



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

Financial Statements and
Required Supplementary Information

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025 on our consideration of the Power System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Power System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Power System's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 3, 2025

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Management's Discussion and Analysis

June 30, 2025 and 2024

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

Using this Financial Report

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

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

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

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

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

(Amounts in millions)

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

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

(Amounts in millions)

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

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Assets and Deferred Outflows

Utility Plant

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

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

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

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

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

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

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

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

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

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

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

- (1) Net dependable capacity is based on 2024-25 capacity ratings; for renewables, figure represents average expected capacity. See footnote 4.
- (2) Consists of the four Los Angeles Basin Stations (Haynes, Valley, Harbor and Scattergood).
- (3) Includes 22 of the hydro units at the Los Angeles Aqueduct, Owens Valley and Owens Gorge hydro units that are certified as renewable resources by the California Energy Commission (CEC). Also included are Power System-built photovoltaic solar installations, the Pine Tree Wind Project and a local small hydro plant. Not included are the units that were upgraded at the Castaic Plant.
- (4) Figure based on historical generation, in addition to statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its average expected.
- (5) Storage consists of a 10 megawatt-hour (MWh) battery which can discharge up to 20 MWs for 30 minutes.
- (6) Energy payable to the California Department of Water Resources for energy generated at the Castaic Plant. This amount varies weekly up to a maximum of 120 MWs.

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

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

- (1) Power System's Intermountain Power Project (IPP) entitlement is 48.62% of the net maximum plant capacity of 1,800 MWs. An additional 18.17% portion of the IPP entitlement is subject to variable recall. The repowering of IPP to replace the coal units with combined cycle natural gas units with a net maximum plant capacity of 840 MWs is expected to be completed by December 2025.
- (2) Power System's Apex Generating Station entitlement is 100% of the power produced.
- (3) Power System's Hoover Power Plant contract entitlement is 496 MW, which is 23.90% of the Hoover total contingent capacity and 14.7% of the firm energy. Hoover Power Plant output constantly varies due to low water levels at Lake Mead resulting from drought conditions.
- (4) Power System's Palo Verde Generating Station entitlement is 9.66% of the maximum net plant capacity of 4,003 MW.
- (5) The Department's contract renewable resources in-service includes a hydro unit in the Los Angeles area; wind farms in Oregon, Washington, Utah, and Wyoming; and customer solar photovoltaic installations and other DG units located in the Los Angeles region.
- (6) For renewables, figure represents average expected capacity. Figure based on historical generation, in addition to statistical modeling of likely output without consideration of weather conditions that may affect the ability of certain renewable resources to reach its average expected capacity.
- (7) Storage system contribution towards Net Dependable or Average Expected Plant Capacity is under review.

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Other Noncurrent Assets and Deferred Outflows

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

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

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

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

Current Assets

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

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

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

Net Position, Liabilities and Deferred Inflows

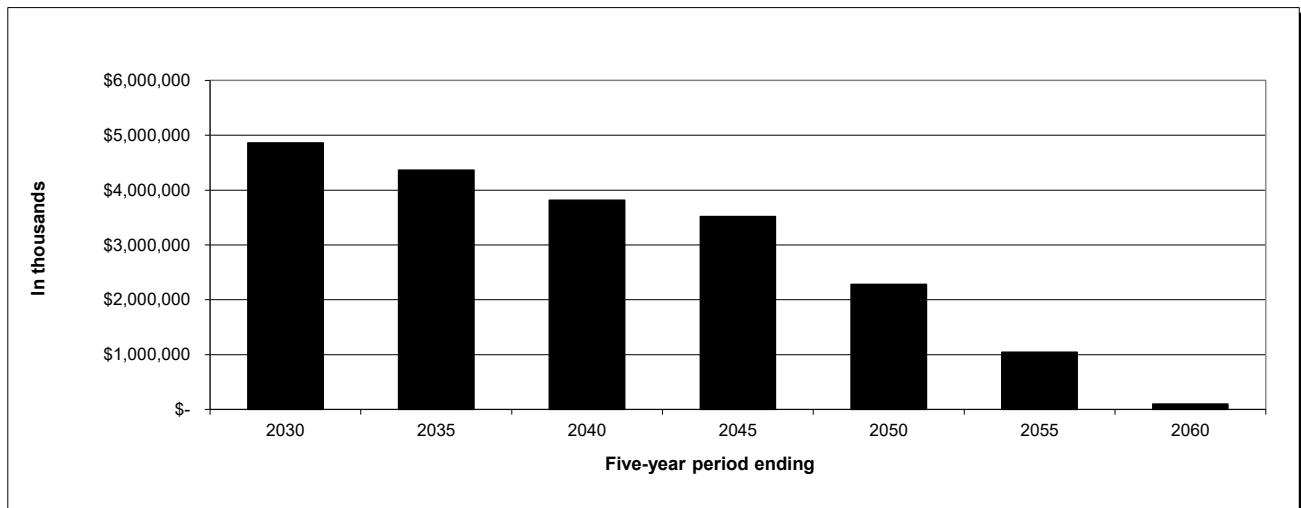
Long-Term Debt

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

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

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

Chart: Debt Service Requirements



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

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

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

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

Other Long-Term Liabilities and Deferred Inflows

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

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

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

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

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Current Liabilities

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

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

Changes in Net Position

Operating Revenue

The Power System's rates are established by rate ordinances set by the Board of Water and Power Commissioners (the Board) based on the Board's powers and duties established in Section 676 of the City Charter. The Power System recognizes energy costs in the period incurred and accrues for estimated energy sold but not yet billed. Through a set of rate ordinances, the Power System bills its revenue through fixed and pass-through factors. As of April 15, 2016, the effective date of the 2016 Incremental Electric Rate Ordinance, all pass-through billing factors charged as part of the 2016 rates are uncapped, and a Base Rate Revenue Target (BRRT) was established for fiscal year 2016 through fiscal year 2026 to ensure sufficient revenue to meet fixed costs while implementing an aggressive energy efficiency program. The BRRT is a decoupling mechanism that separates cost recovery from the energy usage underlying the calculated overall rate. This allows the Power System to meet its financial obligations while still promoting energy conservation.

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Management's Discussion and Analysis

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The operating revenue of the Power System is generated from wholesale and retail customers. There are four major customer categories of retail revenue. These categories include residential, commercial, industrial, and other, which includes public street lighting. Table 5 summarizes the percentage contribution of retail revenue from each customer segment in fiscal years 2025, 2024, and 2023:

Table 5 – Revenue and Percentage of Revenue by Customer Class

(Amounts in thousands)

	<u>Fiscal year 2025</u>		<u>Fiscal year 2024</u>		<u>Fiscal year 2023</u>	
	<u>Revenue</u>	<u>Percentage</u>	<u>Revenue</u>	<u>Percentage</u>	<u>Revenue</u>	<u>Percentage</u>
Type of retail customer:						
Residential	\$ 1,887,767	37 %	\$ 1,679,399	36 %	\$ 1,717,646	37 %
Commercial and industrial	3,290,202	64	3,036,936	65	2,857,601	62
Other, net	(28,831)	(1)	(9,160)	(1)	56,945	1
	<u>5,149,138</u>	<u>100 %</u>	<u>4,707,175</u>	<u>100 %</u>	<u>4,632,192</u>	<u>100 %</u>
Sales for resale	<u>159,162</u>		<u>118,193</u>		<u>326,347</u>	
Total revenue	<u>\$ 5,308,300</u>		<u>\$ 4,825,368</u>		<u>\$ 4,958,539</u>	

While commercial customers consume the most electricity, residential customers represent the largest customer class. As of June 30, 2025, 2024, and 2023, the Power System had approximately 1.6 million customers. As shown in Table 6 below, 1.5 million, or 92%, of total customers were in the residential customer class in both fiscal years 2025 and 2024. 1.4 million, or 91% of total customers were in the residential customer class in fiscal year 2023.

Table 6 – Number of Customers and Percentage of Customers by Customer Class

(Amounts in thousands)

	<u>Fiscal year 2025</u>		<u>Fiscal year 2024</u>		<u>Fiscal year 2023</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Type of retail customer:						
Residential	1,458	92 %	1,453	92 %	1,440	91 %
Commercial	118	7	118	7	118	8
Industrial	10	1	10	1	10	1
Other	7	—	7	—	7	—
	<u>1,593</u>	<u>100 %</u>	<u>1,588</u>	<u>100 %</u>	<u>1,575</u>	<u>100 %</u>

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Fiscal Year 2025

Operating revenue increased \$483 million mainly due to an increase of \$462 million in total from retail customers due to an overall increase in consumption, an increase of \$41 million in Sales for Resale, and a \$19 million increase in other sales, offset by a \$39 million increase in provision for uncollectible accounts.

Fiscal Year 2024

Operating revenue decreased \$133 million mainly due to a decrease of \$208 million in Sales for Resale, a \$51 million decrease in uncollectible accounts, and a \$15 million decrease in other revenue, offset by an increase of \$141 million in total from retail customers.

Operating Expenses

Fuel for generation and purchased power are two of the largest operating expenses that the Power System incurs each fiscal year. Fuel for generation expense includes the cost of fuel that is used to generate energy. The majority of fuel costs include the cost of natural gas and nuclear fuel.

The table below summarizes the Power System's operating expenses during fiscal years 2025, 2024, and 2023:

Table 7 – Operating Expenses and Percentage of Expense by Type of Expense

(Amounts in thousands other than percentages)

	<u>Fiscal year 2025</u>		<u>Fiscal year 2024</u>		<u>Fiscal year 2023</u>	
	<u>Expense</u>	<u>Percentage</u>	<u>Expense</u>	<u>Percentage</u>	<u>Expense</u>	<u>Percentage</u>
Type of expense:						
Fuel for generation	\$ 295,893	7 %	\$ 333,636	8 %	\$ 435,524	10 %
Purchased power	1,253,073	30	1,220,759	30	1,448,692	35
Other operating expenses	1,276,094	30	1,201,360	30	1,103,990	26
Maintenance expenses	561,769	13	492,387	12	466,439	11
Depreciation and amortization	841,217	20	805,263	20	761,718	18
	<u>\$ 4,228,046</u>	<u>100 %</u>	<u>\$ 4,053,405</u>	<u>100 %</u>	<u>\$ 4,216,363</u>	<u>100 %</u>

Fiscal Year 2025

Fiscal year 2025 operating expenses were \$174 million higher when compared to fiscal year 2024, driven primarily by an increase of \$144 million in other operating expenses and maintenance expenses, a \$36 million increase in depreciation and amortization expense, and a \$32 million increase in purchased power, offset by a \$38 million decrease in fuel for generation.

The \$75 million increase in other operating expenses is mainly due to an increase of \$41 million in distribution expenses and \$34 million in administrative and general corporate expenses.

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The \$69 million increase in maintenance expense for utility plant assets is mainly due to higher maintenances costs for distribution plant of \$26 million; maintenance costs for hydraulic plant of \$15 million; maintenance of steam plant of \$11 million; maintenance cost for transmission plant of \$10 million; and maintenance cost for other production plant of \$7 million.

The \$36 million increase in depreciation and amortization expense can mainly be attributed to increases in depreciation for distribution plant of \$26 million; generation plant of \$5 million; and transmission plant of \$5 million.

The \$32 million increase in purchased power costs can be primarily attributed to higher costs of generating energy and California Independent System Operator energy purchases.

The \$38 million decrease in fuel for generation is primarily due to lower natural gas prices.

Fiscal Year 2024

Fiscal year 2024 operating expenses were \$163 million lower when compared to fiscal year 2023, driven primarily by a \$228 million decrease in purchase power, a \$102 million decrease in fuel for generation, offset by an increase of \$123 million in maintenance and other operating expenses, and a \$44 million increase in depreciation and amortization expense.

The \$228 million decrease in purchased power costs can be primarily attributed to lower year-over-year costs of generating energy and California Independent System Operator energy purchases.

The \$102 million decrease in fuel for generation is primarily due to lower year-over-year natural gas prices.

The \$97 million increase in other operating expense is mainly due to an increase of \$34 million in administrative and general corporate expense, a \$29 million increase in nuclear decommissioning expense, a \$28 million increase in customer service expense, a \$19 million increase in distribution expense, a \$9 million increase in transmission expense, and a \$3 million increase in marketing expense, offset by a decrease of \$25 million in production expense.

The \$26 million increase in maintenance expense for utility plant assets is mainly due to higher year-over-year maintenances costs for distribution plant of \$25 million; maintenance of steam plant of \$4 million; and maintenance costs for hydraulic plant of \$4 million; offset by a decrease of maintenance of nuclear plant of \$7 million.

The \$44 million increase in depreciation and amortization expense can mainly be attributed year-over-year increases in depreciation for distribution plant of \$19 million; amortization of intangible plant including software and regulatory assets of \$17 million; generation plant of \$6 million; and transmission plant of \$2 million.

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Nonoperating Revenue and Expenses

Fiscal Year 2025

The major nonoperating activities of the Power System for fiscal year 2025 included \$420 million in debt expenses, the transfer of \$219 million to the City General Fund, \$144 million in net other nonoperating income, investment income of \$184 million, and \$20 million in federal bond subsidies.

The \$35 million increase in investment income can be primarily attributed to the change in the fair market value of the general pool investment between fiscal year 2024 and fiscal year 2025.

The \$75 million decrease in other nonoperating income is due mainly to a decrease in revenue recognized for emissions-reduction credits.

The \$12 million increase in debt expenses is mainly due to the interest expense from variable rate bonds and refunding.

Fiscal Year 2024

The major nonoperating activities of the Power System for fiscal year 2024 included \$408 million in debt expenses, the transfer of \$245 million to the City General Fund, \$229 million in other nonoperating income, investment income of \$149 million, and \$24 million in federal bond subsidies.

The \$107 million increase in investment income can be primarily attributed to the change in the fair market value of the general pool investment between fiscal year 2023 and fiscal year 2024.

The \$124 million decrease in other nonoperating income is due mainly to a decrease in revenue recognized for emissions-reduction credits.

The \$9 million increase in debt expenses is mainly due to the interest expense from variable rate bonds and refunding.

**POWER REVENUE FUND OF THE
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Statements of Net Position

June 30, 2025 and 2024

(Amounts in thousands)

Assets and Deferred Outflows	<u>2025</u>	<u>2024</u>
Noncurrent assets:		
Utility plant:		
Generation	\$ 6,806,431	6,693,892
Transmission	3,129,703	2,765,613
Distribution	14,342,917	13,141,742
General	<u>3,117,377</u>	<u>2,730,594</u>
Total	27,396,428	25,331,841
Accumulated depreciation	<u>(11,538,907)</u>	<u>(10,937,101)</u>
Total land and depreciable utility plant, net	15,857,521	14,394,740
Construction work in progress	934,753	1,188,078
Nuclear fuel, at amortized cost	42,064	40,092
Natural gas field	<u>100,710</u>	<u>109,437</u>
Total utility plant, net	16,935,048	15,732,347
Restricted investments	787,324	697,721
Cash and cash equivalents – restricted	592,482	570,941
Long-term notes and other receivables, net of current portion	22,505	23,409
Regulatory assets – other	727,058	778,830
Net OPEB assets	—	160,199
Prepayments	<u>106,374</u>	<u>99,899</u>
Total noncurrent assets	<u>19,170,791</u>	<u>18,063,346</u>
Current assets:		
Cash and cash equivalents – unrestricted	1,085,572	1,090,739
Cash and cash equivalents – restricted	997,295	824,509
Cash collateral received from securities lending transactions	9,265	2,578
Customer and other accounts receivable, net of \$393,987 and \$312,475 allowance for losses for 2025 and 2024, respectively	1,130,064	911,782
Current portion of underrecovered costs	808,018	616,168
Due from Water System	60,811	177,801
Materials and fuel	362,412	290,819
Prepayments and other current assets	<u>379,426</u>	<u>240,721</u>
Total current assets	<u>4,832,863</u>	<u>4,155,117</u>
Total assets	<u>24,003,654</u>	<u>22,218,463</u>
Deferred outflows – derivative instruments	14,334	1,392
Deferred outflows – debt refunding	15,119	16,481
Deferred outflows – asset retirement obligation	72,217	67,451
Deferred outflows – pension	610,859	601,259
Deferred outflows – OPEB	319,359	82,481
Deferred outflows – contributions made after measurement date for pension	295,675	295,469
Deferred outflows – contributions made after measurement date for OPEB	<u>100,727</u>	<u>84,682</u>
Total deferred outflows	<u>1,428,290</u>	<u>1,149,215</u>
Total assets and deferred outflows	<u>\$ 25,431,944</u>	<u>23,367,678</u>

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Statements of Net Position

June 30, 2025 and 2024

(Amounts in thousands)

Net Position, Liabilities, and Deferred Inflows	2025	2024
Net position:		
Net investment in capital assets	\$ 3,055,115	2,786,036
Restricted:		
Debt service	943,691	845,019
Other purposes	774,508	629,271
Unrestricted	<u>3,690,783</u>	<u>3,350,974</u>
Total net position	<u>8,464,097</u>	<u>7,611,300</u>
Long-term debt, net of current portion	13,229,762	12,376,606
Other noncurrent liabilities:		
Accrued workers' compensation claims	73,675	66,013
Asset retirement obligation	283,041	274,325
Net OPEB liability	19,112	—
Net pension liability	147,444	393,338
Overrecovered costs – OPEB	135,538	43,841
Overrecovered costs – pension	632,577	516,246
Other noncurrent liabilities	<u>142,510</u>	<u>125,167</u>
Total other noncurrent liabilities	<u>1,433,897</u>	<u>1,418,930</u>
Current liabilities:		
Current portion of long-term debt	282,740	223,610
Current portion of variable rate demand bond liquidity advance not made	—	134,189
Line of Credit	150,000	—
Accounts payable and accrued expenses	446,813	388,770
Accrued interest	268,935	241,014
Accrued employee expenses	270,078	215,762
Obligations under securities lending transactions	<u>9,265</u>	<u>2,578</u>
Total current liabilities	<u>1,427,831</u>	<u>1,205,923</u>
Total liabilities	<u>16,091,490</u>	<u>15,001,459</u>
Deferred inflows – leases	20,182	21,672
Deferred inflows – debt refunding	177,700	176,056
Deferred inflows – pension	185,849	46,480
Deferred inflows – OPEB	265,436	283,521
Deferred inflows from regulated business activities	<u>227,190</u>	<u>227,190</u>
Total deferred inflows	<u>876,357</u>	<u>754,919</u>
Total net position, liabilities, and deferred inflows	<u>\$ 25,431,944</u>	<u>23,367,678</u>

See accompanying notes to financial statements.

**POWER REVENUE FUND OF THE
DEPARTMENT OF WATER AND POWER
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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

(Amounts in thousands)

	2025	2024
Operating revenues:		
Residential	\$ 1,887,767	1,679,399
Commercial and industrial	3,290,202	3,036,936
Sales for resale	159,162	118,193
Other	64,361	44,882
Uncollectible accounts	(93,192)	(54,042)
Total operating revenues	5,308,300	4,825,368
Operating expenses:		
Fuel for generation	295,893	333,636
Purchased power	1,253,073	1,220,759
Maintenance and other operating expenses	1,837,863	1,693,747
Depreciation and amortization	841,217	805,263
Total operating expenses	4,228,046	4,053,405
Operating income	1,080,254	771,963
Nonoperating revenues:		
Net investment income	184,424	149,312
Federal bond subsidies	19,602	24,279
Other nonoperating income	154,137	229,519
Total nonoperating revenues	358,163	403,110
Other nonoperating expenses	(9,791)	(7,817)
Total nonoperating revenues, net	348,372	395,293
Debt expenses:		
Interest on debt	420,432	408,392
Total debt expenses	420,432	408,392
Income before capital contributions and transfers	1,008,194	758,864
Capital contributions	63,915	70,492
Transfers to the reserve fund of the City of Los Angeles	(219,312)	(244,695)
Increase in net position	852,797	584,661
Net position:		
Beginning of year	7,611,300	7,026,639
End of year	\$ 8,464,097	7,611,300

See accompanying notes to financial statements.

