

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2024****Ratings:** [Fitch]: \_\_

[Standard &amp; Poor's]: \_\_

**(See "RATINGS" herein)****New Issue—Full Book-Entry**

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law, interest on the 2024 Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the 2024 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. See "TAX MATTERS" herein.*

\$ \_\_\_\_\_ \*

**CITY OF GLENDALE, CALIFORNIA  
ELECTRIC REVENUE BONDS,  
2024 SERIES**

\$ \_\_\_\_\_ \*

**CITY OF GLENDALE, CALIFORNIA  
ELECTRIC REVENUE BONDS,  
2024 REFUNDING SERIES**

**Dated: Date of Delivery****Due: February 1, as shown on the inside cover**

The City of Glendale, California (the "City" or "Glendale") is issuing its Electric Revenue Bonds, 2024 Series (the "2024 New Money Bonds") for the purpose of providing moneys for (i) paying the costs to further develop and to construct the Grayson Repowering Project, paying the cost of the Scholl Canyon Landfill Biogas Renewable Generation Project and constructing certain other improvements to the City's electric public utility, all as described herein, (ii) making a deposit to the Parity Reserve Fund under the Indenture of Trust (as defined below), and (iii) paying the costs of issuance of the 2024 New Money Bonds. See "THE PROJECTS" herein. The City is issuing its Electric Revenue Bonds, 2024 Refunding Series (the "2024 Refunding Bonds") to: (i) refund all or a portion of the City's outstanding Electric Revenue Bonds, 2013 Refunding Series (the "2013 Refunding Bonds") and/or all or a portion of the City's outstanding Electric Revenue Bonds, 2013 Series (the "2013 Bonds"), (ii) make a deposit to the Parity Reserve Fund, and (iii) pay the costs of issuance of the 2024 Refunding Bonds. See "PLAN OF FINANCE" herein.

The 2024 Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2000, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented and amended, including as supplemented and amended by the Eighth Supplement to Indenture of Trust, dated as of \_\_\_\_\_ 1, 2024, and a Ninth Supplement to Indenture of Trust, dated as of \_\_\_\_\_ 1, 2024, each by and between the City and the Trustee (collectively, the "Indenture of Trust"). The 2024 Bonds are being issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2024 Bonds. Beneficial ownership interests in the 2024 Bonds may be purchased in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the 2024 Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2024. Payments of principal of and interest on the 2024 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2024 Bonds.

The 2024 Bonds are subject to redemption prior to maturity as described herein. See "THE 2024 BONDS - Redemption" herein.

The 2024 Bonds are an obligation solely payable from the Electric Works Revenue Fund of the City and certain other funds as provided in the Indenture of Trust. The 2024 Bonds will be secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and issued from time to time pursuant to the terms of the Indenture of Trust, including the City's Electric Revenue Bonds, 2013 Refunding Series; Electric Revenue Bonds, 2013 Series; and Electric Revenue Bonds, 2016 Refunding Series, as described herein.

**The general fund of the City is not liable for the payment of any Bond (as defined herein, including any 2024 Bond) or interest thereon, nor is the credit or taxing power of the City pledged for the payment of any Bond or interest thereon. The Owner of any Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the Bonds are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income,**

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\* Preliminary, subject to change.

receipts or revenues, except the Net Income and certain other funds that are pledged pursuant to the Indenture of Trust to the payment of the Bonds and interest thereon.

**This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.**

*The 2024 Bonds are expected to be sold by competitive sale on or about \_\_\_\_\_, 2024, pursuant to the Notice Inviting Bids dated \_\_\_\_\_, 2024. The 2024 Bonds are offered when, as and if delivered to and received by the Underwriters, subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel and Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney of the City of Glendale. PFM Financial Advisors LLC, Los Angeles, California, is serving as municipal advisor to the City in connection with the issuance of the 2024 Bonds. It is anticipated that the 2024 Bonds will be available for delivery through the book-entry facilities of DTC on or about \_\_\_\_\_, 2024.*

Date: \_\_\_\_\_, 2024

## MATURITY SCHEDULES

\$ \_\_\_\_\_ \*

**CITY OF GLENDALE, CALIFORNIA**  
**ELECTRIC REVENUE BONDS, 2024 SERIES**

| <b>Maturity Date</b><br><b><u>(February 1)</u></b> | <b>Principal</b><br><b><u>Amount</u></b> | <b>Interest</b><br><b><u>Rate</u></b> | <b><u>Yield</u></b> | <b>CUSIP</b><br><b><u>Number</u></b> <sup>†</sup> |
|--|--|---------------------------------------|---------------------|---|
|  | \$                                       | %                                     | %                   |   |

\$ \_\_\_\_\_ % 2024 Series Term Bond maturing February 1, 20\_\_ Yield \_\_\_\_% CUSIP \_\_\_\_\_

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\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the 2024 Bonds. The City is not responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2024 Bonds or as indicated above. The CUSIP number for a specific bond is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such bonds.

\$ \_\_\_\_\_<sup>†</sup>  
**CITY OF GLENDALE, CALIFORNIA**  
**ELECTRIC REVENUE BONDS, 2024 REFUNDING SERIES**

| <b><u>Maturity Date</u></b><br><b><u>(February 1)</u></b> | <b><u>Principal</u></b><br><b><u>Amount</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> | <b><u>Yield</u></b> | <b><u>CUSIP</u></b><br><b><u>Number</u></b> <sup>†</sup> |
|---|---|--|---------------------|--|
|   | \$  | %  | %                   |  |

\$ \_\_\_\_\_ % 2024 Refunding Series Term Bond maturing February 1, 20\_\_ Yield \_\_\_\_% CUSIP \_\_\_\_\_

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<sup>†</sup> Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the 2024 Bonds. The City is not responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2024 Bonds or as indicated above. The CUSIP number for a specific bond is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such bonds.

No dealer, broker, salesperson or other person has been authorized by the City of Glendale (the “City” or “Glendale”) to give any information or to make any representations, other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement is not to be construed as a contract with the purchasers of the 2024 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact. In making an investment decision, investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved.

The information set forth herein has been furnished by the City and other sources which are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2024 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Statements in this Official Statement are made as of the date hereof unless stated otherwise and neither the delivery of this Official Statement at any time, nor any sales thereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

THE 2024 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website. The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect

to the 2024 Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

**CITY OF GLENDALE, CALIFORNIA  
CITY COUNCIL**

Daniel Brotman, Mayor  
Ara Najarian, Councilmember  
Paula Devine, Councilmember  
Ardy Kassakhian, Councilmember  
Elen Asatryan, Councilmember

**CITY OFFICIALS AND STAFF**

Roubik Golanian, City Manager  
Rafi Manoukian, City Treasurer  
Michael J. Garcia, City Attorney  
Jason Bradford, Director of Finance and Information Technology

**GLENDALE WATER AND POWER COMMISSION**

Nina Jazmadarian, President  
Joel Peterson, Member  
Alex Fay, Member  
Chris Lowery, Member  
Roland Kedikian, Member

**UTILITY STAFF**

Mark Young, General Manager of Glendale Water and Power  
Daniel Scorza, Chief Assistant General Manager, Electric  
Scott Mellon, Assistant General Manager, Power Management

**BOND COUNSEL  
AND DISCLOSURE COUNSEL**

Norton Rose Fulbright US LLP  
Los Angeles, California

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
Los Angeles, California

**TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

**VERIFICATION AGENT**

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[ ], [ ]

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## OFFICIAL STATEMENT

### Relating to

\$ \_\_\_\_\_\*  
**CITY OF GLENDALE, CALIFORNIA**  
**ELECTRIC REVENUE BONDS,**  
**2024 SERIES**

\$ \_\_\_\_\_\*  
**CITY OF GLENDALE, CALIFORNIA**  
**ELECTRIC REVENUE BONDS,**  
**2024 REFUNDING SERIES**

### INTRODUCTION

*This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the 2024 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned to them in the Indenture of Trust. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST – Definitions” herein.*

#### Purpose

The purpose of this Official Statement, which includes the cover page, inside cover page and Appendices hereto, is to set forth certain information in connection with the issuance and sale by the City of Glendale, California (the “City” or “Glendale”) of \$ \_\_\_\_\_\* aggregate principal amount of its Electric Revenue Bonds, 2024 Series (the “2024 New Money Bonds”) and \$ \_\_\_\_\_\* aggregate principal amount of its Electric Revenue Bonds, 2024 Refunding Series (the “2024 Refunding Bonds” and, together with the 2024 New Money Bonds, the “2024 Bonds”).

The 2024 New Money Bonds are being issued to provide moneys for (i) paying the costs (a) to further develop and to construct the Grayson Repowering Project, consisting of natural gas-powered electric generating facilities that will replace certain portions of the City’s existing Grayson Power Plant, with a total capacity of approximately 56 megawatts (three reciprocating internal combustion engines rated at 18.6 megawatts each) and a 75 megawatt/300 megawatt-hour battery energy storage system, (b) of acquisition and construction of the Scholl Canyon Landfill Biogas Renewable Generation Project (the “Biogas Renewable Generation Project”), consisting of the installation of four gas engine generators, along with a landfill gas cleanup system, and (c) of acquisition and construction of certain improvements to the City’s electric public utility, such as 4 to 12kv feeder upgrades, solar generation facilities installed on city properties, substation improvements, meter upgrades, vault replacement and transmission and distribution improvements and pole replacements, in each case including necessary and appurtenant facilities and equipment relating thereto, all to be owned by the City (collectively, the “Projects”), (ii) making a deposit to the Parity Reserve Fund under the Indenture of Trust (as defined below), and (iii) paying the costs of issuance of the 2024 Bonds, as more fully described herein. See “THE PROJECTS” herein.

The City is issuing 2024 Refunding Bonds to: (i) refund all or a portion of City’s outstanding Electric Revenue Bonds, 2013 Refunding Series (the “2013 Refunding Bonds”) and/or all or a portion of the outstanding Electric Revenue Bonds, 2013 Series (the “2013 Bonds”), (ii) make a deposit to the Parity Reserve Fund, and (iii) pay the costs of issuance of the 2024 Refunding Bonds.

See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

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\* Preliminary, subject to change.

The 2024 Bonds will be being issued on a parity with the 2013 Refunding Bonds and the 2013 Bonds that are not refunded upon issuance of the 2024 Refunding Bonds and the Electric Revenue Bonds, 2016 Refunding Series (the “2016 Refunding Bonds”). The 2013 Refunding Bonds and the 2013 Bonds that are not refunded upon issuance of the 2024 Refunding Bonds, the 2016 Refunding Bonds and the 2024 Bonds and any bonds hereafter issued on a parity therewith are collectively referred to herein as the “Bonds.”

### **Authority for Issuance**

The 2024 Bonds are authorized and issued pursuant to the Charter of the City, as amended (the “Charter”), including Article XXVI thereof, Ordinance No. \_\_\_\_ adopted by the City Council of the City (the “City Council”) on \_\_\_\_\_, 2024, and by an Indenture of Trust, dated as of February 1, 2000, by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), as supplemented and amended, including as supplemented by the Eighth Supplement to Indenture of Trust relating to the 2024 New Money Bonds (“Eighth Supplemental Indenture”), dated as of \_\_\_\_\_ 1, 2024, and the Ninth Supplement to Indenture of Trust relating to the 2024 Refunding Bonds (“Ninth Supplemental Indenture”), dated as of \_\_\_\_\_ 1, 2024, each by and between the City and the Trustee (collectively, the “Indenture of Trust”).

### **The City**

The City is a charter city of the State of California (the “State”), comprising approximately 31 square miles, in the County of Los Angeles (the “County”) in the eastern portion of the San Fernando Valley. The City is the fourth most populous city in the County, and borders on the city limits of the City of Los Angeles directly to the south. It also shares common boundaries with the City of Pasadena (“Pasadena”) on the east and the City of Burbank (“Burbank”) on the north and northwest. The City is seven miles from downtown Los Angeles, 15 miles from Los Angeles International Airport, 30 miles from Ontario International Airport and minutes from the Burbank-Glendale-Pasadena Airport. See “APPENDIX A – THE CITY OF GLENDALE” herein.

The City owns and operates its electric public utility (the “Electric System”), which was established by the Charter. The Electric System is managed and controlled by the power division of Glendale Water and Power (the “Department” or “GWP”) and supplies electricity to virtually all of the electric customers within the City limits. For the Fiscal Year ended June 30, 2023, the customer base of the Electric System was comprised of approximately 77,188 residential customers, 13,369 commercial and industrial customers, and 21 other (governmental) customers. The service area is approximately 31 square miles, with an estimated population of approximately 191,000 as of January 1, 2023.

The Electric System’s 503.5 MW resource mix as of June 30, 2023 included 286 MW gross name plate capacity of local steam and gas turbines and long-term purchase contracts (remote generation) from a variety of sources, including hydroelectric, coal and nuclear generating units. Although these resources are, and the resources upon completion of the Projects are expected to be, sufficient to meet the City’s current daily loads, a portion of the Electric System’s energy supply is purchased on the wholesale hourly, daily and month-ahead spot markets. See “THE ELECTRIC SYSTEM” herein.

### **Security and Sources of Payment for the Bonds**

The Bonds (including the 2024 Bonds) are an obligation of the City payable solely from the Electric Works Revenue Fund of the Department and certain other funds as provided in the Indenture of Trust. The 2024 Bonds will be secured by a pledge of and lien upon Net Income of the Electric System on a parity with the 2013 Refunding Bonds and the 2013 Bonds that are not refunded in connection with the issuance

of the 2024 Bonds, the 2016 Refunding Bonds and any other parity obligations of the Electric System payable from Net Income of the Electric System issued from time to time. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

**The general fund of the City is not liable for the payment of any Bond, any premium thereon upon redemption prior to maturity or interest thereon, nor is the credit or taxing power of the City pledged for the payment of any Bond, any premium thereon upon redemption prior to maturity or interest thereon. The Owner of any Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the Bonds and any premium upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and certain other funds that are pledged pursuant to the Indenture of Trust to the payment of the Bonds, interest thereon and any premium upon redemption.**

### **Parity Bonds and Obligations**

There are currently outstanding \$13,395,000 aggregate principal amount of 2013 Refunding Bonds, \$49,700,000 aggregate principal amount of 2013 Bonds and \$54,400,000 aggregate principal amount of 2016 Refunding Bonds, all secured on a parity by Net Income under the Indenture of Trust. See “PLAN OF FINANCE” herein regarding potential refunding of all or portion of the 2013 Refunding Bonds and/or all or a portion of the 2013 Bonds.

The City may issue additional Bonds and Parity Obligations under the Indenture of Trust. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds” herein.

### **Parity Reserve Fund**

The City has established the Parity Reserve Fund. The Parity Reserve Fund will be pledged to and may be used solely for payment of debt service on the Bonds and any Parity Obligations secured thereby in the event that money in the Parity Obligation Payment Fund or any comparable fund established for the payment of principal and interest on the Parity Obligations secured thereby is insufficient therefor. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Reserve Fund” herein.

### **Rate Covenant**

The City has covenanted in the Indenture of Trust that the rates for services furnished by the Electric System will be set so as to provide Gross Revenues for each Fiscal Year at least sufficient to pay the principal of and interest on the Bonds and all Parity Obligations for such Fiscal Year and all other obligations and indebtedness payable from the Electric Works Revenue Fund for such Fiscal Year or from any fund derived therefrom, and also the Maintenance and Operating Expenses for such Fiscal Year, and shall be set so that the Net Income of the Electric System for each Fiscal Year will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Bonds and Parity Obligations for such Fiscal Year. Gross Revenues for such purposes includes amounts on deposit in certain unrestricted funds or accounts of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General” and “– Rate Covenant” herein.

### **Continuing Disclosure**

The City will covenant for the benefit of the Owners and beneficial owners of the 2024 Bonds to provide certain financial information and operating data relating to the Electric System and to provide

notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” and “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

### **Other Matters**

This Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City (including the Electric System) since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories. Forward looking statements in this Official Statement are subject to risks and uncertainties, including those relating to competition and electric industry restructuring, and the economy of the City’s service area.

This Official Statement includes summaries of the terms of the 2024 Bonds, the Indenture of Trust, the Continuing Disclosure Agreement and certain contracts and other arrangements for the supply of capacity and energy. The summaries of and references to all agreements, documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such agreement, document, statute, report or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given to it in such agreement or document.

Copies of the Indenture of Trust and the Continuing Disclosure Agreement are available for inspection at the offices of the City and will be available upon request and payment of any applicable costs from the Trustee.

## **PLAN OF FINANCE**

### **2024 New Money Bonds**

The 2024 New Money Bonds are being issued to provide moneys for (i) paying the costs of the Projects, (ii) making a deposit to the Parity Reserve Fund under the Indenture of Trust, and (iii) paying the costs of issuance of the 2024 Bonds, as more fully described herein.

The Projects to be financed with the proceeds of the 2024 New Money Bonds consist of a number of capital improvements. See “THE PROJECTS” herein.

### **2024 Refunding Bonds**

The 2024 Refunding Bonds are being issued to: (i) refund all or a portion of the outstanding 2013 Refunding Bonds and/or all or a portion of the outstanding 2013 Bonds described in the table below, (ii) make a deposit to the Parity Reserve Fund, and (iii) pay the costs of issuance of the 2024 Refunding Bonds. The City will select the amounts and maturities of the 2013 Refunding Bonds and the 2013 Bonds to be refunded (the “Refunded Bonds”) based on market conditions, bond structure, and other factors. Selection of such bonds, if any, to be refunded is at the sole and absolute discretion of the City.

### **2013 Refunding Bonds**

| <b><u>Maturity Date</u></b><br><b><u>(February 1)</u></b> | <b><u>Principal</u></b><br><b><u>Amount</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> | <b><u>CUSIP</u></b><br><b><u>Number<sup>†</sup></u></b> |
|---|---|--|---|
| 2025  | \$1,265,000                                     | 5.00%  | 378406LM2   |
| 2026  | 1,330,000                                       | 5.00   | 378406LN0   |
| 2027  | 1,395,000                                       | 5.00   | 378406LP5   |
| 2028  | 1,485,000                                       | 5.00   | 378406LQ3   |
| 2029  | 1,555,000                                       | 5.00   | 378406LR1   |
| 2030  | 1,635,000                                       | 5.00   | 378406LS9   |
| 2031  | 1,715,000                                       | 5.00   | 378406LT7   |
| 2032  | 1,805,000                                       | 5.00   | 378406LU4   |

<sup>†</sup> CUSIP® is a registered trademark of American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of American Bankers Association. None of the City, its Municipal Advisor or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

### **2013 Bonds**

| <b><u>Maturity Date</u></b><br><b><u>(February 1)</u></b> | <b><u>Principal</u></b><br><b><u>Amount</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> | <b><u>CUSIP</u></b><br><b><u>Number<sup>†</sup></u></b> |
|---|---|--|---|
| 2025  | \$1,575,000                                     | 5.00%  | 378406MF6   |
| 2026  | 1,655,000                                       | 5.00   | 378406MG4   |
| 2027  | 1,740,000                                       | 5.00   | 378406MH2   |
| 2028  | 1,825,000                                       | 5.00   | 378406MJ8   |
| 2029  | 1,915,000                                       | 5.00   | 378406MK5   |
| 2030  | 2,015,000                                       | 5.00   | 378406ML3   |
| 2031  | 2,115,000                                       | 5.00   | 378406MM1   |
| 2032  | 2,220,000                                       | 5.00   | 378406MN9   |
| 2033  | 2,330,000                                       | 5.00   | 378406MP4   |
| 2034  | 2,445,000                                       | 5.00   | 378406MQ2   |
| 2035  | 2,570,000                                       | 5.00   | 378406MR0   |
| 2036  | 2,695,000                                       | 5.00   | 378406MS8   |
| 2039  | 8,925,000                                       | 5.00   | 378406MT6   |
| 2043  | 14,130,000                                      | 5.00   | 378406MU3   |

<sup>†</sup> CUSIP® is a registered trademark of American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of American Bankers Association. None of the City, its Municipal Advisor or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

The refunding will be effected by depositing a portion of the proceeds of the 2024 Refunding Bonds into an Escrow Fund established pursuant to an Escrow Agreement between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent thereunder. Such proceeds will be available to pay on \_\_\_\_\_, 2024 (the “Redemption Date”) all of the outstanding principal amount of the Refunded Bonds at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date. The refunding of the Refunded Bonds will discharge the pledge securing the Refunded Bonds, other than the pledge of amounts in the Escrow Fund, and the Refunded Bonds will no longer be considered outstanding.

*Verification.* [\_\_\_\_], a [firm of independent certified public accountants], will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the maturing principal of and interest on the Federal Securities and other moneys in the Escrow Fund to pay the redemption price of and accrued interest on the Refunded Bonds on the redemption date therefor. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

### ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the 2024 Bonds are as follows:

|                                 | <u>2024 New Money Bonds</u> | <u>2024 Refunding Bonds</u> | <u>Total</u> |
|---------------------------------|-----------------------------|-----------------------------|--------------|
| <b>Sources:</b>                 |                             |                             |              |
| Principal Amount of 2024 Bonds  | \$                          | \$                          | \$           |
| Original Issue Premium          |                             |                             |              |
| Total Sources                   | \$                          | \$                          | \$           |
| <b>Uses:</b>                    |                             |                             |              |
| Deposit to Construction Fund    | \$                          | \$                          | \$           |
| Parity Reserve Fund Deposit     |                             |                             |              |
| Cost of Issuance <sup>(1)</sup> |                             |                             |              |
| Total Uses                      | \$                          | \$                          | \$           |

<sup>(1)</sup> Includes Bond and Disclosure Counsel fees, Trustee and escrow agent fees, municipal advisor fees, rating agencies’ fees, verification agent fees, printing costs, underwriters’ discount and other miscellaneous expenses.

### ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS

The debt service requirements of the Electric System are set forth in Appendix G. See “APPENDIX G – ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS” herein.

### THE 2024 BONDS

#### General

The 2024 New Money Bonds will be dated their date of delivery and will bear interest from such date at the rates per annum and will mature on February 1 in the years set forth on the first inside cover page of this Official Statement. The 2024 Refunding Bonds will be dated their date of delivery and will bear interest from such date at the rates per annum and will mature on February 1 in the years set forth on the second inside cover page of this Official Statement. Interest on the 2024 Bonds will be payable semiannually on February 1 and August 1, commencing August 1, 2024, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest with respect to any 2024 Bond shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is during the period from the

close of business on the fifteenth day of the month immediately preceding an Interest Payment Date (a “Record Date”) to and including the next succeeding Interest Payment Date, in which case interest with respect thereto shall be payable from such Interest Payment Date, or unless such date of authentication is prior to the Record Date for the first Interest Payment Date, in which case interest with respect thereto shall be payable from the date of delivery of such 2024 Bond; provided, however, that if at the time of authentication of any 2024 Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid. Payment of interest with respect to any 2024 Bond shall be made to the person appearing on the Bond Register as the Owner thereof as of the Record Date, such interest to be paid by check or draft of the Trustee, payable in lawful money of the United States of America and mailed on the Interest Payment Date to such Owner at his or her address as it appears on the Bond Register; provided, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2024 Bonds, upon written request of such Owner delivered to the Trustee not less than 20 days prior to any Interest Payment Date, such interest shall be paid in immediately available funds by wire transfer to an account specified by the Owner in such written request on the following Interest Payment Date.

The 2024 Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). So long as Cede & Co. is the registered owner of the 2024 Bonds, references herein to the owners or registered owners shall mean Cede & Co., and not the beneficial owners of the 2024 Bonds. See “APPENDIX C – BOOK-ENTRY SYSTEM” herein.

## Redemption

### *Redemption of 2024 New Money Bonds*

*Optional Redemption.* The 2024 New Money Bonds maturing on or prior to February 1, 20\_\_ are not subject to redemption prior to maturity. The 2024 New Money Bonds maturing on and after February 1, 20\_\_ are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on [February] 1, 20\_\_ or on any date thereafter, in any order of maturity as directed in writing by the City and by lot within a maturity, from funds derived by the City from any legal source, at a redemption price equal to 100% of the principal amount of the 2024 New Money Bonds to be redeemed, together with accrued interest to the redemption date.

