

5/26/10

**Financial Stability: Power Budget Reflects Current RPS Projects**

	FY 2010-11 (in millions)	Percent of Revenue
Revenue:		
Residential Customers	1,147	35
Commercial and Industrial Customers	2,151	65
Total Revenue	<u>3,298</u>	<u>100</u>
Expenses:		
Purchased Power	907	27
Purchased Fuel	433	13
Labor	693	21
Materials and Others	231	7
Depreciation	414	13
Other Income & Expenses	(9)	0
Interest Expense	249	8
Total Expenses	<u>2,918</u>	<u>88</u>
Net Income	<u>380</u>	<u>12</u>

Included in June 1 budget presentation

**Financial Stability: Credit and Cash Flow of the Power System**

	FY 2010-11 (in millions)	Percent of Revenue
Revenue	\$ 3,108	100
Operating Expenses & Other Income	(2,218)	(71)
<b>Cash Available for Debt Service</b>	<b>890</b>	<b>29</b>
Interest Expense	(268)	(9)
Debt Maturities	(122)	(4)
City Transfer	(254)	(8)
Net Capital Expenditures	(1,017)	(33)
Net Funding Needs	(771)	(25)
Bond Proceeds	900	29
Other Items	(111)	(4)
Change in Cash	17	1
Beginning Cash	408	13
Ending Unrestricted Cash	425	14
Debt Reduction Trust Fund	528	17
Total Cash	\$ 953	31

Included in June 1 budget presentation

**LOS ANGELES DEPARTMENT OF WATER AND POWER**  
**Power System Financial Plan Summary**  
(In Million Dollars)

FISCAL YEAR ENDING JUNE 30	Final	Final	Actuals thru	FORECAST
	2008	2009	Apr '10	2011
<b>1. Retail Sales (GWh)</b>	24,617	24,526	23,529	23,599
Adj. For DSM (GWh)		0	0	(98)
Adj. For Solar (GWh)	0	0	0	(6)
<b>Net Retail Sales(GWh)</b>	<b>24,617</b>	<b>24,526</b>	<b>23,529</b>	<b>23,495</b>
<b>2. Operating Revenue:</b>				
Base Rate	1,663	1,641	1,593	1,587
Base Rate Revenue Increases	0	(0)	0	0
Energy Cost Adjustment	837	1,044	1,182	1,351
Energy Subsidy Adjustment	0	0	0	0
Reliability Costs Adjustment	2	44	68	73
<b>Total Retail Revenue</b>	<b>2,502</b>	<b>2,729</b>	<b>2,842</b>	<b>3,012</b>
Wholesale Sales (Gen. & Trans.)	105	51	146	62
Deferred Revenue	173	(29)	182	190
Others	2	5	10	34
<b>Total Operating Revenue</b>	<b>2,781</b>	<b>2,756</b>	<b>3,180</b>	<b>3,298</b>
<b>3. RPS/EE Trust Fund Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Borrowing</b>	<b>654</b>	<b>550</b>	<b>600</b>	<b>900</b>
<b>5a. Net Capital Expenditures</b>	<b>558</b>	<b>670</b>	<b>788</b>	<b>1,017</b>
<b>5b. Operation &amp; Maintenance Expenses</b>	<b>774</b>	<b>790</b>	<b>882</b>	<b>924</b>
<b>5c. Fuel and Purchased Power Expenses</b>	<b>1,338</b>	<b>1,149</b>	<b>1,301</b>	<b>1,340</b>
<b>5d. Public Benefits</b>	<b>15</b>	<b>25</b>	<b>32</b>	<b>22</b>
<b>Total Expenditures</b>	<b>2,685</b>	<b>2,635</b>	<b>3,003</b>	<b>3,302</b>
<b>8. Net Income</b>	<b>323</b>	<b>372</b>	<b>391</b>	<b>380</b>
<b>9. Transfer to City</b>	<b>182</b>	<b>223</b>	<b>220</b>	<b>254</b>
Income after City Transfer	141	150	171	125
<b>10. Financial Ratios:</b>				
Debt Service Coverage	2.54	3.25	2.67	2.28
Adj. Debt Service Coverage (inc. FC)	1.80	2.30	1.95	1.69
Full Obligation Coverage (inc. City Xfer)	1.42	1.83	1.56	1.34
Additional Bond Test (prev/max)	1.92	1.95	1.94	1.89
Capitalization Factor	52%	53.1%	54.3%	56.8%
<b>11. Average Rate (\$/MWh)</b>				
Residential	\$107	\$117	\$125	\$133
Small Business (A-1)	\$119	\$130	\$138	\$147
Med. Business (A-2)	\$109	\$120	\$128	\$136
Large Business (A - 3)	\$93	\$103	\$112	\$120
<b>System Average</b>	<b>\$102</b>	<b>\$112</b>	<b>\$122</b>	<b>\$129</b>