**POWER REVENUE FUND OF THE
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Statements of Cash Flows

Years ended June 30, 2025 and 2024

(Amounts in thousands)

	2025	2024
Cash flows from operating activities:		
Cash receipts:		
Cash receipts from customers	\$ 5,239,095	4,890,370
Cash receipts from customers for other agency services	810,291	757,685
Cash receipts from interfund reimbursements	1,141,105	754,229
Other cash receipts	6,023	62,996
Cash disbursements:		
Cash payments to employees	(1,058,567)	(1,021,868)
Cash payments to suppliers	(2,436,441)	(2,012,927)
Cash payments for interfund reimbursements	(1,278,896)	(1,159,776)
Cash payments to other agencies for fees collected	(791,651)	(760,999)
Cash payments for property taxes	(19,689)	(18,572)
Net cash provided by operating activities	<u>1,611,270</u>	<u>1,491,138</u>
Cash flows from noncapital financing activities:		
Payments to the reserve fund of the City of Los Angeles	(219,312)	(244,695)
Proceeds from line of credit	150,000	—
Net cash used in noncapital financing activities	<u>(69,312)</u>	<u>(244,695)</u>
Cash flows from capital and related financing activities:		
Additions to plant and equipment, net	(1,919,538)	(1,535,187)
Capital contributions	63,915	61,466
Principal payments and maturities on long-term debt	(223,610)	(214,040)
Proceeds from issuance of bonds	1,141,773	701,374
Debt interest payments	(531,214)	(622,981)
Federal bond subsidies	19,602	24,279
Net cash used in capital and related financing activities	<u>(1,449,072)</u>	<u>(1,585,089)</u>
Cash flows from investing activities:		
Purchases of investment securities	(664,177)	(494,537)
Sale of investment securities	582,399	475,664
Proceeds from notes receivable	—	6,308
Investment income	178,052	128,972
Net cash provided by investing activities	<u>96,274</u>	<u>116,407</u>
Net increase (decrease) in cash and cash equivalents	<u>189,160</u>	<u>(222,239)</u>
Cash and cash equivalents:		
Beginning of period	<u>2,486,189</u>	<u>2,708,428</u>
Ending of period	<u>\$ 2,675,349</u>	<u>2,486,189</u>

**POWER REVENUE FUND OF THE
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Statements of Cash Flows

Years ended June 30, 2025 and 2024

(Amounts in thousands)

	2025	2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,080,254	771,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	841,217	805,263
Depletion expense	8,765	9,706
Amortization of nuclear fuel	10,224	10,870
Provision for losses on customer and other accounts receivables	93,192	54,042
Changes in assets and liabilities:		
Customer and other accounts receivable	(312,022)	(209,340)
Current portion of underrecovered costs	(191,850)	(113,762)
Materials and fuel	(71,593)	(34,788)
Regulatory assets	(79,051)	(46,191)
Noncurrent Prepayments	(6,475)	(20,350)
Overrecovered costs – OPEB	91,697	43,841
Overrecovered costs – pension	116,331	129,187
Due from Water System	116,990	(110,541)
Deferred outflows	(267,468)	(124,636)
Accounts payable and accrued expenses	45,495	34,335
Net pension liability	(245,894)	(20,288)
Net OPEB asset/liability	179,311	(148,427)
Other noncurrent liabilities	4,371	(3,522)
Deferred inflows	121,438	174,185
Asset retirement obligation	8,716	56,293
Prepayments and other current assets	67,622	233,298
Net cash provided by operating activities	\$ 1,611,270	1,491,138

Supplemental disclosures of noncash capital and related financing activities:

During the year ended June 30, 2025, the Power System issued revenue bonds to refund previously issued debt. The \$1,307.4 million of proceeds were deposited immediately into an irrevocable trust for the defeasance of \$1,307.6 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in \$27.6 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

During the year ended June 30, 2024, the Power System issued revenue bonds to refund previously issued debt. The \$1,108.5 million of proceeds were deposited immediately into an irrevocable trust for the defeasance of \$1,109.8 million of debt. Additionally, \$527.4 million of proceeds were deposited immediately to a paying agent for the redemption of \$516.0 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in \$87.2 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

Accounts payable related to capital expenditures totaled \$180.9 million and \$168.3 million during fiscal years 2025 and 2024, respectively.

See accompanying notes to financial statements.

**POWER REVENUE FUND OF THE
DEPARTMENT OF WATER AND POWER
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Notes to Financial Statements

June 30, 2025 and 2024

(1) Summary of Significant Accounting Policies

The City of Los Angeles Department of Water and Power (Department) exists as a separate department of the City of Los Angeles (the City) under and by virtue of the City Charter enacted in 1925 and as revised effective July 2000. The Department's Power Revenue Fund (the Power System) is responsible for the generation, transmission, and distribution of electric power for sale in the City. The Power System is operated as an enterprise fund of the City.

(a) Method of Accounting

The accounting records of the Power System are maintained in accordance with U.S. generally accepted accounting principles (GAAP) for state and local governmental entities. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Power System is accounted for as an enterprise fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting.

The financial statements of the Power System are intended to present the net position, and the changes in net position and cash flows, of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Power System. These financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with GAAP.

The Power System's rates are determined by the Board of Water and Power Commissioners (the Board) and are subject to review and approval by the Los Angeles City Council (the Council). As a regulated enterprise, the Power System follows the regulatory accounting criteria set forth in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*, which requires that the effects of the rate-making process be reported in the financial statements. Such effects primarily concern the time at which various items enter into the determination of changes in net position. Accordingly, the Power System records various regulatory assets and liabilities to reflect the Board's actions and by deferring expenses and revenue that are recoverable or payable from rates provided in the electric rate ordinances. Regulatory liabilities are comprised of overrecovered costs and deferred inflows, while regulatory assets are comprised of underrecovered costs (note 6(f)), and deferred outflows in the statement of net position. Management believes that the Power System meets the criteria for continued application and will continue to evaluate its applicability based on changes in the regulatory and competitive environment. See note 6.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**POWER REVENUE FUND OF THE
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Notes to Financial Statements

June 30, 2025 and 2024

(c) Utility Plant

The costs of additions to utility plant and replacements of retired units of property are capitalized. Costs include labor, materials, and allocated indirect charges, such as engineering, supervision, transportation and construction equipment, retirement plan contributions, healthcare costs, and certain administrative and general expenses. The costs of maintenance, repairs, and minor replacements are charged to the appropriate operations and maintenance expense accounts.

(d) Intangibles

The Power System follows GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires that an intangible asset be recognized in the statement of net position only if it is considered identifiable. Additionally, it establishes a specified-conditions approach to recognize intangible assets that are internally generated. Effectively, outlays associated with the development of such assets are not capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria are expensed as incurred. Intangible assets consist of land easements, land rights, and computer software and are capitalized and included in general utility plant on the statements of net position.

(e) Impairment of Long-Lived Assets

The Power System follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB Statement No. 42). Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Under GASB Statement No. 42, impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government should be measured using the method that best reflects the cause of the diminished service utility of the capital asset.

(f) Depreciation and Amortization

Beginning in fiscal year 2017, depreciation expense is computed using the straight-line method for all assets. Depreciation rates are per the 2020 Depreciation Study. For fiscal year 2020 and prior, depreciation expense was computed using the straight-line method based on service lives for all projects completed after July 1, 1973, and for all office and shop structures, related furniture and equipment, and transportation and construction equipment. Depreciation for facilities completed prior to July 1, 1973 was computed using the 5.0% sinking fund method based on estimated service lives.

The Department uses the composite method of depreciation and, therefore, groups assets into composite groups for purposes of calculating depreciation expense. Estimated service lives range from 5 to 75 years. Amortization expense for computer software is computed using the straight-line method over 5 to 15 years. Depreciation and amortization expense as a percentage of average depreciable utility plant in service was 3.0% for fiscal years ended 2025 and 2024.

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(g) Nuclear Fuel

Nuclear fuel is amortized and charged to fuel for generation on the basis of actual thermal energy produced relative to total thermal energy expected to be produced over the life of the fuel. Under the provisions of the Nuclear Waste Policy Act of 1982, the federal government assesses each utility with nuclear operations, including the Power System, \$1 per megawatt hour of nuclear generation. The Power System includes this charge as a current-year expense in fuel for generation.

(h) Natural Gas Field

In July 2005, the Power System acquired approximately a 74.5% ownership interest in gas properties located in Pinedale, Wyoming. The Power System uses the successful efforts method of accounting for its investment in gas-producing properties. Costs to acquire the mineral interest in gas-producing properties, to drill and equip exploratory wells that find proven reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proven reserves are expensed. Capitalized costs of gas-producing properties are depleted by the unit-of-production method based on the estimated future production of the proven wells.

Depletion expense related to the gas field is recorded as a component of fuel for generation expense. During fiscal years 2025 and 2024, the Power System recorded \$8.8 million and \$9.7 million of depletion expense, respectively.

(i) Cash and Cash Equivalents

As provided by the State of California Government Code, the Power System's cash is deposited with the City Treasurer in the City's general investment pool for the purpose of maximizing interest earnings through pooled investment activities. The Power System considers the cash on deposit with the City Treasurer to be demand deposits as the amounts are available on demand without prior notice or penalty. Cash and cash equivalents in the City's general investment pool are reported at fair value on a recurring basis, and changes in unrealized gains and losses are recorded in the statements of revenue, expenses, and changes in net position. Interest earned on such pooled investments is allocated to the participating funds based on each fund's average daily cash balance during the allocation period. The City Treasurer invests available funds of the City and its independent operating departments on a combined basis. The Power System classifies all cash and cash equivalents that are restricted either by creditors, the Board, or by law as restricted cash and cash equivalents in the statements of net position. The Power System considers its portion of pooled investments in the City's pool to be unrestricted cash and cash equivalents and the unspent construction funds as noncurrent restricted cash and cash equivalents.

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At June 30, 2025 and 2024, restricted cash and cash equivalents include the following (amounts in thousands):

	June 30	
	2025	2024
Bond redemption and interest funds	\$ 550,360	472,855
Other restricted funds	440,247	351,654
Escrow Accounts	6,688	—
Restricted cash and cash equivalents – current portion	997,295	824,509
Self-insurance reserve	242,475	232,475
Rate stabilization fund	220,000	220,000
Bond redemption funds	111,665	97,436
Construction funds	2,682	1,714
Other restricted funds	15,660	19,316
Restricted cash and cash equivalents – noncurrent	592,482	570,941
Total restricted cash and cash equivalents	\$ 1,589,777	1,395,450

(j) Materials and Fuel

Materials and supplies are recorded at average cost. Fuel is recorded at lower of cost or market on an average-cost basis.

(k) Customer and Other Accounts Receivable and Allowance for Doubtful Accounts

The Power System's accounts receivables are reported net of allowance for losses. Customer account receivables result from the sale of energy to City residents. Other receivables consist of billings to customers, federal, state, and local governments for work performed to improve or enhance energy distribution, energy sales to other utilities, and other miscellaneous receivables.

The Power System's residential customers are billed bimonthly, and customers on monthly billings include commercial, governmental, and industrial. The Power System records an estimate for uncollectible accounts for its receivables related to electric customer accounts and other nonelectric customer billings based on an analysis of the balances in the Power System's accounts receivable aging reports. These estimates are reviewed and adjusted annually.

The Power System records bad debt for its estimated uncollectible accounts related to electric customer accounts as a reduction in the Power System operating revenue. The Power System records its estimated uncollectible accounts related to nonelectric customer billings as a reduction to related operating revenue in the Power System.

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At June 30, 2025 and 2024, customer and other accounts receivable include the following (amounts in thousands):

	June 30	
	2025	2024
Customer and other accounts receivable	\$ 1,524,051	1,224,257
Allowance for losses	(393,987)	(312,475)
Customer and other accounts receivable, net	\$ 1,130,064	911,782

(l) Accrued Unbilled Revenue

Accrued unbilled revenue is the receivable for estimated energy sales during the period for which service has been provided but the customer has not yet been billed. See note 1(w).

(m) Investments

The Power System follows GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and fair value reporting issues related to fair value measurements by clarifying the definition of fair value, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This statement established a three-level hierarchy of inputs to valuation techniques used to measure fair value. Investments are reported at fair value on a recurring basis, and changes in unrealized gains and losses are recorded in the statements of revenue, expenses, and changes in net position.

(n) Accrued Employee Expenses

Accrued employee expenses include estimated liabilities for accrued payroll and compensated absences. Compensated absences include vacation leave, sick leave, compensatory time, and accrued personal time off which are each accrued when employees earn the rights to these benefits. The Power System adopted the provisions of GASB Statement No. 101, *Compensated Absences*, on July 1, 2024. See note 2(a). Below is a schedule of accrued employee expenses as of June 30, 2025 and 2024 (amounts in thousands):

	June 30	
	2025	2024
Type of expenses:		
Accrued payroll	\$ 64,562	52,684
Accrued vacation	117,268	109,943
Accrued sick leave	32,813	19,700
Compensatory time	40,052	33,435
Accrued personal time	15,383	—
Total	\$ 270,078	215,762

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(o) Debt Expenses

Debt premiums and discounts are capitalized and amortized to interest expense using the effective-interest method over the lives of the related debt issues. Gains and losses on refundings related to bonds redeemed by proceeds from the issuance of new bonds are amortized to interest expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded. Debt issuance costs are expensed in the year debt is issued.

(p) Accrued Workers' Compensation Claims

Liabilities for unpaid workers' compensation claims are recorded at their net present value. See note 12(c).

(q) Customer Deposits

Customer deposits represent deposits collected from customers upon opening of new accounts. These deposits are obtained when the customer does not have a previously established credit history with the Department. Original deposits plus interest are paid to the customer after deduction of any unpaid charges or indebtedness due to the Department upon termination of service. An active service account is eligible for deposit refund review once a satisfactory payment history is maintained, generally after two to three years.

The Department's Water Revenue Fund (Water System) is responsible for collection, maintenance, and refunding of these deposits for all the Department's customers, including those of the Power System. As such, the Water System's statements of net position include a deposit liability of \$278 million and \$266 million as of June 30, 2025 and 2024, respectively, for all customer deposits collected. In the event that the Water System defaults on refunds of such deposits, the Power System would be required to pay amounts it owes its customers.

(r) Capital Contributions

Capital contributions and other grants received by the Power System for constructing utility plant and other activities are recognized when all applicable eligibility requirements, including time requirements, are met.

(s) Use of Restricted and Unrestricted Resources

The Power System's policy is to use unrestricted resources prior to restricted resources to meet expenses to the extent that it is prudent from an operational perspective. Otherwise, restricted resources will be utilized to meet intended obligations.

(t) Pensions

Eligible employees of the Power System are members of the Water and Power Employees' Retirement Plan (Plan), which is a single-employer defined-benefit pension plan. The Power System's policy is to fund all the required actuarially determined contributions; such costs to be funded are determined annually as of July 1 by an actuary utilized by the Plan. The assets of the Plan are accumulated and

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reported at fair value in a special trust fund of the City and, therefore, are not reported in the accompanying financial statements.

The Power System recognizes a net pension liability, which represents the Power System's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension plan as reflected in the financial statements of the Plan. The net pension liability is measured as of the Power System's prior fiscal year end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs, and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the Power System's pension plan and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit's terms.

(u) Other Postemployment Plan Benefits

Eligible employees of the Power System are members of the Water and Power Employees' Retirement Plan, which comprises a single-employer defined-benefit plan and a system of benefits. In addition to pension benefits, retirees can also receive OPEB, mainly, healthcare and death benefits. The level of benefits is determined based on their years of civil service, age, and which pension tier they belong to.

The Power System's policy is to fund all the required actuarially determined contributions; such costs to be funded are determined annually as of July 1 by an actuary utilized by the Plan. The assets of the Plan are accumulated and reported at fair value in a special trust fund of the City and, therefore, are not reported in the accompanying financial statements.

The Power System recognizes a net OPEB liability (asset), which represents the Power System's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the Plan as reflected in the financial statements of the Plan. The net OPEB liability (asset) is measured as of the Power System's prior fiscal year-end. Changes in the net OPEB liability (assets) are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability (asset) that are

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recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective OPEB plan and are recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings on plan investments are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows and a reduction to the OPEB regulatory asset.

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources relating to OPEB and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(v) Asset Retirement Obligations

Asset retirement obligations (AROs) represent a legally enforceable liability to perform future asset retirement activities related to its tangible capital assets associated with the retirement of a tangible asset. The Power System records a liability and a corresponding deferred outflow at the time there is an external obligating event such as a federal or state regulation, a legally binding contract or court judgment and when there is an internal obligation event. The measurement of an ARO is based on the best estimate of the current value of outlays expected to be incurred using all available evidence. When the Power System has a minority share of an undivided interest arrangement in which it jointly owns a tangible capital asset, the ARO is reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility. The ARO is reduced as actual decommissioning costs are paid. Deferred outflows of resources are amortized using the straight-line method over the remaining useful life of the asset or lease term, if leased. Amortization of the deferred outflow of resources is recorded as operating and maintenance expense in the accompanying statements of revenues, expenses, and changes in net assets.

(w) Revenues

The Power System's rates are established by two rate ordinances set by the Board based on its powers and duties established in Section 676 of the City Charter. The Power System sells energy to other City departments at rates provided in the ordinance. The Power System recognizes energy costs in the period incurred and accrues for estimated energy sold but not yet billed.

Revenue consists of billings to customers for power consumption at rates specified in the power rate ordinances. These rates include cost adjustment factors that provide the Power System with full recovery of fuel and purchased power expenditures and base rate revenue based upon established revenue targets. Management estimates these costs quarterly or annually for a 12-month prospective period to establish the cost recovery component of customer billings, and any difference between billed

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and actual costs is adjusted in subsequent billings. This difference of \$538 million and \$341 million represents regulatory assets that are reported as a component of underrecovered costs in the accompanying statements of net position as of June 30, 2025 and 2024, respectively. See note 6. The remaining portion of underrecovered costs included in the statements of net position of \$270 million and \$275 million relates to accrued unbilled amounts related to costs incurred during the years ended June 30, 2025 and 2024, respectively, that will be billed with the current fiscal year's customer consumption but has not been billed at fiscal year-end as the consumption period and billing period have not yet ended.

(x) Current Rate Ordinances

Through a set of rate ordinances, the Power System bills its revenue through fixed and pass-through factors. The legacy rate ordinance has been in effect since July 1, 2008, and the most recent rate ordinance has been in effect since April 15, 2016. The power rates are set for each customer class based upon a completed formal marginal cost of service study, which is common industry practice.

The Power System's rate ordinances contain the following factors: Capped Energy Cost Adjustment Factor (CECAF), Variable Electric Adjustment Factor (VEAF), Variable Renewable Portfolio Standard Energy Adjustment Factor (VRPSEAF), Capped Renewable Portfolio Standard Energy Adjustment Factor (CRPSEAF), Reliability Cost Adjustment Factor (RCAF), Incremental Reliability Cost Adjustment Factor (IRCAF), and Electric Subsidy Adjustment Factor (ESAF). These factors are recovered by amounts included in customers' bills.

The CECAF recovers the costs of fuel, purchased power including renewable resources, and Demand Side Management costs, including revenue losses and other variable operational costs. The VEAF recovers expenditures for non-renewable fuel, nonrenewable purchased power, legal costs, judgments, and settlements, which are beyond the cost recovery ability of the CECAF and contribution from the base rates. The VRPSEAF recovers expenditures for Renewable Portfolio Standard (RPS) projects in which the Department has no ownership interest and recovery of some expenditures for RPS projects in which the Department has indirect ownership interest, which are beyond the cost recovery ability of the CECAF and contribution from the base rates. The CRPSEAF recovers expenditures for RPS projects directly owned by the Department, recovery of debt service and operation and maintenance expenses for RPS projects indirectly owned by the Department, and recovery of expenditures for Demand Side Management measures, which are beyond the cost recovery ability of the CECAF and contribution from the base rates. The RCAF and the IRCAF recover, in part, the costs of improving the reliability of power delivery to customers, and these charges support additional capital investments needed to improve reliability in areas of power distribution, transmission, and generation infrastructures. The ESAF recovers the cost of credits given to lifeline and low-income residential customers, credits to general service customers subsidized under enterprise zone and disaster recovery rates, and certain credits for lighting and traffic control.

Operating revenue is revenue generally derived from activities that are billable in accordance with the power rate ordinances established by the City of Los Angeles. Other types of revenue are generally considered nonoperating.

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(y) Leases

The Power System follows GASB Statement No. 87, *Leases*, which provides a methodology for identifying and reporting lease arrangements and obligations. The Power System is both a lessor and a lessee:

(i) *Lessor*

The Power System is a lessor for various non-cancellable leases covering building, land and improvements. For leases with a maximum possible term of 12 months or less at commencement, the Power System recognizes revenue based on the provisions in each contract. For all other leases (i.e., those that are not short term), the Power System recognizes a lease receivable and deferred inflows of resources in accordance with GASB Statement No. 87.

At lease commencement, the Power System initially measures the lease receivable at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts, if any. If the present value of payments expected to be received is below the \$100 thousand materiality threshold, then revenues will be recognized as short-term leases. Subsequently, for all other leases, the lease receivable is reduced by the principal portion of lease payments received.

As a lessor, the Power System's long-term land leases cover periods of 30–55 years. A 30-year land lease has an escalation factor of 5% every 5 years, which commenced on April 15, 2011. This land lease also contains an interconnection agreement for an oil terminal and tank farm for storage, handling, and distribution of crude petroleum and petroleum related products, which can be terminated after 10 years from the effective date or termination of lease agreement.

On behalf of the Customer Service Division, the Department purchased a six-story Class A office building consisting of approximately 83,904 square feet and approximately 315 parking spaces on approximately 1.6 acres of land. The property was delivered to the Department partially occupied by six existing tenants. Two of the lease agreements and tenancies expired as of December 2023, and three of the lease agreements and tenancies will expire by June 2026. The lease agreement with the remaining tenant, a telecommunications facility located on the roof of the building, will expire by November 2031. The Department does not intend to extend any of the lease terms or renew any of the lease agreements with the existing tenants. The building cost and the future rental income will be shared by both the Power and Water Systems.

The deferred inflows of resources are initially measured as the initial amount of the lease receivable plus any prepaid lease payments at or before the lease commencement, less any lease incentives paid at or before the lease commencement. Subsequently, the Power System recognizes the deferred inflow of resources on a straight-line basis over the remaining term of the lease.

The Power System used the long-term average Weighted Average Cost of Capital (WACC) for AA-rated utilities as the discount rate for leases, which approximates the Power System's incremental borrowing rate.

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The lease term includes the period during which the lessee has a non-cancelable right to use an underlying asset plus any additional periods covered where the lessor and/or the lessee have the option to extend the lease and that option is reasonably certain to be exercised. The lease term also includes periods where only the lessor or lessee has the option to terminate the lease, if this termination is reasonably certain not to be exercised. Periods where both the lessee and the lessor have an option to terminate the lease without permission from the other party are cancellable periods and are excluded from the lease term.

The Power System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable, the lease receivable is remeasured and a corresponding adjustment is made to the lease asset. There was no remeasurement of lease receivables during fiscal year 2025 and 2024.

Lease receivables are reported with long-term receivables under noncurrent assets and the corresponding deferred inflows are reported with other deferred inflows in the statements of net position.

The Power System had the following lessor activities during fiscal year 2025 (amounts in thousands):

	<u>June 30, 2024</u>	<u>Leases and Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Lessor:					
Lease receivable – GASB 87	\$ 23,413	—	—	(904)	22,509
Deferred inflows – GASB 87	21,672	—	—	(1,490)	20,182

The Power System had the following lessor activities during fiscal year 2024 (amounts in thousands):

	<u>June 30, 2023</u>	<u>Leases and Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Lessor:					
Lease receivable – GASB 87	\$ 25,271	—	—	(1,858)	23,413
Deferred inflows – GASB 87	24,025	—	—	(2,353)	21,672

(ii) Lessee

The Power System is a lessee for various non-cancellable leases of buildings, vehicles, and land. For leases with a maximum possible term of 12 months or less at commencement, the Power System recognizes expense based on the provisions of the lease contract. For all other leases (i.e., those that are not short term), the Power System recognizes a lease liability and an intangible right-of-use (ROU) lease asset.