*Mandatory Sinking Fund Redemption.* The 2024 New Money Bonds listed below are subject to mandatory sinking fund redemption prior to maturity, in part, at a redemption price of one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date, in the following principal amounts and on the dates set forth below:

#### **2024 New Money Bonds Maturing on February 1, 20\_\_**

| Mandatory Sinking<br>Fund Payment Date<br>(February 1) | Mandatory Sinking<br>Fund Payment |
|--|-----------------------------------|
| _____  | _____                             |

\*

\* Final Maturity.

## Redemption of 2024 Refunding Bonds

*Optional Redemption.* The 2024 Refunding Bonds maturing on or prior to February 1, 20\_\_ are not subject to redemption prior to maturity. The 2024 Refunding Bonds maturing on and after February 1, 20\_\_ are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on [February] 1, 20\_\_ or on any date thereafter, in any order of maturity as directed in writing by the City and by lot within a maturity, from funds derived by the City from any legal source, at a redemption price equal to 100% of the principal amount of the 2024 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

*Mandatory Sinking Fund Redemption.* The 2024 Refunding Bonds listed below are subject to mandatory sinking fund redemption prior to maturity, in part, at a redemption price of one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date, in the following principal amounts and on the dates set forth below:

### 2024 Refunding Bonds Maturing on February 1, 20\_\_

| <u>Mandatory Sinking<br/>Fund Payment Date<br/>(February 1)</u> | <u>Mandatory Sinking<br/>Fund Payment</u> |
|---|---|
|---|---|

\*

\* Final Maturity.

## Redemption Procedures

*Notice of Redemption.* Notice of redemption shall be mailed, postage prepaid, to (i) the registered Owners of the Bonds and (ii) one or more information services, in each case at least 30 days but not more than 60 days prior to the redemption date. Notice of redemption shall also be given by telecopy, certified, registered or overnight mail to certain securities depositories one day prior to the mailing of notice of redemption to the Owners and the information services. The notice of redemption shall (a) state the redemption date; (b) state the distinguishing designation of the Bonds to which such notice relates; (c) state the redemption price; (d) state the numbers and the date or dates of maturity of the Bonds to be redeemed, provided, however, that whenever any call includes all of the Outstanding Bonds subject to call, the numbers of the Bonds need not be stated; (e) state the place where the redemption will be made; and (f) give notice that further interest on such Bonds will not accrue after the designated redemption date or dates.

The actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent to the redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date.

So long as the DTC book-entry system is used for the Bonds, the Trustee will give any notice of redemption required to be given to the registered Owners of the Bonds only to DTC.

*Effect of Redemption.* When notice of redemption has been given, and when the amount necessary for the redemption of the Bonds called for redemption (principal and any premium) is set aside for that purpose, the Bonds designated for redemption shall become due and payable on the redemption date, and

upon presentation and surrender of the Bonds, at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at said redemption price, and no interest shall accrue on such Bonds called for redemption after the redemption date.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General**

The Bonds are an obligation of the City payable solely from the Electric Works Revenue Fund of the Department and certain other funds as provided in the Indenture of Trust. The Bonds are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System that may be issued from time to time. The Bonds are not secured by or payable from revenues of the City's water system (the "Water System").

The general fund of the City is not liable for the payment of any Bond, any premium thereon upon redemption prior to maturity or interest thereon, nor is the credit or taxing power of the City pledged for the payment of any Bond, any premium thereon upon redemption prior to maturity or interest thereon. The Owner of any Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the Bonds and any premium upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and certain other funds that are pledged pursuant to the Indenture of Trust to the payment of the Bonds, interest thereon and any premium upon redemption.

Certain of the City's obligations to joint powers agencies, including obligations with respect to bonds issued by such joint powers agencies, are payable by the City from the Electric Works Revenue Fund as Maintenance and Operating Expenses, prior to the payment of the Bonds and any Parity Obligations.

"Net Income" is defined in the Indenture of Trust as Gross Revenues less Maintenance and Operating Expenses. "Gross Revenues" means all revenues, charges, income and receipts derived by the Department from the operation of the Electric System or arising from the Electric System (including all revenues, charges, income and receipts received by the Department from the services, facilities, and distribution of electric energy by the Department), including, but not limited to (i) income from investments and (ii) only for the purposes of determining compliance with the rate covenant in the Indenture of Trust, the amounts on deposit in any other unrestricted funds of the Electric System designated by the City Council by resolution (or by approval of a budget of the Electric Works Revenue Fund providing for such transfer) and available for the purpose of paying Maintenance and Operating Expenses and/or debt service on the Bonds and/or any Parity Obligations, but excepting therefrom (a) all refundable charges and deposits to secure electric service and (b) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated solely to the payment of obligations other than the Bonds or any Parity Obligations then outstanding, the payments of which obligations will be applied solely to or pledged solely to or otherwise set aside solely for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

"Maintenance and Operating Expenses" is defined in the Indenture of Trust to mean the amount required to pay the reasonable expenses of management, repair and other costs of the nature of costs which have historically and customarily been accounted for as such, necessary to operate, maintain and preserve the Electric System in good repair and working order, including but not limited to, the cost of supply and

transmission of electric energy under long-term contracts or otherwise and the expenses of conducting the power division, but excluding depreciation. “Maintenance and Operating Expenses” shall (i) include all amounts required to be paid by the City under contract with a joint powers agency for purchase of capacity, energy, transmission capability or any other commodities or services in connection with the foregoing, which contract requires payments by the City to be made under the Indenture of Trust to be treated as Maintenance and Operating Expenses and (ii) exclude during a Fiscal Year any Maintenance and Operating Expenses paid during such Fiscal Year (or expected to be paid during such Fiscal Year, for the purpose of determining compliance with the rate covenant in the Indenture of Trust) from any fund or account that is not a fund or account established pursuant to the Indenture of Trust and that is not pledged to the payment of the Bonds and Parity Obligations. “Maintenance and Operating Expenses” shall not include any payments from Gross Revenues to the City for payments-in-lieu of taxes and any transfers to the City’s general fund.

### **Rate Covenant**

So long as any of the Bonds are Outstanding, the City covenants with the Owners of the Bonds that the rates to be charged for services furnished by the Electric System shall be set so as to provide Gross Revenues for each Fiscal Year at least sufficient to pay, as the same become due, the principal of and interest on the Bonds and Parity Obligations for such Fiscal Year and all other obligations and indebtedness payable from the Electric Works Revenue Fund for such Fiscal Year (including the payment of any amounts owing to the provider of any surety bond, insurance policy or letter of credit with respect to the Bonds or any Parity Obligations, which amounts are payable from the Electric Works Revenue Fund) or from any fund derived therefrom, and also the Maintenance and Operating Expenses for such Fiscal Year, and shall be so set such that the Net Income of the Electric System for each Fiscal Year shall be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due, on all Bonds and Parity Obligations for such Fiscal Year. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST – Definitions – Gross Revenues” and “– Covenants – Rates and Charges.”

### **Funds and Accounts; Electric Works Revenue Fund**

The Charter establishes the Electric Works Revenue Fund and permits the establishment of such funds as the City Council may deem necessary to facilitate the issuance and sale of Bonds or for the protection or security of the Owners of the Bonds.

Under the provisions of the Charter, all Gross Revenues shall be deposited in the Electric Works Revenue Fund. The Charter further provides that all disbursements (except disbursements payable from the electric works depreciation fund) provided in the Department’s budget on account of the electric works shall be paid from the Electric Works Revenue Fund.

Any Gross Revenues remaining in the Electric Works Revenue Fund at the end of a Fiscal Year, except as otherwise provided in a Supplemental Indenture of Trust, shall be held free and clear of the Indenture of Trust by the City, and the City may use and apply such remaining amount for any lawful purpose of the City, including, but not limited to, the redemption of Bonds or Parity Obligations upon the terms and conditions set forth in the Supplemental Indenture of Trust or other instrument authorizing such Bonds or Parity Obligations, the purchase of Bonds or Parity Obligations as and when and at such prices as the City may determine, and the payment of any subordinate obligations in accordance with the instruments authorizing such subordinate obligations; provided, however, that any such remaining Gross Revenues shall be transferred to the Glendale Water and Power Surplus Fund established pursuant to Section 22 of Article XI of the Charter if and to the extent required by the Charter. In addition, the City Council, as required by the Charter, transfers moneys to the City’s general fund from the Glendale Water and Power Surplus Fund each year. See “THE ELECTRIC SYSTEM – Transfers to the General Fund of the City.”

## Parity Reserve Fund

The Indenture of Trust establishes the Parity Reserve Fund to be held by the Trustee. The Parity Reserve Fund shall be maintained in an amount equal to the Reserve Fund Requirement, less any moneys on deposit in an unrestricted fund or account of the Electric System as permitted in the definition of "Reserve Fund Requirement." "Reserve Fund Requirement" is defined in the Indenture of Trust to mean, as of any date of determination and excluding therefrom any Bonds or Parity Obligations for which no reserve fund is to be maintained or for which a separate reserve fund is to be maintained, the least of (a) ten percent (10%) of the issue price of each Series of Bonds and Parity Obligations to be secured by the Parity Reserve Fund as determined under the Internal Revenue Code of 1986, (b) the maximum Annual Debt Service for the current or any subsequent year on all Bonds and Parity Obligations to be secured by the Parity Reserve Fund, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service on all Bonds and Parity Obligations to be secured by the Parity Reserve Fund, all as computed and determined by the City; provided, that with respect to such least amount, up to fifty percent (50%) of such least amount may be held in any unrestricted fund or account of the Electric System that is not pledged to secure the payment of the Bonds and any Parity Obligations; provided further, that such requirement (or any portion thereof) may be provided by the City delivered to the Trustee for credit to the Parity Reserve Fund, one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer if the obligations insured by such insurer have ratings at the time of issuance of such policy or surety bond equal to "Aaa" assigned by Moody's Investors Service and "AAA" assigned by Standard & Poor's (and if such insurance company is rated by A.M. Best & Company, such insurance company is rated in the highest rating category by A.M. Best & Company) or by a letter of credit issued by a bank or other institution if the obligations issued by such bank or other institution have ratings at the time of issuance of such letter of credit equal to "Aa" or higher assigned by Moody's Investors Service or "AA" or higher assigned by Standard & Poor's.

At the time of issuance of the 2024 Bonds, the Reserve Fund Requirement will be satisfied to the maximum extent permitted in the definition of "Reserve Fund Requirement" (i.e., 50% of one hundred twenty-five percent of the Average Annual Debt Service on the Bonds (which, upon issuance of the 2024 Bonds, will consist of the 2013 Refunding Bonds and the 2013 Bonds (other than the Refunded Bonds), the 2016 Refunding Bonds and the 2024 Bonds) and any Parity Obligations (of which none will exist at the time of issuance of the 2024 Bonds)) by moneys held in an unrestricted fund or account of the Electric System that is not pledged (and for which no lien exists) to secure the payment of the Bonds and any Parity Obligations. Moneys held in such unrestricted fund or account may be used for many purposes, and are not pledged for the payment of principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund. At the time of issuance of the 2024 Bonds, the Reserve Fund Requirement for the Bonds will be \$\_\_\_\_\_. At the time of issuance of the 2024 Bonds, approximately \$\_\_\_\_\_ of such amount will be held in investment securities and approximately \$\_\_\_\_\_ will be held in such unrestricted funds or accounts.

The Parity Reserve Fund is pledged to, and shall be used solely for, the purpose of paying the principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund (and only those Bonds and Parity Obligations secured by the Parity Reserve Fund) in the event that money in the Parity Obligation Payment Fund or any comparable fund established for the payment of principal and interest on the Parity Obligations secured thereby is insufficient therefor, and for that purpose money shall be transferred from the Parity Reserve Fund to the Parity Obligation Payment Fund. Whenever money is transferred from the Parity Reserve Fund, an equal amount of money shall be transferred to the Parity Reserve Fund from the first available money in the Electric Works Revenue Fund (after the payment of

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\* Preliminary, subject to change.

Maintenance and Operating Expenses and after transfers to the Parity Obligation Payment Fund) if required to bring the balance on deposit in the Parity Reserve Fund up to the Reserve Fund Requirement.

### **Additional Bonds**

The Indenture of Trust provides that (except for bonds issued under Article XXVI of the Charter, or otherwise, to refund Bonds or Parity Obligations, payable from the Electric Works Revenue Fund, which may be issued at any time without meeting the test set forth below) no additional indebtedness of the City payable out of the Electric Works Revenue Fund on a parity with the Bonds and any Parity Obligations (collectively referred to in the Indenture of Trust as “parity indebtedness”) shall be created or incurred unless:

- (1) The Net Income during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, plus, at the option of the City, any or all of the items designated as (a) and (b) below, shall have amounted to at least one hundred ten percent (110%) of the aggregate of the (i) amount of interest to accrue and (ii) payments of principal required to be made in the Fiscal Year ending thereafter in which such aggregate will be the greatest on all Bonds and such Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional parity indebtedness, as certified by a Certificate of the City; or
- (2) The projected Net Income during the first complete Fiscal Year following issuance of such parity indebtedness when the improvements to the Electric System financed with the proceeds of the parity indebtedness shall be in operation, plus, at the option of the City, any or all of the items designated as (a) and (b) below, shall have amounted to at least one hundred ten percent (110%) of the aggregate of the (i) amount of interest to accrue and (ii) payments of principal required to be made in the Fiscal Year ending thereafter in which such aggregate will be the greatest on all Bonds and such Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional parity indebtedness, as certified by a Certificate of the City.

The items any or all of which may be added to such Net Income for the purpose of meeting either of the requirements set forth in clauses (1) or (2) above are the following:

- (a) An allowance for any increase in Net Income (including, without limitation, a reduction in Maintenance and Operating Expenses) which may arise from any additions to or extensions or improvements of the Electric System to be made or acquired with the proceeds of such additional parity indebtedness or with the proceeds of bonds previously issued, and also for Net Income from any such additions, extensions or improvements which have been made or acquired with moneys from any source but which, during all or any part of such Fiscal Year or such twelve (12) consecutive calendar month period out of the immediately preceding eighteen (18) calendar month period, were not in service, all in an amount equal to the estimated additional average annual Net Income (or estimated average annual reduction in Maintenance and Operating Expenses) to be derived from such additions, extensions or improvements for the first thirty-six (36) month period in which each addition, extension or improvement is to be in operation, all as shown by the Certificate of the City.
- (b) An allowance for earnings arising from any increase in the charges made for the use of the Electric System which has become effective prior to the incurring of such additional parity indebtedness but which, during all or any part of such Fiscal Year or such twelve (12)

consecutive calendar month period out of the immediately preceding eighteen (18) calendar month period, was not in effect, in an amount equal to the amount by which the Net Income would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such twelve (12) consecutive calendar month period out of the immediately preceding eighteen (18) calendar month period, as shown by the Certificate of the City.

Nothing in the Indenture of Trust limits the ability of the City to issue or incur obligations that are junior and subordinate in payment to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations and which subordinate obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Net Income after the prior (i) payment of all amounts then due and required to be paid or set aside under the Indenture of Trust from Net Income for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable and at the times and in the manner as required in the Indenture of Trust or any documents providing for the issuance or incurrence of Parity Obligations and (ii) transfer to the Rebate Fund at the times and in the manner as required in the Indenture of Trust.

### **Investment of Funds**

All moneys held in the funds and accounts established pursuant to the Indenture of Trust will be deposited or invested in Investment Securities, which include, among other things, any permissible investments of funds of the City as stated in its current Investment Policy and to the extent then permitted by law.

Gross Revenues are invested under the direction of the Treasurer of the City. The Treasurer manages the investment portfolio of the City and is charged to pursue the primary objectives of preservation of principal and liquidity, while attaining a yield commensurate with the cash flow needs and the investment risk constraints of the portfolio. As a result, the investment portfolio of the City has historically been weighted heavily in obligations of the U.S. Treasury and obligations of U.S. agencies and Government-sponsored enterprises. Investments in the City portfolio are typically held to maturity to minimize market risk.

The money management function and the fund accounting functions of the City's investment portfolio are separate functions. On a monthly basis, the Treasurer renders a report of investment activity to the City Council and the City Manager.

The City's current Investment Policy provides that the City may invest in the following types of investments: U.S. Treasuries; obligations of federal agencies; bankers acceptances; commercial paper; FDIC insured (or collateralized) certificates of deposit; negotiable certificates of deposit; medium term notes; and the State of California Local Agency Investment Fund.

All investments, including the Investment Securities and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, market risk, credit risk and reinvestment risk.

The City's Investment Policy may be changed at any time by the City Council (subject to the State law provisions relating to authorized investments). There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments that are currently not permitted under State law or the Investment Policy or that the objectives of the City with respect to investments or its investment holdings at any point in time will not change.

## **Limitations on Remedies; Legislative and Other Changes**

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against cities and other public agencies in the State. Additionally, enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the City, may become subject to various limitations. Further, the rights of Owners of the Bonds are also subject to future legislative changes, voter initiatives, referenda and charter amendments, among other things. See “CERTAIN RISK FACTORS” herein.

## **THE PROJECTS**

### **Grayson Repowering Project**

In July 2019, the Department completed its Integrated Resource Plan that identified approximately 93 MW of new (or repowered) local generation at the existing Grayson Power Plant site as the best option to meet regulatory requirements for reliability. The Department proposed to repower the existing Grayson Power Plant, excluding Unit 9, with three new Internal Combustion Engines (“ICEs”) totaling approximately 56 MW (18.6 MW per unit) and a 75MW/300 MWh battery energy storage system. The ICEs were chosen because they have among the best simple-cycle efficiency in the market, can potentially run on hydrogen or renewable natural gas should these fuels become available in the future, have minimal water consumption, start up quickly, have extremely fast ramp capability, and have no output degradation over the resource lifetime. The improvements described above comprise the Grayson Repowering Project.

Originally commissioned in the 1940s, the Grayson Power Plant is well past its useful life and needs to be repowered in order to meet the current and future energy needs of the City of Glendale. Also, the South Coast Air Quality Management District’s Rule 1135 requires GWP to commit to plan to bring the power plant units into compliance with current day emission limit requirements. The Grayson Repowering Project will enhance the existing Grayson Power Plant’s position as an important component of the Electric System, providing efficient, reliable and cost effective electricity to customers within the City by replacing older generation facilities at that site. Local generation, such as the existing Grayson Power Plant, protects customers in the community during extreme events where import of electrical power is disrupted, insufficient or unavailable.

The Final Environmental Impact Report of the Grayson Repower Project was certified on February 15, 2022. On March 1, 2022, the City Council approved the final design, demolition and construction of the project but delayed the decision on the number of ICE units until later in 2022. On August 16, 2022, the City Council approved the Limited Notice to Proceed Engineering Services for three ICE units. “THE ELECTRIC SYSTEM - Principal Existing Facilities; Resources Generally” for additional information about the history of the Grayson Power Plant and development of the Grayson Repowering Project.

The Grayson Repowering Project began in June 2023 with demolition and site improvements. Completion of the proposed project is anticipated to be in mid-2026. Based upon current estimates, the cost for the Grayson Repowering Project is expected to be approximately \$525 million including contingencies. The final cost will not be known until the construction is completed. Nearly all of the estimated capital costs for the Grayson Repowering Project are expected to be financed by Glendale through the issuance of the 2024 New Money Bonds and additional Bonds currently expected to be issued in 2025 and thereafter.

As of June 30, 2023, five steam turbine units and two gas turbine generator combined cycle units were retired. The total book value of the seven units written off was approximately \$28 million.

## **Scholl Canyon Landfill Biogas Renewable Generation Project**

The Scholl Canyon Landfill is an existing Class II nonhazardous landfill located in the City that has been accepting waste since the 1960s. Between 1996 and 2017, the City was primarily burning the landfill gas from the Scholl Canyon Landfill in steam boilers located at the Grayson Power Plant via a 5.5-mile long underground dedicated pipeline. In 2018, based on Southern California Air Quality Management District (“SCAQMD”) directives, the City discontinued burning landfill gas in the Grayson boilers. Since then, the landfill gas has been burned in an existing flaring system onsite and operated by the Los Angeles County Sanitation District.

To ensure use of the existing landfill gas, as well as to provide a renewable energy resource, the City proposed the Biogas Renewable Generation Project to install four Jenbacher Gas Engine Generators with a related landfill gas cleanup system, on a 2.2-acre site at the Scholl Canyon Landfill. Per modeling done by the consultant on the future gas production and degradation of landfill gas after its closure, there will be sufficient gas production to run the proposed four engines until 2034, and three engines until 2042. During this time, the Biogas Renewable Generation Project will generate approximately 12MW-10.5MW (four engines) and 9MW-7.7MW (three engines) of gross renewable power. After 2042, there will be only two engines running and generating an estimated 6MW of gross power.

On November 30, 2021, the City Council certified the Final Environmental Impact Report as well as approved the Conditional Use Permit and Special Recreation Permit. On January 24, 2023, the City Council approved the issuance of Full Notice to Proceed to purchase power island major equipment, as well as authorized the City Manager to execute a contract for the engineering, design, and construction of the Biogas Renewable Generation Project. A SCAQMD permit was approved on August 29, 2023. There are no other major permits needed.

Site work for the Biogas Renewable Generation Project commenced in September 2023, with completion anticipated in June 2025. Based upon current estimates, the cost for the Biogas Renewable Generation Project is expected to be approximately \$73 million. The final cost will not be known until construction is completed.

Approximately 50% of the estimated capital costs for the Biogas Renewable Generation Project is expected to be financed through the issuance of the 2024 New Money Bonds and additional Bonds currently expected to be issued in 2025 and thereafter.

## **Other Electric System Improvements**

2024 Bond proceeds are also expected to be fund the costs of acquisition and construction of certain other improvements to the City’s Electric System, such as 4 to 12kv feeder upgrades, solar generation facilities installed on City properties, substation improvements, meter upgrades, vault replacement and transmission and distribution improvements and pole replacements.

## **GLENDALE WATER AND POWER**

### **General Description**

The City is a charter city of the State. The City Charter provides for the creation of major departments, including the Department which is responsible for construction, maintenance and operation of all public utilities owned or operated by the City, including the Electric System and a Water System. The General Manager of Water and Power administers the Department under the authority of the City Manager and is charged with the operation of both the Electric System and the Water System.

The Department provides water and electricity to nearly all the residential, commercial and industrial customers within the City limits. The funds and accounts of the Electric System and the Water System are held separately, and the funds and accounts of one system are not pledged to the other system's obligations.

### **Management of the Department**

The City Council has established the Glendale Water and Power Commission (the "Commission"), which is an advisory commission with the power and duty to make recommendations to the City Council: concerning (i) the operations and facilities of Glendale Water and Power and the need for changes or additions in its plant or in its operation; (ii) ways and means of financing changes and additions to the plant or the methods of operation; and (iii) changes of administrative policy which the commission deems desirable in order that the Department may better serve the people of Glendale. In addition, the Commission serves as an appellate board with respect to cases concerning energy and water meter tampering and water backflow prevention devices. The Commission may also exercise such other powers and duties as may be prescribed by ordinance not inconsistent with the City Charter.

The Electric System is under the direct management of the General Manager of Glendale Water and Power. Senior Management of the Department includes:

***Mark Young, General Manager of Glendale Water and Power.*** Mr. Young started his career with the Department in 1989, after starting his electrical power generation career with the United States Naval Nuclear Power program in 1981. Along with a Bachelor of Science degree from the University of Phoenix in Business Management, credits in Electrical Engineering, and a power plant operations certificate from Los Angeles Trade Technical College, Mr. Young has over 41 years of experience in power generation, operations, contract implementation and administration, marketing, and power resource planning. Mr. Young has provided dedicated service to the Glendale community for the past 34 years through the positions of Power Plant Control Operator, Electrical System Dispatcher, Senior Electrical System Dispatcher, Acting Power Scheduler, Energy Marketer/Trader, Energy Trading Manager, Integrated Resources Planning Administrator/Manager, Deputy General Manager- Power Management, and Assistant General Manager – Power Management.

***Richard Ruyle, Water Services Administrator.*** Mr. Ruyle joined the Department in 2017 as the Water Services Administrator. Mr. Ruyle is responsible for management of Water Division Operations including engineering, operations, construction, and water quality. He is a Registered Professional Civil Engineer in the State of California. Mr. Ruyle holds a Master's Degree in Civil Engineering and a Bachelor's Degree in Environmental Science Engineering from the University of Michigan, Ann Arbor. He has extensive experience in the water business that includes experience in municipal utilities, water districts, forensics engineering and private consulting.