**Los Angeles Department of Water and Power**  
**Power System Income Statement**  
(\$ in millions)

Fiscal Year Ending June 30	Actuals thru			Forecast
	Final 2008	Final 2009	Apr '10 2010	
Retail Sales (GWh)	24,617	24,526	23,529	23,599
Proj. Energy Eff. Prgm (GWh)		0	0	(98)
Solar Roof Top		0	0	(6)
<b>Net Retail Sales (GWh)</b>	<b>24,617</b>	<b>24,526</b>	<b>23,529</b>	<b>23,495</b>
<b>Revenues:</b>				
Base Rate	1,663	1,641	1,593	1,587
Base Rate Revenue Increase	(0)	(0)	0	0
Energy Costs Adjustment	837	1,044	1,182	1,351
Energy Subsidy Adjustment	0	0	0	0
Reliability Costs Adjustment	2	44	68	73
<b>Retail Revenue</b>	<b>2,502</b>	<b>2,729</b>	<b>2,842</b>	<b>3,012</b>
Wholesale Sales (Generation)	33	(23)	100	30
Wholesale Sales (Transmission)	72	73	46	32
Distribution Other Revenue	15	21	31	48
Deferred IPP Revenue	75	51	104	147
Deferred Public Benefit	(31)	13	1	4
Deferred Rate Stabilization	(48)	(25)	(2)	0
ECAF (Over)/Under Collection	167	(73)	57	8
ESA (Over)/Under Collection	0	0	0	0
RCA (Over)/Under Collection	4	13	0	31
Green Power Over/Under Collection	0	0	0	0
Change in Accrued Revenue	6	(8)	22	0
Allowance for Bad Debt	(13)	(16)	(21)	(14)
<b>Total Operating revenue</b>	<b>2,781</b>	<b>2,756</b>	<b>3,180</b>	<b>3,298</b>
<b>System Average (cents/kWh)</b>	<b>10.2</b>	<b>11.2</b>	<b>12.2</b>	<b>12.9</b>
<b>Retail Revenue Increase</b>			<b>5.8%</b>	<b>6.1%</b>
Fuel Expenses	648	450	467	433
Purchased Power	690	700	834	907
Legal Settlement Expense	0	0	11	16
CO2 Allowance Expense	0	0	0	0
O & M Expenses	774	790	882	924
Efficiency Program (Excl. Public Benefit)	38	67	55	70
Public Benefit	15	25	32	22
Prepaid Public benefit	0	0	0	0
Depreciation	282	293	389	414
Property Taxes	12	12	13	14
<b>Total Operating Expenses</b>	<b>2,458</b>	<b>2,336</b>	<b>2,683</b>	<b>2,799</b>
Operating Income	324	420	497	499
Gain/Loss On Asset Sales	0	0	0	0
Other Income/Expenses, Net	176	137	93	116
<b>Income Before LT Debt Expenses</b>	<b>500</b>	<b>557</b>	<b>590</b>	<b>614</b>
Interest on Fixed Rate Bonds	171	208	210	255
Interest on Variable Rate Bonds	37	7	10	14
Amortization of Debt Expenses	0	0	(1)	(1)
<b>Total Debt Expenses</b>	<b>208</b>	<b>215</b>	<b>219</b>	<b>267</b>
AFUDC	(15)	(14)	(2)	(18)
<b>Net Debt Expenses</b>	<b>193</b>	<b>201</b>	<b>217</b>	<b>249</b>
Contributions In Aid of Construction	18	17	18	15
<b>Change in Fund Net Assets (Net Income)</b>	<b>323</b>	<b>372</b>	<b>391</b>	<b>380</b>
City Transfer	182	223	220	254
Extraordinary loss				
<b>Increase In Fund Net Assets</b>	<b>141</b>	<b>150</b>	<b>171</b>	<b>125</b>
<b>Addn'l Bond Test Ratio: (prev / max)</b>	<b>1.92</b>	<b>1.95</b>	<b>1.94</b>	<b>1.89</b>
<b>Financial Ratio (Current/Current)</b>				
Net Debt Service Coverage	2.54	3.25	2.67	2.28
Interest Coverage	3.02	4.14	3.90	3.32
<b>RPS/EE Trust Fund Revenue (not in N.I.)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