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At lease commencement, the Power System initially measures the lease liability at the present value of payments expected to be made during the lease term. If the present value of payments expected to be made is below the \$100 thousand materiality threshold, then expenses will be recognized as short-term leases. Subsequently, for all other leases, the lease liability is reduced by the principal portion of lease payments made at or before the lease commencement date.

The intangible ROU lease asset is initially measured as the initial amount of the lease liability plus ancillary cost to place the asset into use, plus lease payments and lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Power System generally uses its estimated incremental borrowing rate as the discount for leases unless the rate that the lessor/vendor charges is known. The Power System's incremental borrowing rate is based on the long-term average WACC for AA-rated utilities as the discount rate for leases unless the rate that the lessor charges is known. The Power System's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease under similar terms at the commencement or remeasurement date.

The lease term includes the period during which a lessee has a non-cancelable right to use an underlying asset plus any additional periods covered where the lessor and/or the lessee have the option to extend the lease and that option is reasonably certain to be exercised. The lease term also includes periods where only the lessor or lessee has the option to terminate the lease, if this termination is reasonably certain not to be exercised. Periods where both the lessee and the lessor have an option to terminate the lease without permission from the other party are cancelable periods and are excluded from lease term.

The Power System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset, respectively.

In fiscal year 2025, Power System executed an optional lease term extension in accordance with the original contract. This extension resulted in the remeasurement of the related lease liability and ROU, with the revised amounts presented in the table below.

Lease assets are reported with capital assets and lease liabilities are reported with current liabilities and other noncurrent liabilities in the statements of net position.

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The Power System had the following lease assets (lessee) during fiscal year 2025 (amounts in thousands):

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2025</u>
Lessee					
Lease assets:					
Buildings	\$ 53,822	—	314	—	54,136
Vehicles	11,835	5,523	—	—	17,358
Land, right-of-use	3,272	—	—	—	3,272
Total lease assets (right-of-use)	<u>68,929</u>	<u>5,523</u>	<u>314</u>	<u>—</u>	<u>74,766</u>
Less accumulated amortization					
Buildings	(11,919)	(5,561)	—	—	(17,480)
Vehicles	(9,564)	(4,026)	—	—	(13,590)
Land, right-of-use	(662)	(331)	—	—	(993)
Total accumulated amortization (right-of-use)	<u>(22,145)</u>	<u>(9,918)</u>	<u>—</u>	<u>—</u>	<u>(32,063)</u>
Total lease assets, net	<u>\$ 46,784</u>	<u>(4,395)</u>	<u>314</u>	<u>—</u>	<u>42,703</u>

The Power System had the following lease liability (lessee) during fiscal year 2025 (amounts in thousands):

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2025</u>	<u>Amount due in FY 2026</u>
Lease liability	\$ 48,004	5,523	314	(9,589)	44,252	8,368

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The Power System had the following lease assets (lessee) during fiscal year 2024 (amounts in thousands):

	<u>Balance, June 30, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2024</u>
Lessee					
Lease assets:					
Buildings	\$ 53,822	—	—	—	53,822
Vehicles	8,007	3,828	—	—	11,835
Land, right-of-use	1,251	2,021	—	—	3,272
	<u>63,080</u>	<u>5,849</u>	<u>—</u>	<u>—</u>	<u>68,929</u>
Total lease assets (right-of-use)					
	<u>63,080</u>	<u>5,849</u>	<u>—</u>	<u>—</u>	<u>68,929</u>
Less accumulated amortization					
Buildings	(6,360)	(5,559)	—	—	(11,919)
Vehicles	(2,690)	(6,874)	—	—	(9,564)
Land, right-of-use	(92)	(331)	—	(239)	(662)
	<u>(9,142)</u>	<u>(12,764)</u>	<u>—</u>	<u>(239)</u>	<u>(22,145)</u>
Total accumulated amortization (right-of-use)					
	<u>(9,142)</u>	<u>(12,764)</u>	<u>—</u>	<u>(239)</u>	<u>(22,145)</u>
Total lease assets, net	<u>\$ 53,938</u>	<u>(6,915)</u>	<u>—</u>	<u>(239)</u>	<u>46,784</u>

The Power System had the following lease liability (lessee) during fiscal year 2024 (amounts in thousands):

	<u>Balance, June 30, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2024</u>	<u>Amount due in FY 2025</u>
Lease liability	\$ 54,299	5,849	—	(12,144)	48,004	8,255

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As of June 30, 2025, annual principal and interest for the lease liability are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Fiscal year(s) ending June 30:		
2026	\$ 8,368	1,663
2027	4,465	1,647
2028	4,838	1,448
2029	5,243	1,223
2030	5,368	969
2031–2035	14,247	1,356
2036–2040	716	326
2041–2045	594	169
2046–2050	361	62
2051–2055	52	5
Total requirements	<u>\$ 44,252</u>	<u>8,868</u>

As of June 30, 2024, annual principal and interest for the lease liability are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Fiscal year(s) ending June 30:		
2025	\$ 8,255	1,834
2026	4,139	1,807
2027	4,441	1,634
2028	4,811	1,436
2029	5,214	1,212
2030–2034	19,311	2,218
2035–2039	657	352
2040–2044	673	196
2045–2049	406	82
2050–2054	97	8
Total requirements	<u>\$ 48,004</u>	<u>10,779</u>

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as expense in the period in which the obligations for those payments are incurred. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of the lease liabilities were \$1.3 million and \$1.6 million during fiscal years 2025 and 2024, respectively.

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The Power System, as lessee, has a lease agreement with the City of Los Angeles Department of General Services, as lessor. This lease agreement and any lease agreements with other City Departments are excluded from GASB Statement No. 87 because the control is not conveyed to another legal entity; hence, this type of lease agreement should not be reported as leases in the Power System's financial statements.

(z) Subscription-Based Information Technology Arrangements

The Department follows GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to enhance consistency in accounting and financial reporting by requiring government entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts with a specified term.

The Power System has various noncancelable SBITAs of cloud hosting fees, software subscription fees, and enterprise services subscription fees. For SBITAs with a maximum possible term of 12 months or less at commencement, the Power System recognizes expense based on the provisions of the SBITA contract. For all other SBITAs (i.e., those that are not short term), the Power System recognizes a subscription liability and an intangible right-to-use subscription asset.

At the commencement of the subscription term, the Power System initially measures the subscription liability at the present value of payments expected to be made during the subscription term. If the present value of payments expected to be made are below the \$100,000 materiality threshold, then expenses will be recognized as short-term subscriptions. Subsequently, for all other subscriptions, the subscription liability is reduced by the principal portion of subscription payments made at or before the subscription commencement date.

The intangible right-to-use subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term plus capitalizable initial implementation costs before the commencement of the subscription term. The subscription asset is amortized into amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

The Power System generally uses its estimated incremental borrowing rate as the discount for subscriptions unless the rate that the vendor charges is known. The Power System's incremental borrowing rate is based on the long-term average WACC for AA-rated utilities as the discount rate for subscriptions unless the rate that the SBITA vendor charges is known. The Power System's incremental borrowing rate for subscriptions is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the subscription under similar terms at the commencement or remeasurement date.

The subscription term includes the period during which the Power System has a noncancelable right to use and underlying SBITA asset, plus any additional periods covered by either the Power System or the vendor's unilateral option to (1) extend for which it is reasonably certain to be exercised or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Power

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System and the vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

The Power System monitors changes in circumstances that may require a remeasurement of subscriptions. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured and a corresponding adjustment is made to the subscription asset right to use, respectively.

In fiscal year 2025, Power System executed a subscription term extension. This extension resulted in the remeasurement of the related SBITA and Subscription liability, with the revised amounts presented in the table below.

Subscription assets are reported with capital assets and subscription liabilities are reported with current liabilities and other noncurrent liabilities (long-term) in the statement of net position.

The Power System had the following subscription assets during fiscal year 2025 (amounts in thousands):

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2025</u>
SBITAs					
Subscription assets:	\$ 12,555	9,432	870	—	22,857
Less accumulated amortization					
Subscription assets (right-to-use)	(4,307)	(5,296)	—	—	(9,603)
Total SBITA assets, net	\$ 8,248	4,136	870	—	13,254

The Power System had the following subscription liability during fiscal year 2025 (amounts in thousands):

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2025</u>	<u>Amount due in FY 2026</u>
Subscription liability	\$ 6,546	9,432	870	(3,568)	13,280	3,346

The Power System had the following subscription assets during fiscal year 2024 (amounts in thousands):

	<u>Balance, July 1, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2024</u>
SBITAs					
Subscription assets:	\$ 10,979	1,576	—	—	12,555
Less accumulated amortization					
Subscription assets (right-to-use)	(1,840)	(2,467)	—	—	(4,307)
Total SBITA assets, net	\$ 9,139	(891)	—	—	8,248

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The Power System had the following subscription liability during fiscal year 2024 (amounts in thousands):

	<u>Balance, July 1, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance, June 30, 2024</u>	<u>Amount due in FY 2025</u>
Subscription liability	\$ 8,151	1,576	—	(3,181)	6,546	505

As of June 30, 2025, annual principal and interest for the subscription liability are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending June 30:		
2026	\$ 3,347	498
2027	4,578	471
2028	2,587	244
2029	1,982	125
2030	786	41
Total requirements	\$ <u>13,280</u>	<u>1,379</u>

As of June 30, 2024, annual principal and interest for the subscription liability are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending June 30:		
2025	\$ 505	32
2026	2,586	323
2027	2,683	190
2028	772	42
2029	—	—
Total requirements	\$ <u>6,546</u>	<u>587</u>

Variable payments, excluding those dependent on an index or rate or those that are fixed in substance, are not considered when measuring the subscription liability. These amounts are recognized as expense in the period when the obligation for such payments is incurred.

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(2) Recent Accounting Pronouncements

(a) GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which improves the clarity, consistency, and comparability of financial reporting related to compensated absences. The Power System adopted the provisions of Statement No. 101 on July 1, 2024, and the Power System's financial statements for the fiscal year ended June 30, 2025 reflect the implementation of this statement and this implementation did not have a significant impact on the financial statements. See note 1(n).

(b) GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires a government to assess whether a concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and requires the reporting entity to disclose such instances. The Power System adopted the provisions of Statement No. 102 on July 1, 2024, which did not impact the financial statements.

(3) Utility Plant

The Power System had the following activities in utility plant during fiscal year 2025 (amounts in thousands):

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Retirements and disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2025</u>
Nondepreciable utility plant:					
Land and land rights	\$ 250,072	12,431	—	—	262,503
Construction work in progress	1,188,078	445,231	(56,848)	(641,708)	934,753
Nuclear fuel	40,092	12,196	(10,224)	—	42,064
Natural gas field	109,437	38	(8,765)	—	100,710
Total nondepreciable utility plant	<u>1,587,679</u>	<u>469,896</u>	<u>(75,837)</u>	<u>(641,708)</u>	<u>1,340,030</u>
Depreciable utility plant:					
Generation	6,645,258	73,958	(2,111)	40,818	6,757,923
Transmission	2,657,053	48,951	(118)	313,025	3,018,911
Distribution	13,099,285	1,069,130	(43,747)	177,896	14,302,564
General	2,680,173	271,192	(6,807)	109,969	3,054,527
Total depreciable utility plant	<u>25,081,769</u>	<u>1,463,231</u>	<u>(52,783)</u>	<u>641,708</u>	<u>27,133,925</u>
Accumulated depreciation:					
Generation	(3,353,793)	(178,598)	2,111	—	(3,530,280)
Transmission	(805,579)	(47,500)	118	—	(852,961)
Distribution	(5,408,498)	(325,666)	43,747	—	(5,690,417)
General	(1,369,231)	(102,825)	6,807	—	(1,465,249)
Total accumulated depreciation	<u>(10,937,101)</u>	<u>(654,589)</u>	<u>52,783</u>	<u>—</u>	<u>(11,538,907)</u>
Total utility plant, net	<u>\$ 15,732,347</u>	<u>1,278,538</u>	<u>(75,837)</u>	<u>—</u>	<u>16,935,048</u>

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The Power System had the following activities in utility plant during fiscal year 2024 (amounts in thousands):

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Retirements and disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2024</u>
Nondepreciable utility plant:					
Land and land rights	\$ 250,072	—	—	—	250,072
Construction work in progress	1,131,332	365,279	(23,804)	(284,729)	1,188,078
Nuclear fuel	40,040	10,922	(10,870)	—	40,092
Natural gas field	119,129	14	(9,706)	—	109,437
Total nondepreciable utility plant	<u>1,540,573</u>	<u>376,215</u>	<u>(44,380)</u>	<u>(284,729)</u>	<u>1,587,679</u>
Depreciable utility plant:					
Generation	6,496,784	150,345	(3,486)	1,615	6,645,258
Transmission	2,392,172	25,480	(181)	239,582	2,657,053
Distribution	12,248,220	848,080	(40,105)	43,090	13,099,285
General	2,512,623	177,961	(10,853)	442	2,680,173
Total depreciable utility plant	<u>23,649,799</u>	<u>1,201,866</u>	<u>(54,625)</u>	<u>284,729</u>	<u>25,081,769</u>
Accumulated depreciation:					
Generation	(3,166,871)	(190,408)	3,486	—	(3,353,793)
Transmission	(761,977)	(43,783)	181	—	(805,579)
Distribution	(5,147,047)	(301,556)	40,105	—	(5,408,498)
General	(1,294,255)	(85,829)	10,853	—	(1,369,231)
Total accumulated depreciation	<u>(10,370,150)</u>	<u>(621,576)</u>	<u>54,625</u>	<u>—</u>	<u>(10,937,101)</u>
Total utility plant, net	<u>\$ 14,820,222</u>	<u>956,505</u>	<u>(44,380)</u>	<u>—</u>	<u>15,732,347</u>

Depreciation and amortization expense during fiscal years 2025 and 2024 was \$841.2 million and \$805.3 million, respectively. Depreciation and amortization expense on the statements of revenues, expenses, and changes in net position and cash flows include amortization expense on software and regulatory assets, which is not included in additions to accumulated depreciation above.

Land and land rights are included in the statement of net position as utility plant assets in their functional category.

(4) Jointly Owned Utility Plant

The Power System has undivided direct interests in several electric generating stations and transmission systems that are jointly owned with other utilities, as defined in GASB Statement No. 14, *The Financial Reporting Entity*. As of June 30, 2025 and 2024, utility plant includes the following amounts related to the

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Power System's ownership interest in each jointly owned utility plant (amounts in thousands, except as indicated):

	Ownership Interest	Share of capacity (MWs)	Utility plant in service June 30, 2025		Utility plant in service June 30, 2024	
			Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
			Palo Verde Nuclear Generating Station	5.7%	224	\$ 653,483
Mohave Generating Station	30%	—	3,409	229	3,409	229
Pacific Intertie DC Transmission Line	40%	1,240	346,304	123,105	343,578	116,745
Other transmission systems	Various	Various	134,854	83,978	133,302	81,335
			<u>\$ 1,138,050</u>	<u>678,733</u>	<u>1,126,446</u>	<u>660,268</u>

The Power System will incur certain minimal operating costs related to the jointly owned facilities, regardless of the amount or its ability to take delivery of its share of energy generated. The Power System's proportionate share of the operating costs of the joint plants is included in the corresponding categories of operating expenses.

(5) Purchased Power Commitments

As of June 30, 2025, the Power System has entered into a number of energy and transmission service contracts that, regardless of the energy they take, they are obligated to pay the following minimum costs to cover debt service on these facilities through 2053 when the debt is repaid (amounts in thousands, except as indicated):

	Agency	Agency share	The Power System's interest in agency's share				
			Interest	Capacity (MWs)	Principal payments	Interest payments (receipts)	Total
Intermountain Power Project	IPA	100.0 %	61.7	1,111	\$ —	—	—
Intermountain Repower Project FY26-28	IPA	100.0	61.7	519	69,469	164,329	233,798
Intermountain Repower Project FY29-46	IPA	100.0	71.4	600	1,211,035	629,004	1,840,039
Mead-Adelanto Transmission Project	SCPPA	68.0	48.9	539	14,015	2,202	16,217
Mead-Phoenix Transmission Project	SCPPA	17.8–22.4	50.4	647	11,380	1,787	13,167
Southern Transmission System Project	SCPPA	100.0	59.5	1,429	53,271	3,923	57,194
Southern Transmission System Renewal Project	SCPPA	100.0	90.5	—	1,130,386	1,063,996	2,194,382
Milford Wind I Project	SCPPA	100.0	92.5	185	59,672	7,751	67,423
Windy Point/Windy Flats Project	SCPPA	100.0	100.0	262	* 148,505	23,332	171,837
Linden Wind Energy Project	SCPPA	100.0	100.0	50	* 74,765	41,115	115,880
Milford Wind II Project	SCPPA	100.0	100.0	102	* 59,435	10,979	70,414
Apex Power Project	SCPPA	100.0	100.0	520	192,625	57,841	250,466
Total					<u>\$ 3,024,558</u>	<u>2,006,259</u>	<u>5,030,817</u>

* The Power System will receive 100% of the energy, unless the City of Glendale exercises its option to repurchase any of its contract output entitlement share.

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As of June 30, 2024, the Power System has entered into a number of energy and transmission service contracts that, regardless of the energy they take, they are obligated to pay the following minimum costs to cover debt service on these facilities through 2053 when the debt is repaid (amounts in thousands, except as indicated):

	Agency	Agency share	The Power System's interest in agency's share				
			Interest	Capacity (MWs)	Principal payments	Interest payments (receipts)	Total
Intermountain Power Project	IPA	100.0 %	58.2	1,047	\$ —	—	—
Intermountain Repower Project FY25-FY28	IPA	100.0	58.2	489	59,175	187,480	246,655
Intermountain Repower Project FY29-FY46	IPA	100.0	71.4	600	1,093,759	568,225	1,661,984
Mead-Adelanto Transmission Project	SCPPA	68.0	48.9	539	15,980	2,951	18,931
Mead-Phoenix Transmission Project	SCPPA	17.8–22.4	50.4	647	12,975	2,396	15,371
Southern Transmission System Project	SCPPA	100.0	59.5	1,429	69,378	6,919	76,297
Southern Transmission System Renewal Project*	SCPPA	100.0	90.5	—	1,130,386	1,111,983	2,242,369
Milford Wind I Project	SCPPA	100.0	92.5	185	69,953	10,991	80,944
Windy Point/Windy Flats Project	SCPPA	100.0	100.0	262 *	161,845	31,093	192,938
Linden Wind Energy Project	SCPPA	100.0	100.0	50 *	74,765	42,788	117,553
Milford Wind II Project	SCPPA	100.0	100.0	102 *	66,385	14,125	80,510
Apex Power Project	SCPPA	100.0	100.0	520	192,625	63,019	255,644
Total					\$ 2,947,226	2,041,970	4,989,196

* The Power System will receive 100% of the energy, unless the City of Glendale exercises its option to repurchase any of its contract output entitlement share.

IPA – The Intermountain Power Agency (IPA) is an agency of the State of Utah established to own, acquire, construct, operate, maintain, and repair the Intermountain Power Project (IPP). The Power System serves as the project manager and operating agent of IPP. IPA and the Power Purchasers including the Power System executed the Second Amendatory Power Sales Contracts which provides that the IPP be repowered, and the IPA offer the Purchasers renewal in their generation and transmission entitlements through the Renewal Power Sales Contracts (Renewal Contracts), the term of which commences upon the termination of the current Power Sales Contracts on June 15, 2027. IPA and Purchasers approved changes to the repowering that constitute Alternative Repowering under the Power Sale Contracts. Generation Unit 3 was substantially completed on September 30, 2025 and Generation Unit 4 was substantially completed on November 22, 2025. See note 13.

SCPPA – The Southern California Public Power Authority (SCPPA) is a California joint powers agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System is a member of SCPPA. SCPPA is considered a related party. See note 13.

Unlike joint utility plant disclosed in note 4, the Power System does not have ownership of any assets related to these service contracts. As costs are paid each year, they are recorded as purchased power expense in the statements of revenue, expenses, and changes in net position.

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The Power System is required to pay an average annual charge of approximately \$181 million during each of the next five years for fixed expenses and an average annual charge of approximately \$600 million during each of the next five years for operating and maintenance costs related to purchased power agreements. The Power System made total payments under these agreements of approximately \$1,030 million and \$832 million in fiscal years 2025 and 2024, respectively, and they are recorded as purchased power expenses in the statements of revenue, expenses, and changes in net position. These agreements are scheduled to expire from 2027 to 2051.

The Power System is reimbursed for services provided to IPP under the IPP project manager and operating agent agreements totaling \$71.6 million and \$62.6 million in fiscal years 2025 and 2024, respectively. These fees are recorded as a reduction to maintenance and other expenses on the accompanying statements of revenue, expenses, and net position.

(a) Energy Entitlement Contracts

The Power System has a contract through September 2067 with the U.S. Department of Energy for the purchase of available energy generated at the Hoover Power plant through the Boulder Canyon Project (BCP). The Power System's contractual share of contingent capacity at Hoover Power plant is 23.90% of the available capacity. The BCP cost was approximately \$16.8 million and \$16.0 million as of June 30, 2025 and 2024, respectively. The BCP cost includes power purchased under the contract as well as fund contributions to the Lower Colorado River Multi-Species Conservation Program.

The Power System has also entered into contracts with SCPPA to purchase available renewable energy generated at various renewable energy project sites.

