

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs CustomerDeposit\$40M\$80M Assumptions

Case Description	Final FY18 Budget with CISCON Settlement		
1 Planned Financial Metrics			
Debt Service Coverage Ratio			1.70
Cash Balance (Water Revenue Fund)		150 operating days	
Capitalization Ratio			65%
2 Sales Volumes / Forecasted Purchased Water Schedule			
From Water System (Source: SimonHsu's e-mail dated 04/19/2017)			04/19/2017
3 Budget Data for Capital and O&M			04/19/2017
4 Securitization		FY16	FY17
Water Quality, GroundWater, Conservation and Owens Valley Dust Mitigation & Master Project - Effective 7/1/16			FY18
DWP Fixed Interest Rate		4.50%	5.25%
Interest Rate Saving		0.25%	0.25%
Interest Rate Use for Securitization (JPA)		4.25%	5.00%
5 Expense Stabilization Factor			
Collect additional \$16.6M to reach a target of \$50M in Expense Stabilization Fund in FY16/17			1/1/2017
6 Infrastructure Pass Thru Funding		FY16	FY17
Cash	35%	35%	35%
Debt	65%	65%	65%
7 New Money (Bond) Issue			
The 2017 Bond will be issue in May 2017			2017 Series A
8 Interest Expense - Rate Assumptions		FY16	FY17
From Finance (Source: Matthew C.'s e-mail dated 1/31/17)			FY18
Variable	0.41%	0.34%	1.16%
From Finance (Source: Peter H.'s e-mail dated 2/3/17)			
Fixed	4.15%	4.50%	5.25%
9 Interest Income - Rate Assumptions		FY16	FY17
From Finance (Source: Matthew C.'s e-mail dated 1/31/17)			FY18
Variable	1.21%	1.24%	1.56%
10 BABs Subsidy Reduction		FY16	FY17
From Finance (Source: Judy D dated 3/30/16)			FY18
Reduce subsidy by 6.8%	(1.3)	(1.3)	(1.3)
11 State Revolving Fund Loan		FY16	FY17
From Water System (Source: Samantha Yu's email dated 04/14/17)			FY18
(\$ Million)			
Amount	73.4	67.5	66.8
12 Pass Through Factors			
Reflects the latest Board Approved factors			July-17
13 Depreciation for existing Plant Assets			
Victor Fernandez Jr. e-mail dated			9/16/2016
14 GASB 45 - Post Retirement Health Care (use Annual Required Contribution)		FY16	FY17
OPEC - Per Elizabeth A's e-mail dated: 04/17/2017			FY18
Annual Required Contribution	73.4	93.9	100.5
OPEB Cost	70.6	97.8	100.5
15 Bad Debt Allowance %		FY16	FY17
Per AnnS. (BenT's e-mail dated: 2/21/2017)			FY18
	1%	1%	0.7%

Water System Financial Plan Summary
(\$ in millions)

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs CustomerDeposit\$40M\$80M

O&M and Capex per - 04/19/2017

Base Revenue/HCF Inc %	0.6%	8.8%	4.7%
Water Supply Cost Adjustment/HCF Inc %	-8.1%	1.7%	1.4%
Conservation & Reclaimed Water/HCF Inc %	0.3%	-7.1%	0.0%
Water Quality Factor (WQIA)/HCF Inc %	2.1%	8.4%	3.0%
Water Infrastructure Factor/HCF Inc %	1.1%	5.8%	1.9%
Water Expense Stabilization Revenue/HCF Inc %	0.0%	2.2%	-0.1%
Security Factor/HCF Inc %	-0.2%	-6.8%	0.0%
Owens Lake & LORP Factor/HCF Inc %	1.6%	0.8%	1.5%
Low Income Subsidy/HCF Inc %	0.7%	-0.3%	-0.2%
Water Revenue/HCF Inc %	1.2%	2.0%	3.3%
Securitization Revenue/HCF Inc %	0.0%	0.0%	0.0%
Total Billed Revenue/HCF Inc %	-0.7%	15.6%	15.4%
5 Year Average Rate Case (starting FY16)			
Base + Pass Thru Revenue Billed Incr (\$M)	-113.2	188.2	168.0