***Daniel Scorza, Chief Assistant General Manager, Electric.*** Mr. Daniel Scorza joined the Department in 2019 as the Chief Assistant General Manager – Electric Services. He oversees the Electrical Engineering and the Electrical Transmission & Distribution Operations and Construction sections. Mr. Scorza previously worked for the Los Angeles Department of Water and Power ("LADWP") for 36 years, and during his last 10 years there, he served LADWP as a Power Engineering Manager. He comes to the Department with a wealth of experience in areas such as utility engineering and system studies, operations, maintenance, corporate finance, corporate training, legislative matters, and engineering services contracts. Mr. Scorza has a Bachelors in Science degree in Electrical Engineering (electronics) from California State University – Los Angeles ("CSULA"), a Masters in Electrical Engineering degree (telecommunications/computer systems) from CSULA, a Masters in Electrical Engineering degree with an emphasis in Power Systems from University of Southern California (USC), and a Master's in Business

Administration from the USC. Mr. Scorza is a registered Professional Electrical Engineer in the State of California.

***Scott K. Mellon, Assistant General Manager, Power Management.*** Mr. Mellon began his engineering career in aerospace developing electrical subsystems for multiple aircraft such as reusable launch vehicles, stealth drones, and lighter-than-air platforms. Inspired by what he learned about software-based control systems and the potential for such systems in a smarter future electric grid, he joined Burbank Water and Power (BWP) in 2001. Mr. Mellon spent most of his tenure at BWP as a Principal Electrical Engineer and Project Manager in the Power Supply division, most recently managing an Advanced Distribution Management System implementation. Joining the Department in September 2022 as the Assistant General Manager – Power Management, Mr. Mellon brings significant experience working with 24-hour operations staff maintaining grid stability, implementing utility-scale energy projects, and overseeing renewable energy contract negotiations which are critical to meeting Renewable Portfolio Standards and City Council goals for carbon neutrality. Mr. Mellon has a Bachelor of Science in Electrical Engineering (BSEE) from University of California, Irvine where he earned a Specialization in Power System Design and was a team lead on a Hybrid Electric Vehicle Project competition. He is a licensed Professional Engineer in the State of California (since 2001) and holds a Leadership certificate from Woodbury University.

***David Davis, Utility Finance Manager.*** Mr. Davis has over 35 years in accounting, financial reporting, management reporting and 20 years of progressively responsible, professional, broad-based electric and water utility experience. As Utility Finance Manager, he is charged with full management responsibility for financial reporting, budgeting and regulatory reporting for both Water and Electric utilities. Mr. Davis holds a Bachelor's degree in Accounting from the University of Akron. Additionally, Mr. Davis is a Certified Public Accountant licensed in the State of California.

## **Glendale Water and Power Governance**

The City Council acts as the Board of Directors of the Department. The City Council consists of five members, who serve four year terms. Elections are held every two years, with three members up for election in one cycle and two members up for election in the next cycle. The mayor is chosen annually from among the council members to serve as mayor. The City Council's authority consists of, but is not limited to, establishing rates, approving budgets and approving the hiring of senior management.

The current members of the City Council and their terms are:

|                                | <u>Current Term Began</u> | <u>Current Term Expires</u> |
|--------------------------------|---------------------------|-----------------------------|
| Daniel Brotman, Mayor          | July 2022                 | June 2026                   |
| Ardy Kassakhian, Councilmember | April 2020                | June 2024                   |
| Paula Devine, Councilmember    | April 2020                | June 2024                   |
| Ara Najarian, Councilmember    | July 2022                 | June 2026                   |
| Elen Asatryan, Councilmember   | July 2022                 | June 2026                   |

## **Employees of Glendale Water and Power**

For the Fiscal Year ended June 30, 2023, the Department budgeted for approximately 238 full-time employees for the Electric System. Most Electric System employees are represented by the Glendale City

Employees Association (“GCEA”), the International Brotherhood of Electrical Workers (“IBEW”) and the Glendale Management Association (“GMA”) in all matters pertaining to wages, benefits and working conditions. The GCEA and the GMA each entered into a memorandum of understanding with the City that will expire on June 30, 2024. Glendale has recognized Local 18 of IBEW as the exclusive representative of approximately 111 of the 238 full-time Electric System employees. The contract with IBEW, which was approved in March 2020, expired on July 31, 2023. The City is currently in negotiation with IBEW on a new contract.

## **Pension Plan**

The Electric System’s permanent employees are all covered by the California Public Employees Retirement System (“CalPERS”) with respect to pension benefits. Pension costs are funded by bi-weekly contributions to CalPERS by the City. The City fully funded its annual required contributions. Measured as of June 30, 2022 (the most recent actuarial information available), the City’s actuarial value of the City’s assets in the plan at June 30, 2022 was approximately \$1.344 billion, the actuarial accrued liability was approximately \$985 million and the unfunded actuarial accrued liability was approximately \$359 million. Department employees are part of the City’s miscellaneous pension plan. CalPERS does not provide data to participating organizations in such a manner so as to facilitate separate disclosure for the Department’s share of the actuarial computed pension benefit obligation, the plan’s net assets available for benefit obligation and the plan’s net assets available for benefits. Approximately 13% of full-time City workers are employed by the Department.

## **Post-Retirement Health Benefits**

The Governmental Accounting Standards Board (“GASB”) in April 2004 issued Statement No. 43, which requires state and local governmental employers to determine, on an actuarial basis, the total liability of post-employment benefits other than pension benefits (known as other post-employment benefits or “OPEB”), including healthcare and life insurance expenses and related liabilities, and an annual required contribution to fund such liabilities. In June 2004, GASB issued Statement No. 45, which requires state and local governmental employers to fund the actuarially determined annual required contribution (“ARC”) for its OPEB or record the entire amount of the unfunded liability of its OPEB in its financial statements.

The City provides Medicare Part A reimbursements to retirees and their spouses if the retirees were hired in the City prior to April 1, 1986, and ineligible for premium-free Medicare Part A.

The City also provides a cash subsidy for medical insurance premiums to three groups of retirees: (1) retirees who retired before July 1, 2001, and the length of the subsidy was pre-determined based on the retirees’ sick leave balances at the time of retirement. The subsidy is capped by the actual premium, and the unreduced city-paid amount continues to surviving spouses if the retirees die prior to the pre-determined payment period; (2) retirees who retired before June 1, 2016 with a minimum of 10 years of City service, enroll in a City sponsored medical plan and meet the annual income requirement. The eligibility and subsidy amount are evaluated on an annual basis. This is a lifetime subsidy for the eligible retirees except it will discontinue at age 65 for the retirees with enhanced pension benefits. The benefit will continue to surviving spouses, if applicable; (3) the surviving spouses and dependents of deceased retirees if the retirees retired before June 1, 2008 and enrolled in Anthem Blue Cross PPO at the time of the death, and the length of subsidy is two years.

The City also provides a cash subsidy for medical insurance premium to surviving spouses and dependents of active non-safety employees who pass away during their employment with the City. The subsidy is two years for the City Council, the Executives and the GMA employees, regardless of the medical insurance plans enrolled at the time of the death. The subsidy is two years for GCEA and IBEW employees

if enrolled in Anthem Blue Cross PPO at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in HMO plans at the time of the death and if the employees' death is a result of injuries incurred in the performance of his/her assigned duties. At the same time, the City provides cash subsidy for dental insurance premium to surviving spouses and dependents of active safety employees who pass away during their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the City for the year ended June 30, 2023 were \$509,000. At June 30, 2022 (the most recent measurement date), 1,522 current and former employees were covered by the foregoing benefit terms.

According to a report dated August 17, 2023, and issued by the City's actuary, Foster & Foster, the unfunded OPEB liability as of June 30, 2022 (the most recent actuarial valuation date), was approximately \$12 million. Of that amount, \$1.7 million is attributable to the Electric System. The City does not have funds in an OPEB trust and does not pre-fund OPEB contributions.

## **Insurance**

The City carries property insurance through Arthur J. Gallagher Insurance Company for the Department. The property insurance policy covers "All Risk of Direct Physical Loss or Damage including Flood, excluding Earthquake." Current deductibles range from \$25,000 to \$250,000. Sub-limits apply to various specific components of this coverage.

The City is self-insured and administered for workers' compensation claims. Funding for this protection is provided through an Internal Service Fund. The City carries an excess workers' compensation insurance policy with a \$2 million self insured retention. The City is also self-insured for unemployment insurance, general auto and public liability through separate Internal Service Funds. The City carries an excess liability insurance policy with a \$5 million self insured retention and a \$25 million limit. A claims payable liability has been established in these funds based on a case-by-case basis with estimates of reported claims and an estimate for claims incurred but not reported. Management of the City believes that provisions for claims at June 30, 2023 are adequate to cover the net cost of claims incurred to that date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates.

## **THE ELECTRIC SYSTEM**

### **History and General**

Until 1937, the City purchased all of its electric energy from the Southern California Edison Company ("Edison"), successor to Pacific Light and Power Company, for distribution and sale to its customers. After the Boulder Canyon Project Act was approved by Congress in 1928, the City signed, in 1931, a contract with the United States for approximately 80,000 megawatt-hours ("MWh") of firm energy annually to be generated at the Hoover Dam. A contract was entered into at the same time with the City of Los Angeles to transmit this energy to the City at the maximum capacity of approximately 18 MW.

Studies made in 1938 showed that this firm allotment of Hoover Dam energy would not be sufficient for the City after 1942, with the result that the City established its own steam electric generating station located within the City, the Grayson Power Plant, with the first 20 MW unit being placed in service in 1941. This unit not only supplied energy to keep up with the growth of the City but also acted as standby

to the transmission line from the Hoover Dam Power Plant. Since that time additional units owned by the City (and others) have been placed in service to supply the energy requirements of the City.

The Electric System is interconnected with and in the Los Angeles Department of Water and Power Balancing Area. In 2021, the American Public Power Association recognized the Department as a DIAMOND Reliable Public Power Provider (RP3) for its service reliability, improvement programs, and safety performance.

### **Principal Existing Facilities; Resources Generally**

Glendale owns facilities for the distribution of electric power. These facilities include approximately 56 miles of 34/69 kV power lines, 503 miles of 4/12 kV distribution lines and 12 distribution substations.

Glendale maintains a diverse resource mix, with capacity available from natural gas, nuclear generating units, coal, large hydroelectric and a range of renewable resources, totaling 503.5 MW as of June 30, 2023. Glendale's largest resource is the city-owned steam and gas-fired combustion turbines at the Grayson Power Plant with a gross nameplate capacity of 286 MW. The Grayson Power Plant generating station, which is located within the City and has been in service since 1941. The Grayson Power Plant steam boiler units (three, four and five) have a total gross nameplate capacity of 108 MW. The sixth and seventh units were retired in 2002 and were replaced with Unit 9 in 2003. The eighth unit consists of three natural gas fueled combined cycle combustion turbines and two heat recovery steam generators ("HRSGs"), which, in combination with Units 1 and 2 steam turbine generators, have a gross nameplate capacity of 120.48 MW. Grayson Power Plant units 8A and 8B/C went on-line in 1977. The ninth unit, a simple cycle natural gas fired combustion turbine with 50.5 MW of gross nameplate capacity, began commercial operation in 2003. The unit, more commonly referred to as Unit 9, is used to meet intermediate and peaking loads, and provides ancillary services such as operating reserve capacity and load balancing as required.

Glendale proposed a repowering of the Grayson Power Plant in 2015. The City Council authorized the Department to proceed with planning and development work that would replace all the existing generation facilities, units, and their related infrastructure (with the exception of Unit 9). The Department undertook development work and prepared and circulated an environmental impact report ("EIR") for a proposed repowering project that would repower the existing generation facilities (with the exception of Unit 9) with a combination of combined cycle and simple cycle gas turbine generation units, with a total generating capacity of 262 MW. Based upon preliminary estimates, the cost for the proposed project was expected to be in the range of \$400 to \$500 million. In April 2018, the City Council deferred a decision regarding the EIR for the proposed repowering project and directed the Department to solicit proposals from qualified firms for clean energy alternatives. Accordingly, in May 2018, the Department issued the Request for Proposals for Local and Regional Renewable, Low-Carbon, and Zero-Carbon Energy and Capacity Resource Options to Serve the City of Glendale ("Clean Energy RFP") to evaluate the feasibility, reliability and cost effectiveness of implementing a portfolio of local and regional clean energy solutions in lieu of some or all of the proposed Grayson Repowering Project. The Department evaluated the proposals based on their ability to meet its energy and capacity needs with reliable, sustainable, and environmentally benign solutions. The results of the initiative were presented to the community and incorporated in the 2019 Integrated Resource Plan ("IRP"). On July 23, 2019, the City Council unanimously adopted the IRP that enables the utility to reduce its carbon footprint and provides a pathway towards a 100% clean energy future. On July 23, 2019, the City Council directed the Department to proceed with a limited notice to proceed with the development of the proposed plan, which includes a grid-scale Battery Energy Storage System ("BESS"), and Internal Combustion Engines that would replace the existing generation facilities at the Grayson Power Plant, with the exception of Unit 9. The limited notice to proceed phase of the proposed

project is underway. As of December 2023, all Grayson Power Plant units, except for Unit 9, were in the process of demolition for purposes of commencing the Grayson Repowering Project.

Although Grayson Power Plant is the largest source of capacity, the majority of Glendale’s energy requirements are supplied by various long term power purchase agreements and spot purchases to minimize supply cost, improve reliability and comply with California’s mandates, including the Renewable Portfolio Standards (“RPS”) and the Cap and Trade Program. Glendale has met RPS requirements for Compliance Period 1 (2011-2013), and Compliance Period 2 (2014-16), and Compliance Period 3 (2017-20). The Department is currently on track to reach the targets for Compliance Period 4 (2021-24) as well as preparing to meet the new targets under SB 100 of 60% RPS by 2030 and 100% carbon-free by 2045. In 2003, Glendale entered into a 25- year contract (cancelable after 20 years) with PPM Energy, Inc. (now Avangrid Renewables) for the purchase of 3 MW of firm capacity from wind-powered resources. Glendale is also receiving 2.1 MW of geothermal capacity through a contract with the Southern California Public Power Authority (“SCPPA”) until 2030. Glendale has entered into contracts through SCPPA for the purchase of 20 MW of wind powered resources and 10 MW of small hydroelectric in the Northwest. The wind contract expires in 2027 and the hydroelectric contract converts to ownership by Glendale when the bonds are fully paid. In 2015, Glendale entered into a 25 year 50 MW firm energy supply with Skylar Resource, L.P., of which 50% will be renewable; this arrangement was modified to ensure 55% of the energy is renewable beginning 2020, and an additional 20% of the energy is carbon-free beginning in 2020. Skylar Resources, L.P. assigned the power purchase agreement to Townsite Solar LLC in 2021. In 2020, Glendale entered into a contract for the purchase of 3 MW from the Whitegrass No. 1 geothermal project, and 12.5 MW from Starpeak geothermal, as well as 25 MW of Solar Energy and 18.75 MW/75 MWh of Battery Energy Storage System from Eland I Solar and Storage. See also “–Power Supply” below.

Although these resources are sufficient to meet the City’s current daily loads, a portion of the Electric System’s energy supply is purchased on the wholesale hourly, daily and month-ahead spot markets.

Glendale is also currently developing other programs related to electric demand and supply. In 2019, the City Council directed the Department to negotiate with various vendors for potential contracts for distributed generation, energy efficiency, and demand response programs in the Glendale community. In 2020, the City Council authorized contract with Franklin Energy Services LLC for a 10 MW demand response program and a contract with Lime Energy Services Company (now Wildan Energy Co.) for a 36,500 kWh commercial demand response energy efficiency program. The City is currently seeking other local clean energy resources that can deliver energy, energy savings, storage and/or capacity to the City without utilizing the Department’s transmission resources.

The following table sets forth the valuation of the Electric System facilities during the five Fiscal Years shown.

**GLENDALE WATER AND POWER  
ELECTRIC SYSTEM FACILITIES  
(\$ in thousands)**

|                               | <b>Fiscal Year Ended June 30,</b> |                  |                  |                  |                  |
|-------------------------------|-----------------------------------|------------------|------------------|------------------|------------------|
|                               | <b>2023</b>                       | <b>2022</b>      | <b>2021</b>      | <b>2020</b>      | <b>2019</b>      |
| Utility Plant                 | \$533,813                         | \$615,413        | \$616,256        | \$611,028        | \$607,648        |
| Less Accumulated Depreciation | (386,168)                         | (429,553)        | (412,827)        | (399,313)        | (389,511)        |
| Construction in Progress      | <u>29,695</u>                     | <u>9,086</u>     | <u>8,075</u>     | <u>15,923</u>    | <u>27,300</u>    |
| Total Facilities              | <u>\$177,340</u>                  | <u>\$194,946</u> | <u>\$211,504</u> | <u>\$227,638</u> | <u>\$245,437</u> |

Source: Glendale Water and Power.

## Power Supply

During the Fiscal Year ended June 30, 2023, the Electric System generated and purchased (including wholesale purchases) a total of 1,452,674 MWh. Wholesale sales and sales to others for the Fiscal Year ended June 30, 2023 were 397,991 MWh. Electric System peak demand in Fiscal Year ended June 30, 2023 was 329 MW. Over the five Fiscal Year period ended June 30, 2023, retail sales decreased from 1,048,049 MWh to 999,852 MWh, an average annual decrease of approximately 0.6%.

The following table sets forth the total power generated and purchased and the peak demand of the Electric System during the five Fiscal Years shown.

### GLENDALE WATER AND POWER TOTAL POWER GENERATED AND PURCHASED AND PEAK DEMAND

|  | Fiscal Year Ended June 30, |                  |                  |                  |                  |
|--|----------------------------|------------------|------------------|------------------|------------------|
|  | 2023                       | 2022             | 2021             | 2020             | 2019             |
| Generated (MWh)                                      | 90,479                     | 108,818          | 144,657          | 119,213          | 79,210           |
| Purchased (MWh) <sup>(1)</sup>                       | <u>1,362,195</u>           | <u>1,371,399</u> | <u>1,410,514</u> | <u>1,420,820</u> | <u>1,530,808</u> |
| Total Supply (MWh)                                   | 1,452,674                  | 1,480,217        | 1,555,171        | 1,540,033        | 1,610,018        |
| Retail Sales (MWh)                                   | 999,852                    | 985,525          | 978,251          | 995,645          | 1,026,505        |
| Wholesale Sales/Sales to Others (MWh) <sup>(1)</sup> | 397,991                    | 419,063          | 482,809          | 466,894          | 464,482          |
| System Peak Demand (MW)                              | 329                        | 261              | 335              | 288              | 332              |

<sup>(1)</sup> Fluctuations in purchased energy and wholesale sales are a function of market conditions.

Source: Glendale Water and Power.

The following table sets forth information concerning Glendale's power supply resources and the energy supplied by each during the Fiscal Year ended June 30, 2023.

**GLENDALE WATER AND POWER  
POWER SUPPLY RESOURCES  
(as of June 30, 2023)**

| <b>Source</b>  | <b>Capacity<br/>Available<br/>(MW)</b> | <b>Actual<br/>Energy<br/>(MWh)<sup>(1)</sup></b> | <b>Percent<br/>of Total<br/>Energy</b> |
|--|--|--|--|
| Glendale-Owned Generating Facilities (Grayson): <sup>(2)</sup> |  |  |  |
| Combustion Turbine Generators                                  | 178                                    | 28,289   | 1.95%                                  |
| Steam Turbine Generators                                       | 108                                    | 62,190   | 4.28%                                  |
| Joint Power Agency/Remote Ownership Interests: <sup>(3)</sup>  |  |  |  |
| Intermountain Power Project (IPA)                              | 39                                     | 124,969  | 8.60%                                  |
| Palo Verde Project   | 10                                     | 82,613   | 5.69%                                  |
| Magnolia (SCPPA)   | 47                                     | 270,334  | 18.61%                                 |
| Tieton (SCPPA)   | 7                                      | 23,914   | 1.65%                                  |
| Purchased Power: <sup>(3)</sup>                                |  |  |  |
| Hoover   | 20                                     | 43,215   | 2.97%                                  |
| Avangrid Renewables – High Winds                               | 9                                      | 22,458   | 1.55%                                  |
| Pebble Springs Wind  | 20                                     | 40,528   | 2.79%                                  |
| Skylar WSPP Renewables   | 50                                     | 300,434  | 20.68%                                 |
| Star Peak  | 12.5                                   | 55,815   | 3.84%                                  |
| Whitegrass No. 1   | 3                                      | 21,335   | 1.47%                                  |
| Market Purchases <sup>(4)</sup>                                | <u>N/A</u>                             | <u>376,580</u>                                   | <u>25.92%</u>                          |
| Total  |  | 1,452,674  | 100.00%                                |

<sup>(1)</sup> During the twelve-month period ended June 30, 2023.

<sup>(2)</sup> Rated or name-plate capacities. As of June 2023, all Grayson Power Plant units, except for Unit 9, were offline for their demolition for purposes of commencing the Grayson Repowering Project.

<sup>(3)</sup> Entitlements, firm allocations and contract amounts.

<sup>(4)</sup> Market purchases are spot-market purchases, including wholesale purchases..

Source: Glendale Water and Power.

**Joint Powers Agency Resources/Remote Ownership Interests**

As described below in various subsections, Glendale is a participant in many SCPPA projects. In addition, Glendale has long term contract rights to capacity and energy in the Intermountain Power Project (“IPP”) of the Intermountain Power Agency, a political subdivision of the State of Utah (“IPA”) and in the Hoover Dam power plant, pursuant to contracts with the Western Area Power Administration (“Western”). See also “Indebtedness; Joint Powers Agency Obligations” below.

Certain of these projects in which Glendale has an entitlement interest or participation with other parties are subject to the other parties involved in those projects meeting their respective payment obligations with respect to such projects. If a party defaults on its payment obligations, then the non-defaulting parties, subject to the utilization of any reserves, may be required to expend additional funds with respect to such project. If a non-defaulting party does “step-up” to the payment obligation of a defaulting party, the non-defaulting party may ultimately be entitled to a portion of the capability and/or output of the defaulting party’s share of the project.

These resources (including any sale and assignment of energy to another party, as described below under “–Indebtedness; Joint Power Agency Obligations – *Contingent Obligations for Wind Energy Projects*”) are briefly described below.

**Hoover Project Interest.** Glendale is a contractor under Hoover Power Electric Service Contracts and holds an 18 MW share of the Hoover power capacity under Schedule A (referring to the original purchasers, including Glendale, under the Boulder Canyon Project Act of 1928), and a 2 MW share of capacity under Schedule B (referring to contractors, including Glendale, who advance-funded the Hoover power turbine uprating authorized in the 1984 Hoover Power Plant Act). The Hoover Project consists principally of 17 generating units at the hydroelectric power plant of the Hoover Dam, located approximately 25 miles from Las Vegas, Nevada. Modern insulation technology made it possible to “uprate” the nameplate capacity of existing generators (the “Hoover Uprating Project”). Glendale, along with the California cities of Anaheim, Azusa, Banning, Burbank, Colton, Pasadena, Riverside and Vernon obtained an entitlement to the capacity and allocated energy annually from the Hoover Uprating Project. In 1987, to reflect its entitlement, Glendale entered into contracts with the United States Bureau of Reclamation (the “Bureau”) providing for the advancement of funds for the uprating and with Western for the purchase of power from the Hoover Uprating Project. Glendale is entitled to 20 MW or 1.0251% of the capacity and 1.5874% of the firm energy from the Hoover Project. Under normal hydrologic conditions, Glendale receives approximately 58,000 MWh of annual energy deliveries. In the Fiscal Year ended June 30, 2023, the Hoover Project provided 43,215 MWh of energy to Glendale.

The Electric Service Contracts for Hoover expired on September 30, 2017 and were replaced with new, 50-year Electric Service Contracts effective October 1, 2017. Pursuant to the Hoover Power Allocation Act of 2011, all Schedule A and Schedule B Hoover contractors, in each case including Glendale, have a right to continue to receive Hoover power for an additional term of 50 years, and five percent of Hoover’s full rated capacity of 2.074 million kilowatts and associated firm energy was assigned to new Hoover allottees under new Electric Service Contracts that became effective on October 1, 2017. Glendale’s share under the post-2017 Hoover Electric Service Contracts is 20.198 MW.