Unlike service contracts noted earlier in note 5, the Power System only pays costs related to these contracts if energy is delivered. As of June 30, 2025, the Power System energy entitlement contracts with SCPPA allowed for additional capacity with the associated cost over the life of the contract as follows (dollar amounts in millions):

	Agency	Agency share	The Power System's interest in agency's share			
			Interest	Capacity (MWs)	Cost of power purchased	Contract expiration
Pebble Springs Wind Project	SCPPA	100	70	69	\$ 17	2027
Don A Campbell I	SCPPA	100	85	14	9	2034
Don A Campbell II	SCPPA	100	100	16	8	2035
Copper Mountain Solar 3	SCPPA	100	84	210	50	2035
Heber 1 Geothermal	SCPPA	100	78	41	27	2051
Springbok 1 Wind Farm	SCPPA	100	100	105	20	2041
Springbok 2 Wind Farm	SCPPA	100	100	155	24	2043
Ormat Northern Nevada	SCPPA	100	100	185	92	2043
Ormesa	SCPPA	100	86	30	18	2042
Springbok 3 Wind Farm	SCPPA	100	100	90	13	2046
Roseburg Biomass Project	SCPPA	62	79	5	1	2026
Red Cloud Wind Project	SCPPA	100	100	331	50	2041
Eland Solar 1 + Storage	SCPPA	100	88	175	21	2049
Total purchase power costs under entitlement agreements					\$ 350	

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As of June 30, 2024, the Power System energy entitlement contracts with SCPPA allowed for additional capacity with the associated cost over the life of the contract as follows (dollar amounts in millions):

	Agency	Agency share	The Power System's interest in agency's share			
			Interest	Capacity (MWs)	Cost of power purchased	Contract expiration
Pebble Springs Wind Project	SCPPA	100	70	69	\$ 16	2027
Don A Campbell I	SCPPA	100	85	14	10	2034
Don A Campbell II	SCPPA	100	100	16	8	2035
Copper Mountain Solar 3	SCPPA	100	84	210	49	2035
Heber 1 Geothermal	SCPPA	100	78	41	25	2026
Springbok 1 Wind Farm	SCPPA	100	100	105	20	2041
Springbok 2 Wind Farm	SCPPA	100	100	155	23	2043
Ormat Northern Nevada	SCPPA	100	100	185	108	2043
Ormesa	SCPPA	100	86	30	16	2042
Springbok 3 Wind Farm	SCPPA	100	100	90	12	2046
Roseburg Biomass Project	SCPPA	62	79	5	1	2026
Red Cloud Wind Project	SCPPA	100	100	331	50	2041
Total purchase power costs under entitlement agreements					\$ 338	

(b) Electricity Swap and Forward Contracts

To obtain the highest market value on energy that is sold into the wholesale market, the Power System monitors the sales price of energy, which varies based on which hub the energy is to be delivered. There are three primary hubs within the Power System's transmission region: Palo Verde, Nevada Oregon Border, and Mead. The Power System enters various locational swap transactions with other electric utilities to effectively utilize its transmission capacity and to achieve the most economical exchange of energy purchased and sold.

The Power System enters into power forward contracts in order to meet the electricity requirements to serve its customers. To assist the Power System in achieving its RPS, forward purchases of renewable energy were made.

The Power System does not enter swap and forward transactions for trading purposes. All these transactions are intended to be used in the Power System's normal course of operations. The Power System is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated.

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As of June 30, 2025 the Power System had entered the following Electricity Forward Contracts, which are not recorded in the Power System's financial statements based on the criteria in GASB Statement No. 53:

Transaction type	Term	Quantity	Price
Fixed-price Power Purchase	July 1, 2025-September 30, 2025	92,400 MWs	\$91.02/MWh
Fixed-price Power Purchase	July 1, 2025-September 30, 2025	30,800 MWs	\$89.02/MWh
Fixed-price Power Purchase	July 1, 2025-September 30, 2025	49,280 MWs	\$105/MWh
Fixed-price Power Purchase	October 1, 2025-October 31, 2025	17,280 MWs	\$75/MWh
Fixed-price Power Sales	July 1, 2025-September 30, 2025	49,280 MWs	\$157/MWh
Fixed-price Power Sales	October 1, 2025-October 31, 2025	17,280 MWs	\$137/MWh

As of June 30, 2024, the Power System had entered the following Electricity Forward Contract, which is not recorded in the Power System's financial statements based on the criteria in GASB Statement No. 53:

Transaction type	Term	Quantity	Price
Fixed-price Renewable Power Purchase	January 1, 2024-June 30, 2025	Up to 82.2 MWs delivered output from wind generation facility	\$75/MWh
Fixed-price Power Purchase	July 1, 2024-September 30, 2024	30,800 MWs	\$178/ MWh
Fixed-price Power Purchase	July 1, 2024-September 30, 2024	18,480 MWs	\$178/ MWh
Fixed-price Power Purchase	October 1, 2024-October 31, 2024	12,400 MWs	\$88/ MWh
Fixed-price Power Sales	July 1, 2024-September 30, 2024	49,280 MWs	\$237/ MWh
Fixed-price Power Sales	October 1, 2024-October 31, 2024	12,400 MWs	\$132/ MWh

For the years ended June 30, 2025 and 2024 the Power System either took delivery of or sold the commodities in its electricity forward contracts.

(6) Regulatory Assets and Liabilities

Regulatory assets and liabilities are created by the actions of the Board of Water and Power Commissioners by deferring certain expenses and revenue that are recoverable or payable by future rate charges in accordance with the current rate ordinances to more evenly match the recognition of revenue and expenses with the electric rates charged to retail customers.

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Below is a summary of the Power System's regulatory assets and deferred inflows (amounts in thousands):

Description	June 30, 2024	Additions	Reductions	June 30, 2025
Assets:				
(a) Regulatory assets – legal settlements	\$ —	—	—	—
(b) Regulatory assets – solar incentive programs	136,480	—	(13,165)	123,315
(c) Regulatory assets – energy efficiency programs	625,958	80,042	(115,607)	590,393
(d) Regulatory assets – CC&B	16,392	—	(3,042)	13,350
Regulatory assets – other	778,830	80,042	(131,814)	727,058
(e) Regulatory assets – OPEB	—	—	—	—
Total regulatory assets – noncurrent	778,830	80,042	(131,814)	727,058
(f) Underrecovered costs – current	341,486	196,334	—	537,820
Total regulatory assets	<u>\$ 1,120,316</u>	<u>276,376</u>	<u>(131,814)</u>	<u>1,264,878</u>
Deferred inflows:				
(g) Deferred inflows from business activities	\$ 227,190	—	—	227,190
Total regulatory deferred inflows	<u>\$ 227,190</u>	<u>—</u>	<u>—</u>	<u>227,190</u>

Description	June 30, 2023	Additions	Reductions	June 30, 2024
Assets:				
(a) Regulatory assets – legal settlements	\$ 16,000	—	(16,000)	—
(b) Regulatory assets – solar incentive programs	150,375	—	(13,895)	136,480
(c) Regulatory assets – energy efficiency programs	649,093	95,043	(118,178)	625,958
(d) Regulatory assets – CC&B	19,433	—	(3,041)	16,392
Regulatory assets – other	834,901	95,043	(151,114)	778,830
(e) Regulatory assets – OPEB	30,568	—	(30,568)	—
Total regulatory assets – noncurrent	865,469	95,043	(181,682)	778,830
(f) Underrecovered costs – current	265,848	75,638	—	341,486
Total regulatory assets	<u>\$ 1,131,317</u>	<u>170,681</u>	<u>(181,682)</u>	<u>1,120,316</u>
Deferred inflows:				
(g) Deferred inflows from business activities	\$ 187,190	40,000	—	227,190
Total regulatory deferred inflows	<u>\$ 187,190</u>	<u>—</u>	<u>—</u>	<u>227,190</u>

(a) Regulatory Assets – Legal Settlement

In June 2007, the Power System reached an agreement from the courts related to the inclusion of capital components in the rates charged to other governmental organizations. The agreement required payment of \$160 million to the governmental organizations. The payment settlement included an immediate payout of \$127 million bill credits of \$17 million to be issued over a 10-year period, and \$15 million in payments to be paid over a 3-year period.

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As provided in the Power System's rate structure, beginning in July 2014, customers' bills include a charge for this legal settlement to be collected over a 10-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset, which was fully amortized during fiscal year 2024.

(b) Regulatory Assets – Solar Incentive Programs

As part of the California Solar Incentive Program, initiated by California Senate Bill 1 (SB1) of 2006, the Power System implemented a multiyear program to provide customers with solar incentives for installing solar panels and necessary equipment to generate energy. The programs, per SB1, concluded at the end of calendar year 2018. Some payments for these incentives were processed in 2020 and 2021.

As provided in the Power System's rate structure, beginning April 2011, customers' bills include a charge for these solar incentive programs to be collected over a 20-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

(c) Regulatory Assets – Energy Efficiency Programs

As part of the Power System's ongoing efforts to reduce energy consumption and improve the environment, the Power System implemented numerous multi-year programs. The programs began in June 2012 and continued through 2025.

As provided in the Power System's rate structure, beginning July 2011, customers' bills include a charge for these energy efficiency programs to be collected over a 5 to 15-year period, depending on the program. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

(d) Regulatory Assets – Customer Care and Billing System

In 2013, the Power System implemented the customer care and billing system (CC&B). The implementation of the system required significant investment in training of the Power System's employees.

As provided in the Power System's rate structure, beginning January 2014, customers' bills include a charge related to training for the CC&B to be collected over a 15-year period. As rates are established at a level sufficient to recover all such costs, the Power System recorded a regulatory asset.

(e) Regulatory Assets – OPEB

In connection with the recognition of the net OPEB liability (asset) under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Power System established a regulatory asset in the amount of \$451 million equal to the net OPEB liability reported at July 1, 2017, less the calculated balance of OPEB deferred outflows for contributions after the measurement date. Amortization of the regulatory asset is the difference between amounts paid toward actuarially determined contributions and actual OPEB expense which totaled \$92 million and

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\$74 million for the years ended June 30, 2025 and 2024, respectively. During the year ended June 30, 2025 and 2024, the difference between the amounts paid toward actuarially determined contributions and actual OPEB expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – OPEB in the amount of \$136 million and \$44 million, respectively.

(f) Regulatory Assets – Underrecovered Costs

As provided in the electric rate ordinances, the Power System is required to maintain balancing accounts to record differences between specific costs incurred and amounts billed through rates to recover those costs. The net amount of these balancing accounts is presented on the statement of net position as a current asset when costs are underbilled (current portion of underrecovered costs) or as a current liability when costs are overbilled (overrecovered costs). All these balancing accounts are expected to be settled within a 12-month period through the adjustment of pass-through rates during the billing process and are reported as a component of underrecovered costs in the accompanying statement of net position.

For the fiscal year ended June 30, 2025 and 2024, regulatory assets related to current underrecovered costs of \$538 million and \$342 million, respectively, were composed of the following (amounts in thousands):

	As of June 30	
	2025	2024
Underrecovered balancing accounts – regulatory asset	\$ 780,723	483,710
Less overrecovered balancing accounts – regulatory liability	(242,903)	(142,224)
Net underrecovered balancing accounts – regulatory asset	\$ 537,820	341,486

(g) Deferred Inflows from Regulated Business Activities

These amounts represent revenue collected from customers where funds are deferred for future stabilization. For the years ended June 30, 2023 through June 30, 2025, the Power System did not utilize these funds and did not recognize any of this revenue. The Power System has \$227 million in these accounts on both June 30, 2025 and 2024.

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(7) Cash, Cash Equivalents, and Investments

(a) Restricted and Other Investments

A summary of the Power System's restricted investments is as follows (amounts in thousands):

	June 30	
	2025	2024
Restricted and other investments:		
Restricted investments:		
Debt reduction funds	\$ 543,913	515,742
Nuclear decommissioning funds	167,285	156,153
Natural gas fund	15,052	12,785
Hazardous waste treatment fund	2,693	2,527
CAISO markets trust fund	12,139	10,514
Wildfire self-insurance trust fund	46,242	—
	\$ 787,324	697,721
Total restricted investments	\$ 787,324	697,721

The Power System also has \$9.3 million and \$2.6 million of cash collateral received from securities lending transactions in the City's securities lending program as of June 30, 2025 and June 30, 2024.

All restricted investments are to be used for a specific purpose as follows:

(i) Debt Reduction Funds

The debt reduction funds were established to provide for funding of the payment of principal and interest on long-term debt obligations and purchased power obligations arising from the Power System's participation in IPP and SCPPA. The Power System has transferred funds from purchased power precollections into these funds. Funds from operations may also be transferred by management as funds become available. See note 5.

(ii) Nuclear Decommissioning Funds

Nuclear decommissioning funds will be used to pay the Power System's share of decommissioning Palo Verde Nuclear Generating System at the end of its useful life. See note 14(b).

(iii) Natural Gas Fund

The natural gas fund was established to serve as a depository to pay for costs and post margin or collateral in connection with contracts for the purchase and delivery of financial transactions for natural gas. These transactions are entered into to stabilize the natural gas portion of the Power System's fuel for generation costs.

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(iv) *Hazardous Waste Treatment Storage and Disposal Fund*

The hazardous waste treatment, storage, and disposal fund was established to provide financial assurance for closure of the Main Street treatment and disposal facility.

(v) *CAISO Markets Trust Fund*

The California Independent System Operator (CAISO) Markets Trust Fund was established to facilitate timely and efficient settlement of CAISO energy market transactions.

(vi) *Wildfire Self-Insurance Trust Fund*

The Wildfire Self-Insurance Trust Fund was established to pay for judgments, fees, expenses and legal settlements related to wildfire claims.

As of June 30, 2025 and 2024, the Power System's restricted investments and their maturities are as follows (amounts in thousands):

2025 Investment type	Fair value	Investment maturities				
		1-30 days	31-60 days	61-365 days	366 days to 5 years	Over 5 years
U.S. government securities	\$ 9,360	—	—	—	9,360	—
U.S. government agencies securities	558,009	2,500	997	17,501	481,996	55,015
Supranationals	5,953	4,988	—	—	965	—
Medium-term corporate notes	128,261	—	13,999	36,195	78,067	—
Commercial paper	4,944	—	—	4,944	—	—
California local agency bonds	23,599	—	8,429	1,715	13,455	—
California state bonds	7,111	—	—	2,204	4,907	—
Other state bonds	17,746	—	—	9,947	7,799	—
Money market funds	32,341	32,341	—	—	—	—
	<u>\$ 787,324</u>	<u>39,829</u>	<u>23,425</u>	<u>72,506</u>	<u>596,549</u>	<u>55,015</u>

2024 Investment type	Fair value	Investment maturities				
		1-30 days	31-60 days	61-365 days	366 days to 5 years	Over 5 years
U.S. government securities	\$ 15,856	—	4,985	1,964	8,907	—
U.S. government agencies securities	424,264	12,124	3,190	56,948	344,940	7,062
Supranationals	11,372	—	—	5,437	5,935	—
Medium-term corporate notes	102,889	—	3,975	18,295	80,619	—
Certificates of deposit	27,827	12,432	—	15,395	—	—
California local agency bonds	52,651	—	20,866	9,163	22,622	—
California state bonds	9,855	—	—	4,817	5,038	—
Other state bonds	29,696	1,000	996	10,451	17,249	—
Money market funds	23,311	23,311	—	—	—	—
	<u>\$ 697,721</u>	<u>48,867</u>	<u>34,012</u>	<u>122,470</u>	<u>485,310</u>	<u>7,062</u>

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(vii) *Interest Rate Risk*

The Power System's investment policy limits the maturity of its investments to a maximum of 30 years for U.S. government and U.S. government agency securities; 5 years for medium-term corporate notes, California local agency obligations, California state obligations, and other state obligations; 270 days for commercial paper; 397 days for certificates of deposit; and 180 days for bankers' acceptances.

(viii) *Credit Risk*

Under its investment policy and the California Government Code, the Power System is subject to the prudent investor standard of care in managing all aspects of its portfolios. The prudent investor standard requires that the Power System "shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and in familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The U.S. government securities in the portfolio consist of securities issued by or explicitly guaranteed by the U.S. government. All the U.S. government securities in the portfolio, \$9.4 million as of June 30, 2025 and \$15.9 million as of June 30, 2024, carried the highest or second highest credit ratings of the Nationally Recognized Statistical Rating Organizations (NRSROs) that rated them.

The U.S. government agency securities in the portfolio consist of securities issued by government sponsored enterprises, which are not explicitly guaranteed by the U.S. government. As of June 30, 2025 and 2024, the U.S. government agency securities in the portfolio carry the following credit ratings by the NRSROs that rated them (amounts in thousands):

<u>Categories</u>	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	<u>Securities</u>	<u>Percentage</u>	<u>Securities</u>	<u>Percentage</u>
AAA or AA	\$ 492,342	88 %	\$ 362,175	85 %
Not rated	65,667	12	62,089	15
	<u>\$ 558,009</u>	<u>100 %</u>	<u>\$ 424,264</u>	<u>100 %</u>

The Power System's investment policy specifies that supranational notes must be rated AA or its equivalent or better by an NRSRO upon purchase. The Power System's investments in supranational notes, \$6.0 million as of June 30, 2025 and \$11.4 million as of June 30, 2024, were rated with the highest possible credit ratings by each of the NRSROs that rated them.

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The Power System's investment policy specifies that medium-term corporate notes must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in corporate notes as of June 30, 2025 and 2024 were rated in the category of A or its equivalent or better by at least one NRSRO as follows (amounts in thousands):

Categories	June 30, 2025		June 30, 2024	
	Corporate notes	Percentage	Corporate notes	Percentage
AAA	\$ 9,390	7 %	\$ 11,038	11 %
AA	47,661	37	36,024	35
A	71,210	56	55,827	54
	<u>\$ 128,261</u>	<u>100 %</u>	<u>\$ 102,889</u>	<u>100 %</u>

The Power System's investment policy specifies that commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by at least two NRSROs. As of June 30, 2025, there were \$4.9 million of investments in commercial paper, all rated with the highest letter and number rating as provided by at least two NRSROs. As of June 30, 2024, there were no investments in commercial paper.

The Power System's investment policy provides that negotiable certificates of deposit must be of the highest ranking or letter and number rating as provided for by at least two NRSROs and that for nonnegotiable certificates of deposit, the full amount of principal and interest is insured by the Federal Deposit Insurance Corporation or National Credit Union Administration. As of June 30, 2025, there were no investments in certificates of deposit. As of June 30, 2024, all the Power System's investments in certificates of deposit consisted of negotiable certificates of deposit and all were rated with at least the highest letter and number rating as provided by at least two NRSROs.

The Power System's investment policy specifies that bankers' acceptances must be of the highest ranking or letter and number rating as provided for by at least two NRSROs. As of June 30, 2025 and 2024, there were no investments in bankers' acceptances.

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The Power System's investment policy specifies that California local agency obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in California local agency bonds as of June 30, 2025 and 2024 were rated in the following categories by at least one NRSRO as follows (amounts in thousands):

Categories	June 30, 2025		June 30, 2024	
	California Local Agency Bonds	Percentage	California Local Agency Bonds	Percentage
AAA	\$ 4,017	17 %	\$ 12,475	24 %
AA	19,582	83	40,176	76
	<u>\$ 23,599</u>	<u>100 %</u>	<u>\$ 52,651</u>	<u>100 %</u>

The Power System's investment policy specifies that State of California obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. As of June 30, 2025 and 2024, the Power System's investments in State of California obligations were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

Categories	June 30, 2025		June 30, 2024	
	State of California Obligations	Percentage	State of California Obligations	Percentage
AAA	\$ 963	14 %	\$ 919	9 %
AA	6,148	86	8,936	91
	<u>\$ 7,111</u>	<u>100 %</u>	<u>\$ 9,855</u>	<u>100 %</u>

The Power System's investment policy specifies that obligations of other states in addition to California must be rated in a rating category of A or its equivalent or better by a NRSRO. The Power System's investments in other state obligations as of June 30, 2025 and 2024 were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

Categories	June 30, 2025		June 30, 2024	
	Other state obligations	Percentage	Other state obligations	Percentage
AAA	\$ 5,958	34 %	\$ 8,492	29 %
AA	11,788	66	21,204	71
	<u>\$ 17,746</u>	<u>100 %</u>	<u>\$ 29,696</u>	<u>100 %</u>

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The Power System's investment policy specifies that money market funds may be purchased as allowed under the California Government Code, which requires that the fund must have either (1) attained the highest ranking or highest letter and numerical rating provided by not less than two NRSROs or (2) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission (SEC) with not less than five years' experience in managing money market mutual funds with assets under management in excess of \$500 million. As of June 30, 2025 and 2024, each of the money market funds in the portfolio had the highest possible ratings by at least two NRSROs.

(ix) Concentration of Credit Risk

The Power System's investment policy specifies that there is no percentage limitation on the amount that can be invested in U.S. government agency securities, except that a maximum of 30% of the cost value of the portfolio may be invested in the securities of any single U.S. government agency issuer.

The Power System's total investments as of June 30, 2025 and 2024 in securities issued by U.S. government agencies are as follows (amounts in thousands):

	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	<u>Securities</u>	<u>Percentage</u>	<u>Securities</u>	<u>Percentage</u>
Federal Home Loan Bank	\$ 192,408	24 %	\$ 180,642	26 %
Federal Home Loan Mortgage Corp.	138,008	18	102,901	15
Federal Farm Credit Bank	116,438	15	24,854	3
Federal Agricultural Mortgage Corp.	65,667	8	62,088	9
Federal National Mortgage Assoc.	45,488	6	53,779	8
	<u>\$ 558,009</u>	<u>71 %</u>	<u>\$ 424,264</u>	<u>61 %</u>

(x) Custodial Risk

All investments are held in the Power System's name and therefore do not have custodial risk.

(xi) Fair Value Measurements

The Power System holds investments and derivative instruments that are measured at fair value on a recurring basis. Because investing is not a core part of the Power System's mission, the Power System determines that the disclosures related to these investments only need to be disaggregated by major type. The Power System chooses a tabular format for disclosing the levels within the fair value hierarchy. The Power System categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP.