	(Final) 2015-16	Current 2016-17	Forecast 2017-18
1. Sales (Million HCF)	195.7	202.4	200.9
2. Revenue:*			
a. Base Rates	296.4	393.8	445.1
b. Water Supply Cost Adjustment Factor (previously known as Purchased Water)	332.8	362.5	306.6
c. Conservation & Reclaimed Water	68.8	0.0	0.0
d. Water Infrastructure Adjustment Factor	9.8	70.5	96.7
e. Water Expense Stabilization Adjustment Factor	18.3	15.9	0.0
f. Water Security Adjustment Factor	65.3	0.0	0.0
g. Water Quality Adjustment Factor	208.3	255.0	191.2
h. Base Revenue Target Adjustment Factor	43.6	43.3	41.4
i. Owens Valley Regulatory Adjustment Factor	52.0	102.0	38.7
j. Low Income Subsidy Adjustment Factor	20.9	23.5	26.5
k. Water Rights Revenue	2.2	6.4	9.0
l. Other Operating Revenue	26.4	1.1	4.8
m. Allowance for Uncollectible Accounts	-12.9	-12.0	-8.1
Total Operating Revenue before Securitization	1,131.8	1,262.0	1,151.8
l. Securitization Revenue	0.0	0.0	0.0
Total Operating Revenue Include Securitization	1,131.8	1,262.0	1,151.8
System Average Rate before Securitization(\$/HCF)	4.93	5.69	6.57
System Average Rate include Securitization (\$/HCF)	4.93	5.69	6.57
3. Purchased Water Expenses	262.0	205.3	114.2
4. Operation & Maintenance Expenses			
a. WSCA - LA Aqueduct	41.4	40.6	40.0
b. WSCA - Water Conservation	7.7	11.0	16.5
c. WSCA - Recycled Water	4.3	6.5	8.4
d. WSCA Groundwater	42.9	42.0	45.7
e. Water Quality	72.0	85.3	85.9
f. Owens Valley	24.8	34.0	32.1
g. Infrastructure - Operation Support	133.4	125.9	133.7
h. Infrastructure - Base	133.2	112.9	116.1
Total O & M Expenses	459.7	458.4	478.4
5. Other Debt Expense (Issuance Cost)	1.7	3.1	0.0
6. Legal Settlement Expense			
7. Depreciation (including Amortization of Regulatory Assets)	144.2	167.8	182.7
8. Property Taxes	14.1	14.8	15.9
9. Other Income/Expense (Net)	28.3	22.5	22.0
10. Interest Expense(Net)	172.7	177.3	197.5
11. Contribution in Aid of Construction	46.8	26.5	26.5
12. Net Income without Securitization	154.2	284.4	211.6
Net Income with Securitization	154.2	284.4	211.6
13. Capital Expenditures:			
a. WSCA - LA Aqueduct	20.5	25.5	31.7
b. WSCA - Water Conservation	46.4	24.9	38.0
c. WSCA - Recycled Water	48.9	42.7	76.8
d. WSCA Groundwater	12.5	11.0	14.2
e. Water Quality	178.3	244.6	268.8
f. Owens Valley	129.9	166.2	81.7
g. Infrastructure - Pass Through	157.9	196.7	241.2
i. Infrastructure - Operating Support	40.7	50.8	58.8
j. Infrastructure - Base	32.9	30.5	28.4
k. CISCAN Settlement	0.0	21.6	21.3
Capital Expenditures	667.9	814.3	861.1
14a. DWP Borrowing	556	309	0
14b. State Loan	73	68	67
14c. Borrowing for Securitization	0	0	0
15a. Debt Service	235	276	313
15a. Debt Service for Securitization	0	0	0
16. Cash on hand	311	281	268
17. Days of Operating Cash	154	151	161
18. Days of Operating Cash with Debt Service	117	108	106
Financial Ratios			
19 Debt Service Coverage Ratio	1.87	2.27	1.85
20 Capitalization Ratio	0.63	0.63	0.61
21 Addn'l Bond Test Ratio ² (prev / max) Debt Service Coverage	1.32	1.44	1.96

* FY16-17 revenue reflects actual through February 2017, and Approved Pass Thru Factor thru July 2017

Water System Income Statement
(\$ in millions)

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs Customer Deposits \$40M \$80M