			Actuals thru	Forecast
	Final	Final	Apr '10	
FY ENDING JUNE 30	2008	2009	2010	2011
Plant in Service	10,180	11,147	11,510	12,205
Nuclear Fuel - Net	33	37	36	30
Natural Gas Field	229	224	231	242
C W I P	889	609	984	1,224
Gross Plant	11,331	12,017	12,742	13,701
Accum. Depreciation	5,119	5,400	5,623	5,982
<b>Net Plant</b>	<b>6,212</b>	<b>6,617</b>	<b>7,119</b>	<b>7,718</b>
<b>Restricted and Other Investment:</b>				
Nuclear Decommissioning Fund	110	114	119	124
Debt Reduction Trust Funds	529	547	528	536
RPS/EE Trust Fund	0	0	0	0
Post Retiree Benefit Fund	0	0	0	0
Natural Gas Hedging Trust Fund	25	25	25	25
Rate Stabilization Account	24	0	0	0
Other Investment	35	36	33	29
<b>Total Restricted and Othr Invs.</b>	<b>723</b>	<b>722</b>	<b>705</b>	<b>714</b>
<b>Current Assets</b>				
Construction Fund	254	95	300	400
Revenue Fund	390	445	408	425
Bond R&I Fund	156	206	229	273
Insurance Funds	84	109	119	129
Account Receivable	387	402	310	324
Accrued Revenue	154	146	146	146
Material & Supplies	124	144	145	146
Fuel Inventory	11	9	9	9
Other Prepayments and assets	47	103	46	46
Bond Issue Costs	20	23	28	36
<b>Total Current Assets</b>	<b>1,627</b>	<b>1,682</b>	<b>1,740</b>	<b>1,934</b>
Receivable from ISO	116	116	0	0
Regulatory Asset	160	160	144	128
Post Retirement Healthcare Assets	381	456	532	609
Pension Assets	77	71	67	64
Long - Term Notes Receivable	1,166	1,135	1,102	1,020
Prepaid Public Benefit	0	0	0	0
<b>Total Assets</b>	<b>10,464</b>	<b>10,958</b>	<b>11,410</b>	<b>12,187</b>
Retained Earnings	3,934	4,067	4,220	4,330
Acc. CIAC	474	490	508	523
Equity	<b>4,408</b>	<b>4,557</b>	<b>4,728</b>	<b>4,853</b>
Bonds & Notes	4,777	5,260	5,737	6,511
LT Debt Due In 1 Yr	59	101	122	136
Non - Current Debt	4,719	5,159	5,614	6,375
<b>Current Liabilities</b>				
LT Debt Due In 1 Yr	59	101	122	136
Revenue Certificates	200	200	200	200
Accrued Interest	91	102	107	138
Accounts Payable	411	236	225	262
Payable to City's Reserve Fund	0	0	0	0
Payable to Water System	18	0	10	10
Accrued Payroll & Others	74	87	85	85
Potential Refund	50	50	0	0
<b>Total Current Liabilities</b>	<b>903</b>	<b>776</b>	<b>749</b>	<b>830</b>
Long term accrued liabilities	31	24	12	10
Deferred RPS/EE Trust Fund	0	0	0	0
Deferred Public Benefit	70	83	77	73
ECAF Over (Under) Collection	(187)	(114)	(155)	(163)
ESA Over (Under) Collection	0	0	0	0
RCA Over (Under) Collection	(4)	(16)	(3)	(33)
Deferred Rate Stabilization	48	73	75	75
Green Power Over (Under) Collection	3	2	5	5
Workers Comp Liability	32	29	29	30
Discount on Notes	59	55	50	52
Deferred Credit (SCPPA)	45	45	45	45
Deferred IPP Credit	337	287	183	35
<b>Total Liabilities and Equity</b>	<b>10,464</b>	<b>10,958</b>	<b>11,410</b>	<b>12,187</b>