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The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1 inputs are quoted prices for identical assets or liabilities in an active market.
- Level 2 inputs are quoted prices of similar assets or liabilities in active or not active markets.
- Level 3 inputs are unobservable inputs using the best information available to management.

	June 30, 2025	(In thousands) Fair value using			Not classified
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:					
Debt securities:					
U.S. government securities	\$ 9,360	9,360	—	—	—
U.S. government agencies securities	558,009	—	558,009	—	—
Supranationals	5,953	—	5,953	—	—
Medium-term corporate notes	128,261	—	128,261	—	—
California local agency bonds	23,599	—	23,599	—	—
California state bonds	7,111	—	7,111	—	—
Other state bonds	17,746	—	17,746	—	—
Total debt securities	<u>750,039</u>	<u>9,360</u>	<u>740,679</u>	<u>—</u>	<u>—</u>
Other:					
Commercial paper	4,944	—	4,944	—	—
Money market funds	32,341	—	—	—	32,341
Total other	<u>37,285</u>	<u>—</u>	<u>4,944</u>	<u>—</u>	<u>32,341</u>
Total investments by fair value level	<u>\$ 787,324</u>	<u>9,360</u>	<u>745,623</u>	<u>—</u>	<u>32,341</u>

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	June 30, 2024	(In thousands) Fair value using			Not classified
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:					
Debt securities:					
U.S. government securities	\$ 15,856	15,856	—	—	—
U.S. government agencies securities	424,264	—	424,264	—	—
Supranationals	11,372	—	11,372	—	—
Medium-term corporate notes	102,889	—	102,889	—	—
California local agency bonds	52,651	—	52,651	—	—
California state bonds	9,855	—	9,855	—	—
Other state bonds	29,696	—	29,696	—	—
Total debt securities	<u>646,583</u>	<u>15,856</u>	<u>630,727</u>	<u>—</u>	<u>—</u>
Other:					
Commercial paper	—	—	—	—	—
Certificates of deposit	27,827	—	27,827	—	—
Money market funds	23,311	—	—	—	23,311
Total other	<u>51,138</u>	<u>—</u>	<u>27,827</u>	<u>—</u>	<u>23,311</u>
Total investments by fair value level	<u>\$ 697,721</u>	<u>15,856</u>	<u>658,554</u>	<u>—</u>	<u>23,311</u>

Debt and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using a multidimensional relationship model or matrix pricing model utilizing market data, including, but not limited to, benchmark yields, reported trades, and broker-dealer quotes. Money market funds with maturity dates of one year or less from the statement of net position date are recorded at amortized cost and not required to be categorized.

(b) Pooled Cash

The Power System's cash and cash equivalents and its collateral value of the City's securities lending program are included within the City Treasury's general and special investment pools. As of June 30, 2025 and 2024, the Power System's total share of the City's general and special investment pools was \$2.7 billion and \$2.5 billion, respectively, which represents approximately 16.3% and 16.4% of the pool funds, respectively. Amounts pooled in the City Treasury's general and special investment pools are not required to be classified in the fair value hierarchy per GASB Statement No. 72 since they are part of an internal investment pool.

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Pooled cash is recorded as follows on the statements of net position as of June 30, 2025 and 2024 (in thousands):

	June 30	
	2025	2024
Cash and cash equivalents – unrestricted	\$ 1,085,572	1,090,739
Cash and cash equivalents – restricted noncurrent	592,482	570,941
Cash and cash equivalents – restricted current	997,295	824,509
Subtotal cash and cash equivalents	2,675,349	2,486,189
Cash – securities lending transactions	9,265	2,578
Total pooled cash	\$ 2,684,614	2,488,767

In accordance with GASB Statement No. 31, the Power System records its investment pool funds at fair market value. This fair market value adjustment is recognized as investment income (loss) on the statements of revenues, expenses, and changes in net position and is also recorded as an increase (decrease) to cash and cash equivalents – unrestricted on the statement of net position. The fair value gain (loss) recognized on the Power System’s financial statements was \$63.2 million and \$38.9 million at June 30, 2025 and 2024, respectively.

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities, but safety and liquidity still take precedence over return. Investments in special investment pools will be managed in accordance with the respective pool’s policy. If no policy exists, then investments must comply with the California State Government Code Sections 53600–53635 et seq. Special pool participants include the City, Airports, Power System and Water System, Harbor, Sewer, and Municipal Improvement Corporation of Los Angeles.

Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Council and permitted by the City Charter and the California Government Code, based on each fund’s average daily deposit balance. Unless allocation provisions are specifically stipulated in a City ordinance, Council action, or funding source, interest earned on certain funds is allocated to and recorded in the General Fund. The City measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607, the Council File No. 94-2160, the City Treasury shall render to the Council a statement of investment policy (Policy) annually. Council File No. 21-1494 was adopted on September 23, 2022, as the City’s investment policy. This policy shall remain in effect until the Council and the Mayor approve a subsequent revision. Council File No. 23-0357 (the subsequent revision of investment policy dated February 15, 2023) was adopted on March 21, 2025. The Policy governs the City’s pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and

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16429.1. The City Treasury further reports that the current policy allows for the purchase of bond issues by a local agency, U.S. Treasury obligations and Federal agency or United States government-sponsored enterprises with maturities up to 30 years.

The City issues a publicly available financial report that includes complete disclosures related to the City's pooled investments. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or the Los Angeles City Controller's website <http://www.lacontroller.org/reports>.

General Investment Pool Securities Lending Program

Securities lending is permitted and limited under provisions of California Government Code Section 53601. The Council approved the Securities Lending Program (SLP) on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines. The Power System invested \$9.3 million and \$2.6 million in the City's securities lending program as of June 30, 2025 and 2024, respectively.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions, which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction, and shall make a reasonable effort for two business days (the Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts, as necessary, to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (Pool) is available for lending. The City loans out U.S. Treasury Notes, U.S. Agencies Securities, and Medium-Term Notes. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 92 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

During fiscal year 2025, collateralizations on all loaned securities were compliant with the required 102% of the market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the

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amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

(8) Derivative Instruments

In accordance with GASB Statement No. 53, the Power System records the fair value of its financial natural gas hedges on the statement of net position. As of June 30, 2025 and 2024, the fair values of the financial natural gas hedges were \$(14.3) million and \$(1.4) million, respectively, and were recorded as noncurrent (liabilities) assets in 2025 and 2024 on the statements of net position. The Power System enters into natural gas hedging contracts to stabilize the cost of gas needed to produce electricity to serve its customers. It is designed to cap gas prices over a portion of the forecasted gas requirements. The Power System does not speculate when entering into financial transactions. Financial hedges are variable to fixed-price swaps, and hedge transactions are layered in to achieve dollar-cost averaging.

As of June 30, 2025, the Power System's financial natural gas hedges by fiscal year are as follows (fair value in thousands):

<u>Derivative description</u>	<u>Notional Amount (total contract quantities*)</u>	<u>Contract price range dollar per unit</u>	<u>First effective date</u>	<u>Last termination date</u>	<u>Fair value</u>
Financial natural gas:					
FY 2025-26	28,835,000	2.23-5.90	July 1, 2025	June 30, 2026	\$ (8,035)
FY 2026-27	21,010,000	3.49-5.04	July 1, 2026	June 30, 2027	(366)
FY 2027-28	12,825,000	3.19-4.66	July 1, 2027	June 30, 2028	(3,246)
FY 2028-29	7,300,000	3.05-4.31	July 1, 2028	June 30, 2029	(2,257)
FY 2029-30	<u>3,650,000</u>	3.87-3.91	July 1, 2029	June 30, 2030	<u>(430)</u>
Total	<u><u>73,620,000</u></u>				<u>\$ (14,334)</u>

* Contract quantities in MMBtu – Metric Million British Thermal Units

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As of June 30, 2024, the Power System's financial natural gas hedges by fiscal year are the following (fair value in thousands):

<u>Derivative description</u>	<u>Notional amount (total contract quantities*)</u>	<u>Contract price range dollar per unit</u>	<u>First effective date</u>	<u>Last termination date</u>	<u>Fair value</u>
Financial natural gas:					
FY 2024-25	26,030,000	\$ 2.20-6.69	July 1, 2024	June 30, 2025	\$ (2,898)
FY 2025-26	23,470,000	2.23-4.75	July 1, 2025	June 30, 2026	3,267
FY 2026-27	14,940,000	3.49-5.04	July 1, 2026	June 30, 2027	(825)
FY 2027-28	9,775,000	3.49-4.66	July 1, 2027	June 30, 2028	(806)
FY 2028-29	<u>4,110,000</u>	3.61-4.31	July 1, 2028	June 30, 2029	<u>(130)</u>
Total	<u>78,325,000</u>				<u>\$ (1,392)</u>

* Contract quantities in MMBtu – Metric Million British Thermal Units

The fair value of the natural gas hedges decreased by \$12.9 million during the year ended June 30, 2025 due to a decrease in natural gas prices during the year, and the balance of \$14.3 million at June 30, 2025 is reported as a noncurrent liability and is offset by a deferred outflow on the statement of net position. All fair values were estimated using Platt's forward curves, based on published settlement prices and supplemented by Platt's proprietary models wherever there is less liquid market activity.

(a) Credit Risk

The Power System is exposed to credit risk related to nonperformance by its counterparties under the terms of contractual agreements. To limit the risk of counterparty default, the Department has implemented a Counterparty Evaluation Credit Policy (Credit Policy). The Credit Policy has been amended from time to time, and the latest Board approval was on November 28, 2017. The Credit Policy's current scope includes physical power, transmission, physical natural gas, financial natural gas, and environmental products. Also, the credit limit structure is categorized into short-term and long-term structures where the short-term structure is applicable to transactions with terms of up to 18 months and the long-term structure covers transactions beyond 18 months.

The Policy includes provisions to limit risk, including the assignment of internal credit ratings to all of the Power System's counterparties based on counterparty and/or debt ratings; the use of expected default frequency equivalent credit rating for short-term transactions; the requirement for credit enhancements (including advance payments, irrevocable letters of credit, escrow trust accounts, and parent company guarantees) for counterparties that do not meet an acceptable level of risk; and the use of standardized agreements, which allow for the netting of positive and negative exposures associated with a single counterparty.

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As of June 30, 2025, the five financial natural gas hedge counterparties were rated by Moody's as follows: one at Aa1, one at Aa2, two at A1, and one at A2. The counterparties were rated by S&P as follows: one at AA-, one at A+, two at A-, and one at BBB+. As of June 30, 2024, the five financial natural gas hedge counterparties were rated by Moody's as follows: one at Aa1, one Aa2, two at A1, and one at A2. The counterparties were rated by S&P as follows: one at AA-, one at A+, two at A-, and one at BBB+.

Based on the International Swap Dealers Association agreements, the Power System or the counterparty may be required to post collateral to support the financial natural gas hedges subject to credit risk in the form of cash, negotiable debt instruments (other than interest-only and principal-only securities), or eligible letters of credit. As of June 30, 2025 and June 30, 2024, the fair values of the financial natural gas hedges were within the counterparties' credit limits and there were no cash and securities collateral posted.

(b) Basis Risk

The Power System is exposed to minimal to no basis risk between the financial natural gas hedges and the equivalent physical gas deliveries as both are settled using the first-of-the-month NW Rocky Mountains Index, while the physical gas deliveries are received at Kern River Opal, where the Power System negotiated firm transmission rights. Both locations are in the same region and are highly correlated.

(c) Termination Risk

The Power System or its counterparties may terminate the contractual agreements if the other party fails to perform under the terms of the contract. No termination events have occurred and there are no out of the ordinary termination events contained in contractual documents.

(9) Long-Term Debt

Long-term debt outstanding as of June 30, 2025 and 2024 consists of revenue bonds and refunding revenue bonds due serially in varying annual amounts as follows (amounts in thousands):

Bond issues	Date of issue	Effective interest rate %	Fiscal year of last scheduled maturity	Principal outstanding	
				2025	2024
Issue of 2001, Series B	June 5, 2001	Variable	2035 \$	—	322,800
Issue of 2002, Series A	August 22, 2002	Variable	2036	—	218,900
Issue of 2010, Series C	August 25, 2010	2.188	2028	139,775	139,775
Issue of 2010, Series D	December 2, 2010	4.342	2046	660,200	660,200
Issue of 2012, Series A	October 25, 2012	2.936	2036	4,195	4,195
Issue of 2013, Series A	April 2, 2013	2.504	2025	—	205
Issue of 2013, Series C	June 4, 2013	4.441	2038	27,855	27,855
Issue of 2014, Series B	June 10, 2014	4.008	2042	2,925	2,925
Issue of 2015, Series A	April 16, 2015	3.636	2037	—	415,935
Issue of 2016, Series A	May 19, 2016	3.265	2047	192,685	198,260
Issue of 2016, Series B	June 23, 2016	3.259	2047	213,405	216,075

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Bond issues	Date of issue	Effective interest rate %	Fiscal year of last scheduled maturity	Principal outstanding	
				2025	2024
Issue of 2017, Series A	February 9, 2017	3.782	2048	\$ 480,020	488,950
Issue of 2017, Series B	April 4, 2017	3.666	2040	326,840	338,255
Issue of 2017, Series C	July 13, 2017	3.710	2048	358,585	365,950
Issue of 2018, Series A	April 19, 2018	3.357	2039	330,960	334,140
Issue of 2018, Series B	November 1, 2018	2.244	2027	60,380	60,380
Issue of 2018, Series C	November 1, 2018	2.290	2027	31,095	45,485
Issue of 2018, Series D	December 20, 2018	3.587	2049	374,230	377,430
Issue of 2019, Series A	February 7, 2019	3.827	2050	345,845	345,845
Issue of 2019, Series B	May 9, 2019	2.305	2036	159,565	235,215
Issue of 2019, Series C	October 1, 2019	3.215	2050	325,000	325,000
Issue of 2019, Series D	December 23, 2019	3.196	2050	281,530	281,530
Issue of 2020, Series A	May 1, 2020	1.146	2030	338,480	338,480
Issue of 2020, Series B	July 1, 2020	3.060	2051	433,080	433,080
Issue of 2021, Series A	January 26, 2021	Variable	2052	250,000	250,000
Issue of 2021, Series B	June 29, 2021	2.962	2052	358,800	358,800
Issue of 2021, Series C	December 1, 2021	2.851	2052	401,705	401,705
Issue of 2022, Series A	February 3, 2022	3.058	2052	375,000	375,000
Issue of 2022, Series B	April 20, 2022	3.547	2053	360,000	360,000
Issue of 2022, Series C	June 30, 2022	4.123	2053	382,230	399,365
Issue of 2022, Series D	December 1, 2022	3.372	2027	28,455	28,455
Issue of 2022, Series E	December 1, 2022	3.016	2031	168,660	203,365
Issue of 2023, Series A	April 4, 2023	2.456	2033	279,905	294,475
Issue of 2023, Series B	June 28, 2023	3.869	2054	100,000	100,000
Issue of 2023, Series C	June 28, 2023	Variable	2058	—	350,000
Issue of 2023, Series D	November 1, 2023	4.215	2044	300,165	303,260
Issue of 2023, Series E	December 21, 2023	3.727	2054	428,120	428,120
Issue of 2023, Series F	December 28, 2023	Variable	2049	200,185	200,185
Issue of 2024, Series A	April 2, 2024	3.298	2045	350,955	372,480
Issue of 2024, Series B	April 18, 2024	3.279	2040	275,615	275,615
Issue of 2024, Series C	June 27, 2024	3.956	2055	507,305	507,305
Issue of 2024, Series D	August 29, 2024	4.183	2055	270,450	—
Issue of 2024, Series E	December 3, 2024	3.476	2055	507,905	—
Issue of 2025, Series A	May 22, 2025	4.675	2056	990,025	—
Issue of 2025, Series B	June 18, 2025	3.723	2036	501,030	—
Total principal amount				12,123,160	11,384,995
Unamortized premiums and discounts, net				1,389,342	1,349,410
Revenue bonds, net				13,512,502	12,734,405
Debt due within one year, long-term debt				(282,740)	(223,610)
Debt due within one year, variable rate demand bond liquidity advance not made				—	(134,189)
Revenue bonds, noncurrent, net				\$ 13,229,762	12,376,606

Revenue bonds generally are callable 10 years after issuance. The Power System has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Power System's net income, as defined, will be sufficient to pay certain amounts of future annual bond interest and of future annual aggregate bond interest and principal maturities. Revenue bonds and refunding bonds are collateralized by the future revenue of the Power System.

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(a) Long-Term Debt Activity

The Power System had the following activity in long-term debt for the fiscal years ended June 30, 2025 and 2024 (amounts in thousands):

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>
Revenue bonds:				
Principal:				
Beginning balance	\$ 11,384,995	—	—	11,384,995
Issuances	—	1,067,150	—	1,067,150
Refunding bonds	—	1,202,260	—	1,202,260
Scheduled maturities	—	—	(223,610)	(223,610)
Refunded/defeased bonds	—	—	(1,307,635)	(1,307,635)
	<u>11,384,995</u>	<u>2,269,410</u>	<u>(1,531,245)</u>	<u>12,123,160</u>
Premium (discount):				
Beginning balance	1,349,410	—	—	1,349,410
Issuances	—	74,623	—	74,623
Refunding bonds	—	107,182	—	107,182
Scheduled amortization	—	—	(117,178)	(117,178)
Written off due to refunding	—	—	(24,695)	(24,695)
	<u>1,349,410</u>	<u>181,805</u>	<u>(141,873)</u>	<u>1,389,342</u>
Revenue bonds, net	12,734,405	2,451,215	(1,673,118)	13,512,502
Direct placements	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 12,734,405</u>	<u>2,451,215</u>	<u>(1,673,118)</u>	<u>13,512,502</u>

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	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>
Revenue bonds:				
Principal:				
Beginning balance	\$ 10,937,870	—	—	10,937,870
Issuances	—	613,125	—	613,125
Refunding bonds	—	1,473,840	—	1,473,840
Scheduled maturities	—	—	(214,040)	(214,040)
Refunded/defeased bonds	—	—	(1,425,800)	(1,425,800)
	<u>10,937,870</u>	<u>2,086,965</u>	<u>(1,639,840)</u>	<u>11,384,995</u>
Premium (discount):				
Beginning balance	1,308,208	—	—	1,308,208
Issuances	—	88,249	—	88,249
Refunding bonds	—	164,781	—	164,781
Scheduled amortization	—	—	(113,306)	(113,306)
Written off due to refunding	—	—	(98,522)	(98,522)
	<u>1,308,208</u>	<u>253,030</u>	<u>(211,828)</u>	<u>1,349,410</u>
Revenue bonds, net	12,246,078	2,339,995	(1,851,668)	12,734,405
Direct placements	<u>200,000</u>	<u>—</u>	<u>(200,000)</u>	<u>—</u>
Total	<u>\$ 12,446,078</u>	<u>2,339,995</u>	<u>(2,051,668)</u>	<u>12,734,405</u>

(b) New Issuances

(i) Fiscal Year 2025

In August 2024, the Power System issued \$270.5 million of Power System Revenue Bonds, 2024 Series D. The net proceeds of \$302.9 million, including a \$32.4 million issue premium net of underwriter's discount, were used to pay for capital improvements.

In December 2024, the Power System issued \$507.9 million of Power System Revenue Bonds, 2024 Series E. The net proceeds of \$579.4 million, including a \$71.5 million issue premium net of underwriter's discount, were used to pay for capital improvements and refund all the outstanding Power System Revenue Bonds, 2015 Series A, amounting to \$415.9 million. The transaction resulted in a net present value savings of \$57.8 million and a net gain for accounting purposes of \$27.7 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

In May 2025, the Power System issued \$990.0 million of Power System Revenue Bonds, 2025 Series A. The net proceeds of \$1,020.5 million, including a \$30.5 million issue premium net of underwriter's discount and bond insurance, were used to pay for capital improvements and refund

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all the outstanding Power System Variable Rate Demand Revenue Bonds, 2023 Series C, amounting to \$350.0 million.

In June 2025, the Power System issued \$501.0 million of Power System Revenue Bonds, 2025 Series B. The net proceeds of \$541.7 million, including a \$40.7 million issue premium net of underwriter's discount, were used to refund all the outstanding Power System Variable Rate Demand Revenue Bonds, 2001 Series B, amounting to \$322.8 million and all the outstanding Power System Variable Rate Demand Revenue Bonds, 2002 Series A, amounting to \$218.9 million. The transaction resulted in a net loss for accounting purposes of \$67.5 thousand, which was capitalized as deferred outflows on debt refunding and is being amortized over the life of the refunding bonds.

(ii) Fiscal Year 2024

In November 2023, the Power System issued \$303.3 million of Power System Revenue Bonds, 2023 Series D. The net proceeds of \$325.5 million, including a \$22.2 million issue premium net of underwriter's discount, were used to refund a portion of the outstanding Power System Revenue Bonds, 2014 Series B, amounting to \$293.9 million, and a portion of the outstanding Power System Revenue Bonds, 2018 Series B, amounting to \$32.0 million. The transaction resulted in a net present value savings of \$23.1 million and a net gain for accounting purposes of \$26.0 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

In December 2023, the Power System issued \$428.1 million of Power System Revenue Bonds, 2023 Series E. The net proceeds of \$493.4 million, including a \$65.3 million issue premium net of underwriter's discount, were used to pay for capital improvements and refund a portion of the outstanding Power System Revenue Bonds, 2014 Series B, amounting to \$6.4 million. The transaction resulted in a net present value savings of \$223.0 thousand and a net gain for accounting purposes of \$188.7 thousand, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

In December 2023, the Power System issued \$200.2 million of Power System Variable Rate Demand Revenue Bonds, 2023 Series F. The net proceeds of \$200.0 million, net of underwriter's discount, were used to refund all the outstanding Power System Revenue Bonds, 2014 Series A, amounting to \$200.0 million.