Fiscal Year ending June 30,	(Final)	Current	Forecast
	2016	2017	2018
Consumption (Million HCF)	195.7	202.4	200.9
Revenue From Base Rates	296.4	393.8	445.1
Revenue from Water Supply Cost Adjustment (WSCA) Factor	310.3	338.1	352.1
Revenue from Conservation & Reclaimed Water (WPA) Factor	68.8		
Revenue from Water Quality Factor (WQIA)	132.4	220.6	252.8
Revenue from Infrastructure	10.9	69.6	90.4
Revenue from Water Expense Stabilization Adjustment Factor		22.2	20.7
Revenue from Security Factor	65.3		
Revenue from Owens Lake & LORP Factor	41.5	51.0	67.8
Revenue from Low Income Subsidy Factor	26.9	25.1	22.1
Revenue from Base Revenue Target Adjustment	11.6	31.9	69.2
Total Retail Revenue	964.1	1,152.3	1,320.3
System Average before Securitization (\$/HCF)	4.93	5.69	6.57
Change in Accrued Revenue	25.7		
Change in (Over)/Under Collection of WSC Adj Factor	22.4	24.4	(45.6)
Change in (Over)/Under Collection of Conservation/RW		0.0	0.0
Change in (Over)/Under Collection of WQIA Factor (o&M/DS only)	75.9	34.5	(61.6)
Change in (Over)/Under Collection of Infrastructure	(1.1)	0.9	6.2
Change in (Over)/Under Collection of Water Expense Stabilization	18.3	(6.3)	(20.7)
Change (Over)/Under Security Factor		0.0	0.0
Change (Over)/Under Owens Lake Factor	10.4	51.0	(29.1)
Change (Over)/Under Low Income Subsidy Factor	(6.0)	(1.7)	4.3
Change (Over)/Under Base Revenue Target Adjustment	32.1	11.4	(27.8)
Water Rights Revenue	2.2	6.4	9.0
Other Operating Revenue	0.7	1.1	4.8
Allowance for Uncollectible Accounts	(12.9)	(12.0)	(8.1)
Total Operating Revenue	1,131.8	1,262.0	1,151.8
Purchased Water	262.0	205.3	114.2
Demand Side Management	7.7	11.0	16.5
Operation & Maintenance Expense	452.0	447.3	461.9
CISCON Settlement Expense			
Amortization of Regulatory Assets	8.9	11.1	13.7
Depreciation	135.3	156.7	169.0
Other Debt Expense (Issuance Cost)	0.0	3.1	0.0
Property Taxes	14.1	14.8	15.9
Total Operating Expenses	880.0	849.4	791.2
Operating Income	251.8	412.6	360.6
Other Income/Expenses, Net	28.3	22.5	22.0
Income Before LT Debt Exp.	280.1	435.2	382.6
Interest On Fixed LT Debt (include int from Revolving Fund)	195.9	219.9	227.6
Interest On Variable LT Debt	0.1	1.1	3.8
Amortization of Debt Expenses	(14.6)	(22.5)	(21.6)
Long Term Debt Expense	181.3	198.5	209.8
AFUDC	(8.7)	(21.3)	(12.2)
Net Long Term Debt Expense	172.7	177.3	197.5
Contributions in Aid of Construction	46.8	26.5	26.5
CIAC - Amortization of Regulatory Asset (Securitization)		0.0	0.0
Change in Fund Net Assets before Securitization	154.2	284.4	211.6
Change in Fund Net Assets with Securitization	154.2	284.4	211.6
Transfer To City Reserve Fund	0.0	0.0	0.0
Extraordinary gain/(loss) on extinguishment of debt			
Increase in Fund Net Assets with Securitization	154.2	284.4	211.6
Calculation for System Average Rate (\$/HCF)			
Consumption (Million HCF)	195.7	202.4	200.9
Billed Revenue Before Securitization	964.1	1,152.3	1,320.3
Securitization Revenue	0.0	0.0	0.0
Billed Revenue Include Securitization	964.1	1,152.3	1,320.3
System Average before Securitization (\$/HCF)	4.93	5.69	6.57
System Average include Securitization (\$/HCF)	4.93	5.69	6.57

Los Angeles Department of Water
Water System Balance Sheet
(\$ in millions)