**Palo Verde Nuclear Generating Station Interest.** Through its membership in SCPPA, Glendale has a 4.40% entitlement interest (9.9 MW) in SCPPA’s 5.91% ownership interest in the Palo Verde Nuclear Generating Station (“PVNGS”), including certain associated facilities and contractual rights, a 5.56% ownership in the Arizona Nuclear Power Project (“ANPP”) High Voltage Switchyard and associated contractual rights, and a 6.55% share of the rights to use certain portions of the ANPP Valley Transmission System. Commercial operation and initial deliveries from PVNGS Units 1 and 2 commenced in 1986 and Unit 3 commenced in 1987. Transmission for PVNGS energy is provided to the City by the Mead-Adelanto Transmission Project and the Mead-Phoenix Transmission Project (see “Existing Transmission Resources” below) and agreements with Salt River Project, LADWP and Southern California Edison Company.

Glendale has a power sales agreement with SCPPA that obligates Glendale to pay for its share of capacity and energy on a “take-or-pay” basis, including debt service on bonds (if any, currently there are none) issued by SCPPA for the project, capital costs and costs related to operation and maintenance. In the Fiscal Year ended June 30, 2023, PVNGS provided 82,613 MWh of energy to Glendale.

The co-owners of PVNGS have created external accounts for the decommissioning of PVNGS at the end of its life. Based on the most recent estimate of decommissioning costs, SCPPA has advised Glendale that its estimated share of decommissioning costs through SCPPA is fully funded. No assurance can be given, however, that the amount accumulated to date will continue to be sufficient to fully fund SCPPA’s share of decommissioning costs. SCPPA has advised Glendale that it anticipates it will receive a new estimate of decommissioning costs every three years.

**San Juan Unit 3 Interest.** Through its membership in SCPPA, Glendale has held a 20 MW (9.8%) entitlement in SCPPA’s 41.8% interest in the San Juan Unit 3 and related common facilities of the San Juan Generating Station, a 4 unit, coal-fired electric generating station located in northwestern New Mexico, approximately 15 miles northwest of the City of Farmington, in San Juan County. As described below,

Unit 3 was shut down on December 31, 2017, as part of an overall settlement of legal issues regarding emissions at the San Juan Generating Station.

In July of 2015, with authorization from the City Council, SCPPA executed a San Juan Project Restructuring Agreement, a San Juan Decommissioning and Trust Funds Agreement and an Amended and Restated Mine Reclamation Agreement on behalf of Glendale and other SCPPA participants exiting from the San Juan project. These agreements allow for Glendale and certain other owners of the San Juan project to relinquish their ownership shares in San Juan and to contribute to the decommissioning and mine reclamation costs associated with the partial decommissioning of the coal plant. The agreements allow for the shutdown of two of the four San Juan units (Units 2 and 3) and provide for the installation of emissions-reducing equipment on the other two units (Units 1 and 4).

Glendale's and the other exiting parties' shares of the San Juan coal assets have been transferred to those participants remaining in the project after December 31, 2017. Glendale (through SCPPA) and other existing participants remain responsible for liability arising from operations before the December 31, 2017 date. Pursuant to the Mine Reclamation Agreement, SCPPA and the other project participants were obligated to set up a trust fund for the mine reclamation. Glendale's obligation after 2017 is defined by approximately 1.3% of the cost of reclaiming disturbances at the mine site as of December 31, 2017. Costs of plant decommissioning will be split between exiting participants and remaining participants.

***Magnolia Power Project.*** Glendale is a participant of the Magnolia Power Project. The Magnolia Power Project is owned by SCPPA and was constructed and acquired for the primary purpose of providing participants in the Magnolia Power Project with firm capacity and energy to help meet their power and energy requirements. The Magnolia Power Project is operated by the City of Burbank. Glendale has a 16.5289% entitlement (40 MW base capacity and 47 MW peaking capacity) in the project through a long-term Project A Power Sales Agreement with SCPPA which obligates Glendale to pay for its share of capacity and energy on a "take-or-pay" basis, including debt service on bonds issued by SCPPA for the project, capital costs and costs related to operation and maintenance. The unit was placed in service in September 2005 and operates in a base-load mode (8,000 hours per year or more) with staffing by Burbank Water and Power personnel as SCPPA's operating agent on a 24-hour basis. In the Fiscal Year ended June 30, 2023, the Magnolia Project provided 270,334 MWh of energy to Glendale.

***Tieton Hydropower Project.*** Glendale is a participant in SCPPA's Tieton Hydropower Project. Glendale has entered into a power sales and acquisition contract with SCPPA, under which SCPPA has sold to Glendale on a "take-or-pay" basis, its entitlement share of 50.0% (approximately 6.8 MW) of the capacity and energy of the Tieton Hydropower Project. Glendale's power sales and acquisition contract with SCPPA obligates Glendale to pay its share of debt service on bonds issued by SCPPA for the project, as well as capital costs and costs related to operation and maintenance. In the Fiscal Year ended June 30, 2023, the Tieton Hydropower Project provided 23,914 MWh of energy to Glendale.

***IPA Intermountain Power Project Interest.*** The purpose of IPA is to provide for the financing, constructing and operation of the IPP. The IPP consists of: (a) a two-unit coal-fired, steam-electric generating plant with net ratings of 900 MW per unit (the "Intermountain Generating Station") and switchyard (the "Switchyard"), located near Lynndyl, in Millard County, Utah; (b) a  $\pm 500$  kV direct current ("DC") transmission line approximately 490 miles in length from and including the Intermountain Converter Station (an alternating current ("AC")/DC converter station adjacent to the Switchyard) to and including a corresponding converter station at Adelanto, California (collectively, the "Southern Transmission System" or "STS") (see "Existing Transmission Resources – *Southern Transmission System*" below); (c) two 50-mile, 345 kV AC lines from the Switchyard to the Mona Substation in the vicinity of Mona, Utah, and a 144-mile, 230 kV AC transmission line from the Intermountain AC Switchyard to the Gonder Substation near Ely, Nevada (collectively, the "Northern Transmission System" or "NTS"); (d) a

microwave communications system; (e) a rail car service center located in Springville, in Utah County, Utah (the “Railcar Service Center”); and (f) certain water rights and coal supplies. Such water rights and coal supplies, together with the Intermountain Generating Station, the Switchyard and the Railcar Service Center, are referred to herein collectively as the “Generation Station.”

IPP purchasers are 35 utilities (collectively, the “IPP Purchasers”) consisting of Glendale and the California cities of Anaheim, Los Angeles, Riverside, Burbank and Pasadena (the “IPP California Participants”); the 23 members of the IPA (collectively, the “Utah Municipal Purchasers”); and six rural electric cooperatives serving loads in the States of Utah, Arizona, Colorado, Nevada and Wyoming (collectively, the “Cooperative Purchasers”). Pursuant to a construction management and operation agreement between IPA and LADWP, LADWP acts as project manager and operating agent of the IPP, responsible for, among other things, administering, operating and maintaining the IPP. The facilities of the IPP have been in commercial operation since May 1987.

Glendale has entered into certain power purchase contracts with IPA and others to purchase certain entitlements of the IPP and related facilities, respectively. After accounting for transmission losses, for the Fiscal Year ended June 30, 2023, IPP contributed about 38 MW of capacity to Glendale. For the Fiscal Year ended June 30, 2023, IPP provided 124,969 MWh of energy to Glendale.

IPA possesses coal supply agreements to fulfill the supply requirement of approximately 4.0 million tons per year. The coal is purchased under a portfolio of fixed price contracts that are of short and long-term in duration. However, supply chain issues have dramatically reduced coal supply beginning in the later months of 2021 and are expected to impact coal supply for the remaining life of the coal plant. The largest coal producer in Utah experienced a fire in September 2022. By the end of the year the fire was reportedly extinguished but the impact to the mine is still undetermined. The loss of the largest mine, combined with the logistics challenges in Utah, has dramatically reduced supply in the region including to IPA.

The cost of coal delivered to the Intermountain Generating Station is substantially lower than current market prices for the region. IPA expects that the costs to fulfill IPP’s annual coal supply requirements will increase due to the scarcity of coal in the Western United States, if IPA is able to secure any additional coal.

Transportation of coal to the Intermountain Generating Station is provided primarily by rail under agreements between IPA and the Union Pacific Railroad Company, and the coal is transported, in part, in IPA-owned railcars. Coal is also transported to IPP, to some extent, in commercial trucks. Both rail service and trucking services have suffered greatly due to a lack of human resources. Neither network is capable of supporting industrial demand; and IPA, like all coal-fired utilities in the United States, has seen large systemic failures in the transportation system.

Historically, IPP was able to maintain a minimum of 60 days of coal in inventory in the event of a coal supply disruption. However, due to the recent challenges in the coal supply chain, the number of days of coal in inventory has periodically declined below that level. As of the end of June 2023, IPP maintained 68 days of coal in inventory.

*IPP Agreements.* Glendale has two separate contracts with IPA and the Utah Participants (as defined below) in the IPP, which currently provide Glendale a 38 MW (2.165%) entitlement of this facility (the “IPP Agreements”). A summary of the IPP Agreements is as follows:

*Original Entitlement* – Glendale contracted with IPA to purchase a 30 MW (1.704%) entitlement to the IPP plant. This contract obligates Glendale to pay its proportional share of the

plant costs (including debt service and other fixed expenses), regardless of the amount of energy, if any, scheduled to Glendale, for the life of the facility.

*Excess Power Sales Contract* – Glendale, the cities of Burbank and Pasadena, and LADWP (the “California Purchasers”) contracted with 27 sellers (the “Utah Participants”) and IPA (acting as agent for the sellers) to purchase a 379 MW (21.06%) entitlement of the IPP plant, which was deemed in excess of the sellers’ needs. The California Purchasers agreed to divide the excess among themselves in proportion to their original entitlements. Glendale’s share of the excess is 8 MW (2.382%). This contract also provides for access to the NTS, which was built with IPA funds in order to deliver power from the IPP to the Utah Participants. The term of this contract extends until the IPA bonds are defeased or the sellers’ load requirements meet certain specified conditions. The Utah Participants have the unilateral right to recall their original entitlements at any time.

*IPP Repowering Project.* The above-referenced IPP Agreements expire in 2027 but one of the key factors affecting the future of IPP is Senate Bill 1368, which became effective in January 2007, and prohibits any investment in baseload generation that does not meet specific emissions performance standards, subject to certain exceptions. In light of the restriction, in 2015, Glendale, along with each of the other 35 IPP participants, entered into Second Amendatory Power Sales Contracts, Renewal Power Sales Contracts, and Renewal Excess Power Sales Agreements with IPA. The Second Amendatory Power Sales Contract allows for the replacement of the coal-fired generation units at IPP with combined cycle natural gas-fired units (with a maximum design capacity of 1,200 MW), or an alternative repowering to include other technologies, if such alternative repowering is approved by at least 80 percent of the IPP participants (the “IPP Repowering Project”). In September of 2018, the IPP participants approved an alternative repowering project (the “IPP Alternative Repowering Project”) which will reduce the size of the IPP Repowering Project to a maximum design capacity of 840 MW. The permitting and construction of the natural gas units are required to begin no later than January 1, 2020 and to be commercially operational no later than July 1, 2025. On November 5, 2019, the IPP Coordinating Committee adopted Resolution CC-2019-018, Confirmation of Commencement of Permitting, Construction and Installation of the Gas Repowering, confirming that the January 1, 2020 milestone has been met. Upon commercial operation of the new plant, the existing coal-fired plant would be decommissioned. SB 1368 and other recent legislation have caused Glendale to decrease its reliance on electricity generated by burning coal.

The Renewal Power Sales Contracts provided a process for IPP members to subscribe for shares of the new gas-fired or alternative repowering plant. On July 23, 2019, the City Council approved GWP’s recommendation for continued participation in the IPP project which enabled Glendale to retain its 4.166% share of the project, providing Glendale 35 MW of generation and 122 MW of transmission from IPP. Glendale’s current share of IPP generation provides approximately 8.6% of Glendale’s energy needs.

## **Purchased Power**

In addition to City-owned resources and interests in the SCPPA, IPA and Hoover projects described above, the City has contractual arrangements for system firm purchases, primarily from renewable resources. Each of these resources is briefly described below.

*PPM-1 Energy Agreement Wind Generation Facility.* In August 2003, Glendale entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. (now Avangrid Renewables) for the purchase of nine MW of capacity from wind-powered resources, known as the “High Winds Project” located in California. On September 1, 2003, Glendale began taking delivery of the energy under the contract, which provided 22,458 MWh in the Fiscal Year ended June 30, 2023.

***Pebble Springs Wind Project.*** SCPPA, on behalf of Glendale and two other project participants, signed a long-term power purchase agreement with Pebble Springs Wind Project LLC. The facility is located in Oregon with a total capacity of 99 MW, comprised of 47 Suzlon 2.1 MW wind turbines. Glendale has a 20.264% (approximately 20 MW) entitlement interest in the total capacity, energy and environmental attribute rights produced by the facility. In the Fiscal Year ended June 30, 2023, Pebble Springs Wind Project provided 40,528 MWh of energy to Glendale.

***Skylar Resources Firmed Renewable Purchase.*** In 2014, Glendale executed a 25-year agreement with Skylar Resources L.P. for the annual delivery of 292,000 MWh of energy to Glendale starting on December 1, 2015. In the Fiscal Year ended June 30, 2023, 300,434 MWh of energy was delivered to Glendale. Deliveries may take place at the Mead Substation, Nevada-Oregon Broader (NOB), or another mutually agreed point. At least half of this energy must qualify each year as Portfolio Content Category 1 (“PCC 1”) renewable energy under State law and regulations, and may be generated from a variety of renewable resources. The energy is delivered to the Department as a block from 6 a.m. to 10 p.m. every day. In November 2015, the transaction was bifurcated into two separate agreements: the first agreement was a four-year contract with Morgan Stanley Capital Group, Inc. from December 1, 2015 through December 31, 2019. The second agreement was a 21-year contract with Skylar from January 1, 2020 through November 30, 2040. In October 2017 the existing power purchase agreement was terminated and replaced with a 21-year Western Systems Power Pool (“WSPP”) Power Purchase Agreement to increase renewable and carbon-free energy deliveries from 50% to 75%. In 2021, Skylar Resources L.P. assigned the power purchase agreement to Townsite Solar, LLC.

***Whitegrass Geothermal Renewable Purchase.*** In 2020, SCPPA, on behalf of Glendale, signed a long-term power purchase agreement with Whitegrass No. 1, LLC for the annual delivery of 3 MW or approximately 23,000 MWh annually of renewable geothermal energy from the Whitegrass Geothermal Project located in Lyon County, Nevada. Glendale has a 100% entitlement interest in the total energy, capacity, and environmental attribute rights produced by the project. The deliveries began on April 1, 2020 and the contract ends on December 31, 2045. In the Fiscal Year ended June 30, 2023, Whitegrass Geothermal Project provided 21,335 MWh of energy to Glendale.

***Star Peak Geothermal Renewable Purchase.*** In 2020, SCPPA, on behalf of Glendale, signed a long-term power purchase agreement with Star Peak Geothermal, LLC for the annual delivery of 12.5 MW or approximately 100,000 MWh annually of renewable geothermal energy from the Star Peak Geothermal Energy Project which will be developed in Pershing County, Nevada. Glendale has a 100% entitlement interest in the total energy, capacity, and environmental attribute rights produced by the project. The project started delivering power in September 2022, and the contract ends on December 31, 2045. In the Fiscal Year ended June 30, 2023, Star Peak Geothermal Project provided 55,815 MWh of energy to Glendale.

***Eland I Solar and Storage Purchase.*** In December 2019, SCPPA, on behalf of Glendale and the Los Angeles Department of Water and Power, signed a 25-year power purchase agreement with 68SF 8ME, LLC for the purchase of renewable solar energy, battery energy storage system capacity, and environmental attribute rights from the Eland I Solar and Storage Center. The facility will be developed in Kern County, California. The energy will be delivered at Barren Ridge, and Glendale has entered into an agreement with the Los Angeles Department of Water and Power for the transmission of the energy to Glendale. Glendale has a 12.5% entitlement interest in the total capacity, energy, storage and environmental attribute rights produced by the Facility, or 25 MW of renewable solar energy and 18.75 MW/75 MWh of battery storage capacity. The Eland I project has been delayed. The anticipated commercial operation date is in 2025. Glendale is not a participant in phase II of the Eland project.

## Fuel Supply

In the Fiscal Year ended June 30, 2023, Glendale generated approximately 6.23% of its electric energy requirements from local generating units which burn natural gas and are available for emergency operations and to provide operating reserves.

Glendale has firm contracts with respect to out of state transmission pipelines and gas supplies for 3,989 million British thermal units (“MMBtu”) of natural gas per day. In addition, natural gas is purchased from the spot market at the Southern California Gas City-Gate. The Southern California Gas Company (“SCG”) provides intrastate delivery of natural gas to Glendale’s Grayson Power Plant and to the Magnolia Power Plant in Burbank.

***Interstate Transportation.*** Natural gas is the primary fuel supply for Glendale’s local generating requirements. Canadian natural gas is transported using Glendale’s firm transportation on the TransCanada pipeline system and the PGT pipeline to the Pacific Gas & Electric Company (“PG&E”) system at Malin (near the California-Oregon border), then into the SCG system at Wheeler Ridge (near Bakersfield, California) using Glendale’s PG&E entitlement. The contracts relating to such transport are scheduled to terminate on October 31, 2023.

***Intrastate Transportation.*** SCG provides transportation of gas to local generating plants from Topock on the east and from the PG&E expansion line terminus at Wheeler Ridge to the north. The current volumetric tariff rate is \$0.7719 per MMBtu. There are a number of factors, including those described in the “Green Book” of the California Public Utilities Commission (the “CPUC”) on natural gas industry restructuring, which could affect the tariff rate or fundamentally change Glendale’s costs for intrastate gas transmission. In addition, intrastate transport costs are expected to increase due to pipeline safety investments by PG&E and SCG.

***Biogas Renewable Generation Project.*** In November 2021, the City Council certified the EIR for the Biogas Renewable Generation Project. The project entails installation of generation units at the Scholl Canyon landfill site so that the landfill gas can be directly processed to generate energy at the Scholl Canyon site. The Scholl Canyon site is located in the City. The Biogas Renewable Generation Project has an estimated cost of \$73 million and the project would be completed over a course of approximately 24 months. On January 24, 2023, the City Council approved a full notice to proceed for the second and final phase of the project. The project will have four Jenbacher gas engine generators that will generate approximately 11 megawatts of power. The anticipated commercial operation date is in June 2025.

***Natural Gas Reserves Project.*** In June 2005, Glendale elected to participate in the Pinedale Natural Gas Project through SCPPA for up to 2,000 MMBtu per day. The project provides for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. Glendale’s share in the project is 4.2553%. The first acquisition by the project was completed on July 1, 2005 with the total cost to the participants (including LADWP which acquired its share directly and not through SCPPA) of \$306.1 million, of which Glendale cash funded approximately \$13 million for its share. The acquisition, located in Pinedale, Wyoming, is expected to provide Glendale with peak daily volume of between 700 to 900 MMBtu. In the Fiscal Year ended June 30, 2023, Glendale received peak daily volume of approximately 388 MMBtu. The Department has reserved \$16 million to fund the drilling programs of the Pinedale property and for future acquisitions.

***Prepaid Natural Gas Project.*** In October 2007, Glendale and several members of SCPPA completed a prepaid natural gas financing to secure another source of long-term supply of gas to provide fuel for the Magnolia Power Project and their other respective gas-fired generation stations. In connection with the prepaid natural gas financing, Glendale entered into a natural gas supply agreement with SCPPA

pursuant to which Glendale purchases natural gas at a discount from the spot price over a term of 30 years (25 years as of a restructuring completed in 2009) which is scheduled to terminate at the end of October 2032. This natural gas supply agreement is expected to provide approximately 24.5% of Glendale's daily gas requirements for the Grayson Power Plant and the Magnolia Power Project.

### Existing Transmission Resources

Transmission resources are an integral component of Glendale's plan to provide economical and reliable electric service to its customers. Glendale currently has several firm capacity transmission agreements (ownership and long-term leases) to deliver up to 262 MW of remote generation to the Air Way Receiving Station in Glendale and to provide access to major hubs of the western wholesale power market. The transmission network currently allows Glendale to obtain energy supplies and enables sales and exchanges of energy during low load periods. Glendale has sufficient transmission resources during low-load periods, but during high-load periods must leverage local generation because of constrained transmission resources. Depending on the generation source, the energy is transmitted through a combination of the following transmission resources.

#### GLENDALE WATER AND POWER FIRM TRANSMISSION SERVICE AGREEMENTS (as of June 30, 2023)

| Transmission Line/Path           | Owner/Party      | Glendale's Capacity    | Primary Use   |
|----------------------------------|------------------|------------------------|---|
| Pacific Northwest DC Intertie    | Glendale         | 115 MW                 | NW Market   |
| Northern Trans. System (NTS)     | IPA/Utah         | 24/3 MW <sup>(1)</sup> | Pleasant Valley                                     |
| Southern Trans. System (STS)     | SCPPA            | 55 MW                  | IPP and Pleasant Valley                             |
| Victorville/Adelanto-Air Way     | LADWP            | 112 MW                 | IPP, Hoover, PVNGS, SW Markets, and Pleasant Valley |
| Mead-Phoenix                     | SCPPA            | 41 MW                  | PVNGS, Westwing, Marketplace                        |
| Mead-Adelanto                    | SCPPA            | 112 MW                 | PVNGS, Marketplace                                  |
| Sylmar-Air Way                   | LADWP            | 150 MW                 | NW and SW Markets                                   |
| Burbank-Glendale Interconnection | Glendale/Burbank | 125 MW                 | Magnolia  |

<sup>(1)</sup> Glendale has rights to approximately 24 MW between IPP and Mona Substation and 3 MW between IPP and Gonder Substation. These rights vary by season and direction.

Source: Glendale Water and Power.

***Pacific Northwest DC Intertie.*** Spanning 850 miles from Celilo in northern Oregon to Sylmar, California, the Pacific Northwest DC Intertie is a double-pole, +1-500 kV transmission line operated as a single path with separate ownership north and south of the Nevada-Oregon border ("NOB"). The Pacific Northwest DC Intertie conveys energy to Glendale from Pacific Northwest utilities and Glendale's interests in renewable energy projects in the northwest. Glendale is entitled to 115 MW (3.846%) of the total 3,100 MW capacity of the southern portion (south of the point where the line crosses the NOB of the Pacific Northwest DC Intertie). Because of the load diversity and excess hydroelectric energy in the spring during most years, the Pacific Northwest DC Intertie provides Glendale with opportunities for economical energy imports.

***Northern Transmission System.*** The NTS consists of two 50-mile long 345 kV AC transmission lines which connect the IPP to the Mona Substation in Utah and the Gonder Substation in Nevada. Glendale

has entitlements of 24 MW and 3 MW of capacity, respectively, on these transmission lines as a result of the IPP Excess Sales Contract with the Utah participants. These rights vary by season and according to the terms of the agreement. Under the IPP Repowering Project, Glendale has 0 MW of capacity on the NTS line.

***Southern Transmission System.*** The Southern Transmission System (“STS”) is a double-pole, +/- 500 kV DC transmission line spanning 488 miles from the IPP in central Utah to the Adelanto Substation in Southern California, together with an AC/DC converter station at each end. It is operated and maintained by LADWP under contract with IPA. In connection with its entitlement to the IPP, Glendale acquired a contractual entitlement to 44 MW (2.3%) of the total 1,920 MW capacity of the STS (prior to the upgrade, as described in the following paragraph) through a transmission system contract with SCPPA. Under the IPP Repowering Project, Glendale has 127 MW of capacity on the STS line.

To have access to potential renewable energy resource development available in central Utah and the Rocky Mountain region, and to have access to the potential energy in that area, the California participants in IPP initiated the STS Upgrade Project, which increased the transfer capability of the STS by 480 MW. The STS Upgrade Project increased the capacity of the Southern Transmission System from 1,920 MW to 2,400 MW, increasing Glendale’s entitlement in the STS increased by 11 MW to 55 MW. Glendale has entered into a transmission service contract with SCPPA which obligates Glendale to pay the cost of its share of the transfer capability on a “take-or-pay” basis.