In April 2024, the Power System issued \$372.5 million of Power System Revenue Bonds, 2024 Series A. The net proceeds of \$427.3 million, including a \$54.8 million issue premium net of underwriter's discount, were used to refund a portion of the outstanding Power System Revenue Bonds, 2014 Series C, amounting to \$54.5 million, a portion of the outstanding Power System Revenue Bonds, 2014 Series D, amounting to \$162.3 million, and all of the outstanding Power System Revenue Bonds, 2014 Series E, amounting to \$211.1 million. The transaction resulted in a net present value savings of \$67.9 million and a net gain for accounting purposes of \$42.8 million, which was capitalized as deferred inflows on debt refunding and a portion is being amortized over

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the life of the refunded bonds while the remaining portion is amortized over the life of the refunding bonds.

In April 2024, the Power System issued \$275.6 million of Power System Revenue Bonds, 2024 Series B. The net proceeds of \$327.4 million, including a \$51.8 million issue premium net of underwriter's discount, were used to refund all the outstanding Power System Revenue Bonds, 2010 Series A, amounting to \$316.0 million. The transaction resulted in a net present value savings of \$7.1 million and a net loss for accounting purposes of \$11.4 million, which was capitalized as deferred outflows on debt refunding and is being amortized over the life of the refunding bonds.

In June 2024, the Power System issued \$507.3 million of Power System Revenue Bonds, 2024 Series C. The net proceeds of \$562.3 million, including a \$55.0 million issue premium net of underwriter's discount, were used to pay for capital improvements, refund all the outstanding Power System Revenue Bonds, 2014 Series C, amounting to \$96.3 million, and refund all of the outstanding Power System Revenue Bonds, 2014 Series D, amounting to \$253.4 million. The transaction resulted in a net present value savings of \$38.8 million and a net gain for accounting purposes of \$29.6 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

(c) Outstanding Debt Defeased

The Power System defeased certain revenue bonds in the current and prior years by placing cash and the proceeds of new revenue bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Power System's financial statements. At June 30, 2025, the following revenue bonds outstanding are considered defeased (amounts in thousands):

Bond issues	Principal outstanding
Second issue of 1993	\$ 3,105
Issue of 1994	2,070
Issue of 2001 Series B	322,800
Issue of 2002 Series A	218,900
	\$ 546,875

(d) Variable Rate Bonds

As of June 30, 2025 and 2024, the Power System had variable rate bonds outstanding in the amounts of \$450.2 million and \$1,341.9 million, respectively. In May 2025, the Power System issued the Power System Revenue Bonds, 2025 Series A, to refinance all the Power System Variable Rate Demand Revenue Bonds, 2023 Series C, amounting to \$350.0 million. In June 2025, the Power System issued the Power System Revenue Bonds, 2025 Series B, to refinance all the Power System Variable Rate Demand Revenue Bonds, 2001 Series B, amounting to \$322.8 million, and all the Power System

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Variable Rate Demand Revenue Bonds, 2002 Series A, amounting to \$218.9 million. In December 2023, the Power System issued \$200.2 million of Power System Variable Rate Demand Revenue Bonds, 2023 Series F, to refund all the outstanding direct placement Power System Revenue Bonds, 2014 Series A, amounting to \$200.0 million. The variable rate bonds currently bear interest at weekly and daily rates ranging from 0.90% to 3.88% as of June 30, 2025 and 1.90% to 4.70% as of June 30, 2024. The Power System can elect to change the interest rate period of the bonds with certain limitations. The bondholders have the right to tender the bonds to the tender agent on any business day with seven days' prior notice. The Power System has entered into standby and line of credit agreements with a syndicate of commercial banks to provide liquidity for the variable rate bonds in the amount \$250 million and \$200 million as of June 30, 2025. The extended standby agreements expire in July 2026 for the \$250 million and June 2027 for the \$200 million.

Under the agreements, as of June 30, 2025, \$250 million variable rate bonds will bear interest that is payable monthly at the greatest of (a) the prime rate plus 1.00%, (b) the federal funds rate plus 2.00%, and (c) 7.50%; and \$200 million variable rate bonds will bear interest that is payable monthly at the greatest of (a) the prime rate and (b) 7.50%. The unpaid principal of each liquidity advance made by the liquidity provider is payable in 10 equal semiannual installments 90 days immediately following the related liquidity advance. At its discretion, the Power System can convert the outstanding bonds to fixed-rate obligations, which cannot be tendered by the bondholders. The agreements were ended in October 2025 when the Power System refinanced all outstanding variable rate bonds on a fixed-rate basis, as discussed in note 15.

The variable rate bonds have been classified as long-term in the statements of net position as the liquidity facilities give the Power System the ability to refinance on a long-term basis and the Power System intends to either renew the facility or exercise its right to tender the debt as long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements has been included in the current portion of long-term debt and was \$0 million and \$134 million at June 30, 2025 and 2024, respectively. The agreements ended in October 2025 when the Power System refinanced all outstanding variable rate bonds on a fixed-rate basis and the current portion of long-term debt due reflects the ending of such agreements and refinancing of related indebtedness, as discussed in note 15.

(e) Direct Placements and Line of Credit

Under GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the Power System has the following direct placement debt and unused line of credit:

In May 2020, the Power System entered into a Continuing Covenant Agreement (CCA) with Bank of America, N.A. (Bank of America) for the placement of the \$200 million Power System Revenue Bonds, 2014 Series A (Power 2014A Bonds) under a direct purchase structure. In May 2014, the Power System initially sold \$200 million of Power 2014A Bonds in an index floating rate mode under a direct purchase structure with Wells Fargo Municipal Capital Strategies, LLC (Wells Fargo) through a continuing covenant agreement that expired on May 5, 2017. The continuing covenant agreement with

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Wells Fargo was amended in May 2017 to extend for another three years and expired on May 4, 2020. The CCA with Bank of America was expected to expire on May 2, 2025. Under the CCA with Bank of America, the Power 2014A Bonds will pay interest at a fixed spread of 27 basis points (0.27%) above the Securities Industry and Financial Markets Association Index for the five-year term. At the end of the five-year term, the Power System would have the option to either renegotiate and renew a new index floating rate term with Bank of America or another bank or convert the bonds to another mode, such as a fixed rate mode or a traditional variable rate mode, which utilizes a standby agreement. Certain default provisions under the CCA include, but are not limited to, failure to pay amounts due under the CCA and certain other obligations of the Power System, failure to perform certain covenants under the CCA, actions taken in connection with a debt restructuring or similar of the Department, significant rating downgrades of obligations payable from the Power Revenue Fund, and significant nonappealable judgments against the Department. Such defaults may result in a mandatory redemption of the Power 2014A Bonds or other remedial actions taken by Bank of America. As of June 30, 2025, these terms are no longer applicable to the Power System, but they were applicable during the period that the direct purchase was outstanding. As discussed in notes 9(b) and 9(d), in December 2023, the Power System issued \$200.2 million of Power System Variable Rate Demand Revenue Bonds, 2023 Series F, to refund all of the outstanding Power System Revenue Bonds, 2014 Series A. The Power System does not have any assets pledged as collateral for direct placement debt, termination events with finance related consequences, or subjective acceleration clauses as of June 30, 2025 and 2024.

On May 25, 2023, the Power System entered into a Second Amended and Restated Revolving Credit Agreement (Second Amended RCA) and the related Second Amended and Restated Fee and Interest Rate Agreement with Wells Fargo Bank, National Association with a \$300 million commitment and the option to request additional commitment, as needed up to a total commitment of \$500 million. In March 2025, the Power System successfully executed the First Amendment to Second Amended RCA with Wells Fargo Bank, National Association to temporarily amend the Event of Default credit rating thresholds through October 31, 2025. In June 2025, the Board approved the authorization to execute a Third Amended and Restated Revolving Credit Agreement (Third Amended RCA), which was successfully executed on July 3, 2025, as discussed in note 15. The Department can request loans for Water System improvements, Power System improvements and/or such other lawful purposes of the Department. Under the Second Amended RCA, the interest charged for tax-exempt and taxable loans is based on daily Secured Overnight Financing Rate (SOFR) plus a spread of 0.39% and 0.47%, respectively. The Second Amended RCA is effective through July 2, 2025. As of June 30, 2025 and 2024, the Power System has \$150 million and \$0 million, respectively, outstanding under the Second Amended RCA.

In June 2025, the Power System borrowed \$150 million from the Wells Fargo Second Amended RCA, which was deposited into the Power Revenue Fund to offset a liquidity shortfall. The liquidity shortfall was primarily due to an increase in accounts receivable, largely driven by extended payment timelines and slower than anticipated collections. Under the Second Amended RCA, the \$150 million draw is a taxable loan bearing interest based on a daily SOFR Index Rate plus a 0.47% spread, which will be paid from the Power Revenue Fund. The Power System expects to repay the loan on or before June 2026 as under-collections are recovered. As of June 30, 2025, in addition to the \$150 million borrowed

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by the Power System, the Water System had also borrowed \$300 million under the Wells Fargo Second Amended RCA. As a result, of the \$500 million dollar borrowing capacity available under the Wells Fargo Second Amended RCA, the Department had borrowed a total of \$450 million.

(f) Principal Maturities and Interest

As of June 30, 2025, annual principal maturities and interest on an accrual basis are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest and amortization</u>
Fiscal year(s) ending June 30:		
2026	\$ 282,740	453,167
2027	475,407	440,919
2028	327,388	424,995
2029	680,270	400,145
2030	369,020	390,847
2031–2035	2,206,275	1,732,642
2036–2040	2,210,300	1,324,454
2041–2045	2,522,875	839,150
2046–2050	1,877,460	342,571
2051–2055	959,605	75,052
2056–2060	100,155	—
	<u>12,011,495</u>	<u>6,423,942</u>
Total requirements	12,011,495	6,423,942
Debt service payments already paid to sinking fund – 2010C bonds	<u>111,665</u>	<u>—</u>
	<u>\$ 12,123,160</u>	<u>6,423,942</u>

Interest and amortization are net of \$1,552 million of unamortized discount/premium and gain/loss due to issuances of new and refunding bonds.

The schedule above is presented assuming that the tender options on the variable rate bonds, as discussed in notes 9(d) and 9(e) will not be exercised and should the bondholders exercise the tender options, the Power System would be required to redeem the \$0 million in variable rate bonds over the next six years. Variable debt interest rate in effect at June 30, 2025 averages 3.30%. Should the tender options be exercised, interest would be payable at the rate in effect at the time the standby agreements are activated. As discussed in note 15, the Power System refinanced all outstanding variable rate bonds on a fixed-rate basis in October 2025 and the standby agreements ended. Accordingly, the statements of net position do not recognize the possibility of the exercise of the tender options that could be due in fiscal year 2026 as a current portion of long-term debt payable. Interest and amortization include interest requirements for variable rate bonds over the regularly scheduled maturity period. The schedule above is presented with intermediate-term maturities related to previous refinancings of debt from past intermediate-term and variable-rate debt.

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(10) Retirement Plan

(a) Plan Description

The Power System has a funded contributory retirement plan covering substantially all of its employees. The Water and Power Employees' Retirement Fund (Fund Plan or Plan) operates as a single-employer defined-benefit plan to provide pension benefits to eligible department employees. The Fund Plan's assets are held in a special trust fund of the City. Plan benefits are generally based on years of service, age at retirement, and the employee's highest 12 consecutive months of salary before retirement. Active participants who joined the Plan on or after June 1, 1984 are required to contribute 6% of their annual covered payroll. Participants who joined the Plan prior to June 1, 1984 contribute an amount based upon an entry-age percentage rate. A new Tier 2 was added to the Plan and applies to members hired on or after January 1, 2014. Tier 2 plan participants are required to contribute 10% of their salary, and plan benefits are based on a three-year final average salary period.

Under the provisions of the City Charter, the Retirement Board of Administration (Retirement Board) has the responsibility and authority to administer the Plan and to invest its assets. The Retirement Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. The Retirement Board has seven members: one member of the Board of Water and Power Commissioners, the General Manager, the Chief Accounting Employee, three employee members who are elected for three-year terms by active members of the Plan, and one retiree who is appointed by the Board of Water and Power Commissioners for a three-year term.

Plan amendments must be approved by both the Retirement Board and the Board of Commissioners of the Department. The Plan issues separately available financial statements on an annual basis. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 N. Hope, Room 357, Los Angeles, CA 90012.

(b) Benefits Provided

The Plan provides retirement benefits to eligible employees. Most employees of the Power System become members of the Plan effective on the first day of bi-weekly payroll following employment or immediately following transfer from another City department. Members employed prior to January 1, 2014 are designated as Tier 1, and those hired on or after January 1, 2014 are designated as Tier 2 (unless a specific exemption applies to employee providing a right to Tier 1 status).

Tier 1 members are eligible to retire once they attain the age of 60 with 5 or more years of service or at age 55 with 10 or more years of service acquired in the last 12 years prior to retirement. A Tier 1 member with 30 years of service is eligible to retire regardless of age. Tier 2 members are eligible to retire once they attain the age of 60 with at least 5 years of continuous Department service or at any age with 30 years of service. For both tiers, combined years of service between the Plan and the Los Angeles City Employees' Retirement System is used to determine retirement eligibility and at least 5 years must be actual employment at the Department or the City (not purchased). For both tiers, members receiving Permanent Total Disability benefits may retire regardless of age. For Tier 1, to be eligible for a Formula Pension, the employee must have worked or been paid disability 4 of the last 5 years immediately preceding eligibility to retire, or while eligible to retire.

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The Formula Pension benefit the member will receive is based upon age at retirement, monthly average salary base, and years of retirement service credit. The Tier 1 Formula Pension is equal to 2.1% times years of service credit times monthly average salary base. In addition, members retiring after attaining age 55 with 30 years of service credit receive an increase in the benefit factor from 2.1% to 2.3%. A reduced early retirement benefit is paid for those members attaining age 55 with 10 years of service or any age (under 55) with 30 years of service. The reduction is 1.5% for each year of retirement age between 60 and 55 and 3.0% for each year of retirement before age 55.

Under Tier 2, there are various benefit factors that apply, as shown below:

- 1.5% at age 60 with 5 years of continuous Department service (or 10 years of qualifying service)
- 2.0% at age 55 with 30 years of service credit
- 2.0% at age 60 with 30 years of qualifying service
- 2.0% at age 63 with 5 years of continuous Department service (or 10 years of qualifying service)
- 2.1% at age 63 with 30 years of qualifying service

Reduced early retirement benefits are still available at any age (under 55) with 30 years of service and the reduction factors are the same as Tier 1. Note that these reduction factors continue to include the reduction from age 60 to 55 and from 55 to age at retirement.

For Tier 1 members, the maximum monthly retirement allowance is 100% of monthly average salary base. For Tier 2 members, the maximum monthly retirement allowance is 80% of monthly average salary base. Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period. Under Tier 2, pension benefits are calculated based on the average salary earned during a 36-month period.

The member may elect the full allowance or choose an optional retirement allowance. The full allowance provides the highest monthly benefit and up to a 50% continuance to an eligible surviving spouse or domestic partner. There are five optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the full allowance in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

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(c) Plan Membership

As of June 30, 2024 and 2023, measurement dates for the June 30, 2025 and 2024 net pension liability, pension plan membership, which consisted of Water and Power System members, consisted of the following:

	2025	2024
Retired members or beneficiaries currently receiving benefits	9,877	9,756
Vested terminated members entitled to, but not yet receiving, benefits	1,786	1,765
Active members	11,485	11,039
Total	23,148	22,560

(d) Contributions

The Department contributes \$1.10 for each \$1 contributed by participants plus an actuarially determined annual required contribution (ARC) as determined by the Plan's independent actuary. The required contributions are allocated between the Power System and the Water System based on the current-year labor costs.

Employer contribution rates are adopted annually based upon recommendations received from the Plan's actuary after the completion of the annual actuarial valuation. The average employer contribution rates for fiscal years 2025, 2024, and 2023 (based on the July 1, 2024, 2023, and 2022 valuations) were 27.97%, 31.40%, and 29.84% of compensation, respectively. The average member contribution rates for fiscal years 2025, 2024, and 2023 (based on the July 1, 2024, 2023, and 2022 valuations) were 8.30%, 8.11% and 7.95% of compensation, respectively. Most Tier 1 members contribute at 6% of compensation and all Tier 2 members contribute at 10% of compensation. Employer contributions in fiscal years 2025, 2024, and 2023 amounted to \$296 million, \$295 million, and \$249 million, respectively.

(e) Net Pension Liability

At June 30, 2025 and 2024, the Power System reported a liability of \$147 million and \$393 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024 and 2023, respectively. The Power System's proportion of the net pension liability was based on the Power System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2025, the Power System's proportion was 68.8% compared to 67.6% and 67.1% as of June 30, 2024 and 2023, respectively.

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(f) Actuarial Assumptions

The Department's net pension liability as of June 30, 2025 and 2024 was measured as of June 30, 2024 and 2023 using actuarial valuations as of July 1, 2024 and 2023, respectively. The actuarial assumptions used in the July 1, 2024 and 2023 valuations were based on the results of experience studies for the period from July 1, 2018 through June 30, 2021. The following assumptions were applied to all periods included in the measurement for the July 1, 2024 and 2023 actuarial valuations:

<u>Actuarial assumptions</u>	<u>2024</u>	<u>2023</u>
Inflation	2.50 %	2.50 %
Salary increases	4.25 %–10.00 %	4.25 %–10.00 %
Investment rate of return	6.50 %	6.50 %
Cost-of-living adjustments	Tier 1 is 2.75% and Tier 2 is 2.00% (Actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)	2.75 % (Actual increases are contingent upon CPI increases, with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)
Mortality	Postretirement: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021	Postretirement: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021

(g) Discount Rate

The discount rate used to measure the total pension liability was 6.50% as of June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability at June 30, 2025 and 2024.

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(h) Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset proportionate share, adding expected inflation and subtracting expected investment expenses. The target allocation and projected best estimates of arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset class	June 2025		June 2024	
	Targeted allocation	Long-term expected arithmetic real rate of return	Targeted allocation	Long-term expected arithmetic real rate of return
Large Cap U.S. equity	21.10%	5.13%	21.10%	5.13 %
Small Cap U.S. equity	2.10%	5.86%	2.10%	5.86 %
Developed international large cap equity	12.20%	6.01%	12.20%	6.01 %
Developed international small cap equity	1.80%	5.72%	1.80%	5.72 %
Global equity	2.70%	5.94%	2.70%	5.94 %
Emerging market equity	5.10%	8.16%	5.10%	8.16 %
TIPS	3.50%	(0.23) %	3.50%	(0.23) %
Real estate	7.00%	4.60%	7.00%	4.60 %
Cash and equivalents	1.00%	(0.77) %	1.00%	(0.77) %
Commodities	1.50%	2.77%	1.50%	2.77 %
Private equity	10.00%	10.46%	10.00%	10.46 %
Private credit	2.40%	5.94%	2.40%	5.94 %
Hedge funds	5.00%	1.85%	5.00%	1.85 %
Non-Core real estate	3.00%	7.14%	3.00%	7.14 %
Custom fixed income	21.60%	0.68%	21.60%	0.68 %
Total	100.00%		1.00 %	

(i) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Power System as of June 30, 2025 and 2024, calculated using the discount rate of 6.5%, as well as what the Department's pension liability (asset) would be as of June 30, 2025 if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (amounts in thousands):

Net pension liability (asset)	1% Decrease (5.5%)	Current discount rate (6.5%)	1% Increase (7.5%)
June 30, 2025	\$ 1,849,917	147,444	(1,251,395)

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Net pension liability (asset)	1% Decrease (5.50 %)	Current discount rate (6.50 %)	1% Increase (7.50 %)
June 30, 2024	\$ 1,961,082	393,338	(896,454)

(j) Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. Pension plan investments are recorded at fair value except for short-term investments, which are recorded at amortized cost. Benefit payments include costs as designated by the plan document, refunds of employee contributions due to terminations and member deaths, and administrative expenses.

(k) Pension Expense, Deferred Outflow of Resources, and Deferred Inflow of Resources

The Power System recognized pension expense of \$179.5 million and \$165.7 million for the years ended June 30, 2025 and 2024, respectively. Pension expense is recorded as operation and maintenance expense or construction work in progress, depending on where the related payroll is charged. At June 30, 2025 and 2024, the Power System reported \$610.9 million and \$601.3 million, respectively, for deferred outflows of resources and deferred inflows of resources of \$185.8 million and \$46.5 million, respectively.

The tables below summarize the deferred inflows of resources and deferred outflows of resources related to pensions at June 30, 2025 and 2024 (amounts in thousands):

Deferred outflows of resources	June 30	
	2025	2024
Changes in proportion and differences between entity contributions and proportionate share of contributions	\$ 156	510
Net difference between projected and actual earnings on pension plan investments	—	115,230
Difference between actual and expected experience in the total pension liability	393,433	218,156
Changes of assumptions and other inputs	217,270	267,363
Total deferred outflows of resources	\$ 610,859	601,259

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<u>Deferred inflows of resources</u>	<u>June 30</u>	
	<u>2025</u>	<u>2024</u>
Changes in proportion and differences between entity contributions and proportionate share of contributions	\$ 7,573	5,187
Difference between projected and actual earnings on pension plan investments	145,864	—
Difference between expected and actual experience in the total pension liability	32,412	41,293
Total deferred inflows of resources	<u>\$ 185,849</u>	<u>46,480</u>

In addition to the deferred outflows of resources noted above, there are also \$295.7 million and \$295.5 million of deferred outflows related to pension contributions made after the measurement date as of June 30, 2025 and 2024, respectively. These deferred outflows of resources are recognized as a reduction of the net pension liability in the subsequent fiscal year.