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs CustomerDeposit\$40M\$80M

Fiscal Year ending June 30,	(Final)	Current	Forecast
	2016	2017	2018
Plant Assets:			
Plant in Service	8,565.6	9,247.1	9,957.4
C W I P	1,061.4	1,148.5	1,230.7
Gross Plant	9,627.0	10,395.7	11,188.0
Accum. Depreciation	2,614.0	2,761.8	2,924.5
Net Plant Assets	7,013.0	7,633.8	8,263.6
Current Assets:			
Revenue Fund	311.2	281.4	267.8
Construction Fund	424.9	306.9	0.0
Construction Fund - Securitization	0.0	0.0	0.0
Insurance Funds & Others	28.8	29.8	30.8
Expense Stabilization Fund	33.7	50.0	50.0
Bond Redemption & Interest Fund	141.0	188.4	198.9
Accounts Receivable	80.5	115.2	132.0
Due from/to Power System	(7.9)	(7.9)	(7.9)
Accrued Revenue	92.2	92.2	92.2
Material & Supplies	19.8	19.8	19.8
Prepayments	20.4	20.4	20.4
Total Current Assets	1,144.7	1,096.3	804.1
Regulatory Assets - Reclamation	159.0	159.4	161.0
Regulatory Assets - Conservation (Actual included in Reclamation)		24.9	62.9
Regulatory Assets - CISCON Class Lawsuit Sett	0.0	21.6	42.9
Net Pension Asset	0.0	0.0	0.0
Net Other Postretirement Benefit Asset	320.5	319.2	319.2
Deferred Outflows - Pension	230.9	578.3	521.6
Regulatory Assets - Pension	320.5	290.1	265.6
Deferred Outflows - Refunding of Bonds	28.4	28.4	28.4
Total Assets	9,217.0	10,152.0	10,469.4
Liabilities and Net Assets:			
Retained Earning	2,006.2	2,264.1	2,449.1
Accumulated CIAC	989.5	1,016.0	1,042.5
Fund Net Assets	2,995.7	3,280.1	3,491.7
Fixed Rate Bonds	4,446.1	4,678.0	4,574.7
State Loan	478.5	546.0	612.8
Variable Rate Bonds	325.0	325.0	325.0
Long Term Debt Due 1 YR	(54.7)	(81.7)	(86.4)
Non - Current Debt	5,194.9	5,467.3	5,426.0
Current Liabilities:			
Long Term Debt Due in 1 Yr	54.7	81.7	86.4
Accrued Interest on Bonds	89.8	106.8	112.5
Accounts Payable	187.0	187.0	187.0
LT Workers Comp. Liab.	29.3	29.3	29.3
Customer Deposit	162.1	163.7	165.4
Revolving Line of Credit	150.0	280.0	321.8
Over (Under) Recovery Water Supply Cost Adj	(61.0)	(85.5)	(39.9)
Over (Under) Recovery Conservation & Reclaim			
Over (Under) Recovery Water Quality	(69.7)	(104.2)	(42.6)
Over (Under) Recovery Infrastructure	7.3	6.4	0.2
Over (Under) Recovery Water Expense Stabili	(18.3)	(11.9)	8.8
Over (Under) Recovery Water Security			
Over (Under) Recovery Owens Lake	(5.5)	(56.6)	(27.4)
Over (Under) Recovery Water Subsidy	4.1	5.8	1.5
Over (Under) Recovery BRTA	(90.6)	(102.1)	(74.3)
Total Current Liabilities	439.2	500.5	728.7
Net Pension Liability	373.0	714.6	679.0
Deferred Inflow - Pension	201.0	176.3	130.8
Deferred Revenue - Securitization	0.0	0.0	0.0
Deferred Inflow - Refunding of Bond	13.2	13.2	13.2
Total Fund Net Assets and Liabilities	9,217.0	10,152.0	10,469.4

Water System Source of Funds
 (\$ in millions)

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs CustomerDeposit\$40M\$80M

<i>Fiscal Year ending June 30,</i>	(Final)	Current	F o r e c a s t
	2016	2017	2018
Revenue Fund	342.0	311.2	281.4
Construction Fund	110.3	424.9	306.9
Beginning Cash	452.2	736.1	588.3
Available From Operation	11.6	216.2	426.4
Cont. In Aid Of Construction	46.8	26.5	26.5
Cont. In Aid Of Construction - Securitization	0.0	0.0	0.0
Bond Proceeds for Capex	556.1	309.0	0.0
State Loan	73.4	67.5	66.8
Bond Proceeds for Refunding	0.0	0.0	0.0
Bond Proceeds for Disc/Prem on Refunding	0.0	0.0	0.0
Revolving Line of Credit	150.0	130.0	41.8
Change In Current Assets	(84.6)	(145.1)	(89.2)
Change In Current Liabilities	21.7	18.6	7.4
Regulatory Assets - Securitization	0.0	0.0	0.0
Clearing Depreciation	0.0	0.0	0.0
Refunded Bonds	0.0	0.0	0.0
Accrued Interest on Refunded Bonds	0.0	0.0	0.0
Premium (Discount) on Bonds	126.7	0.0	0.0
Bond Issue Costs	(1.7)	(3.1)	0.0
Sale of Assets	0.0	0.0	0.0
Other Adjustments			
Total Source	1,352.2	1,355.7	1,068.0
Less: Capital Expenditures (excl CIAC, REV, AFUDC)	616.1	767.4	800.2
Adjustment to reconcile with Cash	0.0		
Ending Cash	736.1	588.3	267.8

Water System Operating Results

(\$ in millions)

