	Yes	Coal/Gas	635,841	39	113,291
Springfield Public Utility, MO	AA	RO: Stable	Retail	Yes	Coal	755,857	—	110,192
Western Farmers Electric Cooperative, OK	A-	RO: Stable	G&T Coop	Yes	Coal	932,323	23	278,082
Western Electric Coordinating Council (WECC)								
Alameda Municipal Power — Electric Services, CA	A+	RO: Stable	Retail	Yes	Geo/Hydro	32,186	—	34,338
Anaheim Electric Utilities Fund, CA	AA-	RO: Stable	Retail	Yes	Coal	706,655	—	115,113
Benton CO Public Utility District No. 1, WA	A+	RO: Stable	Retail	Yes	Hydro	59,391	—	47,710
Boise Kuna Irr Dist ADA and Canyon Counties (ID)	A-	RO: Stable	Retail	Yes	Hydro	20,177	—	4,040
Bonnaville Power Administration, WA	AA	RO: Stable	Wholesale	Yes	Hydro	14,534,245	146	NM
Bountiful Light and Power, UT	AA-	RO: Stable	Retail	Yes	Coal/Hydro	14,655	—	16,573
Chelan CO Public Utility District No. 1 — Consolidated, WA	AA+	RO: Negative	Retail	Yes	Hydro	877,554	—	48,463
Clark County Public Utility District — Electric System, WA	A+	RO: Stable	Retail	Yes	Hydro	228,405	—	185,903
Colorado Springs Utilities, CO	AA	RO: Stable	Retail	Yes	Coal	2,307,972	—	873,261
Coville County Public Utility District No. 1 — Electric, WA	A	RO: Negative	Retail	Yes	Hydro	256,825	—	48,252
Eagle Mountain Electric and Gas Funds (UT)	A	RO: Stable	Retail	Yes	Coal/Gas	28,487	—	11,254
Eugene Electric Board, OR	AA-	RO: Negative	Retail	Yes	Hydro	314,117	—	88,965
Gallup Joint Utilities Fund, NM	AA-	RO: Stable	Retail	Yes	Coal	23,400	—	10,515
Glendale Electric Funds, CA	A+	RO: Negative	Retail	Yes	Coal	117,640	—	85,558
Grant County Public Utility District No. 2 — Electric System	AA	RO: Stable	Retail	Yes	Hydro	162,950	—	46,500
Grays Harbor County Public Utility District No. 1, WA	A	RO: Stable	Retail	Yes	Hydro	127,791	—	41,484
Heber Light & Power Company, UT	AA-	RO: Stable	Retail	Yes	Hydro/Coal/Gas	573,985	—	148,562
Impetal Irrigation District — Energy, CA	A+	RO: Stable	Retail	Yes	Gas	143,894	—	11,059
Kicklat CO Public Utility District No. 1, WA	A-	RO: Negative	Retail	Yes	Hydro	61,310	—	12,202
Lodi Electric Fund, CA	A-	RO: Stable	Retail	Yes	Coal/Hydro	74,630	—	25,350
Los Alamos County Joint Utility System Fund, NM	A-	RO: Stable	Retail	Yes	Coal	6,601,051	—	8,660
Los Angeles Department of Water & Power — Power System, CA	AA-	RO: Stable	Retail	Yes	Coal	557,493	—	1,471,000
Modesto Irrigation District, CA	A	RO: Positive	Retail	Yes	Gas	55,029	—	113,931
Overton Power District No. 5, NV	BBB+	RO: Negative	Retail	Yes	Purchased	145,059	—	64,836
Pasadena Water & Power, CA	AA	RO: Stable	Retail	Yes	Coal	29,525	—	8,782
Pend Oreille County Public Utility District No. 1 — Combined, WA	A-	RO: Stable	Retail	Yes	Hydro	279,510	4	149,676
Platte River Power Authority, CO	AA	RO: Stable	Wholesale	Yes	Coal	164,029	—	43,281
Redding Electric Utility Fund, CA	A	RO: Stable	Retail	Yes	Coal/Gas	636,686	—	107,321
Riverside Electric Utility, CA	AA-	RO: Stable	Retail	Yes	Gas	249,330	—	54,115
Roseville Electric Fund, CA	A+	RO: Stable	Retail	Yes	Gas	2,941,245	—	604,053
Sacramento Municipal Utility District, CA	AA-	RO: Stable	Retail	Yes	Gas	210,646	—	52,825
Silicon Valley Power, CA	A+	RO: Stable	Retail	Yes	Gas	546,169	—	324,581
Snohomish CO Public Utility District No. 1, WA	AA-	RO: Stable	Retail	Yes	Hydro	168,572	—	51,752
Sulphur Valley Springs Electric Cooperative, AZ	A-	RO: Stable	Retail	No	Coal	547,037	—	169,012
Tacoma Power, WA	AA-	RO: Stable	Retail	Yes	Hydro	2,785,075	44	610,600
Tri-State Generation & Transmission Association Inc.	A	RO: Stable	G&T Coop	Yes	Coal	1,247,018	—	99,913
Turlock Irrigation District, CA	A+	RO: Stable	Retail	Yes	Gas/Hydro	—	—	—

^aTotal Members/Wholesale Customers — Most recent figures available; some figures may be estimated. ^bTotal Retail Customers — Figures for wholesale systems represent retail customers served by the members; most recent data available; some figures may be estimated. N.A. — Not available. G&T — Generation and transmission. FERC — Federal Energy Regulatory Commission. NM — Not meaningful. Continued on next page.
Source: Fitch Ratings.