***Southern Transmission System Renewal Project.*** In connection with the IPP Repowering Project, SCPPA is financing the costs of acquisition and construction of additional capital improvements to the Southern Transmission System (the “STS Renewal Project”), which initially will include new converter stations and AC switchyard expansions at the Adelanto Converter Station and the Intermountain Converter Station, and reactive power equipment. Glendale has entered into a renewal transmission service contract related to the STS Renewal Project. Under such an existing agreement with IPP and such renewal transmission service contract Glendale is obligated to pay the cost of its share of the transfer capability on a “take-or-pay” basis.

The Renewal Power Sales Contracts provided a process for IPP members to subscribe for shares of the new gas-fired or alternative repowering plant. On July 23, 2019, the City Council approved GWP’s recommendation for continued participation in the IPP project which enabled Glendale to retain its 4.166% share of the project, providing Glendale 35 MW of generation and 127 MW of transmission from IPP. Glendale’s current share of IPP generation provides approximately 8.6% of Glendale’s energy needs.

***Victorville/Adelanto-Air Way Transmission System.*** Glendale has contracts with LADWP for 112 MW of transmission capacity (net of losses) from either Adelanto or Victorville to the Air Way Receiving Station.

***Mead-Phoenix Transmission Project, SCPPA Interest (Multiple Members).*** Glendale is a participant in SCPPA’s member-related interest in the Mead-Phoenix Transmission Project, a 256 mile, 500-kV AC transmission line that extends between a southern terminus at the existing Westwing Substation (in the vicinity of Phoenix, Arizona) and a northern terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. Glendale has entered into a transmission service contract with SCPPA under which SCPPA has sold to Glendale, on a “take-or-pay” basis, its entitlement share of 16.5% (approximately 41 MW) of SCPPA’s member-related ownership interest in the Mead-Phoenix Transmission Project and which obligates Glendale to pay its share of debt service on bonds issued by SCPPA for the project, as well as capital costs and costs related to operation and maintenance.

***Mead-Adelanto Transmission Project, SCPPA Interest (Multiple Members).*** Glendale is entitled to 112 MW (7.5%) of transmission capacity from the Mead-Adelanto Transmission Project, an approximately 202-mile, 500-kV AC transmission line that extends between a southwest terminus at the existing Adelanto Substation in southern California and a northeast terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. Glendale has entered into a transmission service contract with SCPPA, under which SCPPA has sold to Glendale, on a “take-or-pay” basis, its entitlement share of SCPPA’s member-related ownership interest in the Mead-Adelanto Transmission Project. Glendale’s transmission service contract with SCPPA obligates Glendale to pay its share of debt service on bonds issued by SCPPA for the project, as well as capital costs and costs related to operation and maintenance.

***Sylmar-Air Way.*** Glendale has two contracts with LADWP for 100 MW and 50 MW of firm transmission service from the Sylmar Receiving Station to the Air Way Receiving Station. These contracts are for the delivery of energy transmitted over the Pacific Northwest DC Intertie and for delivery of energy purchased from Southwest markets.

***Sylmar Services Agreement.*** Glendale has a contract with LADWP for 115 MW of transfer rights through the Sylmar Switching Station into and out of the California Independent System Operator, which allow for the transfer of energy to/from the Pacific Northwest and to/from Glendale.

Glendale participates in energy markets of the California Independent System Operator (the “ISO”) but currently does not intend to transfer control of its transmission resources to the ISO. Glendale has no firm plans to increase its transmission capacity.

## **Wholesale Transactions**

In addition to making market purchases, Glendale sells wholesale energy, which includes electrical energy and capacity, ancillary services, transmission, renewable energy attributes, emission allowances, carbon allowances and carbon emission offsets, natural gas, transportation, imbalance and storage. When necessary, energy traders seek opportunities to market short-term energy transactions. All transactions are conducted within the Energy Risk Management Policy last approved by the City Council in August 2022.

Glendale’s volume of short-term transactions on the electric wholesale market has fluctuated with market conditions in the western United States as have the revenues the Department has been able to realize by selling energy to third parties. Gross sales to third parties were \$21,776,000 in Fiscal Year 2018-19, \$18,459,000 in Fiscal Year 2019-20, \$22,875,000 in Fiscal Year 2020-21, \$29,862,000 in Fiscal Year 2021-22, and \$40,113,000 in Fiscal Year 2022-23.

## **Interconnections and Distribution Facilities**

Glendale’s power system is inside the LADWP balancing area and is interconnected to the LADWP system at Air Way Receiving Station and to the Burbank system at Western Substation. Glendale owns facilities for the distribution of electric power to retail customers. These facilities include approximately 60 miles of 34/69kV power lines, approximately 498 miles of 4/12kV distribution lines (of which approximately 50% are underground), two switching substations, 12 distribution substations and 104 distribution feeders. The 69kV Kellogg Switching station, a gas insulated station (“GIS”), includes state-of-the-art relays and devices. In 2011, one distribution substation was reconstructed from an air-insulated substation to GIS and converted from a 34.5/4kV station to a 69/12kV station. The project included conversion of 4kV distribution services to 12kV in the service area. In 2016, a second distribution substation was reconstructed from an air-insulated substation to GIS and converted from a 34.5/4kV station to a 69/12kV station. The project included conversion of 4kV distribution services to 12kV in the service

area. In 2017, a 2MW battery energy storage system was installed and connected to Kellogg 69kV Switching substation.

## **Electric Rates and Charges**

Glendale is obligated by its Charter and the Indenture of Trust to establish rates and collect charges in an amount sufficient to meet its expenses of operation and maintenance and debt service requirements (with specific requirements as to priority and coverage). Electric rates for Glendale are recommended by the Commission and are subject to approval by the City Council. Electric rates are not subject to regulation by the CPUC or by any other agency of the State. The State Constitution requires that electric rates be based upon the cost of service to the various customer classes.

In addition, State Legislative Assembly Bill 1890 (“AB 1890”) requires the imposition of a public benefits charge (“PBC”) of 2.85% of annual revenue requirements. Beginning in January of 1998, Glendale collected this PBC as a 2.85% charge applied to all electric charges. In September of 1999, the City Council approved changes to the electric rates to collect the PBC beginning on January 1, 2000 as a charge per kilowatt hour (\$0.002963 per kilowatt hour). In February of 2008, the City Council approved changes to the electric rates to collect the PBC beginning in March of 2008 as a percentage of the electric bill. The current rate is 3.6% of all electric charges.

For customers of the Electric System, the electric rates are composed of (i) a meter charge component, designed to cover a portion of the fixed costs of the Electric System, and (ii) an energy charge calculated based on usage. Some rate schedules are also subject to a demand charge and a reactive power charge. The electric rates also include bi-annual adjustable rates (made up of an Energy Cost Adjustment Charge and a Regulatory Adjustment Charge) which adjust the customer’s electric bill upwards or downwards to reflect variation from the projected cost of purchased power, fuel and regulatory expenses. In addition, a Revenue Decoupling Charge (or Revenue Decoupling Credit) is applied to the customer’s electric bill twice a year to reflect the variance from actual sales when compared to projected sales. Increases to the energy cost adjustment charge are limited to no more than one-half cent (\$0.005) per kilowatt-hour during any 12-month period, except under limited circumstances such as an extended outage of a major resource or large and sustained fuel price increases, in which case the Energy Cost Adjustment Charge may be increased by up to an additional one cent (\$0.01) per kilowatt-hour during any 12-month period.

The following table sets forth the average rates for the indicated customer classes for the Fiscal Years ended June 30, 2019 through June 30, 2023, including the Energy Cost Adjustment Charge, Regulatory Adjustment Charge, and Revenue Decoupling Charge (or Revenue Decoupling Credit, as applicable).

### **GLENDALE WATER AND POWER FIVE YEAR HISTORY OF ELECTRIC SYSTEM RATES Average Rate – Dollars Per Kilowatt Hour**

| <u>Customer Class</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Residential           | \$.2398     | \$0.2238    | \$0.2117    | \$0.2073    | \$0.1953    |
| Commercial            | .2196       | 0.2056      | 0.2031      | 0.2001      | 0.1920      |
| Industrial            | .1971       | 0.1801      | 0.1819      | 0.1781      | 0.1711      |
| Lighting              | .0008       | 0.0008      | 0.0007      | 0.0007      | 0.0006      |

Source: Glendale Water and Power.

In the last five years (Fiscal Years 2018-19 through 2022-23), the Electric System's base rate has been increased four times. On June 12, 2018, the City Council adopted a five-year rate plan for Fiscal Years 2018-2019 through 2022-2023, as described below. Due to the COVID-19 Pandemic, a 1% increase scheduled to become effective on July 1, 2020, was deferred one year by the City Council to July 1, 2021, and the subsequent two annual rate increases were also deferred by one year. The increased revenues from the rate increases in the base rates are intended to cover the rising costs of labor and materials and to further replenish the cash reserves.

In 2023, Glendale completed a new rate study. The new rate study was required to determine what if any rate increases might be needed to support the recently approved and proposed clean energy programs. The new rate study also took into account the revised cost estimates for the Grayson Repower Project and the Biogas Renewable Project, as well as impacts COVID-19 may have on current and future electric sales and revenues. The rate study recommended overall system rate increases of 14.8%, 11.3% and 11.3% over three years, respectively. The City Council approved the series of rate increases in November 2023 that will take effect January 1, 2024, July 1, 2024 and July 1, 2025, respectively.

The City Council has an approved cash reserve policy for the Electric System. The currently approved level is \$124.1 million. The cash reserve consists of moneys on deposit in an operating reserve, a contingency reserve, a rate stabilization reserve and a gas reserve. As of June 30, 2023, \$124.1 million was designated.

The following table sets forth historical percentage increases in rates for the indicated customer classes per the Electric Rate Plan and in the rates approved in 2018 and in 2023. Such percentage changes do not reflect changes in the Fuel Adjustment Charge (prior to 2013) or in the Energy Cost Adjustment Charge, Regulatory Adjustment Charge, and Revenue Decoupling Charge (or Revenue Decoupling Credit, as applicable) (after 2013).

**GLENDALE WATER AND POWER  
PERCENTAGE INCREASE IN ELECTRIC RATES**

| <b>Effective</b> | <b>Overall System</b> | <b>Residential</b> | <b>Commercial</b> | <b>Industrial</b> | <b>Lighting</b> |
|------------------|-----------------------|--------------------|-------------------|-------------------|-----------------|
| 7/01/2007        | 8.1%                  | 8.8%               | 7.1%              | 8.5%              | 0.0%            |
| 9/13/2013        | 8.0                   | 8.8                | 7.2               | 7.9               | 0.0             |
| 7/01/2014        | 7.0                   | 7.7                | 6.3               | 6.9               | 0.0             |
| 7/01/2015        | 5.0                   | 5.5                | 4.5               | 4.9               | 0.0             |
| 7/01/2016        | 2.0                   | 2.2                | 1.8               | 2.0               | 0.0             |
| 7/01/2017        | 2.0                   | 2.2                | 1.8               | 2.0               | 0.0             |
| 7/01/2018        | 0.0                   | 0.0                | 0.0               | 0.0               | 0.0             |
| 7/01/2019        | 0.5                   | 3.2                | (1.0)             | (1.2)             | 0.0             |
| 7/01/2020*       | 0.0                   | 0.0                | 0.0               | 0.0               | 0.0             |
| 7/01/2021        | 1.0                   | 3.2                | (0.3)             | (0.5)             | 0.0             |
| 7/01/2022        | 1.0                   | 3.1                | (0.4)             | (0.3)             | 0.0             |
| 7/01/2023        | 1.0                   | 3.0                | (0.3)             | (0.4)             | 0.0             |
| 1/01/2024        | 14.8                  | 18.6               | 9.7               | 12.1              | 0.0             |
| 7/01/2024        | 11.3                  | 14.0               | 7.5               | 9.4               | 0.0             |
| 7/01/2025        | 11.3                  | 13.8               | 7.4               | 9.5               | 0.0             |

\* In June 2020, the City Council deferred the scheduled July 1, 2020 increase by one year to July 1, 2021, and deferred the subsequent two annual rate increases by one year.

Source: Glendale Water and Power.

## Customers, Energy Sales, Revenues and Demand

The average number of customers, MWh sales and revenues derived from sales, by classification of service, during the past five Fiscal Years, are listed below.

### **GLENDALE WATER AND POWER ELECTRIC SYSTEM CUSTOMERS, SALES, REVENUES AND DEMAND**

|                                  | Fiscal Year Ended June 30, |               |               |               |               |
|----------------------------------|----------------------------|---------------|---------------|---------------|---------------|
|                                  | 2023                       | 2022          | 2021          | 2020          | 2019          |
| Number of Customers:             |                            |               |               |               |               |
| Residential                      | 77,188                     | 76,929        | 76,757        | 76,700        | 76,256        |
| Commercial                       | 13,184                     | 13,140        | 13,108        | 13,114        | 13,092        |
| Industrial                       | 185                        | 193           | 193           | 195           | 195           |
| Other (Government)               | 21                         | 21            | 21            | 21            | 21            |
| Total                            | 90,578                     | 90,283        | 90,079        | 90,030        | 89,564        |
| Megawatt-Hour Sales:             |                            |               |               |               |               |
| Residential                      | 402,751                    | 381,594       | 400,862       | 377,905       | 371,625       |
| Commercial                       | 307,505                    | 310,816       | 294,782       | 311,633       | 329,429       |
| Industrial                       | 280,350                    | 283,930       | 273,434       | 296,871       | 316,244       |
| Public Street & Highway Lighting | 9,245                      | 9,185         | 9,173         | 9,236         | 9,207         |
| Total Retail Energy Sales        | 999,852                    | 985,525       | 978,251       | 995,645       | 1,026,505     |
| Wholesale <sup>(1)</sup>         | 397,991                    | 419,063       | 482,809       | 466,894       | 464,482       |
| Total Energy Sales               | 1,397,843                  | 1,404,588     | 1,461,060     | 1,462,539     | 1,490,987     |
| Revenues from Sale of Energy:    |                            |               |               |               |               |
| Residential                      | \$96,598,000               | \$85,439,000  | \$ 84,866,000 | \$ 78,325,000 | \$ 72,591,000 |
| Commercial                       | 64,563,000                 | 61,001,000    | 56,915,000    | 59,423,000    | 60,2044,000   |
| Industrial                       | 55,248,000                 | 52,586,000    | 49,740,000    | 52,869,000    | 54,120,000    |
| Public Street & Highway Lighting | 2,961,000                  | 2,933,000     | 2,961,000     | 2,933,000     | 3,057,000     |
| Wholesale <sup>(1)</sup>         | 40,113,000                 | 29,862,000    | 22,875,000    | 18,459,000    | 21,776,000    |
| Total Energy Sales               | \$259,483,000              | \$231,821,000 | \$217,357,000 | \$212,009,000 | \$211,748,000 |

<sup>(1)</sup> Fluctuations in wholesale sales revenues were due primarily to changing market demand.

Source: Glendale Water and Power.

For the Fiscal Year ended June 30, 2023, approximately 44% of Glendale's electric sales revenues were derived from sales to residential customers, while industrial and commercial customers represented approximately 25% and 31% of sales revenues, respectively. Additional revenues, other than retail sales, were generated from sales to governmental agencies, wholesale operations, and sales to other utilities.

Within Glendale, large commercial and industrial customers are principally institutions and large corporations (such as hospitals, entertainment companies, and high-rise office buildings). No single large commercial/industrial customer accounted for more than 3% of total electric sales revenues during the Fiscal Year ended June 30, 2023. The top 10 industrial customers represented approximately 14% of total electric sales revenues during the Fiscal Year ended June 30, 2023.

## Capital Requirements

Glendale currently expects capital requirements for the Electric System for the current and next four Fiscal Years to aggregate approximately \$775.3 million. This includes capital requirements such as the Grayson Repowering Project and the Biogas Renewable Generation Project at the Scholl Canyon site. See “Electric Rates and Charges” above. It is expected that these requirements will be funded from a combination of revenues, bond proceeds and cash reserves of the Electric System. The Grayson Repowering Project is projected to require \$525 million in capital expenditures over the three-year period starting in Fiscal Year 2022-23 through fiscal year 2025-2026. The Biogas Renewable Generation Project is expected to require \$73 million in capital expenditures over a two-year period starting in Fiscal Year 2023-24.

The following table lists the expected yearly capital requirements of the Electric System for the five Fiscal Years indicated.

**GLENDALE WATER AND POWER  
ELECTRIC SYSTEM  
CAPITAL REQUIREMENTS  
(\$ in Thousands)**

| <b>Fiscal<br/>Year</b> | <b>Capital<br/>Requirements*</b> |
|------------------------|----------------------------------|
| 2024                   | \$ 277,746                       |
| 2025                   | 275,508                          |
| 2026                   | 173,865                          |
| 2027                   | 24,315                           |
| 2028                   | 23,865                           |
| Total                  | \$ 775,299                       |

\* Includes the Project.

Source: Glendale Water and Power.

## Transfers to the General Fund

The City Charter provides that the credit balance, if any, or any part thereof, in the Electric Works Revenue Fund at the end of any Fiscal Year (that is, the amount of which is in excess of the amount of all outstanding demands and liabilities unpaid from said fund on account of budget appropriations therefrom), shall be transferred to the Glendale Water and Power Surplus Fund. The Charter also provides that at the end of each Fiscal Year, up to 25% of the operating revenues of the Department for such Fiscal Year, excluding receipts from power supplied to other cities or utilities at wholesale rates, shall be transferred from the Glendale Water and Power Surplus Fund and further transferred to the City’s General Reserve Fund; provided, however, that the City Council, on an annual basis, may reduce or eliminate the amount to be transferred if the City Council determines that such reduction or elimination is necessary to assure the sound financial position of the Department.

Since the Fiscal Year ended June 30, 2019, the Electric System has transferred between \$19.0 million and \$21.9 million per year from the Electric Works Revenue Fund to the City’s general fund. Glendale’s Fiscal Year 2023-24 budget includes a transfer of \$23.1 million from the Electric Works Revenue Fund to the City’s general fund.

See “Litigation” below for a discussion of current litigation regarding Glendale’s transfer of funds from the Electric Fund to the City’s general fund.

## **Indebtedness; Joint Powers Agency Obligations**

***Electric System Revenue Bonds.*** The 2024 Bonds will be secured by a pledge of and lien upon Net Income of the Electric System on a parity with the 2013 Refunding Bonds and the 2013 Bonds that are not refunded upon issuance of the 2024 Refunding Bonds and the 2016 Refunding Bonds and any other parity obligations of the Electric System payable from Net Income of the Electric System issued from time to time. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. As of December 1, 2023, in addition to joint powers agency obligations, Glendale had \$117.5 million in outstanding principal amount of long-term obligations payable from net revenues of the Electric System (after the payment of operating and maintenance expenses of the Electric System, including Glendale’s obligations with respect to its agreements with joint powers agencies as described under “– Joint Powers Agency Obligations” below) consisting of (i) \$13.4 million in outstanding principal of Electric Revenue Bonds, 2013 Refunding Series; (ii) \$49.7 million in outstanding principal of Electric Revenue Bonds, 2013 Series, and (iii) \$54.4 million in outstanding principal of Electric Revenue Bonds, 2016 Refunding Series.

***Joint Powers Agency Obligations.*** As previously discussed, the City is a participant in the following SCPPA projects: the Palo Verde Nuclear Generating Station Project (of which no bonds are outstanding), the Southern Transmission System Project, the Mead-Phoenix Transmission Project, the Mead-Adelanto Transmission Project, the San Juan Unit 3 Project (which was shut down on December 31, 2017, and of which no bonds are outstanding), the Magnolia Power Project, the Prepaid Natural Gas Project, the Natural Gas Project (but the City has no obligation to pay debt service on the Natural Gas Project bonds), the Tieton Hydropower Project, the Linden Wind Energy Project, the Windy Point Project and the Milford Wind Corridor Phase II. See “– Joint Powers Agency Resources/Remote Ownership Interests.” To the extent the City participates in projects developed by SCPPA, the City is obligated to pay for its proportionate share of the cost of the particular project (see, however, “– Contingent Obligations Wind Energy Projects” below for a discussion of certain costs now covered by LADWP). In addition, the City has entered into certain power sales contracts with IPA and others for the delivery of electric power from the Intermountain Power Project.

Agreements of the City with SCPPA (other than the agreement relating to SCPPA’s Prepaid Natural Gas Project bonds) and IPA are on a “take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the City’s share of current and long-term obligations.

Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. All of these agreements (other than the agreements relating to SCPPA’s Prepaid Natural Gas Project bonds) contain “step-up” provisions obligating the City to pay a share of the obligations of any defaulting participant. The City’s participation and share of the principal obligations of SCPPA and IPA (without giving effect to any “step-up” provisions) are shown in the following table.

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**GLENDALE WATER AND POWER  
OUTSTANDING IPA AND SCPPA OBLIGATIONS  
(as of December 1, 2023)**

|  | <b>Outstanding<br/>Debt</b> | <b>City's<br/>Participation<sup>(1)</sup></b> | <b>City's Share of<br/>Principal Amount of<br/>Outstanding Debt<sup>(2)</sup></b> |
|--|-----------------------------|---|---|
| IPA  |                             |   |   |
| Intermountain Power Project <sup>(3)</sup> | \$ 101,675,000              | 2.124%  | \$ 2,159,577  |
| Renewal Project                            | 1,530,975,000               | 4.167   | 63,795,728  |
| SCPPA                                      |                             |   |   |
| STS Project                                | 125,655,000                 | 2.274   | 2,857,395   |
| STS Renewal Project                        | 677,070,000                 | 5.278   | 35,735,755  |
| Magnolia Power Project <sup>(4)</sup>      | 210,150,000                 | 17.254  | 36,258,440  |
| Prepaid Natural Gas Project                | 247,210,000                 | 23.000  | 56,858,300  |
| Tieton Hydropower Project.....             | 30,800,000                  | 50.000  | 15,400,000  |
| Linden Wind Energy Project.....            | 81,870,000                  | 10.000  | 8,187,000 <sup>(5)</sup>  |
| Windy Point Project/Windy Flats .....      | 161,845,000                 | 7.630   | 12,348,774 <sup>(6)</sup>   |
| Milford Wind Corridor Phase II.....        | 66,385,000                  | 4.902   | 3,254,193 <sup>(7)</sup>  |
| SUBTOTAL                                   | <u>\$1,600,985,000</u>      |   | <u>\$170,899,856</u>  |
| TOTAL                                      | <u>\$3,233,635,000</u>      |   | <u>\$236,855,161</u>  |

(1) Participation obligation is subject to increase upon default of another project participant (other than with respect to SCPPA's Prepaid Natural Gas Project bonds).

(2) Does not include interest on the debt.

(3) Includes bonds and subordinate notes.

(4) Excludes bonds relating solely to City of Cerritos.

(5) LADWP has purchased from Glendale its 10.0% output entitlement share and has agreed to pay costs associated therewith.

(6) LADWP has purchased from Glendale its 7.630% output entitlement share and has agreed to pay costs associated therewith.

(7) LADWP has purchased from Glendale its 4.902% output entitlement share and has agreed to pay costs associated therewith.

Source: Glendale Water and Power.

For the Fiscal Year ended June 30, 2023, Glendale's payments of debt service on its joint powers agency obligations aggregated approximately \$7.9 million. Annual debt service on Glendale's joint powers agency obligations is expected to increase from this level and increase to approximately \$15.3 million in the Fiscal Year ending June 30, 2046 due to issuances in 2022 of additional Intermountain Power Project bonds. This projection assumes no additional future debt issuances. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the assumed rates stated above and may be subject to repayment to the liquidity provider over a significantly shorter period than the originally scheduled payment of principal on the related bonds. Interest rate swap agreements entered into by joint powers agencies in connection with hedged variable rate joint powers agency obligations may be subject to early termination. In the event of early termination of a joint powers agency interest rate swap agreement, the joint powers agency could be obligated to make a substantial payment to the applicable swap provider a corresponding amount of which termination payment (proportionate to each project participants' participation share in the related project) could be due from the applicable project participants.