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs CustomerDeposit\$40M\$80M

<i>Fiscal Year ending June 30,</i>	(Final)	Current	F o r e c a s t
	2016	2017	2018
Total Operating Revenue (Cash basis)	954.1	1,147.8	1,326.0
Purchased Water	262.0	205.3	114.2
Conservation	7.7	11.0	16.5
O & M Expenses	452.0	447.3	461.9
Taxes	14.1	14.8	15.9
Total O & M Less Depreciation	735.8	678.4	608.5
Other Income/Expenses, Net	28.3	22.5	22.0
Total Other Income	28.3	22.5	22.0
Balance Avail for DS	246.6	491.8	739.5
Interest on Fixed Rate Debt	195.9	219.9	227.6
Fixed Rate Bond Maturities	39.0	54.7	81.7
Interest on Variable Rate Debt	0.1	1.1	3.8
Variable Rate Bond Maturities	0.0	0.0	0.0
Total Debt Service	235.0	275.7	313.1
Balance Available After DS	11.6	216.2	426.4
Available From Operation	11.6	216.2	426.4

LOS ANGELES DEPARTMENT OF WATER AND POWER
FINANCIAL PLAN - RATING AGENCY RATIOS

(\$ in millions)

Water FY18 Case#11 IBIS 2017-04-19 Securitization in FY18 Borrowing in FY19 for 2yrs CustomerDeposit\$40M\$80M

FY ENDING JUNE 30	(Final)	Current	Forecast
	2016	2017	2018

① Debt Service Coverage Ratio:

Total Operating Revenue (Accrual Basis)	1131.8	1262.0	1151.8
Total O&M (excluding Depreciation)	(735.8)	(681.5)	(608.5)
Total Other Income	28.3	22.5	22.0
BABs Subsidy	(17.3)	(17.3)	(17.3)
Bal. Avail. for Debt Service (Accrual Basis)	407.0	585.7	548.0

Debt Service

Interest on Fixed Rate Debt	195.9	219.9	227.6
Fixed Rate Bond Maturities	39.0	54.7	81.7
Interest on Variable Rate Debt	0.3	1.1	3.8
Variable Rate Bond Maturities	0.0	0.0	0.0
BABs Subsidy	(17.3)	(17.3)	(17.3)
Total Debt Service (less BAB subsidy)	218.0	258.4	295.8

Debt Service Coverage (Accrual Basis Net of BABs)	1.87	2.27	1.85
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② Proxy Full Obligation Debt Service Coverage Ratio:

Total Operating Revenue (Accrual Basis)	1,131.8	1,262.0	1,151.8
Securitization Revenue	0.0	0.0	0.0
Total O&M (excluding Depreciation)	(735.8)	(678.4)	(608.5)
Total Other Income	28.3	22.5	22.0
BABs subsidy	(17.3)	(17.3)	(17.3)
Bal. Avail. for Debt Service (Accrual Basis)	407.0	588.8	548.0

Debt Service

Interest on Fixed Rate Debt	195.9	219.9	227.6
Fixed Rate Bond Maturities	39.0	54.7	81.7
Interest on Variable Rate Debt	0.1	1.1	3.8
Variable Rate Bond Maturities	0.0	0.0	0.0
Securitization Debt Service	0.0	0.0	0.0
BABs subsidy	(17.3)	(17.3)	(17.3)
Total Debt Service (less BAB subsidy)	217.7	258.4	295.8

Proxy Full Obligation DSC (Accrual Basis Net of BABs)	1.87	2.28	1.85
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③ Additional Bond Tests Ratio:

Max Debt Service	316.8	332.3	332.3
Net Income	154.2	284.4	211.6
LT Debt Expense	181.3	198.5	209.8
Amortization of Regulatory Assets	8.9	11.1	13.7
Depreciation	135.3	156.7	169.0
Adjusted Net Income (as defined in Master Bond Reso)	479.7	650.8	604.0

Additional Bond Test Ratio (previous year adjusted net income /max debt service)	1.32	1.44	1.96
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④ Days of Operating Cash:

Purchased Water Expenses	262.0	205.3	114.2
Total O & M Expenses	459.7	458.4	478.4
Property Taxes	14.1	14.8	15.9
Total Operating Expenses	735.8	678.4	608.5
Total Operating Expenses / 365 days	a 2.0	1.9	1.7
Cash on hand	b 311.2	281.4	267.8
Days of Operating Cash	b/a 154	151	161

⑤ Capitalization Ratio:

Long-term Debt	a 5,194.9	5,467.3	5,426.0
Fund Net Assets	b 2,995.7	3,280.1	3,491.7
Total Long-term Debt + Fund Net Assets	c 8,190.6	8,747.4	8,917.7
Capitalization Ratio	a/c 63%	63%	61%