Retail Systems

Issuer	Rating	Outlook/Watch	Region	Total Revenues 2012 (\$000)	Debt Service Coverage 2012 (x)	Coverage of Full Obligations 2012 (x)	FADS 2012 (x)	Debt/Hand 2012	Cash on Hand 2012	Days Liquidity on Hand 2012	Transfer Payment as % of Operating Revs 2012	Capex/Depreciation 2012 (%)	Equity/Capitalization 2012 (%)	Debt Per Customer 2012 (\$)
AA+ Rated Senior Debt														
Chelan CO Public Utility District No. 1 — Consolidated; WA	AA+	RO: Negative	WECC	321,733	2.36	2.20	5.1	564	692	2.3	70.5	34.7	18,108	
Memphis Light, Gas & Water Division — Electric Division, TN	AA+	RO: Stable	SERC	1,319,000	1.77	1.14	3.4	55	55	3.0	167.3	58.6	3,428	
Nashville Electric Service, TN	AA+	RO: Stable	SERC	1,154,512	3.11	1.32	3.9	72	72	2.5	133.2	50.3	1,565	
San Antonio City Public Service, TX (CPS Energy)	AA+	RO: Stable	ERCOT	2,284,496	2.18	1.31	5.4	211	211	12.6	102.0	40.5	6,750	
Median				1,236,756	2.27	1.32	4.5	142	142	2.8	117.6	45.4	4,308	
AA Rated Senior Debt														
Chattanooga Electric Power Board — Electric System, TN	AA	RO: Stable	SERC	560,996	3.09	1.24	5.5	57	57	0.0	351.6	48.2	1,667	
Colorado Springs Utilities, CO	AA	RO: Stable	WECC	858,297	2.00	1.79	7.6	116	182	3.6	182.6	38.7	3,428	
Grand County Public Utility District No. 2 — Electric System	AA	RO: Stable	SERC	113,577	2.89	1.78	3.0	348	348	0.5	73.4	70.7	3,517	
JEA — Electric System and Bulk Power Supply System, IL	AA	RO: Stable	WECC	218,708	6.14	4.51	2.4	346	346	5.6	512.8	77.7	3,505	
Lincoln Electric System, NE	AA	RO: Stable	FRCC	1,358,090	3.17	2.02	6.0	370	370	9.9	133.9	19.9	7,040	
New Braunfels Utilities, TX	AA	RO: Stable	MRO	276,110	2.04	1.43	7.6	200	322	6.6	133.9	28.7	5,376	
Orlando Utilities Commission, FL	AA	RO: Stable	ERCOT	118,019	6.14	1.52	1.4	172	172	5.1	205.4	89.1	1,037	
Pasadena Water & Power, CA	AA	RO: Stable	FRCC	854,383	1.52	1.20	6.4	353	353	12.0	101.7	40.5	6,864	
Springfield Public Utility, MO	AA	RO: Stable	WECC	185,951	3.06	1.33	3.4	480	480	8.5	124.8	78.2	2,237	
Median				330,856	1.95	1.60	7.3	122	122	3.2	85.0	55.0	6,859	
AA- Rated Senior Debt														
Anaheim Electric Utilities Fund, CA	AA-	RO: Stable	WECC	397,931	1.67	1.16	8.0	108	108	3.8	104.6	32.2	6,139	
Austin Electric, TX	AA-	RO: Stable	ERCOT	1,179,872	1.71	1.09	4.8	67	138	8.9	113.3	53.2	3,346	
Bountiful Light and Power, UT	AA-	RO: Stable	WECC	26,840	7.72	1.88	1.9	327	327	8.8	721.4	57.7	884	
CoServ Electric, TX	AA-	RO: Stable	ERCOT	392,331	2.17	1.33	7.9	83	83	0.8	263.7	37.3	3,300	
Dover Electric Revenue Fund, DE	AA-	RO: Stable	REC	101,903	4.79	1.25	1.6	202	202	8.7	70.9	78.4	1,311	
Eugene Electric Board, OR	AA-	RO: Negative	WECC	246,227	2.33	1.29	6.2	109	109	5.6	142.9	52.2	3,531	
Flowers Electric Light & Power System, TX	AA-	RO: Stable	ERCOT	29,701	2.38	1.20	5.7	95	95	3.0	169.6	59.2	1,658	
Gainesville Regional Utilities, FL	AA-	RO: Stable	FRCC	354,624	2.24	1.70	6.7	57	142	10.2	130.2	32.7	10,888	
Gallup Joint Utilities Fund, NM	AA-	RO: Stable	WECC	30,950	3.60	2.85	2.5	378	378	5.3	115.8	74.4	2,225	
Garland Electric Fund, TX	AA-	RO: Stable	ERCOT	223,701	4.11	2.37	3.0	647	988	9.0	85.7	56.8	4,308	
Georgetown Utility Funds, TX	AA-	RO: Negative	ERCOT	85,941	3.11	1.10	3.0	111	111	7.4	133.7	79.7	2,426	
Grandtune Valley Electric Cooperative Inc., TX	AA-	RO: Stable	WECC	192,149	2.98	1.44	4.5	47	264	2.1	292.8	53.7	2,442	
Heber Light & Power Company, UT	AA-	RO: Stable	WECC	13,137	2.95	1.62	3.8	145	145	2.3	116.6	70.0	961	
Hydro-Quebec	AA-	RO: Stable	NPCC	12,228,000	2.11	1.93	5.7	220	388	5.3	151.2	30.4	10,601	
Jacksonville Beach Combined Utility Funds, FL	AA-	RO: Stable	FRCC	89,204	3.25	2.47	2.1	298	298	4.0	84.2	84.5	1,029	
Kerrville Public Utility Board, TX	AA-	RO: Stable	ERCOT	42,677	2.73	1.27	0.6	90	90	3.1	105.1	90.6	206	
Kissimmee Utility Authority, FL	AA-	RO: Stable	FRCC	173,082	1.21	1.07	8.6	223	265	5.3	60.7	50.2	2,820	
Lakeland Electric Utility, FL	AA-	RO: Stable	FRCC	290,337	1.96	1.47	5.3	222	222	8.3	96.2	39.0	4,037	
Los Angeles Department of Water & Power — Power System, CA	AA-	RO: Stable	WECC	3,116,823	2.62	1.48	7.6	151	151	8.0	250.6	43.4	4,487	
Ocala, FL Combined Utility Funds	AA-	RO: Stable	FRCC	165,759	6.66	1.74	3.6	265	265	6.5	79.2	64.7	3,073	
Pedernales Electric Cooperative Inc., TX	AA-	RO: Stable	ERCOT	567,821	2.19	1.46	5.4	49	133	0.2	104.5	38.7	2,871	
Riverside Electric Utility, CA	AA-	RO: Stable	WECC	333,029	1.97	1.22	5.7	297	297	10.1	146.8	43.0	5,923	
Rochester Public Utilities, MN	AA-	RO: Stable	MRO	142,802	3.57	1.34	2.8	137	137	5.8	93.6	60.7	1,576	
Snohomish CO Public Utility District No. 1, WA	AA-	RO: Stable	WECC	591,010	2.09	1.28	5.1	193	193	5.3	237.6	76.3	1,683	
Tacoma Power, WA	AA-	RO: Stable	WECC	387,833	2.15	1.94	4.5	335	335	10.9	107.8	58.8	3,237	
Tallahassee Electric Fund, FL	AA-	RO: Stable	FRCC	312,722	1.74	1.11	7.6	271	271	8.6	73.4	41.4	5,620	
Wheat Park Electric Services Fund, FL	AA-	RO: Stable	FRCC	46,034	3.16	2.58	5.1	25	25	5.5	107.3	16.3	4,935	
Median				223,701	2.38	1.44	5.1	151	193	5.8	113.3	53.7	3,073	