***Contingent Obligations for Wind Energy Projects.*** Glendale has entered into three power sales agreements with SCPPA, under which SCPPA has sold to Glendale on a "take-or-pay" basis, its entitlement share of the capacity and energy in three separate projects; those being (i) an entitlement share of 10.0% of the Linden Wind Energy Project, which consists of the acquisition by SCPPA of an approximately 50 MW nameplate capacity wind powered electric generating facility comprised of 25 wind turbines located near

the town of Goldendale in Klickitat County, Washington, including the structures, facilities, equipment, fixtures, improvements and associated real and personal property and other rights and interests necessary for the ownership and operation of the generation facility and the sale of energy therefrom, (ii) an entitlement share of 4.902% of the Milford Wind Corridor Phase II Project, which consists of the purchase by SCPPA of all energy generated by a 102 MW nameplate capacity wind powered electric generating facility comprised of 68 wind turbines located near Milford, Utah, for a term of 20 years (unless earlier terminated), and (iii) an entitlement share of 7.630% of the Windy Point/Windy Flats Project, which consists primarily of the purchase by SCPPA of all energy generated by a 262.2 MW nameplate capacity wind powered electric generating facility comprised of 114 wind turbines and related facilities located in the Columbia Hills area of Klickitat County, Washington near the City of Goldendale, for a term of 20 years (unless earlier terminated). Under each power sales agreement Glendale is obligated to pay its share of debt service on bonds or notes issued by SCPPA for each such project, as well as certain capital and other costs related to operation and maintenance.

In connection with each of the aforementioned projects, Glendale, SCPPA and LADWP entered into power sales agreements wherein LADWP purchased from Glendale, and Glendale sold and assigned to LADWP, Glendale's output entitlement share of each such project for the term of Glendale's respective power sales agreement with SCPPA. Pursuant to each such contract, LADWP agreed to pay to SCPPA each month during the term of the respective contract, an amount equivalent to Glendale's share of the monthly costs payable by Glendale under its respective power sales agreement with SCPPA for such output entitlement share for such month, and such amounts received by SCPPA from LADWP are applied to discharge Glendale's obligations to pay such share of monthly costs under each respective power sales agreement. In addition, Glendale's other obligations under each power sales agreement with SCPPA are discharged to the extent, but only to the extent, that such obligations are performed by LADWP. Except as discharged as provided in the respective agreements, the obligations of Glendale to pay monthly costs and to perform its other obligations under each power sales agreement with SCPPA are not otherwise affected and the power sales agreement continues as an obligation of Glendale.

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## Historical Operating Results and Debt Service Coverage

The following table shows the historical operating results and debt service coverage on Glendale's outstanding Electric System bonds during the five Fiscal Years ended June 30, 2019 through June 30, 2023. The information relating to the Fiscal Years ended June 30, 2019 through June 30, 2023 was prepared by Glendale on the basis of its audited financial statements and information derived from its audited financial statements.

### GLENDALE WATER AND POWER ELECTRIC SYSTEM HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE (\$ in thousands)

|  | Fiscal Year Ended June 30, |               |               |               |               |
|--|----------------------------|---------------|---------------|---------------|---------------|
|  | 2023                       | 2022          | 2021          | 2020          | 2019          |
| <b>Operating Revenues</b>                                |                            |               |               |               |               |
| Revenues   | \$259,483                  | \$231,821     | \$217,357     | \$212,009     | \$211,748     |
| Other Revenues Available for Debt Service <sup>(1)</sup> | <u>18,409</u>              | <u>6,371</u>  | <u>13,961</u> | <u>23,360</u> | <u>15,315</u> |
| Total Revenues Available for Debt Service                | 277,892                    | \$238,192     | \$231,318     | \$235,369     | \$227,063     |
| <b>Operating Expenses<sup>(2)</sup></b>                  |                            |               |               |               |               |
| Production <sup>(3)</sup>                                | \$190,083                  | \$145,451     | \$141,136     | \$132,621     | \$126,468     |
| Transmission & Distribution                              | 47,884                     | 34,657        | 38,428        | 38,793        | 39,953        |
| Customer Accounting & Sales                              | <u>9,689</u>               | <u>12,070</u> | <u>8,340</u>  | <u>7,532</u>  | <u>7,308</u>  |
| Total Expenses   | \$247,656                  | \$192,178     | \$187,904     | \$178,946     | \$173,729     |
| Net Income Available for Debt Service                    | \$30,236                   | \$46,014      | \$43,414      | \$ 56,423     | \$ 53,334     |
| Debt Service <sup>(4)</sup>                              | \$12,167                   | \$12,168      | \$12,071      | \$ 12,071     | \$ 12,205     |
| Debt Service Coverage                                    | 2.49x                      | 3.78x         | 3.60x         | 4.67x         | 4.37x         |

<sup>(1)</sup> Other revenues available for debt service include interest revenues plus other non-operating revenues less other non-operating expenses excluding interest expenses. Does not include contributions in aid.

<sup>(2)</sup> Operating expenses exclude depreciation, gas depletion, capital expenditures and transfers to Glendale's general fund (which transfers are payable after the payment of debt service).

<sup>(3)</sup> Includes generation, fuel, purchase power and labor expenses.

<sup>(4)</sup> Represents debt service on Glendale's outstanding Electric System revenue bonds.

Source: Glendale Water and Power.

The following Statement of Net Position information for the five Fiscal Years ended June 30, 2019 through June 30, 2023 has been prepared by Glendale based upon audited financial statements.

**GLENDALE WATER AND POWER**  
**ELECTRIC SYSTEM STATEMENT OF NET POSITION**  
(\$ in thousands)

|   | Fiscal Year Ended June 30, |                  |                  |                  |                  |
|---|----------------------------|------------------|------------------|------------------|------------------|
|   | 2023                       | 2022             | 2021             | 2020             | 2019             |
| <b>ASSETS</b>   |                            |                  |                  |                  |                  |
| Current assets:   |                            |                  |                  |                  |                  |
| Pooled cash and investments                             | \$85,662                   | \$136,560        | \$149,657        | \$149,612        | \$138,827        |
| Cash with fiscal agent                                  | 2,543                      | 2,332            | 2,538            | 2,409            | 2,251            |
| Investment with fiscal agent                            | 2,398                      | 2,398            | 2,398            | 2,398            | 2,398            |
| Interest receivable                                     | 1,709                      | 1,422            | 1,063            | 1,440            | 1,338            |
| Accounts receivable, net                                | 28,314                     | 33,063           | 31,889           | 28,231           | 23,187           |
| Inventories   | 11,484                     | 9,704            | 9,401            | 10,018           | 6,875            |
| Prepaid items   | <u>28,652</u>              | <u>8,565</u>     | <u>8,381</u>     | <u>11,460</u>    | <u>12,977</u>    |
| Total current assets                                    | 168,780                    | 194,044          | 205,327          | 205,568          | 187,853          |
| Non-current assets:                                     |                            |                  |                  |                  |                  |
| Capital assets:   |                            |                  |                  |                  |                  |
| Land  | 6,306                      | 6,306            | 6,306            | 6,306            | 6,306            |
| Natural gas reserve                                     | 22,175                     | 22,171           | 22,166           | 22,163           | 22,161           |
| Buildings and improvements                              | 63,970                     | 73,722           | 73,716           | 71,334           | 66,306           |
| Machinery and equipment                                 | 440,728                    | 512,684          | 513,741          | 510,898          | 512,627          |
| Intangible assets                                       | 422                        | 327              | 327              | 327              | 248              |
| Less: accumulated depreciation                          | (370,730)                  | (414,831)        | (398,901)        | (386,335)        | (377,472)        |
| Natural gas depletion                                   | (15,162)                   | (14,481)         | (13,770)         | (12,978)         | (12,039)         |
| Amortization  | (276)                      | (241)            | (156)            | (70)             | -                |
| Construction in progress                                | 29,695                     | 9,086            | 8,075            | 15,923           | 27,300           |
| Lease assets  | <u>212</u>                 | <u>203</u>       | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Total capital assets                                    | 177,340                    | 194,946          | 211,504          | 227,568          | 245,437          |
| Pooled designated and invested cash                     | 151,435                    | 124,100          | 124,100          | 124,100          | 124,100          |
| Restricted cash   | 44,463                     | 41,417           | 24,032           | 14,375           | 7,034            |
| Leases receivable                                       | <u>993</u>                 | <u>1,016</u>     | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Total non-current assets                                | <u>374,231</u>             | <u>361,479</u>   | <u>359,636</u>   | <u>366,043</u>   | <u>376,571</u>   |
| Total assets  | <u>543,011</u>             | <u>555,523</u>   | <u>564,963</u>   | <u>562,905</u>   | <u>564,424</u>   |
| Deferred outflows of resources related to pensions      | 25,077                     | 8,898            | 9,569            | 7,736            | 10,946           |
| Loss on refunding                                       | 3,391                      | 3,627            | 3,863            | 4,099            | 4,335            |
| Deferred outflows of resources related to OPEB          | <u>408</u>                 | <u>467</u>       | <u>496</u>       | <u>-</u>         | <u>-</u>         |
| Total assets and deferred outflows of resources         | <u>571,887</u>             | <u>568,515</u>   | <u>578,891</u>   | <u>583,446</u>   | <u>579,705</u>   |
| <b>LIABILITIES AND NET POSITION</b>                     |                            |                  |                  |                  |                  |
| Current liabilities:                                    |                            |                  |                  |                  |                  |
| Accounts payable  | \$29,236                   | \$19,250         | \$12,035         | \$10,003         | \$14,928         |
| Interest payable  | 2,447                      | 2,572            | 2,691            | 2,800            | 2,904            |
| Bonds payable, due in one year                          | 7,431                      | 7,126            | 6,841            | 6,592            | 6,337            |
| Deposits  | <u>1,726</u>               | <u>1,355</u>     | <u>1,277</u>     | <u>2,023</u>     | <u>2,408</u>     |
| Total current liabilities                               | 40,840                     | 30,303           | 22,844           | 21,418           | 26,577           |
| Noncurrent liabilities:                                 |                            |                  |                  |                  |                  |
| Bonds payable   | 126,097                    | 133,529          | 140,655          | 147,496          | 154,087          |
| Net pension liability                                   | 72,144                     | 37,753           | 68,975           | 64,601           | 61,278           |
| OPEB liability  | <u>1,867</u>               | <u>2,281</u>     | <u>2,632</u>     | <u>-</u>         | <u>-</u>         |
| Total noncurrent liabilities                            | 200,108                    | 173,563          | 212,262          | 212,097          | 215,365          |
| Total liabilities                                       | 240,948                    | 203,866          | 232,474          | 233,515          | 241,942          |
| Deferred inflows resources related to pensions and OPEB | <u>4,986</u>               | <u>23,090</u>    | <u>334</u>       | <u>1,243</u>     | <u>1,605</u>     |
| Total liabilities & deferred inflows of resources       | 245,934                    | 226,956          | 235,440          | 234,758          | 243,547          |
| Net position <sup>(1)</sup> :                           |                            |                  |                  |                  |                  |
| Net investment in capital assets                        | 43,249                     | 61,184           | 72,099           | 82,386           | 89,348           |
| Restricted For  |                            |                  |                  |                  |                  |
| Carbon Emissions  | 37,160                     | 26,718           | 17,443           | 7,912            | -                |
| Restricted investment <sup>(2)</sup>                    | 1,634                      | 9,030            | 919              | 794              | 1,365            |
| SCAQMD emission controls                                | 5,669                      | 5,669            | 5,669            | 5,669            | 5,669            |
| Unrestricted  | <u>238,241</u>             | <u>238,958</u>   | <u>247,321</u>   | <u>251,927</u>   | <u>239,776</u>   |
| Total net position                                      | <u>\$325,953</u>           | <u>\$341,559</u> | <u>\$343,451</u> | <u>\$348,688</u> | <u>\$336,158</u> |

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<sup>(1)</sup> In 2020, a prior period adjustment of \$3,199,000 was made to increase the beginning net position of the Electric Fund, the migration of the transformer inventory function to the GWP warehouse added transformers to the GWP inventory and reduced the previously capitalized assets in the Electric Fund. Additionally, Glendale recorded prior years' transmission loss credit from the Los Angeles Department of Water & Power (LADWP) for the Intermountain Power Plant losses (IPPLosses), and Intermountain losses (ILosses). Additional information on the Restatement can be found in Note 11 of the 2020 GWP Annual Report, Electric Utility section.

In 2021, a prior period adjustment of \$2,398,000 was made to decrease the beginning net position of the Electric Utility. In prior years, the OPEB liability was only recorded in the governmental activities, because of the immateriality of the allocated liability to the enterprise funds. In Fiscal Year 2020-21, due to the decrease in the discount rate, the OPEB liability increased and it became a material liability in the Electric Utility.

<sup>(2)</sup> Restricted Investment was restated to Restricted Cash and Investments for fiscal years 2019-20 and 2018-19.

Source: Glendale Water and Power.

## **Employees of Glendale Water and Power**

For the Fiscal Year ended June 30, 2023, the Department budgeted for approximately 238 full-time employees for the Electric System. Most Electric System employees are represented by the Glendale City Employees Association ("GCEA"), the International Brotherhood of Electrical Workers ("IBEW") and the Glendale Management Association ("GMA") in all matters pertaining to wages, benefits and working conditions. The GCEA and the GMA each entered into a memorandum of understanding with the City that will expire on June 30, 2024. Glendale has recognized Local 18 of IBEW as the exclusive representative of approximately 111 of the 238 full-time Electric System employees. The contract with IBEW, which was approved in March 2020, expired on July 31, 2023. The City is currently in negotiation with IBEW on a new contract.

## **Wildfire Mitigation Measures**

Approximately 62% the City encompasses geographical areas classified by state fire threat maps as "Tier 2" or "Tier 3" fire-threat areas (i.e., areas of elevated or extreme risk from utility-associated wildfires). However, many of these areas do not contain any Electric System assets that could ignite are wildfire and many others are required to be managed by the property owners to be cleared for hazardous vegetation. The remaining areas that contain Electric System assets and that are not areas required to be managed by private owners constitute approximately 0.47% of the City's total area.

The City currently has undertaken a number of wildfire mitigation measures. These include:

- The City responds to red flag wind warnings issued for the area by the National Weather Service by de-energizing (without loss of customer load) the transmission line of the Electric System that runs across uninhabited hilly terrain with elevated fire risk. In addition, GWP is looking into employing the broken conductor technology and fast acting protection scheme to mitigate the risk of fire furthermore.
- The City procured 15 fire resistant wrap/coating poles to install in high fire risk locations. Linemen have replaced two power poles with fire resistant wrap/coated poles and also installed 250 feet of covered conductors in Tier 2 areas.
- The City expanded vegetation management to exceed minimum clearance requirements by trimming trees down to the telecommunications level.
- The City installed a device to minimize the risk of fire in brush area from ejecting a blown fuse.
- To evaluate the effectiveness of its wildfire plan, the City developed metrics posted on an internal website to track the number of electrical assets replaced in Tier 2 and Tier 3 areas.

- The City expanded asset inspections and refined its master plan to address end-of-life infrastructure management and mitigate against fire risks from downed power lines or failed equipment that can spark and ignite wildfires. The City signed a three-year contract with an engineering company to conduct a complete assessment of all overhead and underground assets. This inspection program started in November 2022. This assessment includes pole inspections, vault inspections, and inspections of all assets connected to (or within) these assets, including (but not limited to) transformers, crossarms, insulators, conductors, cables, landings, capacitor banks, voltage regulators, and all other attachments. In addition to assessing the condition of Electric System assets, the program provides a mechanism to prioritize repair and replacement projects.

## Litigation

**General.** At any given time, including the present, there are certain claims and disputes that arise in the normal course of the Electric System’s enterprise activities. Such matters could, if determined adversely to Glendale or the Electric System, affect expenditures by Glendale, and in some cases, its Electric System revenues. The management of the Department is of the view that no pending actions are likely to have a material adverse effect on Glendale’s ability to pay its Electric System obligations.

**Grayson Litigation.** On March 18, 2022, the Sierra Club filed a Petition for Writ of Mandate (the “Sierra Club Petition”) against the City in the matter of *Sierra Club v. City of Glendale, et al.*, Los Angeles Superior Court Case No. 22STCP00983. The Sierra Club Petition challenged the City Council’s February 15, 2022 certification of a Final Environmental Impact Report for the proposed Grayson Repowering Project and authorizations to move forward with various Grayson Repowering Project development activities. The Sierra Club Petition alleges the Final Environmental Impact Report violates CEQA contending that the Grayson Repowering Project description is inaccurate and incomplete, that the environmental justice analysis is inadequate, and that the Final Environmental Impact Report failed to adequately disclose and evaluate Grayson’s significant environmental effects. On July 31, 2023, the trial court denied the Sierra Club Petition. The trial court rejected Sierra Club’s arguments, including the alleged inadequacy of the project description and environmental justice analysis, and Sierra Club’s argument that the City needed to study the potential impacts of a future conversion of the plant to burn hydrogen as fuel instead of natural gas.

In a separate case that the Los Angeles Superior Court has coordinated with the above-described Sierra Club matter, on March 21, 2022, Glendale Residents Against Environmental Destruction (“GRAED”) filed a Petition for Writ of Mandate (the “GRAED Petition”) against the City (*Glendale Residents Against Environmental Destruction v. City of Glendale, et al.*, Los Angeles Superior Court Case No. 22STCP01021) also challenging the City Council’s February 15, 2022 certification of a Final Environmental Impact Report for the proposed Grayson Repowering Project and authorizations to move forward with various Grayson Repowering Project development activities. The GRAED Petition alleges the Final Environmental Impact Report violates CEQA for failing to adequately describe the environmental setting and the project, for insufficient analysis of significant impacts, including impacts on historic resources, for failure to identify and analyze potentially feasible mitigations and prepare a range of reasonable project alternatives, for failure to adequately respond to comments on the draft Environmental Impact Report, and for failure to adopt adequate findings. GRAED also alleges the City violated the Glendale Municipal Code. On July 31, 2023, trial court ruled that the procedures the City followed to certify the Final Environmental Impact Report were appropriate and that the Final Environmental Impact Report was legally adequate.

Both GRAED and Sierra Club have filed appeals. GRAED has twice sought, and the Court of Appeals has twice denied GRAED’s request to stay demolition of the existing Grayson Repowering Project

site's buildings based on same contentions raised at the trial court level. Demolition activities are proceeding on schedule, and the Grayson Repowering Project continues to move forward while litigation continues.

## **CERTAIN RISK FACTORS**

The purchase of the Bonds involves investment risk. Such risk factors include, but are not limited to, the following matters.

### **Bonds are Limited Obligations**

The Bonds are special, limited obligations of the City. The Bonds do not constitute a debt or liability of the City, the State or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State or of any political subdivision thereof, but shall be payable, except to the extent of certain available moneys pledged therefor, solely from Net Income. Neither the faith and credit nor the taxing power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

### **Limitations on Remedies**

The enforceability of the rights and remedies of the owners of the Bonds and the Trustee, and the obligations incurred by the City, may be subject to the following, among others: the limitations on legal remedies against cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited since the Electric System serves an essential public purpose.

### **Electric System Expenses and Collections**

There can be no assurance that the City's expenses for the Electric System will remain at the levels described in this Official Statement. For example, increases in fuel, energy and transmission costs, new environmental regulations and laws or other expenses would reduce the Net Income and could require substantial increases in rates or charges.

Although the City has covenanted to collect rates for the Electric System at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the 2024 Bonds.

## **Rate Regulation**

The authority of the City to impose and collect rates and charges for power service is not currently subject to the direct regulatory jurisdiction of the CPUC or the Federal Energy Regulatory Commission (“FERC”), and presently no other regulatory authority directly limits or restricts such rates and charges. See “THE ELECTRIC SYSTEM–Electric Rates and Charges.” It is possible that future Constitutional, legislative or regulatory changes could subject the rates, charges and/or service area of the City to the direct jurisdiction of the CPUC or FERC or to other limitations or requirements under Federal or state law.

## **Certain Factors Affecting the Electric Utility Industry**

The electric utility industry in general has been, and in the future may be, affected by a number of other factors which could adversely impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. The City is unable to predict what impact such factors will have on the business operations and financial condition of the Electric System, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. See “DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS” and “OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.”

## **Proposition 218 and Proposition 26**

Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution. Article XIIC imposes a majority voter approval requirement on local governments (including the City) with respect to taxes for general purposes, and a two-thirds voter approval requirement with respect to taxes for special purposes. Article XIID creates additional requirements for the imposition by most local governments of general taxes, special taxes, assessments and “property-related” fees and charges. Article XIID explicitly exempts fees for the provision of electric service from the provisions of such article.

Article XIIC expressly extends the people’s initiative power to the reduction or repeal of local taxes, assessments, and fees and charges imposed prior to its effective date (November 1996). The California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) that, under Article XIIC, local voters by initiative may reduce a public agency’s water rates and delivery charges, as those are property-related fees or charges within the meaning of Article XIID, and noted that the initiative power described in Article XIIC may extend to a broader category of fees and charges than the property-related fees and charges governed by Article XIID. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. Thus, electric service charges (which are expressly exempted from the provisions of Article XIID) may be subject to the initiative provisions of Article XIIC, thereby subjecting such fees and charges to reduction by the electorate. The City has been advised by outside counsel that even if the electric rates of the City are subject to the initiative power, under Article XIIC or otherwise, the electorate of the City would be precluded from reducing its electric rates and charges in a manner materially and adversely affecting the payment of the 2024 Bonds by virtue of the “impairment of contracts clause” of the United States Constitution.

The California electorate approved Proposition 26 at the November 2, 2010 election, amending Article XIIC of the California Constitution. Proposition 26 was designed to supplement tax limitations California voters adopted when they approved Proposition 13 in 1978, and Proposition 218 in 1996. Proposition 26 applies by its terms to any levy, charge or exaction imposed, increased or extended by a

local government on or after November 3, 2010. Proposition 26 deems any such levy, charge or fee to be a “tax”, requiring voter approval under Article XIII C unless it comes within one of the listed exceptions. Proposition 26 expressly excludes from its definition of a “tax,” among other things, a “charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.” Proposition 26 is applicable to the electric rates of governmental entities such as the City’s; therefore, newly adopted rates must conform to its requirements.

Proposition 26 is subject to interpretation by California courts, including the extent to which it is applicable to pre-existing electric rates and general fund transfers. A number of lawsuits have been filed against public agencies in California relating to electric utility fund transfers. *In Citizens for Fair REU Rates v. City of Redding* (filed on January 20, 2015 and modified on February 19, 2015), for example, the California Court of Appeal considered a ratepayer challenge to a “payment in lieu of taxes” (or “PILOT”) required by the City of Redding to be made by its electric utility as an annual budgetary transfer amount without voter approval. The city’s PILOT was designed to compensate the general fund for the costs of services that other city departments provide to the electric utility. The amount of the PILOT was equivalent to the ad valorem taxes the electric utility would have had to pay if the electric utility were privately owned. The suits alleged that the PILOT was passed through to the city’s electric utility customers as part of the rates and charges for electric service in excess of the reasonable costs to the city of providing electric service. The Court of Appeal determined that Proposition 26 has no retroactive effect as to local taxes that existed prior to November 3, 2010, but found that since the PILOT was subject to the City Council’s recurring discretion, the PILOT did not escape the purview of Proposition 26. The Court of Appeal concluded that the PILOT constituted a “tax” under Proposition 26 for which the city must secure voter approval unless the city proved that the amount collected was necessary to cover the reasonable costs to the city of providing electric service. On April 29, 2015, the California Supreme Court granted review of the decision of the Court of Appeal. The California Supreme Court rendered its decision on August 27, 2018, reversing the judgment of the Court of Appeal. The California Supreme Court determined that the budgetary transfer from the City of Redding electric utility to the city’s general fund, calculated by using the PILOT, itself is not the type of exaction that is subject to Article XIII C of the California Constitution. The court reasoned that it is only the City of Redding electric utility rate, not the PILOT, that is imposed on customers for electric service. The California Supreme Court concluded that because the total retail rate revenue of the electric utility was insufficient to cover the electric utility’s uncontested operating expenses (other than the PILOT) in the years at issue, the challenged rate did not exceed the reasonable costs of providing electric service, and therefore did not constitute a tax.