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter by the Power System is as follows (in thousands):

<u>Year</u>	<u>2025</u>	<u>2024</u>
2025	\$ —	54,056
2026	(48,516)	(8,156)
2027	300,780	334,819
2028	15,709	54,924
2029	42,970	81,696
2030	66,384	32,621
2031	38,067	4,819
2032	9,616	—
Total	<u>\$ 425,010</u>	<u>554,779</u>

(I) Overrecovered Costs – Pension

During fiscal year 2025, the amounts paid toward actuarially determined contributions exceeded actual pension expense by \$116.3 million, resulting in an overrecovered costs—pension balance of \$632.6 million.

During fiscal year 2024, the difference between amounts paid toward actuarially determined contributions and actual pension expense exceeded the remaining balance in the pension regulatory asset and resulted in the recognition of overrecovered costs—pension in the amount of \$516.2 million.

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(11) Other Postemployment Benefit Plans

(a) General Information About the Plan

The Department provides retirees medical and dental benefits and death benefits to active and retired employees and their dependents. The retiree healthcare plan and death benefit plan are administered by the Department and the Retirement Board, respectively. The Retirement Board and the Board of Commissioners have the authority to approve provisions and obligations. Eligibility for benefits for retired employees is dependent on a combination of age and service of the participants pursuant to a predetermined formula. Any changes to these provisions must be approved by the Retirement Board and the Board.

The retiree healthcare and death benefit plans are single-employer, defined-benefit plans. Plan assets are administered through irrevocable trusts for each fund used solely for the benefit of providing benefits to eligible participants in the Plan. Assets of the trust are legally protected from creditors and dedicated to providing postemployment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan. Death benefits are provided to active and inactive employees in accordance with terms of the Plan.

The funds are administered in separate trust funds and presented as part of the retirement system financial statements. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 North Hope, Room 357, Los Angeles, CA 90012.

(b) Benefits Provided

For retiree healthcare, a medical subsidy is computed by a formula related to years of service and attained age of retirement. The subsidy limit is applied to the combined medical carrier and Medicare Part B premium but not the dental premium. For Tier 1, the monthly medical subsidy ranges from \$30.32 to \$2,364.88 depending on age and service at retirement. For Tier 2, the monthly medical subsidy ranges from \$30.32 to \$1,182.44, depending on age and service at retirement. The monthly dental subsidy for most retirees is \$37.71. The dental subsidy is not available to pay premiums for married and surviving spouses or domestic partners. All members hired before January 1, 2014 are Tier 1. All members hired on or after January 1, 2014 are Tier 2.

The death benefit fund pays death benefits to the beneficiaries of eligible employees. Generally, to be eligible for the family death benefit allowance, an employee must be a full member of the Plan and contributing to the Plan at the time of death. If death occurs after retirement, then, the retired member must be receiving a monthly retirement allowance from the Plan and had a least five years of department service at retirement. The Family Death Benefit Plan pays a monthly allowance of \$937 to the surviving spouse of a member with minor (or disabled) children plus \$937 for each minor (or disabled) child up to a maximum monthly allowance of \$2,187. In addition, the spouse's portion will not be paid if the spouse is receiving a survivor's optional death benefit allowance or an eligible spouse allowance from the retirement plan.

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The Supplemental Family Death Plan, which is part of the Death Benefit Fund, is optional and subject to making additional member contributions. The Supplemental Family Death Benefit Plan pays a monthly allowance of \$520 for each surviving spouse or child, in addition to the amounts payable from the Family Death Benefit Plan, subject to a maximum of \$1,066 for the additional benefits. The insured lives death benefit plan for contributing members provides death benefits to the beneficiaries of the active employees after they die. Generally, to be eligible, an employee must be a full member of the Plan and contributing to the Plan at the time of death. The benefit paid from the death benefit fund is a single sum that is equal to 14 times the member's monthly compensation with no maximum.

The insured lives death benefit plan for noncontributing members provides death benefits to employees who were employed by the Department for at least five years and death occurred after retirement. The death benefit is paid in a single sum that is equal to the lesser of 14 times the member's monthly full retirement allowance or \$20,000.

(c) Employees Covered by Benefit Terms

At the Department's measurement date of June 30, 2024 for the June 30, 2025 reporting period, the following employees were covered by the benefit terms:

<u>Plan membership</u>	<u>Retiree healthcare</u>	<u>Death benefit</u>
Beneficiaries currently receiving benefits	—	76
Retired members currently receiving benefits	8,638	7,958
Inactive members	—	559
Active members	11,485	11,485
Total	<u>20,123</u>	<u>20,078</u>

At the Department's measurement date of June 30, 2023 for the June 30, 2024 reporting period, the following employees were covered by the benefit terms:

<u>Plan membership</u>	<u>Retiree healthcare</u>	<u>Death benefit</u>
Beneficiaries currently receiving benefits	—	85
Retired members currently receiving benefits	8,552	7,819
Vested terminated members not receiving benefits	—	575
Active members	11,039	11,039
Total	<u>19,591</u>	<u>19,518</u>

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(d) Contributions

The Board establishes rates for retiree healthcare plan based on an actuarially determined rate. For the years ended June 30, 2025 and 2024, the Department's average contribution rate was 8.2% and 9.0% of covered employee payroll, respectively. Employees are not required to contribute to the retiree healthcare plan. Power System contributions to the retiree healthcare plan were \$87.2 million and \$72.2 million including administrative expenses of \$0.9 million and \$0.7 million for the fiscal years ended June 30, 2025 and 2024, respectively.

The Department contributes to the death benefit plan based on actuarially determined contribution rates adopted by the board of administration. Employer contribution rates are adopted annually based on recommendations received from the Plan's actuary after the completion of the review of the death benefit fund. The employer and member contribution rates as of June 30, 2025 are as follows:

	<u>Department</u>	<u>Members</u>	
		<u>Active</u>	<u>Retired</u>
Total death benefit fund	1.14% of payroll	N/A	N/A
Supplemental family death benefit insured lives		\$2.25 biweekly	\$4.90 monthly
Contributing		\$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Power System contributions to the death benefits plan were \$13.6 million including administrative expenses of \$1.8 million for the fiscal year ended June 30, 2025.

The employer and member contribution rates as of June 30, 2024 are as follows:

	<u>Department</u>	<u>Members</u>	
		<u>Active</u>	<u>Retired</u>
Total death benefit fund	1.21 % of payroll	N/A	N/A
Supplemental family death benefit insured lives		\$2.25 biweekly	\$4.90 monthly
Contributing		\$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Power System contributions to the death benefits plan were \$12.5 million including administrative expenses of \$1.3 million for the fiscal year ended June 30, 2024.

(e) Net OPEB Liability (Asset)

The Power System reported a liability of \$19 million and an asset of \$(160) million for its proportionate share of the net OPEB liability (asset) for retiree healthcare plan and the death benefit plan as of June 30, 2025 and 2024 reporting dates, respectively. The net OPEB liabilities (assets) for each of the

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plans was measured as of June 30, 2024 and 2023 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by actuarial valuations for health benefit as of June 30, 2024 and 2023 and death benefit as of July 1, 2024 and 2023. The Power System's proportion of the net OPEB liability (asset) was based on the Power System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2025 and 2024, the Power System's proportion of the retiree healthcare plan and the death benefit plan net OPEB liabilities was 68.8% and 67.6%, respectively.

The following table shows the Power System's proportionate share of the net OPEB liability (asset) for each of the plans as of June 30, 2025 and 2024 (amounts in thousands):

	2025	2024
OPEB liability (asset) for retiree healthcare plan	\$ (52,376)	(233,654)
OPEB liability for death benefit plans	71,488	73,455
Net OPEB liability (asset)	\$ 19,112	(160,199)

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The total OPEB liability in the June 30, 2024 actuarial valuations used for the Power System's June 30, 2025 financial statements was determined using the following actuarial assumptions:

	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	6.50 %	2.75 %	2.75 %	2.75 %	2.75 %
Inflation rate	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Real across the board salary increases	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %
Projected salary increase	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date				
		—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.50 %, graded down to 4.50 % over 12 years	—	—	—	—
Medicare medical plans	10.00 %, then 6.50%, graded down to 4.50 % over 8 years	—	—	—	—
Dental and Medicare Part B	3.00% and 6.20% for 9 years then 5.75%, graded down to an ultimate of 4.5% over 5 years	—	—	—	—
Member contribution rate	None	None	\$2.25 per biweekly period or \$4.90 per month if retired	\$1.00 per biweekly payroll period	None

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	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Department contribution rate	8.17%	1.14% of Payroll	—	—	—
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Monthly benefit	Tier 1 – \$30.32 to \$2,364.88. Tier 2 – \$30.32 to \$1,182.44	\$937 per month to each surviving child plus \$937 per month to eligible spouse	\$520 per month to each surviving child plus \$520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to \$20,000

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	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Participation rate	100 % for medical and 100 % for dental	—	—	—	—
Retirement rates	Based on 2022 experience study covering the period from July 1, 2018 through June 30, 2021	—	—	—	—

Mortality rates in the June 30, 2024 valuation were based on the Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. The actuarial assumptions used in the June 30, 2024 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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At June 30, 2025, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

<u>Asset class</u>	<u>Targeted allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Large Cap U.S. equity	21.10 %	5.13 %
Small Cap U.S. equity	2.10 %	5.86 %
Developed international large cap equity	12.20 %	6.01 %
Developed international small cap equity	1.80 %	5.72 %
Global equity	2.70 %	5.94 %
Emerging market equity	5.10 %	8.16 %
TIPS	3.50 %	(0.23) %
Real estate	7.00 %	4.60 %
Cash and equivalents	1.00 %	(0.77) %
Commodities	1.50 %	2.77 %
Private equity	10.00 %	10.46 %
Private credit	2.40 %	5.94 %
Hedge funds	5.00 %	1.85 %
Non-Core real estate	3.00 %	7.14 %
Custom fixed income	21.60 %	0.68 %
Total	<u>100.00 %</u>	
	<u>Targeted allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Death benefit:		
Fixed income	<u>100 %</u>	0.36 %
	<u>100 %</u>	

The June 30, 2024 actuarial valuation for the retiree healthcare fund used to calculate the Power System's total OPEB liability for June 30, 2025 was measured utilizing a discount rate of 6.5%. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of

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return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The June 30, 2024 actuarial valuation for the death benefit fund, used to calculate the Power System's total OPEB liability for June 30, 2025 was measured utilizing a discount rate of 2.75%.

The plan fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "cross-over date" when projected benefits are not covered by projected assets. The long-term expected rate of return on Plan investments of 2.75% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2024.

The total OPEB liability in the June 30, 2023 actuarial valuations used for the Power System's June 30, 2024 financial statements was determined using the following actuarial assumptions:

	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	6.50 %	2.75 %	2.75 %	2.75 %	2.75 %
Inflation rate	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Real across the board salary increases	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %
Projected salary increase	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %	4.25 % to 10.00 %
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date				
	—	—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.00 %, graded down to 4.50 % over 10 years	—	—	—	—
Medicare medical plans	6.25 %, graded down to 4.50 % over 7 years	—	—	—	—
Dental and Medicare Part B	3.00 and 4.50 %	—	—	—	—
Member contribution rate	None	None	\$2.25 per biweekly period or \$4.90 per month if retired	\$1.00 per biweekly payroll period	None

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	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Department contribution rate	9.02 %	1.21 % of Payroll	—	—	—
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Monthly benefit	Tier 1 – \$30.32 to \$1,896.76. Tier 2 – \$30.32 to \$948.38	\$416 per month to each surviving child plus \$416 per month to eligible spouse	\$520 per month to each surviving child plus \$520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to \$20,000

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	<u>Retiree healthcare plan</u>	<u>Family death benefit</u>	<u>Supplemental death benefit</u>	<u>Insured lives benefit (contributing active members)</u>	<u>Insured lives death benefit (noncontributing members)</u>
Participation rate	100 % for medical and 100 % for dental	—	—	—	—
Retirement rates	Based on 2022 experience study covering the period from July 1, 2018 through June 30, 2021	—	—	—	—

At June 30, 2023, mortality rates were based on the Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. The actuarial assumptions used in the June 30, 2023 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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At June 30, 2024, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

<u>Asset class</u>	<u>Targeted allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Large Cap U.S. equity	21.10 %	5.13 %
Small Cap U.S. equity	2.10 %	5.86 %
Developed international large cap equity	12.20 %	6.01 %
Developed international small cap equity	1.80 %	5.72 %
Global equity	2.70 %	5.94 %
Emerging market equity	5.10 %	8.16 %
TIPS	3.50 %	(0.23) %
Real estate	7.00 %	4.60 %
Cash and equivalents	1.00 %	(0.77) %
Commodities	1.50 %	2.77 %
Private equity	10.00 %	10.46 %
Private credit	2.40 %	5.94 %
Hedge funds	5.00 %	1.85 %
Non-Core real estate	3.00 %	7.14 %
Custom fixed income	21.60 %	0.68 %
Total	<u>100.00 %</u>	
	<u>Targeted allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Death benefit:		
Fixed income	<u>100 %</u>	0.36 %
	<u>100 %</u>	

The June 30, 2023 actuarial valuation for the retiree healthcare fund used to calculate the Power System's total OPEB liability for June 30, 2024 was measured utilizing a discount rate of 6.5%. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of

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return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The June 30, 2024 and 2023 actuarial valuations for the death benefit fund used to calculate the Power System's total OPEB liability for June 30, 2025 and 2024 was measured utilizing a discount rate and assumed investment rate of return of 2.75%.

The plan fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "crossover date" when projected benefits are discount rate and the long-term expected rate of return on Plan investments of 2.75% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2025 and 2024.

(f) Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate Rates

The following table represents the net OPEB liability (asset) of the Power System, calculated using the stated discount rate assumption as well as what the Power System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (amounts in thousands):

	June 30, 2025		
	1% Decrease	Current	1% Increase
Discount rate	5.50 %	6.50 %	7.50 %
Net OPEB liability (asset) – Retiree healthcare plan	\$ 279,212	(52,376)	(323,103)
Discount rate	1.75 %	2.75 %	3.75 %
Net OPEB liability – Death benefit plan	\$ 89,956	71,488	56,861

	June 30, 2024		
	1% Decrease	Current	1% Increase
Discount rate	5.50 %	6.50 %	7.50 %
Net OPEB liability (asset) – Retiree healthcare plan	\$ 30,074	(233,654)	(449,121)
Discount rate	1.75 %	2.75 %	3.75 %
Net OPEB liability – Death benefit plan	\$ 91,129	73,455	59,450

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(g) Sensitivity to Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates

The following table represents the net OPEB liability (asset) of the Power System, calculated using the stated healthcare cost trend assumption as well as what the Power System's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend that is one percentage point lower or one percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	June 30, 2025		
	1% Decrease	Current*	1% Increase
Net OPEB liability (asset) – Retiree healthcare plan	\$ (353,806)	(52,376)	328,741

* Current trend rates: 7.50% graded down to 4.50% over 12 years for Non-Medicare medical plan costs; 10.00%, then 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; 3.00% for all years for Dental subsidy costs and 6.20% for 9 years, then 5.75%, graded down to an ultimate of 4.50% over 5 years for Medicare Part B subsidy costs.

	June 30, 2024		
	1% Decrease	Current*	1% Increase
Net OPEB liability (asset) – Retiree healthcare plan	\$ (473,476)	(233,654)	68,971

* Current trend rates: 7.00% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.25% graded down to 4.50% over 7 years for Medicare medical plan costs, and 3.00% for all years for dental subsidy costs and 4.50% for all years for Medicare Part B subsidy costs

There is no trend rate assumption used in valuing the death benefit plan.

(h) OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued plan financial report. The OPEB plans' fiduciary net positions are determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. OPEB plan investments are recorded at fair value, except for short-term investments, which are recorded at amortized cost. Benefit payments include costs designed by the plan document and administrative expenses.

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(i) OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

In addition to amortization expense of the regulatory asset discussed in note 6, the Power System recognized OPEB expense of \$5.1 million and \$10.6 million for its proportionate share of the retiree healthcare and death benefits plans, respectively, for the year ended June 30, 2025. At June 30, 2025, the Power System reported deferred outflows and inflows of resources related to OPEB plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	\$ 1,702	2,334	1,453	636	3,155	2,970
Changes of assumptions	282,956	113,324	7,469	1,602	290,425	114,926
Net difference between projected and actual earnings on OPEB plan investments	—	36,549	2,113	—	2,113	36,549
Differences between expected and actual experience	22,210	110,403	1,456	588	23,666	110,991
	306,868	262,610	12,491	2,826	319,359	265,436
Employer contributions subsequent to the measurement date	87,175	—	13,552	—	100,727	—
Totals	\$ 394,043	262,610	26,043	2,826	420,086	265,436

In addition to amortization expense of the regulatory asset discussed in note 6, the Power System recognized OPEB expense of \$4.4 million and \$7.8 million for its proportionate share of the retiree healthcare and death benefits plans, respectively, for the year ended June 30, 2024.

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At June 30, 2024, the Power System reported deferred outflows and inflows of resources related to OPEB plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	\$ 2,277	1,805	608	872	2,885	2,677
Changes of assumptions	32,745	131,213	8,769	2,629	41,514	133,842
Net difference between projected and actual earnings on OPEB plan investments	12,343	—	3,232	—	15,575	—
Differences between expected and actual experience	20,948	145,830	1,559	1,172	22,507	147,002
	68,313	278,848	14,168	4,673	82,481	283,521
Employer contributions subsequent to the measurement date	72,225	—	12,457	—	84,682	—
Totals	\$ 140,538	278,848	26,625	4,673	167,163	283,521

Contributions after the measurement date shown above will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows (in thousands):

	For the year ended June 30, 2025		
	Retiree healthcare plan	Death benefits plan	Total
Year ending June 30:			
2026	\$ (39,037)	1,588	(37,449)
2027	18,030	2,043	20,073
2028	(22,478)	1,781	(20,697)
2029	676	1,784	2,460
2030	17,727	1,797	19,524
2031	22,226	426	22,652
2032	33,102	180	33,282
Thereafter	14,012	66	14,078
	\$ 44,258	9,665	53,923

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	For the year ended June 30, 2024		
	Retiree healthcare plan	Death benefits plan	Total
Year ending June 30:			
2025	\$ (49,413)	871	(48,542)
2026	(59,576)	1,472	(58,104)
2027	(3,545)	1,917	(1,628)
2028	(43,319)	1,660	(41,659)
2029	(20,579)	1,665	(18,914)
2030	(17,871)	1,614	(16,257)
2031	(13,455)	269	(13,186)
Thereafter	(2,777)	27	(2,750)
	\$ (210,535)	9,495	(201,040)

(j) Overrecovered Costs – OPEB

In connection with the recognition of the net OPEB liability (asset) under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Power System established a regulatory asset in the amount of \$451 million equal to the net OPEB liability reported at July 1, 2017, less the calculated balance of OPEB deferred outflows for contributions after the measurement date. Amortization of the regulatory asset is the difference between amounts paid toward actuarial determined contributions and OPEB expense, and the regulatory asset was fully amortized during the year ended June 30, 2024. See note 6(e).

During the year ended June 30, 2025 and 2024, the difference between amounts paid toward actuarially determined contributions and actual OPEB expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – OPEB in the amount of \$136 million and \$44 million, respectively.

(k) Disability Benefits

The Power System's allocated share of disability benefit plan costs and administrative expenses totaled \$15 million and \$13 million for fiscal years 2025 and 2024, respectively. Disability benefits are paid to active employees who qualify under the Plan's provisions and terminate with the employee's retirement.

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(12) Other Long-Term Liabilities and Deferred Inflows

(a) Other Long-Term Liabilities and Deferred Inflows

The Power System has the following other long-term liabilities and deferred inflows of resources (amounts in thousands):

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2025</u>
Deferred inflows from regulated business activities: (i)				
Rate stabilization	\$ 220,000	—	—	220,000
Green Power Program	7,190	—	—	7,190
Total Deferred inflows from regulated business activities	<u>\$ 227,190</u>	<u>—</u>	<u>—</u>	<u>227,190</u>
Accrued workers' compensation claims (ii)	\$ 66,013	7,662	—	73,675
Other noncurrent liabilities:				
Subscription-based technology liability	6,041	3,893	—	9,934
Lease liability	39,749	—	(3,865)	35,884
Environmental remediation liability	77,986	4,372	—	82,358
Derivative instrument liabilities	1,391	12,943	—	14,334
Total other noncurrent liabilities	<u>\$ 125,167</u>	<u>21,208</u>	<u>(3,865)</u>	<u>142,510</u>
	<u>Balance, June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2024</u>
Deferred inflows from regulated business activities:				
Rate stabilization (i)	\$ 180,000	40,000	—	220,000
Green Power Program	7,190	—	—	7,190
Total Deferred inflows from regulated business activities:	<u>\$ 187,190</u>	<u>40,000</u>	<u>—</u>	<u>227,190</u>
Accrued workers' compensation claims (ii)	\$ 60,078	5,935	—	66,013
Other noncurrent liabilities:				
Subscription-based technology liability	6,524	—	(483)	6,041
Lease liability	42,327	—	(2,578)	39,749
Environmental remediation liability	81,510	—	(3,524)	77,986
Derivative instrument liabilities	—	1,391	—	1,391
Total other noncurrent liabilities	<u>\$ 130,361</u>	<u>1,391</u>	<u>(6,585)</u>	<u>125,167</u>

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(b) Deferred Inflows from Regulated Business Activities

The Power System has deferred inflows that are related to revenue collected from customers but have not been earned. These funds are deferred and recognized as costs related to these deferrals are incurred.

Rate Stabilization Account

In April 2008, the City Council approved an amendment to the electric rate ordinance, which required the balance of the rate stabilization account to be maintained separately from the energy cost adjustment account. The ordinance also directed that the deferred amount within the energy cost adjustment account be the beginning balance of the rate stabilization account.

In October 2024, the Board adopted a resolution setting the rate stabilization account target at \$220 million as of June 30, 2024, deferring \$40 million to the rate stabilization deferred revenue account, and restricting \$40 million of cash to match the rate stabilization account balance. At both June 30, 2025 and 2024, the balance in the rate stabilization account was \$220 million.