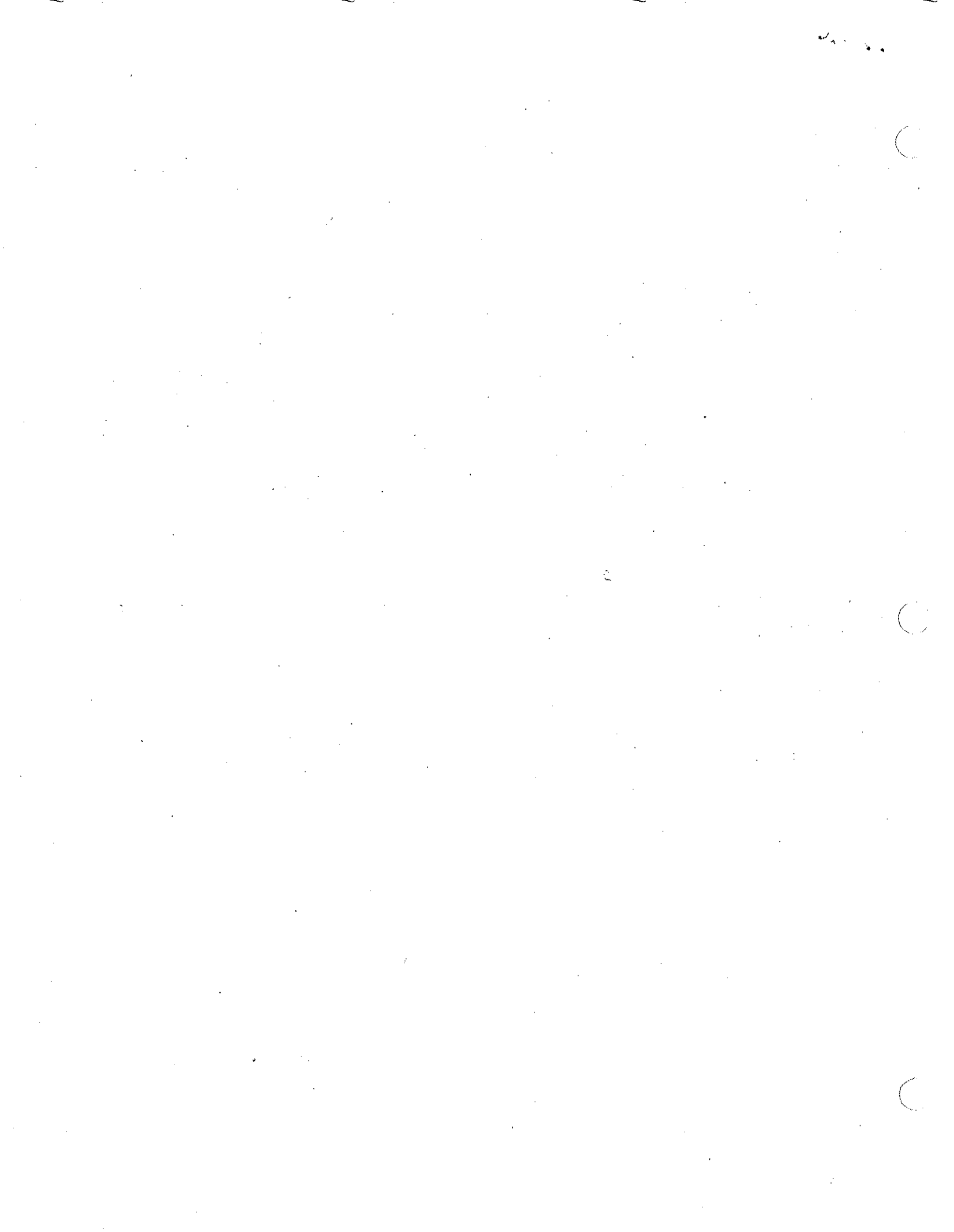
FADS — Funds available for debt service. Note: Fiscal 2011 audit — Anchorage Electric Utility; Gallup, Joint Utilities; Grays Harbor PUD; Kicklat PUD, Memphis Light, Gas & Water, Draft Fiscal 2012 audit — Imperial Irrigation District. Continued on next page.
Source: Fitch Ratings.