The City is unable to predict at this time how Propositions 218 and 26 will ultimately be interpreted by the courts in the context of electric system rates or what their ultimate impact of Proposition 218 or 26 will be.

### **Future Initiatives**

Articles XIII C and XIII D and the amendments effected thereto by Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiatives have been, and could be, proposed, and if qualified for the ballot, could be adopted affecting the City’s revenues or the City’s ability to expend revenues. The City is unable to predict either the likelihood of qualification for ballot or passage of these measures or the nature and impact of these measures on the finances or operations of the Electric System.

## **Loss of Tax Exemption**

As discussed under the caption “TAX MATTERS,” interest with respect to the 2024 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of execution and delivery of the 2024 Bonds as a result of future acts or omissions of the City in violation of certain covenants contained in the Indenture of Trust. Should such an event of taxability occur, the 2024 Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed pursuant to the Indenture of Trust.

## **Casualty Risk**

Any natural disaster or other physical calamity could have the effect of reducing revenues through damage to the Electric System and/or adversely affecting the economy of the surrounding area. For example, the City is located in a region of seismic activity. The principal earthquake fault in the Los Angeles and City area is the San Andreas Fault, which extends an estimated 700 miles from north of the San Francisco area to the Salton Sea in Southern California. At its nearest point, it is approximately 30 miles from the City.

Announcements on January 20, 1995, by the scientists associated with the Southern California Earthquake Center indicated that the probability of a magnitude 7 or greater earthquake on the Richter Scale occurring in Southern California is between 80% and 90% in the 30 year period following the announcement. It is impossible to accurately predict the cost or effect of such an earthquake on the Electric System and on the City’s ability to provide continued uninterrupted service to all parts of its service area.

A future earthquake could cause significant damage to the City and the facilities of the Electric System and could adversely affect the ability of the City to meet all of its financial obligations. On January 17, 1994, an earthquake of approximately 6.6 magnitude on the Richter Scale was centered in the northwest San Fernando Valley section of the City of Los Angeles. It caused widespread damage to commercial and residential structures and to major freeways, causing business interruptions and disrupting the normal flow of traffic. Its damaging effects were felt over a large area, and the providing to the City of transmission services by the Cities of Pasadena and Burbank over the Pacific Intertie DC Transmission Line was temporarily interrupted because of damage to the Sylmar Converter Station. The Electric System was not significantly damaged by this earthquake. In the event of a severe earthquake, however, the amount of moneys available to pay debt service on the Bonds could be reduced significantly.

## **DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS**

### **State Legislation and Regulatory Proceedings**

A number of bills affecting the electric utility industry have been introduced or enacted by the California Legislature in recent years. In general, these bills regulate greenhouse gas emissions and provide for greater investment in energy efficiency and environmentally friendly generation and storage alternatives, principally through more stringent renewable resource portfolio standard requirements and more aggressive emissions reduction programs to combat the effects of climate change. More recently, enacted legislation has also focused on addressing issues relating to wildfire risks and occurrences in California, including imposing certain requirements on electric utilities in connection with planning for and mitigating such occurrences and risks. The following is a brief summary of certain of these bills that have been enacted. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof.

*Greenhouse Gas Emissions – Background; Global Warming Solutions Act.* In September 2006, then-Governor Schwarzenegger signed into law Assembly Bill 32, the Global Warming Solutions Act of 2006 (hereinafter, the “GWSA”), which became effective on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of returning to 1990 greenhouse gas emission levels by 2020 as prescribed by Executive Order S-3-05 of the Governor issued on June 1, 2005. In September 2016, then-Governor Brown signed into law Senate Bill 32 (“SB 32”), an amendment to the GWSA. SB 32, which became effective as law on January 1, 2017, codified a new interim statewide greenhouse gas emission reduction target, consistent with Executive Order B-30-15, signed by Governor Brown on April 29, 2015. SB 32 requires the California Air Resources Board (“CARB”), which, pursuant to the GWSA, is the designated state agency charged with monitoring and regulating sources of emissions of greenhouse gases, to ensure that statewide greenhouse gas emissions are reduced to at least 40% below the 1990 level no later than December 31, 2030.

Senate Bill 350 (“SB 350”), signed by then-Governor Brown in October 2015 (and additionally discussed under “– Renewables Portfolio Standard” below), requires CARB, in consultation with the CPUC and the California Energy Commission (the “CEC”), to establish 2030 greenhouse gas emission targets for each electric utility in the State. At present, these targets are non-binding, and primarily intended to help the State measure progress toward the 2030 statewide goal outlined in SB 32. The targets, however, are an input to the integrated resource plans that are required of the State’s 16 largest local publicly-owned electric utilities (“POUs”), including the City’s Electric System. See “– Renewables Portfolio Standard” below.

The GWSA also established an annual mandatory reporting requirement for all investor-owned utilities (“IOUs”), POUs, and other load-serving entities (electric utilities providing energy to end-use customers) to inventory and report greenhouse gas emissions to CARB, required CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a “cap-and-trade” program) and gave CARB the authority to enforce such regulations beginning in 2012. The City is complying with the applicable reporting requirements under the GWSA.

Assembly Bill 1279 (“AB 1279”) established additional greenhouse-gas emission reduction goals. AB 1279 declares the policy of the State both to achieve net-zero greenhouse gas emissions as soon as possible, but no later than 2045, and achieve and maintain net negative greenhouse gas emissions thereafter, and to ensure that by 2045, Statewide anthropogenic greenhouse gas emissions are reduced to at least 85% below the 1990 levels. Under AB 1279, “net zero greenhouse gas emissions” means emissions of greenhouse gases to the atmosphere are balanced by removals of greenhouse gas emissions over a period of time. At present, these targets are non-binding, and primarily intended to help the State progress toward the 2045 Statewide goal outlined in AB 1279.

*Greenhouse Gas Emissions – Cap-and-Trade Program.* Pursuant to the GWSA, CARB has adopted a series of regulations implementing a cap-and-trade program. The initial cap-and-trade regulation became effective on January 1, 2012. Emission compliance obligations under the regulation began on January 1, 2013. The cap-and-trade program covers sources accounting for 85% of California’s greenhouse gas emissions, the largest program of its type in the United States.

The cap-and-trade regulations impose aggregate emissions limitations on the electricity generation industry in California. The cap-and-trade regulations require all regulated entities to obtain and submit to CARB compliance instruments (allowances and/or offsets) with respect to greenhouse gas emissions relating to its State generation activities, as well as for imported electricity from dedicated out-of-state resources. The cap-and-trade program includes the distribution of carbon allowances equal to the annual emissions cap. The City, like other electric utilities, receives administrative allocations of allowances for some of its expected greenhouse gas emissions. Additional allowances are auctioned quarterly. Entities that emit greenhouse gases at levels above those for which they receive administrative allocations, if any, must

purchase the additional allowances they require at the CARB auctions or on the secondary market from other covered entities with surplus allowances. IOUs are required to auction the allowances they received for free from CARB. This requirement also applies to POUs that sell electricity into the California Independent System Operator Corporation (“CAISO”) markets, other than sales of electricity from resources funded by municipal tax-exempt debt where the POU makes a matched purchase to serve its traditional retail customers. Utilities required to sell their allowances in the auctions are then required to purchase allowances to meet their compliance obligations, and use any remaining proceeds from the sale of their allocated allowances for the benefit of their ratepayers and to meet the goals of the GWSA. POUs that do not sell into the CAISO markets, and those that sell into the CAISO markets only electricity from resources funded by municipal tax-exempt debt, have three options (which are not mutually exclusive) once their allocated allowances have been distributed to them. They can (i) place allowances in their compliance accounts to meet compliance obligations, (ii) place allowances in the compliance account of a joint powers agency or public power utility that generates power on their behalf, and/or (iii) auction the allowances and use the proceeds to benefit their ratepayers and meet the goals of the GWSA.

The cap-and-trade program also allows covered entities to use offset credits for compliance (initially not exceeding 8% of a covered entity’s compliance obligation through the end of 2020). Offsets can be generated by emission reduction projects in sectors that are not regulated under the cap-and-trade program. CARB has approved the following types of offset projects: urban forest projects, reforestation projects, destruction of ozone-depleting substances, livestock methane management projects, destruction of fugitive coal mine methane and rice cultivation practices. CARB will continue to consider additional and updated offset protocols, including international, sector-based offsets; CARB is also required to reform the offset program pursuant to AB 398 as discussed below.

On July 17, 2017, the California Legislature passed AB 398, extending the cap-and-trade program from 2021 to 2030. AB 398 passed both houses with a 2/3 supermajority vote, which protects the legislation from certain legal challenges. Under AB 398, the distribution of free carbon allowances is continued for certain industrial sectors. However, AB 398 imposes stricter limits on the use of offset credits for compliance, with 4% of a covered entity’s compliance obligation to be allowed to be satisfied with offsets from 2021 through 2025, and 6% thereafter. In addition, one-half of any such offsets will be required to be in California. Under AB 398, CARB was directed to address the following: establish a price ceiling, offer non-tradeable allowances at two price containment points below the price ceiling, transfer current vintages unsold for more than 24 months to the allowance price containment reserve, evaluate and address allowance over-allocation concerns, set industry assistance factors for allowance allocation, and establish allowance banking rules. Under AB 398, CARB was directed to include cost containment provisions to keep allowance prices from rising too high and pushing business expansion outside of the state (referred to as “leakage”). AB 398 was passed in conjunction with AB 617, which strengthens the monitoring of criteria air pollutants and toxic air contaminants in local communities. Amendments to the cap-and-trade regulations to reflect the requirements of AB 398 have been adopted by CARB and went into effect on April 1, 2019.

California’s cap-and-trade program is linked to the equivalent program in Quebec, Canada. The program may in future years be linked to additional Canadian provincial cap-and-trade programs, and possibly other U.S. state cap-and-trade programs. The City is unable to predict at this time the full impact of the cap-and-trade program over the long-term on the Electric System or on the electric utility industry generally or whether any additional changes to the adopted program will be made.

Since the advent of the cap-and-trade program in 2012, regulations by CARB have provided the electric sector, including the Electric System, with sufficient allocated greenhouse gas allowances or credits to cover existing operations in meeting retail load obligations. The City may bank allocated allowances in its compliance account to satisfy a portion of its ongoing compliance obligations. The City may also buy or sell allowances in the quarterly auctions or on the bi-lateral market to meet its additional compliance

obligations. The City could be adversely affected by future changes in the allowance allocation methodology or by future reductions in the quantity of allowances allocated to it under CARB regulations, if the greenhouse gas emissions of its resource portfolio are in excess of the allowances administratively allocated to it and it is required to purchase compliance instruments on the market to cover its emissions.

*Greenhouse Gas Emissions – Emissions Performance Standard.* Senate Bill 1368 (“SB 1368”) became effective as law on January 1, 2007. SB 1368 provided for an emission performance standard (“EPS”), restricting new investments in baseload fossil fuel electric generating resources that exceed a specified rate of greenhouse gas emissions. SB 1368 allows the CEC to establish a regulatory framework to enforce the EPS for POUs such as the City’s Electric System. The CEC regulations prohibit any investment in baseload generation that does not meet the EPS of 1,100 pounds of carbon dioxide (“CO2”) per MWh of electricity produced, with limited exceptions for routine maintenance, requirements of pre-existing contractual commitments, or threat of significant financial harm.

As modified, the EPS regulations require a POU to post a notice of a public meeting at which its governing board will consider any expenditure over \$2.5 million to meet environmental regulatory requirements at a non-EPS compliant baseload facility. In addition, each POU is required to file an annual notice identifying all investments over \$2.5 million that it anticipates making during the subsequent 12 months on non-EPS compliant baseload facilities to comply with environmental regulatory requirements. This requirement is waived for any POU that has entered into a binding agreement to divest within five years of all baseload facilities exceeding the EPS. CEC staff has confirmed that the \$2.5 million threshold applies to an individual investment by each utility, and not the combined investment of all participants in a project.

*Energy Procurement and Efficiency Reporting.* Senate Bill 1037 (“SB 1037”) was signed by then Governor Schwarzenegger on September 29, 2005. It requires that each POU, including the City, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost-effective, reliable and feasible. SB 1037 also requires each POU to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. The City has complied with such reporting requirements.

Assembly Bill 2021 (“AB 2021”), signed by then Governor Schwarzenegger on September 29, 2006, requires that POUs establish, report, and explain the basis of the annual energy efficiency and demand reduction targets by June 1, 2007 and every three years thereafter for a ten-year horizon. A subsequent amendment, Assembly Bill 2227, extended the time interval for establishing annual targets from every three years to every four years. The City has complied with this reporting requirement under AB 2021. The information obtained from the POUs from these reporting requirements is utilized by the CEC to present the progress made by the POUs towards the statewide goal to double energy efficiency savings in electricity and natural gas final end uses by 2030, to the extent doing so is cost effective, feasible, and does not adversely impact public health and safety, as prescribed in SB 350. In addition, the CEC can provide recommendations for improvement to assist each POU in achieving cost-effective, reliable, and feasible savings in conjunction with the established targets for reduction. See “– Renewables Portfolio Standard” below.

SB 350 further requires the CEC to establish annual targets for statewide energy efficiency savings and demand reduction that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030. The CPUC is required to establish energy efficiency targets for electrical and gas corporations consistent with this goal, and specify programs that may be used to achieve the goal. POUs are required to establish annual targets for energy efficiency savings and demand reduction consistent with the goal and to report those targets to the CEC

every four years for the next 10-year period. The bill provides guidance as to what measures qualify and requires an evaluation of feasibility and cost effectiveness in setting annual targets for those savings.

*Biomass Legislation.* Senate Bill 859 (“SB 859”), signed by then-Governor Brown in September 2016, requires IOUs and POU that serve more than 100,000 customers, to procure, through financial commitments of five years, their proportionate shares (based on the ratio of the utility’s peak demand to the total statewide peak demand), of 125 MW of cumulative rated capacity from existing bioenergy projects that generate energy from (a) a byproduct of sustainable forestry management and (b) high fire-hazard zones. Senate Bill 901 (“SB 901”), signed into law in September 2018, requires POU with certain biomass contracts to seek to extend their term five years past the original expiration date. The City currently has approximately 90,000 customers and, for that reason, is currently not subject to the procurement requirements of SB 859 and SB 901. Senate Bill 1109 (“SB 1109”) signed into law by Governor Newsom on September 16, 2022 (and effective on January 1, 2023) modifies SB 859’s requirement, instead requiring IOUs and POU that serve more than 100,000 customers to procure, by December 1, 2023, through financial commitments of five to 15 years, their proportionate shares (based on the ratio of the utility’s peak demand to the total statewide peak demand), of 125 MW of cumulative rated capacity from existing bioenergy projects that generate energy from (a) a byproduct of sustainable forestry management and (b) high fire-hazard zones. The City is similarly not subject to SB 1109.

*Renewables Portfolio Standard.* Senate Bill X1-2 (“SBX1-2”), the California Renewable Energy Resources Act, was signed into law by Governor Brown on April 12, 2011. SBX1-2 required each POU to adopt and implement a renewable energy resource procurement plan and established targets for three compliance periods for the procurement of at least the following amounts of electricity products from eligible renewable energy resources, which could include renewable energy certificates (“RECs”), as a proportion of total kilowatt hours sold to the utility’s retail end-use customers: (i) over the 2011-2013 compliance period, an average of 20% of retail sales from January 1, 2011 to December 31, 2013, inclusive; (ii) over the 2014-2016 compliance period, a total equal to 20% of 2014 retail sales, 20% of 2015 retail sales, and 25% of 2016 retail sales; and (iii) over the 2017-2020 compliance period, a total equal to 27% of 2017 retail sales, 29% of 2018 retail sales, 31% of 2019 retail sales, and 33% of 2020 retail sales. The governing boards of POU are responsible for implementing the requirements of SBX1-2, rather than the CPUC, as is the case for the IOUs. In addition, the CEC was given certain enforcement authority for POU and CARB was given the authority to set penalties. The CEC has developed detailed rules to implement SBX1-2, and has adopted regulations for the enforcement of the RPS program requirements for POU, which regulations have been subsequently amended from time to time.

SB 350, the Clean Energy and Pollution Reduction Act of 2015, was signed into law by then Governor Brown on October 7, 2015. SB 350, as enacted, establishes an RPS target of 50% by December 31, 2030 for the amount of electricity generated and sold to retail customers from eligible renewable energy resources for retail sellers and POU, including interim targets of (i) 40% by the end of the 2021-2024 compliance period, (ii) 45% by the end of the 2025-2027 compliance period and (iii) 50% by the end of the 2028-2030 compliance period.

SB 350 requires each retail seller of electricity (including IOUs, most POU above a certain size threshold, community choice aggregators and energy service providers) to provide a renewable energy procurement plan on an annual basis, and to file an integrated resource plan (“IRP”) at least once every five years, commencing no later than January 1, 2019, for CEC review. POU with an annual electrical demand exceeding 700 gigawatt hours (as determined on a three-year average commencing January 1, 2013) are subject to this requirement, which applies to the State’s 16 largest POU. The governing body of the POU is responsible for adopting the IRP, subject to review by the CEC, which can recommend modifications to correct any shortcomings. This IRP is required to include the affected utility’s plans to meet the 2030 interim emissions reductions goal set by CARB. The City has approved and adopted an integrated resource

plan, and the CEC has determined that the City's plan is complete and consistent with the SB 350 requirements.

Senate Bill 100 ("SB 100"), the 100 Percent Clean Energy Act of 2018, was signed into law by then-Governor Brown in September 2018. SB 100 accelerates the State's RPS target as established by SB 350 from 50% by 2030 to 60% by 2030 and sets a goal of 100% "clean energy" by the year 2045. SB 100 requires retail electric sellers and local publicly-owned electric utilities to procure a minimum quantity of electric products from eligible renewable energy resources so that the total kWhs of those products sold to retail end-use customers achieve 44% of retail sales by December 31, 2024, 52% of retail sales by December 31, 2027 and 60% of retail sales by December 31, 2030. SB 100 further establishes a State policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. On the last day of the legislative session, after the passage of SB 100 in both the State Assembly and the State Senate, the bill's author, Senator Kevin de Leon, filed a "Letter to the Journal" clarifying the intent of SB 100, stating that "SB 100 does not seek to require retail sellers of electricity to default on existing contractual obligations to deliver electricity to California customers from existing zero-carbon generating facilities." This clarification allows existing nuclear resources (such as the Palo Verde Nuclear Generating Station) and large hydropower resources (such as Hoover Dam) to help meet the policy standard set forth in SB 100 that eligible renewable and zero-carbon resources supply 100% of retail sales of electricity by December 31, 2045.

In December 2020, the CEC adopted regulations to update the RPS Enforcement Procedures for Publicly Owned Utilities, including to update regulations amended by both SB 350 and SB 100, among other enacted bills. This includes implementing a major provision from SB 350, pertaining to long-term procurement of renewable resources, which requires, beginning January 1, 2021, that at least 65% of renewables procurement must be for a duration of 10 years or more. The regulations implement the new RPS procurement requirements for the compliance periods between 2021 and 2030, establish soft procurement targets for the intervening years of the compliance periods to demonstrate reasonable progress in meeting the RPS procurement target for the compliance periods, and establish three-year compliance periods beginning after 2030. The regulations also specify standards for 10-year procurement contracts to meet the long-term procurement requirement.

Senate Bill 1020 ("SB 1020"), the Clean Energy, Jobs, and Affordability Act of 2022, signed into law by Governor Newsom on September 16, 2022 (and effective on January 1, 2023), revises SB 100's State policy on eligible renewable energy resources and zero-carbon resources supply. Under the revised State policy, eligible renewable energy resources and zero-carbon resources would supply (i) 90% of all retail sales of electricity to California end-use customers by December 31, 2035, (ii) 95% of all retail sales of electricity to California end-use customers by December 31, 2040, (iii) 100% of all retail sales of electricity to California end-use customers by December 31, 2045, (iv) and 100% of electricity procured to serve all state agencies by December 31, 2035. SB 100 had expressly excluded consideration of the energy, capacity, or any attribute from the Diablo Canyon Unit 1 and Unit 2 nuclear generating facilities in meeting the State's eligible renewable and zero-carbon resources supply policies. SB 1020 eliminates that exclusion.

*Legislation Relating to Wildfires; Related Risks.* Senate Bill 1028 ("SB 1028") was signed into law by then-Governor Brown in September 2016. SB 1028 requires that each POU and each electric cooperative in the State construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. SB 1028 requires the governing board of each POU to determine, based on historical fire data and local conditions, and in consultation with the fire departments or other entities responsible for the control of wildfires within the geographical area where the utility's overhead electrical lines and equipment are located, whether any portion of that geographical area has a significant risk of wildfire resulting from those electrical lines and

equipment, and if so, to present for board approval wildfire mitigation measures the utility intends to undertake to minimize the risk of its overhead electrical lines and equipment causing a catastrophic wildfire.

SB 901, signed into law by then-Governor Brown in September 2018, amends certain provisions of SB 1028 requiring POU and electric cooperatives to prepare wildfire mitigation measures if the utilities' overhead electrical lines and equipment are located in an area that has a significant risk of wildfire resulting from those electrical lines and equipment. Under SB 901, each POU or electric cooperative was required to prepare a wildfire mitigation plan before January 1, 2020. SB 901 requires the wildfire mitigation plan to be updated annually thereafter. SB 901 requires specified information and elements to be considered as necessary, at minimum, in the wildfire mitigation plan. The POU or electric cooperative is required to present each wildfire mitigation plan in an appropriately noticed public meeting, and to accept comments on its wildfire mitigation plan from the public, other local and state agencies, and interested parties. In addition, SB 901 requires the POU or electric cooperative to contract with a qualified independent evaluator with experience in assessing the safe operation of electrical infrastructure to review and assess the comprehensiveness of its wildfire mitigation plan. The report of the independent evaluator is to be made available to the public and to be presented at a public meeting of the POU's governing board.

Assembly Bill 1054 ("AB 1054") was signed into law by Governor Newsom on July 12, 2019. AB 1054 was enacted as an urgency statute to take effect immediately. AB 1054 establishes a Wildfire Fund of approximately \$21 billion to provide liquidity for IOUs to facilitate payment of eligible, uninsured third-party damage claims resulting from future catastrophic wildfires. POU, including the City's Electric System, are not eligible to receive funding from the Wildfire Fund. AB 1054 revises the cost recovery review of wildfire costs and expenses for IOUs before the CPUC, and establishes safety certification protocols that IOUs must meet in order to participate in the Wildfire Fund. AB 1054 provides for a cap on an IOU's obligations to reimburse the Wildfire Fund and a presumption of reasonableness if a utility develops and maintains a valid safety certification. To receive the safety certification from the CPUC, the IOU must develop and implement an approved wildfire mitigation plan, implement the findings of its safety culture assessments, establish a safety committee of its board of directors, establish board level reporting to the CPUC on safety issues, and adopt a compensation structure tied to safety performance, among other requirements. The major IOUs in California are participants in the Wildfire Fund.

AB 1054 expands on the existing requirements established under SB 901 for POU to develop and implement wildfire mitigation plans. AB 1054 also establishes the California Wildfire Safety Advisory Board (the "Wildfire Advisory Board"), a seven member board appointed by the Governor (five members), the Speaker of the State Assembly (one member) and the State Senate Committee on Rules (one member). The Wildfire Advisory Board advises the Office of Energy Infrastructure Safety on electrical corporations' wildfire mitigation plans, requirements for these plans, and other wildfire safety matters. Additionally, the Wildfire Advisory Board reviews the wildfire mitigation plans submitted by POU and electrical corporations as discussed in more detail below. The Wildfire Advisory Board also serves as an additional forum for the public to provide input on the important topic of wildfire safety. AB 1054 requires each POU to update its plan annually and to comprehensively revise its plan at least once every three years. Under AB 1054, the Wildfire Advisory Board is required to provide comments and an advisory opinion regarding the content and sufficiency of plans and to make recommendations on how to mitigate wildfire risks. The City has prepared and submitted wildfire mitigation plans in accordance with the provisions of SB 901 and AB 1054 as required. See also "THE ELECTRIC SYSTEM – Wildfire Mitigation Measures."