(c) Accrued Workers' Compensation Claims

Liabilities for unpaid workers' compensation claims are recorded at their net present value when they are probable of occurrence and the amount can be reasonably estimated. The liability is actuarially determined based on an estimate of the present value of the claims outstanding and an amount for claim events incurred but not reported based on the Power System's loss experience, less the amount of claims and settlements paid to date. The discount rate used to calculate the accrued workers' compensation liability as presented in the statements of net position was 2% at both June 30, 2025 and 2024. The Power System has third-party insurance coverage for workers' compensation claims over \$1 million.

Overall reserves for workers' compensation claims for the Water System and the Power System, undiscounted, have been estimated at \$119 million and \$110 million for both June 30, 2025 and 2024, respectively. Workers' compensation claims typically take longer than one year to settle and close out. The entire discounted liability is shown as long-term on the statements of net position as of June 30, 2025 and 2024.

Changes in the Water and Power Systems' combined undiscounted workers' compensation liability for the last three fiscal years are summarized as follows (amounts in thousands):

	June 30		
	2025	2024	2023
Balance at beginning of year	\$ 110,069	98,516	83,569
Current-year claims and changes in estimates	46,365	43,611	48,526
Payments applied	(37,633)	(32,058)	(33,579)
Balance at end of year	<u>\$ 118,801</u>	<u>110,069</u>	<u>98,516</u>

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The Power System's portion of the discounted accrued workers' compensation liability is estimated at \$74 million and \$66 million for the fiscal years ended June 30, 2025 and 2024, respectively.

(13) Related Parties

(a) The City

(i) Power Sales and Related Services

The Power System focuses on providing safe, reliable, and sustainable electricity and related services to all its customers, including the City. During the fiscal years 2025 and 2024, the Power System recognized operating revenues of \$200 million and \$182 million for electricity and related services provided to the City, respectively. As of June 30, 2025 and 2024, the Power System's gross accounts receivables balance due from the City totaled \$129 million and \$121 million, respectively.

(ii) City Transfer

Under the provisions of the City charter, the Power System transfers funds at its discretion to the reserve fund of the City. Pursuant to covenants contained in the bond indentures, the transfers may not be in excess of the increase in net position before transfers to the reserve fund of the City of the prior fiscal year. Management believes such payments are not in lieu of taxes and are recorded as a transfer in the statements of revenue, expenses, and changes in net position. During fiscal years 2025 and 2024, the Power System transferred \$219 million and \$245 million to the City, respectively. See note 14(a).

(iii) Other

The Power System reimburses the City for administrative and Office of Public Accountability costs incurred on behalf of the Power System. During fiscal years 2025 and 2024, the Power System made payments totaling \$31 million and \$27 million for services rendered by the Office of Public Accountability and the City, respectively.

(b) Southern California Public Power Authority

SCPPA is a California Joint Powers Agency that finances the construction or acquisition of generation, transmission, and renewable energy projects. The Power System is a member of SCPPA and records its transactions as purchased power expense. See note 5 of the financial statements for a description of the purchased power commitments the Power System has with SCPPA.

(c) Intermountain Power Agency

The IPA is an agency of the State of Utah established to own, acquire, construct, operate, maintain, and repair the Intermountain Power Project. The Power System serves as the project manager and operating agent of IPP. See note 5 of the financial statements for a description of the financial activities of IPA.

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(d) *La Kretz Innovative Campus*

During fiscal year June 30, 2015, the Power System entered into a 50-year prepaid lease agreement to lease an office building to the La Kretz Innovative Campus (LKIC), a 501(c)(3) nonprofit organization. LKIC leased some of the workspaces in the building to assist energy innovation companies with the resources needed to validate energy efficient technology. The Power System also had energy efficiency staff located at the building to work with inventors and determine if there are new energy efficiency programs to launch.

In June 2024, the LKIC Board voted to dissolve the nonprofit organization. Concurrently with this dissolution, LKIC contributed certain assets to the Power System, which resulted in a recognition of \$9 million in capital contributions by the Power System.

(14) Commitments and Contingencies

(a) *Transfers to the Reserve Fund of the City of Los Angeles*

Under the provisions of the City's charter, at the close of each fiscal year, the Power System transfers funds at its discretion to the reserve fund of the City. The transfer is based on the prior year's operating revenue. Pursuant to covenants contained in the bond indentures, the transfers may not be in excess of the increase in fund net assets before transfers to the reserve fund of the City of the prior fiscal year. Such payments are not in lieu of taxes and are recorded as a transfer in the statements of revenue, expenses, and changes in fund net assets.

On September 14, 2017, the Los Angeles County Superior Court preliminarily approved a settlement of a class action lawsuit under which revenue collected under the 2016 Incremental Electric Rate Ordinance (the 2016 Ordinance) is precluded from being transferred to the reserve fund of the City.

As of June 30, 2017, the Power System had billed approximately \$52 million under the 2016 Ordinance that under-the-settlement agreement needed to be returned to customers' net of attorneys' fees and other administrative costs. Accordingly, for the fiscal year ended June 30, 2017, the Power System reduced retail revenue by the same \$52 million and increased current accrued expenses accordingly. In October 2017, \$52 million was placed in an escrow account for return to customers. Upon proof of such return, the Power System can request funds from the escrow account accordingly. Going forward, the 2016 Ordinance rates will be reduced through the variable energy cost adjustment so that no revenue for transfers is billed under the 2016 Ordinance.

During fiscal year 2025 and 2024, the 2008 Electric Rate Ordinance (the 2008 Ordinance) and the 2016 Ordinance were in effect. Revenue from each ordinance is listed below as well as revenue from other sources, including contracts for wholesale energy and transmission revenue. The 12.628 cents under the 2008 Ordinance is determined based on the fiscal year's revenue billed and kilowatt hour (kWh) usage as of November 3, 2010. The 2008 Ordinance was the only ordinance in effect at that time.

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The following table relates to revenue billed to customers for the year ended June 30, 2025 (in thousands), which is the basis for the FY 2025-2026 City transfer:

Revenue type	Basis of revenue	kWh	Rate per kWh under the 2008 ordinance	Revenue
Retail sales (2008 Ordinance)	The 2008 Ordinance	21,231,602	0.12628	\$ 2,681,126
Retail sales (2016 Ordinance)	The 2016 Ordinance	21,231,602		2,353,835
Wholesale sales	Contract			60,759
Transmission sales	Contract			87,206
Rent from electric property	Contract			2,227
Other service charges	Fee schedule			24,489
Unbilled sales	Estimated			191,850
Bad debt expense	Estimated			(93,192)
Total operating revenue				\$ 5,308,300

The following table relates to revenue billed to customers for the year ended June 30, 2024 (in thousands), which is the basis for the FY 2024-2025 City transfer:

Revenue type	Basis of revenue	kWh	Rate per kWh under the 2008 ordinance	Revenue
Retail sales (2008 Ordinance)	The 2008 Ordinance	20,828,936,823	0.12628	\$ 2,630,278
Retail sales (2016 Ordinance)	The 2016 Ordinance	20,828,936,823		2,003,960
Wholesale sales	Contract			66,738
Transmission sales	Contract			40,280
Rent from electric property	Contract			2,121
Other service charges	Fee schedule			22,271
Unbilled sales	Estimated			113,762
Bad debt expense	Estimated			(54,042)
Total operating revenue				\$ 4,825,368

The Power System authorized total transfers of \$219 million and \$245 million in fiscal years 2025 and 2024, respectively, from the Power System to the reserve fund of the City.

(b) Asset Retirement Obligations

The Power System is a minority owner of Palo Verde Nuclear Generating System. The Power System's minority share interest is 5.7% of the total decommissioning liability of \$4.0 billion and \$3.9 billion at June 30, 2025 and 2024, respectively. Arizona Public Service has operating responsibility as well as minority interest (29.1%). Other minority owners are Salt River Project (17.5%), El Paso Electric Company (15.8%), Public Service Company of New Mexico (10.2%), and SCPPA (5.9%). The Power System recorded its proportionate share of the asset retirement obligation based on its ownership percentage of estimates made by the primary owner of the asset.

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The Power System had the following asset retirement obligations at June 30, 2025 (in thousands):

Asset	Obligation event	Timeframe required for decommissioning	June 30, 2024	Additions	Payments	June 30, 2025
Navajo Generating Station	Legal agreements resulting from Sales Contract with Salt River Project	Plant was put out of commission as of December 2019	\$ 43,696	2,561	(1,727)	44,530
Palo Verde Nuclear Generating Station	Ownership agreement	Unit 1: June 1, 2045 Unit 2: April 24, 2046 Unit 3: November 25, 2047	221,210	7,742	—	228,952
Other	Lessee or ownership agreements	2029 – 2064	9,419	185	(45)	9,559
Total asset retirement obligation liability			<u>\$ 274,325</u>	<u>10,488</u>	<u>(1,772)</u>	<u>283,041</u>

The Power System had the following asset retirement obligations at June 30, 2024 (in thousands):

Asset	Obligation event	Timeframe required for decommissioning	June 30, 2023	Additions	Payments	June 30, 2024
Navajo Generating Station	Legal agreements resulting from Sales Contract with Salt River Project	Plant was put out of commission as of December 2019	\$ 21,882	28,179	(6,365)	43,696
Palo Verde Nuclear Generating Station	Ownership agreement	Unit 1: June 1, 2045 Unit 2: April 24, 2046 Unit 3: November 25, 2047	186,910	34,300	—	221,210
Other	Lessee or ownership agreements	2029 – 2064	9,240	179	—	9,419
Total asset retirement obligation liability			<u>\$ 218,032</u>	<u>62,658</u>	<u>(6,365)</u>	<u>274,325</u>

The Power System has restricted investments in the amount of \$167.3 million and \$156.2 million for the years ended June 30, 2025 and 2024, respectively, related to this reserve.

Deferred outflows related to the Power System's assets retirement obligations are as follows for the year ended June 30, 2025:

Asset	Remaining useful life of asset/ lease term	June 30, 2024	Additions	Amortization	June 30, 2025
Palo Verde Nuclear Generating Station	20	\$ 62,964	7,743	(2,862)	67,845
Other	4-39	4,487	185	(300)	4,372
Total deferred outflows – asset retirement obligations		<u>\$ 67,451</u>	<u>7,928</u>	<u>(3,162)</u>	<u>72,217</u>

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Deferred outflows related to the Power System’s assets retirement obligations are as follows for the year ended June 30, 2024 (in thousands):

Asset	Remaining useful life of asset/ lease term	June 30, 2023	Additions	Amortization	June 30, 2024
Palo Verde Nuclear Generating Station	21	\$ 29,968	34,299	(1,303)	62,964
Other	5-40	4,527	179	(219)	4,487
Total deferred outflows – asset retirement obligations		\$ <u>34,495</u>	<u>34,478</u>	<u>(1,522)</u>	<u>67,451</u>

(c) Environmental Liabilities

Numerous federal, state, and local environmental laws and regulations affect the Power System’s facilities and operations. The Power System monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. The Power System follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution and Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups.

The Power System estimates its environmental liabilities using the expected cash flow method as required by GASB Statement No. 49. This method estimates the current value of outlays expected to be incurred and measured as a sum of the probability weighted amounts in a range of possible estimated amounts. The Power System’s environmental liabilities are primarily related to generating and service stations it owns that have had release of hazardous materials or waste it is obligated by a regulator to clean up. The estimated timeframe for cleanup and monitoring of sites is approximately 5- 25 years. The Power System’s obligations are included in other noncurrent liabilities on the statements of net position and were approximately \$82 million and \$78 million as of June 30, 2025 and 2024, respectively. These estimates are reviewed and updated annually.

(d) Litigation

A number of claims and suits are pending against the Power System for alleged damages to persons and property and for other alleged liabilities arising out of its operations. In the opinion of management, any ultimate liability, which may arise from these actions, is not expected to materially impact the Power System’s financial position, results of operations, or cash flows as of June 30, 2025.

Numerous lawsuits have also been filed against the Department by property owners whose properties were damaged during the severe fire fueled by windstorms that began in January 2025 and originated in the Pacific Palisades neighborhood. At this time, the Department cannot reasonably estimate the potential financial impact of this litigation. The outcome of the case is uncertain, and it is not possible to

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determine the amount or range of potential loss. The uncertainty is due to the complexity of the legal issues involved and the potential for a lengthy legal process. The Department intends to vigorously defend against these fire related lawsuits.

(e) Risk Management

The Power System is subject to certain business risks common to the utility industry. The majority of these risks are mitigated by external insurance coverage obtained by the Power System. For other significant business risks, however, the Power System has elected to self-insure. Management believes that exposure to loss arising out of self-insured business risks will not materially impact the Power System's financial position, results of operations, or cash flows as of June 30, 2025.

(f) Credit Risk

Financial instruments, which potentially expose the Power System to concentrations of credit risk, consist primarily of retail and wholesale receivables. The Power System's retail customer base is concentrated on commercial, industrial, residential, and governmental customers located within the City. Although the Power System is directly affected by the City's economy, management does not believe significant credit risk exists as of June 30, 2025 except as provided in the allowance for losses. The Power System manages its credit exposure by requiring credit enhancements from certain customers and through procedures designed to identify and monitor credit.

(15) Subsequent Events

The Power System considers events and transactions that occur after the statement of net position date, but before the financial statements are issued, to provide additional evidence related to certain estimates or to identify matters that require additional disclosure. The following subsequent events have been identified:

(a) Approval of Transfer to the Reserve Fund of the City of Los Angeles

On November 18, 2025, the Board of Water and Power Commissioners approved a resolution agreeing to the adoption of an ordinance to transfer \$225.8 million from the Power Revenue Fund to the reserve fund of the City of Los Angeles during fiscal year 2025-2026.

(b) Bond Issuance

In October 2025, the Power System issued \$1,010.3 million of fixed rate revenue bonds, 2025 Series C. The net proceeds of \$1,093.1 million, including an \$82.8 million issue premium net of underwriter's discount, will be used to refund all of the outstanding Power System Variable Rate Demand Revenue Bonds, 2021 Series A, all of the outstanding Power System Variable Rate Demand Revenue Bonds, 2023 Series F, and pay for capital improvements to the Power System.

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(c) Direct Placements and Line of Credit

On July 3, 2025, the Power System entered into a Third Amended RCA and the related Third Amended and Restated Fee and Interest Rate Agreement with Wells Fargo Bank, National Association with a \$500 million commitment. The Department can request loans for Water System improvements, Power System improvements and/or such other lawful purposes of the Department. The interest charge for tax-exempt loans is based on a daily SOFR plus a spread of 0.50%. The interest charge for taxable loans is based on daily SOFR plus a spread of 0.64%. The Third Amended RCA expires in May 2026.

On October 31, 2025, the Power System executed the First Amendment to Third Amended RCA with Wells Fargo Bank, National Association to extend the Event of Default credit rating thresholds through the term of the agreement.

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Required Supplementary Information

June 30, 2025

(Unaudited)

Schedule of the Power System's Proportionate Share of the Net Pension Liability*

Last 10 fiscal years

(Amounts in thousands other than percentages)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Power System's proportion of the collective net pension liability	68.822 %	67.576 %	67.127 %	67.564 %	67.681 %	68.390 %	67.879 %	68.252 %	68.108 %	67.397 %
Power System's proportionate share of the collective net pension liability	\$ 147,444	393,338	413,626	(1,120,640)	752,368	564,130	618,010	916,758	1,492,508	771,122
Power System's covered payroll	965,595	850,947	790,766	757,984	764,838	703,197	647,319	609,032	586,967	565,606
Power System's proportionate share of the collective net pension liability as a percentage of covered payroll	15 %	46 %	52 %	(148) %	98 %	80 %	95 %	151 %	254 %	136 %
Pension plan's fiduciary net position as a percentage of total pension liability	99 %	97 %	96 %	111 %	92 %	94 %	93 %	89 %	82 %	90 %

* The measurement period for each year presented is on a one-year lag and thus the measurement periods are June 30, 2015–2024 for the Power System's fiscal years of June 30, 2016–2025, respectively.

See accompanying independent auditors' report.

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Required Supplementary Information

June 30, 2025

(Unaudited)

Schedule of the Department's Pension Contributions*

Last 10 fiscal years

(Amounts in thousands other than percentages)

<u>Reporting date for Power System June 30 ⁽¹⁾</u>	<u>Actuarially determined contributions</u>	<u>Contributions in relation to the actuarially required contributions ⁽²⁾</u>	<u>Contributions deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2025	\$ 420,137	426,136	(5,999)	1,520,422	28.03 %
2024	435,599	425,304	10,295	1,403,031	30.31
2023	372,209	361,586	10,623	1,259,246	28.71
2022	302,800	318,874	(16,074)	1,178,016	27.07
2021	373,374	378,990	(5,616)	1,121,884	33.78
2020	424,375	422,017	2,358	1,130,066	37.34
2019	408,750	410,165	(1,415)	1,028,212	39.89
2018	425,512	433,413	(7,901)	953,636	45.45
2017	403,780	391,717	12,063	892,331	43.90
2016	368,600	362,360	6,240	861,819	42.05

(1) The measurement date under GASB Statement No. 68 is on a one-year lag.

(2) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not separately available for the Power System.

See accompanying independent auditors' report.

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June 30, 2025

(Unaudited)

Schedule of Power System's Proportionate Share of the Net OPEB Liability (Asset) – Retiree Healthcare Plan

Last 10 fiscal years

(Amounts in thousands other than percentages)

<u>Reporting date of employer</u>	<u>Measurement date</u>	<u>Proportionate share of net OPEB liability (asset)</u>	<u>Proportionate share of net OPEB liability (asset)</u>	<u>Projected compensation</u>	<u>Covered payroll</u>	<u>Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll</u>	<u>Plan's fiduciary net position as a percentage of the total OPEB liability (asset)</u>
June 30, 2025	June 30, 2024	68.82 %	\$ (52,376)	\$ 1,077,664	\$ 965,595	(5.42)%	102.38 %
June 30, 2024	June 30, 2023	67.58	(233,654)	975,615	850,947	(27.46)	113.17
June 30, 2023	June 30, 2022	67.13	(87,399)	879,262	790,766	(11.05)	104.95
June 30, 2022	June 30, 2021	67.56	(235,688)	833,238	757,984	(31.09)	113.58
June 30, 2021	June 30, 2020	67.68	126,221	820,155	764,838	16.50	92.51
June 30, 2020	June 30, 2019	68.39	316,575	780,931	703,197	45.02	82.75
June 30, 2019	June 30, 2018	67.88	260,393	728,719	647,319	40.23	84.46
June 30, 2018	June 30, 2017	68.25	297,306	676,930	609,032	48.82	81.44
June 30, 2017	June 30, 2016	68.11	436,658	632,647	586,967	79.34	72.53

Note: Information before measurement date June 30, 2016 is not available.

See accompanying independent auditors' report.

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June 30, 2025

(Unaudited)

Schedule of Power System's Proportionate Share of the Net OPEB Liability – Death Benefit Plan

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate Share of net OPEB liability	Proportionate Share of net OPEB liability	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability as Percentage of covered payroll	Plan's fiduciary net position as a Percentage of the total OPEB liability
June 30, 2025	June 30, 2024	68.82 % \$	71,488	1,077,664 \$	965,595	7.40 %	35.15 %
June 30, 2024	June 30, 2023	67.58	73,455	975,615	850,947	8.63	29.98
June 30, 2023	June 30, 2022	67.13	75,627	879,262	790,766	9.56	26.45
June 30, 2022	June 30, 2021	67.56	63,037	833,238	757,984	8.32	30.39
June 30, 2021	June 30, 2020	67.68	65,226	820,155	764,838	8.53	27.94
June 30, 2020	June 30, 2019	68.39	72,118	780,931	703,197	10.26	21.46
June 30, 2019	June 30, 2018	67.88	79,188	728,719	647,319	12.23	18.91
June 30, 2018	June 30, 2017	68.25	81,373	676,930	609,032	13.36	18.79
June 30, 2017	June 30, 2016	68.11	89,173	632,647	586,967	13.66	19.32

Note: Information before measurement date June 30, 2016 is not available.

See accompanying independent auditors' report.

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June 30, 2025

(Unaudited)

Schedule of Department Contributions – Retiree Healthcare Plan*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Power System June 30	Actuarially determined contributions ⁽¹⁾	Contributions in relation to the actuarially required contributions ⁽²⁾	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2025	\$ 86,635	128,243	(41,608)	1,520,422	8.43 %
2024	47,975	114,570	(66,595)	1,403,031	8.17
2023	55,585	113,571	(57,986)	1,259,246	9.02
2022	49,688	112,081	(62,393)	1,178,016	9.51
2021	63,165	109,282	(46,117)	1,121,884	9.74
2020	95,375	109,401	(14,026)	1,130,066	9.68
2019	80,851	101,595	(20,744)	1,028,212	9.88
2018	85,339	95,233	(9,894)	953,635	9.99
2017	93,920	90,310	3,610	892,332	10.12
2016	61,971	79,896	(17,925)	861,819	9.27

(1) All actuarially determined contributions through June 30, 2016 were determined as the annual requirement under GASB Statements No. 43 and No. 45.

(2) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not separately available for the Power System.

See accompanying independent auditors' report.

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June 30, 2025

(Unaudited)

Schedule of Department Contributions – Death Benefit Plan*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Power System June 30	Actuarially determined contributions ⁽¹⁾	Contributions in relation to the actuarially required contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2025	\$ 17,029	17,225	(196)	1,520,422	1.13 %
2024	15,995	16,472	(477)	1,403,031	1.17
2023	15,237	14,632	605	1,259,246	1.16
2022	13,076	13,134	(58)	1,178,016	1.11
2021	12,565	12,899	(334)	1,121,884	1.15
2020	13,335	13,300	35	1,130,066	1.18
2019	7,260	7,260	—	1,028,212	0.71
2018	7,137	7,137	—	953,636	0.75
2017	7,138	7,138	—	892,332	0.80
2016	7,207	7,207	—	861,819	0.84

(1) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not available separately for the Power System.

See accompanying independent auditors' report.