Ratio Definitions

Ratio	Calculation	Significance
Cash Flow FADS (\$)	Operating Revenues – Operating Expenses + Depreciation + Amortization + Interest Income FADS/Total Annual Debt Service	Provides available, current cash resources.
Debt Service Coverage (x)	(FADS + Fixed Charges – General Fund Transfer and/or PILOT Payments Excluded from Operating Expenses)/(Annual Debt Service + Fixed Charges)	Indicates the margin available to meet current debt service requirements.
Coverage of Full Obligations (x)	Total Debt/FADS	Indicates the margin available to meet current debt service requirements and proxy obligations related to purchased power.
Debt to FADS (x)		Indicates the size of debt compared to the margin available for debt service.
Liquidity		
Days Cash on Hand	Unrestricted Cash and Investments/(Operating Expenses – Depreciation + Amortization)*365	Indicates financial flexibility, specifically cash and short-term investments, relative to expenses.
Days Liquidity on Hand	(Unrestricted Cash and Investments + Available Lines of Credit and Commercial Paper Capacity)/(Operating Expenses – Depreciation + Amortization)*365	Indicates financial flexibility, including all available sources of cash, short-term investments, and liquidity, relative to expenses.
Capital Structure		
Equity to Capitalization (%)	Total Equity/Capitalization	Provides a measure of cost recovery, leverage, and debt capacity.
Debt to Customer (\$)	Total Debt/Total Customers	Provides a measure for relative comparison of leverage.
Other		
Capex to Depreciation and Amortization (%)	Capex/(Depreciation + Amortization)	Indicates the relationship between capital spending and the depreciation of existing assets.
Transfer Payments to Operating Revenues (%)	(General Fund Transfers + PILOT + Other taxes)/Operating Revenues	Indicates the degree to which a utility supports city or county general fund, or other governmental operations.

Source: Fitch Ratings.



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 2013-14, approved by the Board of Water and Power Commissioners on May 24, 2013 under Resolution No. 013-280 and transmitted on May 30, 2013 to City Council in accordance with the City Charter, indicates a need to borrow approximately \$456 million. Subsequently, the financial plan was updated which resulted in an increase to the borrowing by \$66 million, to a total of approximately \$522 million of tax-exempt revenue bonds to support its planned \$1.565 billion Capital Improvements Program over the same period. The reasons for the increase include but are not limited to the anticipated prepayment of high-interest-cost debt outstanding related to certain capital projects of the Hoover Dam Project, and changes in estimates for cash proceeds related to the disposition of other departmental assets.

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 and in the financial interests of the Department and recommend the private sale of the Bonds as provided in the attached Resolution No. 4871.



PHILIP LEIBER
Chief Financial Officer
January 29, 2014





PUBLIC RESOURCES ADVISORY GROUP

December 11, 2013

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:

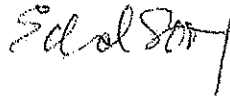
The Department of Water and Power of the City of Los Angeles ("LADWP") has requested that Public Resources Advisory Group ("PRAG"), as financial advisor to LADWP, discuss the merits of a negotiated bond transaction for the issuance of debt to fund the capital improvement program of the Power System. We understand that LADWP currently anticipates issuing \$522,000,000 of Power System Revenue Bonds during fiscal year 2013-14.

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, same credit, and same maturities. 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 of 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 LADWP 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 LADWP to provide meaningful roles for local and regional firms;
- Retail investors can be an important factor in the market, as the retail buyer is typically 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 LADWP 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 provide increased flexibility in timing and structuring which will allow LADWP to navigate through difficult market conditions;
 - For example, as a result of significant and rapid shifts in interest rates, including changing 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 LADWP 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,