A number of significant wildfires have occurred in California every year since 2017. Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), California courts have imposed liability on utilities in legal actions brought by property holders for damages caused by the utility's infrastructure. Thus, if the facilities of a utility, such as its electric distribution and transmission lines, are determined to be the substantial cause of

a fire, and the doctrine of inverse condemnation applies, the utility could be liable for damages without having been found negligent. In August 2019, in its decision in the case of *City of Oroville v. Superior Court of Butte County* (2019) 7 Cal.5th 1091, 446 P.3d 304, involving damages related to sewage overflows from a city sewer system, the California Supreme Court held that to succeed on an inverse condemnation claim, a property owner must demonstrate that the property damage was the probable result or necessary effect of an inherent risk associated with the design, construction or maintenance of the relevant public improvement. In November 2019, the U.S. Bankruptcy Court for the Northern District of California concluded that the doctrine of inverse condemnation applied equally to debtors in bankruptcy notwithstanding the fact that they were investor-owned utilities rather than public entities. The decision is on direct appeal to the Ninth Circuit Court of Appeals, but the parties reached a settlement and the appeal was administratively closed subject to reopening upon a party's timely request. None of SB 1028, SB 901 or AB 1054 addresses the existing legal doctrine relating to utilities' liability for wildfires. How any future legislation or judicial decisions addresses California's inverse condemnation and liability issues for utilities in the context of wildfires in particular could be significant for the electric utility industry, including the City and the Electric System.

The City applied for and received two California Arrearage Payment Program payments. The first was applied to customers credits totaling \$4,995,041, and the second to customer credits totaling \$1,521,737.

### **Impact of California Energy Market Developments**

The effect of the developments in the California energy markets described above on the City's Electric System cannot be fully ascertained at this time. Also, volatility in energy prices in California may return due to a variety of factors that affect both the supply and demand for and cost of electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet demand at all hours, the availability and cost of renewable energy, the impact of economy-wide greenhouse gas emission legislation and regulations, fuel costs and availability, weather effects on customer demand, the impacts of climate change, wildfire mitigation and potential liability cost recovery, insurance costs, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). See "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY." This price volatility may contribute to greater volatility in the revenues of the Electric System from the sale (and purchase) of electric energy and, therefore, could materially affect the financial condition of the City's Electric System. The Department undertakes resource planning and risk management activities and manages its resource portfolio to mitigate such price volatility and spot market rate exposure.

## **OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

### **Federal Energy Legislation**

*Energy Policy Act of 2005.* Under the federal Energy Policy Act of 2005 ("EPAct 2005"), FERC was given refund authority over POUs if they sell into short-term markets, like the CAISO markets, and sell eight million MWhs or more of electric energy on an annual basis. In addition, FERC was given authority over the behavior of market participants. Under FERC's authority it can impose penalties on any seller for using a manipulative or deceptive device, including market manipulation, in connection with the purchase or sale of energy or of transmission service. The Commodity Futures Trading Commission also has jurisdiction to enforce certain types of market manipulation or deception claims under the Commodity Exchange Act.

EPAct 2005 authorized FERC to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor if FERC determines that the statutory conditions are met. EPAct 2005 also required the creation of an Electric Reliability Organization (“ERO”) to establish and enforce, under FERC supervision, mandatory reliability standards (“Reliability Standards”) to increase system reliability and minimize blackouts. Failure to comply with such Reliability Standards exposes a utility to significant fines and penalties by the ERO.

*NERC Reliability Standards.* As described above, EPAct 2005 required FERC to certify an ERO to develop mandatory and enforceable Reliability Standards, subject to FERC review and approval. The Reliability Standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each Reliability Standard. On February 3, 2006, FERC issued Order 672, which certified the North American Electric Reliability Corporation (“NERC”) as the ERO. Many Reliability Standards have since been approved by FERC. Such standards pertain not only to the planning, operations, and maintenance of Bulk-Power System facilities, but also to the cyber and physical security of certain critical facilities.

The ERO or the entities to which NERC has delegated enforcement authority through an agreement approved by FERC (“Regional Entities”), such as the WECC, may enforce the Reliability Standards, subject to FERC oversight, or FERC may independently enforce them. Potential monetary sanctions include fines of up to \$1 million per violation per day. FERC Order 693 further provided the ERO and Regional Entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

### **Federal Regulation of Transmission Access**

EPAct 2005 authorizes FERC to compel “open access” to the transmission systems of certain utilities that are not generally regulated by FERC, including municipal utilities if the utility sells more than four million MWhs of electricity per year. Under open access, a transmission provider must allow all customers to use the system under standardized rates, terms and conditions of service.

FERC Order No. 888 requires the provision of open access transmission services on a nondiscriminatory basis by all “jurisdictional utilities” (which, by definition, does not include municipal entities like the City) by requiring all such utilities to file Open Access Transmission Tariffs (“OATTs”). Order No. 888 also requires “non-jurisdictional utilities” (which, by definition, does include the City) that purchase transmission services from a jurisdictional utility under an open access tariff and that owns or controls transmission facilities to provide open access service to the jurisdictional utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. Section 211A of EPAct 2005 authorizes, but does not require, FERC to order unregulated transmission utilities to provide transmission services. Specifically, FERC may require an unregulated transmitting utility to provide access to their transmission facilities (1) at rates that are comparable to those that the unregulated transmitting utility charges to itself; and (2) on terms and conditions (not relating to rates) that are comparable to those under which the unregulated transmitting utility provides transmission services to itself that are not unduly discriminatory or preferential.

On February 16, 2007, FERC issued Order 890, which concluded that reform of its pro forma OATT was necessary to reduce the potential for undue discrimination and provide clarity in the obligations of transmission providers and customers. Significantly, in Order 890 FERC stated that it will implement its authority under Section 211A with respect to unregulated transmitting utilities on a case-by-case basis and retain the current reciprocity provisions.

On July 21, 2011, FERC issued Order 1000, which among other things requires public utility (jurisdictional) transmission providers to participate in a regional transmission planning process that

produces a regional transmission plan and that incorporates a regional and inter-regional cost allocation methodology. Further, FERC states that it has the authority to allocate costs to beneficiaries of transmission services, even in the absence of a contractual relationship between the owner of the transmission facilities and the beneficiary. Under EPCA 2005, FERC may not require municipal utilities to join regional transmission organizations, in which participating utilities allow an independent entity to oversee operation of the utilities' transmission facilities. FERC has stated, however, that FERC expects such utilities to participate in the regional processes for transmission planning and that FERC will pursue associated complaints against such utilities on a case-by-case basis.

At its April 2022 meeting, FERC issued a Notice of Proposed Rulemaking that would, if adopted, result in reforms to the planning of the nation's transmission system as well as the allocation of costs for new transmission projects. The Notice follows input FERC sought from interested parties on a variety of reforms aimed at expanding the nation's transmission grid to accommodate the surge of renewable generation expected in the next two decades to achieve aggressive decarbonization goals of the Biden Administration and many states. The Notice addresses reforms to transmission planning and cost allocation.

### **Federal Policy on Cybersecurity**

On February 13, 2013, then President Obama issued the Executive Order "Improving Critical Infrastructure Security" (the "Infrastructure Security Executive Order"). Among other things, the Infrastructure Security Executive Order called for improved information sharing and processing of security clearances for owners and operators of critical infrastructure. The Infrastructure Security Executive Order further required the Secretary of Commerce to direct the National Institute of Standards and Technology ("NIST") to lead the development of a framework ("Framework") to reduce cyber risks to critical infrastructure. The voluntary Framework will continue to be updated and improved as industry provides feedback on implementation.

The Cybersecurity Information Sharing Act of 2015 was signed into law on December 18, 2015 as part of the year-end Omnibus Appropriations Act. It creates an industry-supported, voluntary cybersecurity information sharing program that encourages both public and private sector entities to share cyber-related threat information.

In September 2018, then President Trump signed the "National Cyber Strategy," which sought to update the nation's cybersecurity strategy for the first time in 15 years and identified "energy and power" as one of the seven key areas for protection. FERC has also sought to expand reporting rules for incidents involving attempts to compromise operation of the electric grid and address supply chain cybersecurity risks.

In March of 2023, the Biden administration adopted the 2023 National Cybersecurity Strategy. The 2023 National Cybersecurity Strategy replaces but continues momentum on many of the priorities of the 2018 National Cyber Strategy. The 2023 National Cybersecurity Strategy seeks to build and enhance collaboration around five pillars: (1) Defend Critical Infrastructure; (2) Disrupt and Dismantle Threat Actors; (3) Shape Market Forces to Drive Security and Resilience; (4) Invest in a Resilient Future; and (5) Forge International Partnerships to Pursue Shared Goals.

### **Environmental Issues**

*General.* Electric utilities are subject to continuing environmental regulation. Federal, State and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any facilities or projects of the City will

remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. In addition, the election of new administrations, including the President of the United States, could impact substantially the current environmental standards and regulations and other matters described herein. For example, President Biden issued an executive order requiring agencies to consider suspending, revising or rescinding multiple environmental standards and regulations imposed during the prior administration. An inability to comply with environmental standards could result in, for example, additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

*Greenhouse Gas Regulations Under the Clean Air Act.* The United States Environmental Protection Agency (the “EPA”) regulates greenhouse gas emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other air pollutants, greenhouse gases are regulated under the Clean Air Act through the Prevention of Significant Deterioration (“PSD”) Permit Program and the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of a major stationary source and requires best available control technologies (“BACT”) to control emissions at a facility. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document and the permit process provides for review of the documents by the EPA, state agencies and the public. Greenhouse gases from major natural gas-fired facilities are regulated under both permitting programs through performance standards imposing efficiency and emissions standards.

In May 2023, the EPA proposed new regulations under the Clean Air Act that would establish greenhouse gas emission limits, based on pollution control technology or lower-carbon fuels, for new gas plants, existing gas plants, and existing coal plants, as specified. The proposed rule is not yet final.

*Air Quality - National Ambient Air Quality Standards.* The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an “attainment area.” The EPA periodically reviews the NAAQS for various air pollutants and has in recent years increased, or proposed to increase, the stringency of the NAAQS for certain air pollutants. These developments may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions, such as power plants.

In addition, the U.S. Supreme Court found in its review of *EPA v. EME Homer City Generation, LP* that the EPA has authority to impose a Cross-State Air Pollution Rule (the “Transport Rule”) which curbs air pollution emitted in upwind states to facilitate downwind attainment of three NAAQS. On November 26, 2014, the EPA proposed to strengthen the stringency of the NAAQS for ozone by lowering the existing ozone standard of 75 parts per billion (“ppb”) to between 65 and 70 ppb, although the EPA also sought public comment on a standard as low as 60 ppb. On October 1, 2015, the EPA issued its final rule, lowering the ozone standard to 70 ppb. Legal challenges to the final rule were filed by a number of states and industry groups. On March 12, 2018, a federal district judge in Northern California ordered the EPA to complete the strengthened 2015 ozone standard designations later in 2018. The EPA noticed a final rule on December 6, 2018 implementing ozone NAAQS for non-attainment areas and addressing state implementation plan requirements. That rule became effective on February 4, 2019.

On July 15, 2020, the EPA announced a proposed decision to retain the existing 70 ppb ozone standard. The decision was finalized on December 7, 2020. In August 2023, the EPA announced a new review of the ozone NAAQS to support consideration of new information and advice.

On June 10, 2021, the EPA announced that it will reconsider the previous administration's decision to retain the particulate matter NAAQS, which were last strengthened in 2012. The EPA stated that it is reconsidering the previous administration's December 2020 decision to retain existing standards because available scientific evidence and technical information indicate that the current standards may not be adequate to protect public health and welfare, as required by the Clean Air Act. While some particulate matter is emitted directly from sources such as construction sites, unpaved roads, fields, smokestacks or fires, most particles form in the atmosphere as a result of complex reactions of chemicals such as sulfur dioxide and nitrogen oxides, which are pollutants emitted from power plants and other sources. On January 6, 2023, the EPA proposed regulations imposing tighter limits on particulate matter emissions. The proposed rule is not yet final.

*Mercury and Air Toxics Standards.* The Clean Air Act provides for a comprehensive program for the control of hazardous air pollutants, including mercury. On February 16, 2012, the EPA finalized a rule, the Mercury and Air Toxics Standards ("MATS"), establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards, or "NSPS") and 112 (toxics program) of the Clean Air Act. The rule was subsequently amended in 2013 and 2014. Under section 111 of the Clean Air Act, the MATS rule revised the standards that new and modified facilities, including coal- and oil-fired power plants, must meet for particulate matter, sulfur dioxide, and nitrogen oxide. Under section 112, the MATS rule set new toxics standards limiting emissions of heavy metals, including mercury, arsenic, chromium, and nickel; and acid gases, including hydrochloric acid and hydrofluoric acid, from existing and new power plants larger than 25 MW that burn coal or oil. Power plants would have up to four years to meet these standards. While many plants already meet some or all of these revised standards, some plants would be required to install new equipment to meet the standards. The rule has minimal impact to the City. IPP, which has coal-fired power plants, did not have to install control technology and the EPA has deemed the IPP units as low-emitting units. IPP is subject to periodic testing, work practice standards and recordkeeping requirements as a result of the rule. On July 17, 2020, the EPA finalized revisions to the electronic reporting requirements for MATS that revised and streamlined the reporting requirements and provided enhanced access to MATS data, without imposing new monitoring requirements. In April 2023, the EPA published a proposed rule that would modify regulation of coal- and oil-fired power plants, including further restricting their emissions and changing emissions monitoring requirements. The proposed rule is not yet final.

*Effluent Limitations Guidelines and Standards.* On June 7, 2013, the EPA proposed to set technology-based effluent limitations guidelines and standards for metals and other pollutants in wastewater discharged from steam electric power plants. The proposal would cover wastewater associated with several types of equipment and processes, including flue gas desulfurization, fly ash, bottom ash, flue gas mercury control and gasification of fuels. The EPA considered best management practices for surface impoundments containing coal combustion residuals. The EPA proposed four preferred alternatives for regulating wastewater discharges. The stringency of controls, types of waste streams covered, and the costs varied among the four alternatives. On September 30, 2015, the EPA announced its final Steam Electric Effluent Limitation Guidelines to update the federal limits on toxic metals in discharge wastewater. On June 6, 2017, the Trump Administration announced that it was postponing certain compliance dates in the effluent limitation guidelines and standards for the new, more stringent steam electric point source category under the Clean Water Act until the EPA completes reconsideration of the 2015 rule. On May 2, 2018, the EPA noticed the Final 2016 Effluent Guidelines Program Plan, which identified one new rulemaking (and the associated schedule) for the steam electric power generating point source category. The proposed rule was published in November 2019, a public hearing on the proposed rule was held on December 19, 2019, and

the final rule for steam electric power generation point source was published on August 31, 2020. On August 3, 2021, the EPA announced a planned-rulemaking to strengthen certain discharge limits in the steam electric power generating category. The EPA published a proposed rule in March 2023. The proposed rule is not yet final.

### **Changing Laws and Requirements Generally**

Congress has considered and is considering numerous bills addressing domestic energy policies and various environmental matters, including bills relating to energy supplies and financial incentives for development, climate change and reduction or elimination of net carbon dioxide emission attributable to the electricity grid and the economy more generally. Many of these bills, if enacted into law, could have a material impact on the City's Electric System and the electric utility industry generally. In light of the variety of issues affecting the utility sector, federal energy legislation in other areas such as reliability, transmission planning and cost allocation, operation of markets, environmental requirements, and cybersecurity is also possible. However, the City is unable to predict the outcome or potential impacts of any possible legislation on the Electric System at this time.

### **Other Factors**

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above (including those affecting nuclear power plants or potential new energy storage requirements), (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) effects on the integration and reliability of power supply from the increased usage of renewables, (d) changes resulting from a national energy policy, (e) effects of competition from other electric utilities (including increased competition resulting from a movement to allow direct access or expanded community choice aggregation or from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (f) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs, (g) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (h) "self-generation" or "distributed generation" (such as microturbines, fuel cells and solar installations) by industrial and commercial customers and others, (i) issues relating to the ability to issue tax-exempt obligations, including restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations and, as of January 1, 2018, the loss of the ability to undertake tax-exempt advance refundings, (j) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (k) changes from projected future load requirements, (l) increases in costs and uncertain availability of capital, (m) shifts in the availability and relative costs of different fuels (including the cost of natural gas and nuclear fuel), (n) changes in the electric market structure for neighboring electric grids, such as the energy imbalance market operated by the CAISO, (o) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the past in California, (p) issues relating to risk management procedures and practices with respect to, among other things, the purchase and sale of natural gas, energy and transmission capacity, (q) other legislative changes, voter initiatives, referenda and statewide propositions, (r) effects of the changes in the economy, population and demand of customers within a utility's service area, (s) effects of possible manipulation of the electric markets, (t) acts of terrorism or cyber-terrorism impacting a utility and/or significant load customers, (u) changes to the

climate; (v) natural disasters or other physical calamities, including, but not limited to, earthquakes, droughts, severe weather, floods and wildfires, and potential liabilities of electric utilities in connection therewith, and (w) adverse impacts to the market for insurance relating to recent wildfires and other calamities, leading to higher costs or prohibitively expensive coverage, or limited or unavailability of coverage for certain types of risk. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City is unable to predict what impact such factors will have on the business operations and financial condition of the Electric System, but the impact could be significant. Although this Official Statement includes a brief discussion of certain of these factors, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2024 Bonds should obtain and review such information.

### **RATINGS**

[Standard & Poor's and Fitch Ratings] are expected to assign ratings of “\_\_” (stable outlook) and “\_\_” (stable outlook), respectively, to the 2024 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will continue for any given period of time or that any of them will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024 Bonds.

### **MUNICIPAL ADVISOR**

PFM Financial Advisors LLC (the “Municipal Advisor”) has assisted the City with various matters relating to the planning, structuring and delivery of the 2024 Bonds. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor will receive compensation from the City contingent upon the sale and delivery of the 2024 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **UNDERWRITING**

The 2024 New Money Bonds were awarded to \_\_\_\_\_ (the “2024 New Money Bonds Underwriter”) pursuant to a competitive bidding held on \_\_\_\_\_, 2022. The 2024 New Money Bonds were awarded to the 2024 New Money Bonds Underwriter at a price of \$\_\_\_\_\_, which price includes net original issue premium of \$\_\_\_\_\_ and is net of the underwriter's discount of \$\_\_\_\_\_. The 2024 New Money Bonds Underwriter will purchase all of the 2024 New Money Bonds if any are purchased. The 2024 New Money Bonds Underwriter may offer and sell the 2024 New Money Bonds Bonds to certain dealers at prices lower than the initial public offering prices, and the initial public offering prices may be changed from time to time by the 2024 New Money Bonds Underwriter.

The 2024 Refunding Bonds were awarded to \_\_\_\_\_ (the “2024 Refunding Bonds Underwriter” and, together with the 2024 New Money Bonds Underwriter, the “Underwriters”) pursuant to

a competitive bidding held on \_\_\_\_\_, 2022. The 2024 Refunding Bonds were awarded to the 2024 Refunding Bonds Underwriter at a price of \$\_\_\_\_\_, which price includes net original issue premium of \$\_\_\_\_\_ and is net of the underwriter's discount of \$\_\_\_\_\_. The 2024 Refunding Bonds Underwriter will purchase all of the 2024 Refunding Bonds if any are purchased. The 2024 Refunding Bonds Underwriter may offer and sell the 2024 Refunding Bonds to certain dealers at prices lower than the initial public offering prices, and the initial public offering prices may be changed from time to time by the 2024 Refunding Bonds Underwriter.

### **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2024 (the "Continuing Disclosure Agreement"), by and between the City and the Trustee, the City has covenanted for the benefit of the holders and beneficial owners of the 2024 Bonds to provide certain financial information and operating data relating to the City and the Electric System by not later than seven months following the end of the City's Fiscal Year (which Fiscal Year presently ends on June 30) (the "Annual Report"), commencing with the report for Fiscal Year 2023-24, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City or its agent with the Municipal Securities Rulemaking Board ("MSRB") through the MSRB's Electronic Municipal Market Access ("EMMA") system. The notices of such events also will be filed by the City or its agent with the MSRB also through the EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12.

The City has complied in all material respects with S.E.C. Rule 15c2-12 in the previous five years to provide annual reports and, if applicable, notices of certain events.

### **TAX MATTERS**

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the 2024 Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2024 Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the 2024 Bonds. The City has covenanted in the Eighth Supplemental Indenture and the Ninth Supplemental Indenture not to take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the 2024 Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under existing law, interest on the 2024 Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenants, interest on the 2024 Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that interest on the 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of ownership of the 2024 Bonds or the inclusion in certain computations of interest that is excluded from gross income. In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in certificates, dated the date of delivery of the 2024 Bonds, pertaining to the use, expenditure, and investment of the proceeds of such 2024 Bonds.

The initial public offering price of certain of the 2024 Bonds (the “Discount Bonds”) may be less than the amount payable on such 2024 Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the 2024 Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on such Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

The purchase price of certain 2024 Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such 2024 Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity (or, in some cases with respect to a callable 2024 Bond, the yield based on a call date that results in the lowest yield on such 2024 Bond). Purchasers of Premium Bonds should consult with their tax advisors with respect to the determination of amortizable bond premium on such Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Premium Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2024 Bonds may affect the tax status of interest on such 2024 Bonds or the tax consequences of the ownership of the 2024 Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the 2024 Bonds from personal income taxation by the State of California or of the exclusion of the interest on

the 2024 Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel will express no opinion as to the effect on the exclusion from gross income of interest on the 2024 Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

Except as described above, Bond Counsel will express no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 2024 Bonds. Prospective purchasers of the 2024 Bonds should be aware that the ownership of tax-exempt obligations such as the 2024 Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2024 Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2024 Bonds, the City may have different or conflicting interests from the owners of such 2024 Bonds. Public awareness of any future audit of the 2024 Bonds could adversely affect the value and liquidity of such 2024 Bonds during the pendency of the audit, regardless of the ultimate outcome.

Existing law may change so as to reduce or eliminate the benefit to holders of the 2024 Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

A copy of the proposed form of opinion to be delivered by Bond Counsel in connection with the issuance of the 2024 Bonds is included in Appendix F.

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

[\_\_\_\_], a [firm of independent certified public accountants], will deliver a report stating that the firm has verified (i) the accuracy of mathematical computations concerning the adequacy of the maturing principal amounts of the Federal Securities to be deposited to the Escrow Fund and interest to be earned thereon, together with amounts held as cash in the Escrow Fund, to pay on the applicable redemption date for the Refunded Bonds the redemption price of such Refunded Bonds to be redeemed on such date, plus accrued interest thereon, and (ii) certain mathematical computations supporting the conclusion that the 2024 Refunding Bonds are not "arbitrage bonds" under the Code, which will be used in part by Bond Counsel in concluding that interest on the 2024 Refunding Bonds is excluded from gross income for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings.

## **LITIGATION**

There is no litigation or action of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2024 Bonds or in any way contesting or affecting the validity of the 2024 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2024 Bonds or the use of 2024 Bond proceeds. There is no litigation pending, or to the best knowledge of the City, threatened, questioning the existence of the City or the title of the officers of the City to their respective offices. Except as otherwise disclosed herein, the City believes that there is no litigation pending, or to the best knowledge of the City, threatened, which materially questions or affects the financial condition of the Electric System.

## **ELECTRIC SYSTEM FINANCIAL STATEMENTS**

The audited financial statements of the Electric System for the Fiscal Year ended June 30, 2023 are included in Appendix B to this Official Statement. The City has not requested, and CliftonLarsonAllen LLP (the “Auditor”), the independent auditor of such audited financial statements, has not given its consent to the inclusion in Appendix B of its report on the audited financial statements for the Fiscal Year ended June 30, 2023. The Auditor has not been engaged to perform, and has not performed, since the date of its report included in Appendix B, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement. A complete copy of the City’s most recent Annual Comprehensive Financial Report may be obtained from the City.

## **APPROVAL OF LEGAL PROCEEDINGS**

The issuance of the 2024 Bonds is subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to the City, to be delivered in substantially the form set forth in Appendix F herein. Certain legal matters will be passed upon for the City by the City Attorney of the City of Glendale.

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**EXECUTION AND DELIVERY**

The execution and delivery of this Official Statement has been authorized by the City.

CITY OF GLENDALE, CALIFORNIA

By: \_\_\_\_\_  
Director of Finance and Information Technology