**Los Angeles Department of Water and Power**  
**Power System Source of Funds**  
(\$ in millions)

FY ENDING JUNE 30	Final	Final	Actuals thru Apr	Forecast
	2008	2009	'10 2010	2011
Beginning Cash				
Revenue Fund	449	390	445	408
Construction Fund	0	254	95	300
RPS/EE Trust Fund	0	0	0	0
DWP Debt Mang.	269	282	311	289
SCPPA Debt Mang.	36	38	38	39
IPA Debt Mang.	198	209	198	200
<b>Total</b>	<b>953</b>	<b>1,173</b>	<b>1,086</b>	<b>1,236</b>
Cash Avail. From Operations	202	394	316	245
Cont. in Aid of Const.	18	17	18	15
<b>Bond Proceeds</b>	<b>654</b>	<b>550</b>	<b>600</b>	<b>900</b>
Rev. Certificate Proceeds	0	0	0	0
Change in Current Assets	(191)	(206)	39	(146)
Receivable from ISO	50	0	116	0
Long Term Notes	14	31	33	82
Change in Liabilities	31	(185)	(31)	67
Sales of Assets	0	0	0	0
Bond Issue Costs	(5)	(3)	(6)	(9)
Bond Premium (Discount)	25	4	5	(1)
Ending Cash Trueup	0	0	(137)	0
AFDC	0	0	0	0
Change in investments	3	(1)	3	3
<b>Total Sources</b>	<b>1,753</b>	<b>1,773</b>	<b>2,043</b>	<b>2,393</b>
<b>Capital Expenditure (Gross)</b>	<b>576</b>	<b>687</b>	<b>807</b>	<b>1,032</b>
<b>Ending Cash</b>	<b>1,177</b>	<b>1,086</b>	<b>1,236</b>	<b>1,361</b>

**Los Angeles Department of Water and Power**  
**Power System Source of Funds**  
(\$ in millions)

FY ENDING JUNE 30	Final	Final	Actuals thru Apr	Forecast
	2008	2009	'10 2010	2011
Beginning Cash				
Revenue Fund	449	390	445	408
Construction Fund	0	254	95	300
RPS/EE Trust Fund	0	0	0	0
DWP Debt Mang.	269	282	311	289
SCPPA Debt Mang.	36	38	38	39
IPA Debt Mang.	198	209	198	200
<b>Total</b>	<b>953</b>	<b>1,173</b>	<b>1,086</b>	<b>1,236</b>
Cash Avail. From Operations	202	394	316	245
Cont. In Aid of Const.	18	17	18	15
<b>Bond Proceeds</b>	<b>654</b>	<b>550</b>	<b>600</b>	<b>900</b>
Rev. Certificate Proceeds	0	0	0	0
Change in Current Assets	(191)	(206)	39	(146)
Receivable from ISO	50	0	116	0
Long Term Notes	14	31	33	82
Change in Liabilities	31	(185)	(31)	67
Sales of Assets	0	0	0	0
Bond Issue Costs	(5)	(3)	(6)	(9)
Bond Premium (Discount)	25	4	5	(1)
Ending Cash Trueup	0	0	(137)	0
AFDC	0	0	0	0
Change in investments	3	(1)	3	3
<b>Total Sources</b>	<b>1,753</b>	<b>1,773</b>	<b>2,043</b>	<b>2,393</b>
<b>Capital Expenditure (Gross)</b>	<b>576</b>	<b>687</b>	<b>807</b>	<b>1,032</b>
<b>Ending Cash</b>	<b>1,177</b>	<b>1,086</b>	<b>1,236</b>	<b>1,361</b>