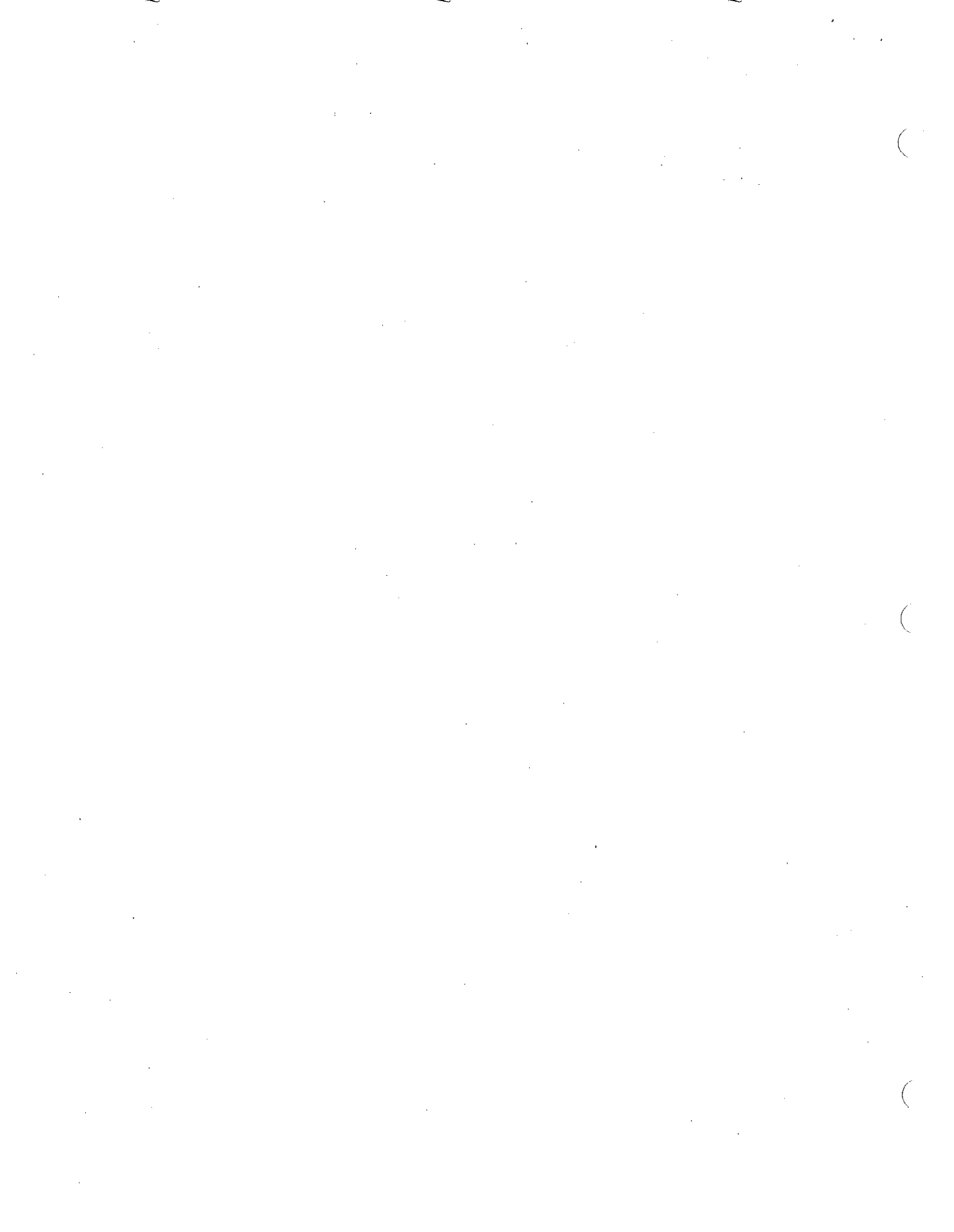
Edmund Soong
Executive Vice President

Summary of Statements Received from LADWP's Pool of Underwriters Providing Investment Banking Services as Required by Ordinance No. 182138, the Responsible Banking Ordinance

FIRM NAME	CORPORATE CITIZENSHIP For CY 2012	POLICY ON SUBCONTRACTORS' UTILIZATION For CY 2012
SENIOR MANAGERS		
Bank of America Merrill Lynch	<ul style="list-style-type: none"> In 2012, the Bank contributed \$7.8 million to charitable organizations such as L.A. Neighborhood Housing Services, Boys and Girls Club of L.A. County and United Way of Greater L.A. to name a few. Recent Los Angeles-focused community development efforts include financing for the Valley Economic Development Corporation, P.A.C.E. Los Angeles Business Development Center and Pacific Coast Regional Small Business Development Center. Employees reported over 56,000 hours of volunteer service to local non-profits in 2012. 	<ul style="list-style-type: none"> The Bank has a long-standing supplier diversity program, which has two main objectives: (1) to ensure diverse businesses are given maximum opportunity to participate in its competitive contracting and procurement processes, (2) to increase the amount of quality products and services it obtains directly from businesses that are owned by minorities, women, veterans and disabled persons, or indirectly through companies sharing its commitment to diversity.
Barclays Capital Inc.	<ul style="list-style-type: none"> Barclays contributed \$18,000 to the following Los Angeles charitable organizations: City of Hope Cancer Research Center, Special Olympics of Southern California, University of Southern California, The Mexican American Bar Foundation of Los Angeles, the Children's Bureau of Southern California, and The Harold Robinson Foundation amongst others. Incorporates diversity in its recruitment strategy by partnering with schools and specific organizations to target under-represented minorities. 	<ul style="list-style-type: none"> Barclays has an active Diversity and Inclusion Program as well as an Affirmative Action Plan. The firm's sourcing process includes aggressive goals for involving women, minority, and other diverse-owned businesses in its bid lists, and routinely survey its primary suppliers to ensure they comply with similar practices.
De La Rosa & Co.	<ul style="list-style-type: none"> The centerpiece of the firm's charitable foundation is the "Fabric of Society Scholarship Essay Contest" that awards \$2,000 college scholarship to 20 seniors from 20 high schools across California. The firm makes yearly contributions to the following charitable organizations in Los Angeles: Watts/Willowbrook Boys and Girls Club, HOPE, PUENTE Learning Center, Rio Hondo College Foundation, TELACU, Girls Today Women Tomorrow, Mid Valley YMCA, LA Community College District Foundation, Peace Over Violence, LMU, among others. 	<ul style="list-style-type: none"> De La Rosa & Co is a minority owned business enterprise.
Goldman Sachs & Co.	<ul style="list-style-type: none"> In 2012, "Goldman Sachs Gives" contributed nearly \$600,000 to local charities and scholarship in the City of Los Angeles including The LA Museum of Art, the UCLA Foundation, City Year, Inc., Children's Hospital of L.A., the L.A. Food Bank, and the L.A. Police Foundation. The firm deployed over \$10.4 million in small business loans to local Los Angeles businesses. Employees volunteered for 11 nonprofit organizations in the City and contributed 885 hours. 	<ul style="list-style-type: none"> The Goldman Sachs Vendor Diversity Program seeks to build long-standing relationships with diverse businesses that share its commitment to quality and service by enabling them to compete on an equal basis with all other suppliers for the opportunity to distribute goods and services to the firm. The firm established a Vendor Diversity web page on its external corporate website, which includes online registration for the Goldman Sachs Vendor Diversity Program.
J.P. Morgan Securities LLC	<ul style="list-style-type: none"> In Los Angeles, the firm has provided more than \$4.28 million in grants to scholarships and to a wide variety of organizations in 2012. \$1 million grant to I Am Angel Foundation for the TRANS4M Boyle Heights collaboration Chase Community Giving selected two LA-based nonprofits to each receive \$100,000 grant: the Ian Somerhalder Foundation and the Bill Memorial Foundation. Donated \$135,000 to support LA's BEST in providing high-quality afterschool programming for children in the LA Unified School District. Employees volunteered 2,142 hours with local LA-based nonprofit organizations. 	<ul style="list-style-type: none"> The firm's Supplier Diversity processes are integrated into the strategic sourcing process. It partners with the sourcing managers and the lines of business to be involved in each step of a sourcing engagement. Utilizes the firm's Supplier Diversity Network which benefits among others include first consideration for procurement opportunities where certified diverse suppliers are sought. Uses other external databases to find qualified diverse businesses that can meet the needs of its internal clients.

FIRM NAME	CORPORATE CITIZENSHIP For CY 2012	POLICY ON SUBCONTRACTORS' UTILIZATION. For CY 2012
Morgan Stanley & Co. LLC	<ul style="list-style-type: none"> In 2012, the firm contributed to communities in the County of Los Angeles \$444,817. Contributed over \$475,000 to the Grow Clinic at Harbor-UCLA Medical Center. Employees contributed a total of \$57,363 in the greater L.A. area in 2012 to the following: UCLA Foundation, University of Southern California, A Place Called Home, and the L.A. Philharmonic Association. 	<ul style="list-style-type: none"> The firm's policy, through its Supplier Diversity Program ("SD Program"), is to enhance the participation of Minority and Women-Owned Businesses (M/WBEs) in bidding on and participating in the performance of contracts. Companies that do business with the firm are asked to participate with its SD Program by virtue of their own status as M/WBEs.
RBC Capital Markets, LLC	<ul style="list-style-type: none"> In 2012, the firm contributed \$17,755 to organizations within the City of L.A. including Bet Tzedek Justice for All, MUAT, University of Southern California, Foundation for Prader Willi Research, American Heart Association Inc.-L.A., Autism Speaks-L.A., International Myeloma Foundation, Academy for New Musical Theater, Inc and ARME. 	<ul style="list-style-type: none"> The firm has made an effort to increase the participation of women-owned, minority owned and disadvantaged Business Enterprises by serving as co-financial advisors with a minority owned firm. In 2011, the firm hired Lofton and Jennings, a minority and women-owned law firm to serve as underwriters' counsel on two financings in California totaling about \$800 million.
Siebert Brandford Shank & Co. LLC	<ul style="list-style-type: none"> In 2012, the firm supported the League of California Cities Latino Caucus and the Greater Los Angeles YWCA. 	<ul style="list-style-type: none"> As a M/WBE firm, Siebert consistently places minority and women owned firms in its financial transactions as underwriters' counsel, co-underwriter, special counsel, marketing specialists and financial printers.
Wells Fargo Securities	<ul style="list-style-type: none"> In Los Angeles, Wells Fargo provided \$12,946,568 to nonprofits and schools through corporate and foundation giving. Wells Fargo matched \$467,453 of its team member contributions to accredited educational institutions, foundations and Habitat for Humanity. Wells Fargo team members logged 6,131 volunteer hours throughout the L.A. community. In L.A., the firm provided 8 community development loans in L.A. totaling \$30.4 million. 	<ul style="list-style-type: none"> Wells Fargo integrates supplier diversity into all aspects of its business by creating programs and business models that offer technical assistance and development opportunities to MWDSBEs, and by supporting sourcing of services and goods from MWDSBEs and encouraging leaders across the firm to provide diverse-owned businesses equal opportunities to compete for Wells Fargo business. The firm has 804 total suppliers based in LA and total spending for 2012 was \$36.5M for LA-based M/WBEs.
CO-MANAGERS		
BMO Capital Markets Inc.	<ul style="list-style-type: none"> While BMO contributed through donations, sponsorships and employee giving to support charities and not-for-profit organizations in Canada and the United States, it did not specify contribution strictly for the benefit of charitable organizations in the City of Los Angeles. 	<ul style="list-style-type: none"> BMO Harris has had a formal Supplier Diversity program since the early 1990's. Its outreach to diverse suppliers includes participating in trade and procurement fairs in both US and Canada. The Enterprise Office of Supplier Diversity is housed within BMO and is designed to increase the M/WBE participation in the supply chain of all BMO operations.
Cabrera Capital Markets, LLC	<ul style="list-style-type: none"> In 2012, Cabrera provided support of approximately \$44,000 for the Women in Public Finance Los Angeles Chapter, NALBO Education fund, Chicano Latino Youth Leadership Project, TELACU Education Foundation, California Youth Karate Club, CA Women Lead, CA Independent Cities Assoc., The Heart Foundation and California Latino School Boards Association. 	<ul style="list-style-type: none"> Cabrera Capital Markets is a minority owned business enterprise.
Citigroup Global Markets Inc.	<ul style="list-style-type: none"> Citi Foundation provided \$1.2 million in 2012 in support to 26 nonprofit agencies in Los Angeles including Skid Row Housing Trust, Mercy Housing California, LINC Housing Corporation to name a few. Citi through direct corporate giving provided over \$1.6 million in grants and contributions in 2012 to 52 L.A. nonprofit organizations including Puente Learning Center, Proyecto Pastoral, Bridges to Success and the Watts/Willowbrook Boys and Girls Club. Citi provides both debt and equity for low income, 	<ul style="list-style-type: none"> The firm's Supplier Diversity initiative has been in existence since 1977. It continues to provide suppliers with mentoring, networking opportunities and scholarships for entrepreneurial training. Citi teaches diverse and small business owners how to negotiate the corporate contracting and procurement process and match their companies' products and services to Citi's needs.