**Los Angeles Department of Water and Power**  
**Power System Operating Result**  
(\$ in millions)

	Final	Final	Actuals thru	Forecast
<b>FY ENDING JUNE 30</b>	<b>2008</b>	<b>2009</b>	<b>Apr '10</b>	<b>2011</b>
Retail Revenue	2,502	2,729	2,842	3,012
Wholesales Revenue	105	51	146	62
Others	8	(3)	31	34
<b>Total Operating Revenue</b>	<b>2,615</b>	<b>2,777</b>	<b>3,020</b>	<b>3,108</b>
Operating Expenses:				
Fuel & Purchased Power	1,323	1,134	1,277	1,308
CO2 Allowance Expense	0	0	0	0
O & M Expenses	826	882	969	1,015
Property Taxes	12	12	13	14
<b>Total O &amp; M Before Depr.</b>	<b>2,161</b>	<b>2,027</b>	<b>2,259</b>	<b>2,337</b>
Non-Cash Adj. for Pension Expense	4	4	4	4
Net Proceeds from Asset	0	0	0	0
Other Income / Expenses, Net	176	137	93	116
<b>Total Other</b>	<b>179</b>	<b>141</b>	<b>96</b>	<b>119</b>
<b>Cash Avail. for Debt Svc.</b>	<b>633</b>	<b>891</b>	<b>857</b>	<b>890</b>
Interest on Debt	210	215	220	268
Bonds Maturities	39	59	101	122
<b>Total Debt Services</b>	<b>249</b>	<b>274</b>	<b>321</b>	<b>391</b>
<b>Cash Available after D.S.</b>	<b>384</b>	<b>617</b>	<b>536</b>	<b>499</b>
Transfer to City	182	223	220	254
<b>Cash Available from Operations</b>	<b>202</b>	<b>394</b>	<b>316</b>	<b>245</b>

**Los Angeles Department of Water and Power**  
**Power System Financial Ratios**  
(\$ in millions)

FY ENDING JUNE 30	Final	Final	Actuals thru	Forecast
	2008	2009	Apr '10	2011

**Debt Service Coverage (Current / Current)**

**Revenue:**

Operating Revenue Prior to Adjustment	2,781	2,756	3,180	3,298
<b>Deferred Revenue Adjustment:</b>				
Deferred - IPP Revenue	75	51	104	147
Deferred - Public Benefit	-31	13	1	4
Deferred - Rate Stabilization	-48	-25	-2	0
Deferred - Energy Cost Adjustment	167	-73	57	8
Deferred - Energy Subsidy Adjustment	0	0	0	0
Deferred - Reliability Cost Adjustment	4	13	0	31
Deferred - Green Power	0	0	0	0
<b>Total Deferred Revenue</b>	<b>167</b>	<b>-21</b>	<b>160</b>	<b>190</b>
Operating Revenue after Adjustment	2,615	2,777	3,020	3,108
Non-Operating Revenue	176	137	93	116
<b>Total Revenue</b>	<b>2,791</b>	<b>2,914</b>	<b>3,112</b>	<b>3,224</b>

**Expense:**

Fuel and Purchased Power	1,323	1,134	1,277	1,308
CO2 Allowance Expense	0	0	0	0
O&M, DSM, PB Expenses	826	882	969	1,015
Property Taxes	12	12	13	14
<b>Total Expenses</b>	<b>2,161</b>	<b>2,027</b>	<b>2,259</b>	<b>2,337</b>

**Adjustment for Non-Cash Expense:**

Adjustment for Pension GASB 27	4	4	4	4
Adjustment for Healthcare GASB 45	0	0	0	0
<b>Cash Balance Avail for DS</b>	<b>633</b>	<b>891</b>	<b>857</b>	<b>890</b>