FIRM NAME	CORPORATE CITIZENSHIP For CY 2012	POLICY ON SUBCONTRACTORS' UTILIZATION For CY 2012
	special needs and workforce housing.	
Fidelity Capital Markets	<ul style="list-style-type: none"> In 2012, Fidelity sponsored 6 concerts with the LA Philharmonic at the Hollywood Bowl. The organizations that the firm supported in Los Angeles metro area in 2012 include Boys and Girls Club of Conejo and Las Virgenes, Pasadena Pops, Greater Conejo Valley Chamber of Commerce, Pasadena Symphony Association and Pasadena Education Foundation. 	<ul style="list-style-type: none"> Fidelity does its best to embrace minority and women owned business enterprises when engaging suppliers and subcontracting relationships when that enterprise is capable of delivering the specific products, services, and expertise that Fidelity and its clients require. The firm invests approximately 3.8% of its annual spending in minority and women-owned, veteran and disabled veteran businesses.
Loop Capital Markets, LLC	<ul style="list-style-type: none"> The firm and its employees are actively involved with a number of charitable programs and organizations in the Los Angeles community including The Posse Foundation, The League of United Latin American Citizens (LULAC) National Educational Service Center, Inc., L.A. Plaza De Cultura y Arte-Museum, Salesian High School, The Leukemia & Lymphoma Society, Center for Civic Participation Children's Educational Program, Women Against Gun Violence, Habitat for Humanity, South Central Scholars, and the Anti-Defamation League. 	<ul style="list-style-type: none"> Loop Capital Markets is a minority owned investment bank. The firm historically set a precedent of regularly selecting a M/W/D business enterprise to serve as underwriter's counsel and will continue to do so in the future.
Mitsubishi UFJ Securities USA) Inc.	<ul style="list-style-type: none"> In 2012, the firm through Union Bank, made charitable contributions totaling \$2.8 million in the City of Los Angeles. The charitable giving was directed to Affordable Housing, Community Economic Development, Education, Environment, Culture and Arts, Health and Human Services, and Emergency Services. The firm has several community lending programs that are designated to assist small and medium-sized businesses that are majority-owned by ethnic minorities, women, and/or disable veterans. 	<ul style="list-style-type: none"> In 2005, an initial redefined supplier diversity goal of 12% of all Bank purchases was established, to be increased ½ or more each year to 20% by the year 2015. In 2012, the bank increased its actual diverse business enterprise spending to 16.9% or over in excess of \$120 million dollars, approximately 99% of the 16% target for the year.
Ramirez & Co., Inc.	<ul style="list-style-type: none"> The firm and its employees provided charitable contributions to the local organizations providing services to Angelinos including California Women Lead, Rainbow PUSH Coalition, the March of Dimes, and the Leukemia and Lymphoma Society to name a few. The firm did not indicate the amount of contributions specifically for organizations within the City of Los Angeles. 	<ul style="list-style-type: none"> Ramirez & Co. is a minority owned business enterprise and is particularly sensitive to the need to provide opportunities to minorities and women in business. Nearly 48% of the firm and 64% of the Public Finance Department's employees are minorities and/or women.
The Williams Capital Group, L.P.	<ul style="list-style-type: none"> The firm's 2012 charitable contributions within California include Prostate Cancer Foundation (Santa Monica), Museum of African Diaspora (SF), and Willie Brown Institute (SF). While the firm supports a wide range of civic and non-profit organizations, it did not include specific contribution to organizations within the City of Los Angeles. 	<ul style="list-style-type: none"> The Williams Capital Group is a minority owned business enterprise.
U.S. Bancorp	<ul style="list-style-type: none"> In 2012, US Bank donated \$2,096,520 in grants and corporate contributions in multiple organizations in the greater Los Angeles area such as Junior Achievement of Greater Los Angeles, Neighborhood Housing Services Los Angeles, Pacific Coast Regional Small Business Development Center, Los Angeles Family Housing, and United Way Greater Los Angeles. 	<ul style="list-style-type: none"> The firm's Supplier Diversity Program was created in 1998 to support the participation of women and minority owned businesses in its procurement operations. It strives to identify business opportunities for certified Minority and Women-Owned Business Enterprises to participate equally with other suppliers in the competitive supplier evaluation process. In 2012, the firm's national MWBE participation totals \$305 million of which \$652,496 is for the greater Los Angeles area.



DEPARTMENT OF WATER AND POWER

POWER REVENUE FUND

RECEIPTS

Receipts 2011-12	Estimated Receipts 2012-13		Estimated Receipts 2013-14
\$ 1,114,000,000	\$ 439,000,000	Balance available, July 1.....	\$ 762,000,000
		Less:	
<u>250,100,000</u>	<u>246,500,000</u>	Payments to City of Los Angeles.....	<u>263,000,000</u>
\$ 863,900,000	\$ 192,500,000	Adjusted Balance.....	\$ 499,000,000
2,950,400,000	3,172,400,000	Sale of electric energy.....	3,421,700,000
200,651,600	245,943,000	From Water Revenue Fund for services and materials.....	274,456,800
—	1,130,000,000	Proceeds from sale of bonds for construction	
		expenditures made by Power Revenue Fund.....	456,100,000
26,700,000	18,300,000	Contributions in aid of construction.....	19,700,000
83,985,000	88,793,000	From Individuals, companies and governmental agencies for services and materials.....	197,653,900
<u>127,100,000</u>	<u>92,200,000</u>	Miscellaneous.....	<u>92,900,000</u>
\$ 4,252,736,600	\$ 4,940,136,000	Total Power Revenue Fund.....	\$ 4,861,510,700

APPROPRIATIONS

Expenditures 2011-12	Estimated Expenditures 2012-13		Estimated Appropriation 2013-14
\$ 700,752,200	\$ 728,309,000	Salaries and wages.....	\$ 766,307,600
232,885,800	251,716,000	Materials, supplies and equipment.....	313,407,000
1,313,300,000	1,360,200,000	Purchased energy and fuel for generation.....	1,395,600,000
336,748,200	284,165,000	Contracts - Construction work.....	582,701,400
10,050,700	8,139,000	Contracts - Operation and maintenance work.....	7,669,700
5,882,100	5,417,000	Rentals and leases.....	9,034,300
92,170,700	82,385,000	Payments to other utilities for proportionate share of construction, operation and maintenance of jointly-owned facilities.....	81,224,200
257,938,800	223,506,000	Outside services and regulatory fees.....	304,218,900
53,000	31,802,000	Purchase of land and buildings.....	54,984,900
11,942,200	13,823,000	Property taxes.....	15,214,500
8,765,300	8,201,000	Utility services for telecommunications and water.....	9,736,300
15,516,200	16,891,000	Injuries and damages.....	21,458,300
6,317,900	6,411,000	Postal services.....	10,184,300

POWER REVENUE FUND

APPROPRIATIONS (Continued)

Expenditures 2011-12	Estimated Expenditures 2012-13		Estimated Appropriation 2013-14
\$ 85,130,100	\$ 125,015,000	Professional services.....	\$ 117,893,800
4,361,400	4,846,000	Transportation, lodging and employee mileage reimbursements in connection with construction, operation and maintenance work.....	7,239,500
25,998,400	26,781,000	Insurance.....	31,242,700
11,069,100	12,982,000	Refunds of customers' deposits.....	13,280,900
17,813,400	9,595,000	Energy Efficiency Loans to customers.....	9,594,500
265,627,400	253,287,000	Reimbursements to Water System for proportional share of intradepartmental facilities and activities.....	267,636,400
354,900,000	418,700,000	Bond redemption and interest - Electric Plant Revenue Bonds (including Debt Restructuring).....	459,100,000
146,673,600	147,070,000	Health Care Plans.....	157,145,800
269,404,500	289,655,000	Retirement and Death Benefit Insurance Plan.....	321,408,000
<u>\$ 4,172,299,000</u>	<u>\$ 4,308,668,000</u>	Total Appropriations	<u>\$ 4,956,283,000</u>
\$ 358,562,400	\$ 120,532,000	Adjustments (Accrual, etc.).....	\$ 294,772,300
439,000,000	752,000,000	Unexpended Balance.....	
		Unappropriated Balance.....	300,000,000
<u>\$ 4,262,736,600</u>	<u>\$ 4,940,136,000</u>	Total Power Revenue Fund.....	<u>\$ 4,961,510,700</u>

1. The Appropriations made by this budget are for the fiscal year and are not to be apportioned in equal fractional parts to each month but such portion as is necessary may be used in each month.
2. Includes "pass-throughs" for fuel and purchased power costs, demand side management, renewable power portfolio, power reliability program, and low income subsidy adjustment.
3. Net of receipts from Water System, individuals and companies, contributions in aid of construction, and other miscellaneous sources, the Power Revenue Fund Operating Budget is \$4,371,572,300.

POWER REVENUE FUND
CAPITAL IMPROVEMENT PROGRAM (Continued)

	Projected Expenditures 2013-14
POWER RELIABILITY PROGRAM	
PRP - Capital.....	\$ 11,865,000
Distribution System Reliability.....	160,715,000
Distribution Station Facility Design and Construction.....	14,107,000
Scattergood - Olympic Line 1.....	65,944,000
Transmission Lines Additions and Betterments.....	4,018,000
Underground Transmission Additions and Betterments.....	1,683,000
Syimar Converter Station Additions and Betterments.....	18,520,000
Eastern Stations Additions and Betterments.....	953,000
Substation Reliability Improvement.....	51,458,000
System Growth Expansions.....	28,594,000
New Business - Revenue.....	94,504,000
Streetlight Systems.....	4,750,000
OVES Distribution Additions and Betterments.....	5,628,000
Substation Automation.....	20,326,000
General Facility Improvements - XMSN.....	216,000
General Facility Improvements - ISS.....	9,608,000
General Facility Improvement.....	2,197,000
Generation Capital - Power System Planning Development.....	1,115,000
Information Application Systems Capital - PSIT.....	18,870,000
Energy Control Center Additions and Betterments.....	841,000
Total.....	\$ 615,980,000
 RENEWABLE PORTFOLIO STANDARD	
SB1 Solar Incentive.....	\$ 65,613,000
Small Hydro Plants Additions and Betterments.....	1,511,000
Resource Development - Renewable PRJ AQ.....	12,148,000
Utility Built Solar.....	18,582,000
Long - Term Transmission Development.....	18,522,000
OVES Generation and Facilities Additions and Betterments.....	42,803,000
Generation Wind Power Plant Additions and Betterments.....	1,535,000
Barren Ridge Renewable Transmission.....	132,811,000
Resource Development - Small Hydro.....	324,000
Total.....	\$ 293,849,000
 Gross Capital.....	 \$ 1,571,821,000
Accounting Accruals and Adjustments.....	\$ (6,742,000)
Net Capital Improvement Program.....	\$ 1,565,079,000

POWER REVENUE FUND
CAPITAL IMPROVEMENT PROGRAM

	Projected Expenditures 2013-14
ENERGY EFFICIENCY	
Energy Conservation - Power Funded.....	\$ 137,733,000
Total.....	<u>\$ 137,733,000</u>
GAS DRILLING	
SCPPA Gas Reserves Project.....	\$ 6,105,000
Total.....	<u>\$ 6,105,000</u>
INFRASTRUCTURE RELIABILITY	
Generation Station and Power Plant Additions and Betterments.....	\$ 3,717,000
Navajo Generating Station Additions and Betterments.....	1,929,000
Joint Ownership Generation Additions and Betterments-Nuclear.....	11,839,000
Harbor Generating Station Additions and Betterments.....	4,229,000
Haynes Generating Station Additions and Betterments.....	4,418,000
Scattergood Generating Station Additions and Betterments.....	26,899,000
Valley Generating Station Additions and Betterments.....	2,481,000
Cascatic Power Plant Additions and Betterments.....	5,905,000
SmartGrid.....	6,904,000
Slymar Replacement Project.....	(4,500,000)
Eastern Stations Additions and Betterments.....	2,082,000
Generation Capital Improvement - Power Executive.....	2,625,000
Generation Miscellaneous Improvements on Various DWP Facilities.....	2,071,000
Power Services Security System.....	1,212,000
Generation Capital - Power System Planning and Development.....	1,784,000
AMR Automatic MTR Reading.....	22,713,000
Earthquake Mitigation - PSC.....	15,000
Power System Disaster Preparation Program - Capital.....	796,000
Fleet Purchases.....	33,682,000
ISS General Business Equipment.....	1,383,000
Total.....	<u>\$ 131,864,000</u>
INTEGRATED RESOURCE PLAN	
Haynes Units 5 and 6 Repowering.....	\$ 11,013,000
Scattergood Repowering.....	352,112,000
Cascatic Modernization.....	33,368,000
Total.....	<u>\$ 396,493,000</u>
OPERATING SUPPORT	
Joint Facilities (Non - JFB) Power.....	\$ 372,000
Rate Technology.....	2,174,000
General Facility Improvement - ITS.....	1,461,000
Water Conservation - Power Funded.....	50,000
Communications Systems.....	14,780,000
Additions and Betterments - CAO DR RP.....	861,000
ERGO and New Furniture - Power.....	221,000
Cyber Security - Power Funded.....	4,952,000
Corporate Software Licenses.....	155,000
PG Equipment Power - Joint.....	4,275,000
Distribution Processing System.....	10,987,000
Communications Services Capital Project.....	93,000
Customer Relationship Management.....	5,628,000
Fiber Optic ENT - Capital.....	8,598,000
CSBU Additions and Betterments.....	3,998,000
CIS Replacement Project.....	17,675,000
New Technologies.....	(27,000)
Accounting Information System Development.....	450,000
Information Systems Project Funding.....	3,398,000
Capital Allocation from Water.....	7,698,000
Financial Information System.....	3,767,000
Economic Development - Capital.....	(689,000)
Total.....	<u>\$ 90,787,000</u>