**Debt Service:**

Interest on Fixed Rate Debt	173	208	210	255
Interest on Variable Rate Debt	37	7	10	14
Principal Maturities	39	59	101	122
<b>Total Debt Service</b>	<b>249</b>	<b>274</b>	<b>321</b>	<b>391</b>

**Max Debt Service**

417	417	454	528
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**Balance Avail for DS**

633	891	857	890
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**Total Debt Service**

249	274	321	391
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**Debt Service Coverage (Balance Avail for DS / Total Debt Service)**

<b>2.54</b>	<b>3.25</b>	<b>2.67</b>	<b>2.28</b>
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**City Transfer**

182	223	220	254
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**D/S Ratio after City Transfer**

<b>1.81</b>	<b>2.44</b>	<b>1.99</b>	<b>1.63</b>
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**Additional Bond Test Ratio (Prev / Max) -- Must Exceed 1.25**

Net Income	322	372	391	380
LT Debt Expense	210	215	219	267
Depreciation	282	293	389	414

**Los Angeles Department of Water and Power**  
**Power System Financial Ratios**  
(\$ in millions)

FY ENDING JUNE 30	Final	Final	Actuals thru	Forecast
	2008	2009	Apr '10	2011
Adj Net Income	814	881	999	1,062
Max Debt Service	417	417	454	528
<b>Additional Bond Test Ratio (Previous Period Adj. Net Income / Max Debt Service)</b>	<b>1.92</b>	<b>1.95</b>	<b>1.94</b>	<b>1.89</b>

**Capitalization Ratio -- Must Not Exceed 60%**

Long-Term Debt	4,719	5,159	5,614	6,375
Equity	4,408	4,557	4,728	4,853
Long-Term Debt + Equity	9,126	9,716	10,343	11,229
<b>Capitalization Ratio (LT Debt / (LT Debt + Equity))</b>	<b>51.7%</b>	<b>53.1%</b>	<b>54.3%</b>	<b>56.8%</b>

**Other Ratios**

Interest Coverage	<b>3.02</b>	<b>4.14</b>	<b>3.90</b>	<b>3.32</b>
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**Fixed Charge or Off-Balance Sheet Debt (\$M)**

	2008	2009	2010	2011
<u>Conventional</u>				
IGS (IPA) - Issued	168.7	145.6	151.4	198.7
NTS (IPA) - Issued	1.7	1.3	2.7	4.4
STS (SCPPA) - Issued	39.3	42.1	40.0	43.6
Mead-Adelanto (SCPPA) - Issued	7.2	5.6	8.4	8.2
Mead-Phoenix (SCPPA) - Issued	1.6	0.9	2.0	2.0
STS Upgrade (SCPPA) - Issued	0.0	0.0	7.5	7.5
PV (SCPPA) - Issued	9.7	6.3	8.7	8.7
<u>Asset or Prepay RPS</u>				
Linden (SCPPA) - \$140M Buyout - Issued	0.0	0.0	2.5	9.9
Milford I (SCPPA) - \$270M Prepay - Pending	0.0	0.0	11.2	19.2
Milford II (SCPPA) - \$180M Prepay - Pending	0.0	0.0	0.0	0.0
Miller (SCPPA) - \$315M Buyout - Pending	0.0	0.0	0.0	0.0
Windy Point (SCPPA) - \$462M - Pending	0.0	0.0	7.5	30.1
<u>PPA RPS with Conversion Rights</u>				
Pebble Spring (SCPPA)				
Fixed Charge	228	202	242	332

**Adjusted Debt Service Ratio**

Adj. Funds Available for Debt Service	861	1,092	1,099	1,222
On-Balance Sheet Debt Service	249	274	321	391
Off-Balance Sheet Debt Service	228	202	242	332
<b>Adjusted Debt Service Ratio</b>	<b>1.80</b>	<b>2.30</b>	<b>1.95</b>	<b>1.69</b>

**Full Obligation Coverage Ratio**

City Transfer	182	223	220	254
<b>Full Obligation Ratio</b>	<b>1.42</b>	<b>1.83</b>	<b>1.56</b>	<b>1.34</b>