

Ratings: Fitch: A+
Standard & Poor's: A+
(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.

\$166,890,000
CITY OF GLENDALE, CALIFORNIA
ELECTRIC REVENUE BONDS,
2024 SERIES



\$52,580,000
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") and (ii) 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 February 1, 2024, and a Ninth Supplement to Indenture of Trust, dated as of February 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, 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 were sold by competitive sale on February 15, 2024, pursuant to the Notice Inviting Bids dated February 9, 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 February 29, 2024.

Date: February 15, 2024

MATURITY SCHEDULES

\$166,890,000

CITY OF GLENDALE, CALIFORNIA ELECTRIC REVENUE BONDS, 2024 SERIES

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Number[†]</u>
2025	\$ 2,330,000	5.00%	2.76%	102.023	378406NR9
2026	2,640,000	5.00	2.56	104.546	378406NS7
2027	2,775,000	5.00	2.39	107.322	378406NT5
2028	2,910,000	5.00	2.28	110.148	378406NU2
2029	3,055,000	5.00	2.26	112.694	378406NV0
2030	3,210,000	5.00	2.26	115.106	378406NW8
2031	3,370,000	5.00	2.26	117.464	378406NX6
2032	3,540,000	5.00	2.27	119.690	378406NY4
2033	3,715,000	5.00	2.28	121.845	378406NZ1
2034	3,900,000	5.00	2.28	124.029	378406PA4
2035	4,095,000	5.00	2.37	123.130 ^C	378406PB2
2036	4,300,000	5.00	2.46	122.239 ^C	378406PC0
2037	4,515,000	5.00	2.56	121.258 ^C	378406PD8
2038	4,740,000	5.00	2.74	119.516 ^C	378406PE6
2039	4,980,000	5.00	2.85	118.465 ^C	378406PF3
2040	5,230,000	5.00	2.98	117.238 ^C	378406PG1
2041	5,490,000	5.00	3.09	116.212 ^C	378406PH9
2042	5,765,000	5.00	3.17	115.472 ^C	378406PJ5
2043	6,050,000	5.00	3.25	114.738 ^C	378406PK2
2044	6,355,000	5.00	3.32	114.100 ^C	378406PL0
2045	6,675,000	5.00	3.38	113.557 ^C	378406PM8
2046	7,005,000	5.00	3.44	113.017 ^C	378406PN6
2047	7,355,000	5.00	3.50	112.479 ^C	378406PP1
2048	7,725,000	5.00	3.55	112.034 ^C	378406PQ9
2049	8,110,000	5.00	3.60	111.591 ^C	378406PR7

\$17,455,000 5.00% 2024 Series Term Bond maturing February 1, 2051 Yield 3.65% Price 111.150^C
CUSIP[†] 378406PT3

\$29,600,000 5.00% 2024 Series Term Bond maturing February 1, 2054 Yield 3.70% Price 110.711^C
CUSIP[†] 378406PW6

^C Priced to first optional redemption date of February 1, 2034, at par.

[†] 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.

\$52,580,000
CITY OF GLENDALE, CALIFORNIA
ELECTRIC REVENUE BONDS, 2024 REFUNDING SERIES

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Number[†]</u>
2025	\$2,820,000	5.00%	2.76%	102.023	378406PX4
2026	2,710,000	5.00	2.56	104.546	378406PY2
2027	2,845,000	5.00	2.39	107.322	378406PZ9
2028	3,005,000	5.00	2.28	110.148	378406QA3
2029	3,150,000	5.00	2.26	112.694	378406QB1
2030	3,315,000	5.00	2.26	115.106	378406QC9
2031	3,480,000	5.00	2.26	117.464	378406QD7
2032	3,655,000	5.00	2.27	119.690	378406QE5
2033	1,945,000	5.00	2.28	121.845	378406QF2
2034	2,040,000	5.00	2.28	124.029	378406QG0
2035	2,145,000	5.00	2.37	123.130 ^C	378406QH8
2036	2,245,000	5.00	2.46	122.239 ^C	378406QJ4
2037	2,360,000	5.00	2.61	120.771 ^C	378406QK1
2038	2,480,000	5.00	2.76	119.324 ^C	378406QL9
2039	2,600,000	5.00	2.85	118.465 ^C	378406QM7
2040	2,735,000	5.00	2.95	117.520 ^C	378406QN5
2041	2,870,000	5.00	3.05	116.584 ^C	378406QP0
2042	3,015,000	5.00	3.15	115.657 ^C	378406QQ8
2043	3,165,000	5.00	3.25	114.738 ^C	378406QR6

^C Priced to first optional redemption date of February 1, 2034, at par.

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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
Adrine Isayan, Assistant General Manager, Finance and Risk Management

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Los Angeles, California

VERIFICATION AGENT

Robert Thomas CPA, LLC
Overland Park, Kansas

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OFFICIAL STATEMENT

Relating to

\$166,890,000
CITY OF GLENDALE, CALIFORNIA
ELECTRIC REVENUE BONDS,
2024 SERIES

\$52,580,000
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 \$166,890,000 aggregate principal amount of its Electric Revenue Bonds, 2024 Series (the “2024 New Money Bonds”) and \$52,580,000 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”) and (ii) pay the costs of issuance of the 2024 Refunding Bonds.

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

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.”

Developments Since the Preliminary Official Statement

The Preliminary Official Statement indicated a redemption date of May 29, 2024 for the Refunded Bonds. The redemption date has been revised to May 28, 2024. See “PLAN OF FINANCE - 2024 Refunding Bonds” herein.

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. 6018 adopted by the City Council of the City (the “City Council”) on January 9, 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 February 1, 2024, and the Ninth Supplement to Indenture of Trust relating to the 2024 Refunding Bonds (“Ninth Supplemental Indenture”), dated as of February 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 \$12,185,000 aggregate principal amount of 2013 Refunding Bonds, \$48,155,000 aggregate principal amount of 2013 Bonds and \$50,810,000 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 and (ii) 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

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number[†]</u>
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

[†] 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

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number[†]</u>
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

[†] 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 May 28, 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. Robert Thomas CPA, LLC, 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>
Sources:			
Principal Amount of 2024 Bonds	\$166,890,000.00	\$52,580,000.00	\$219,470,000.00
Original Issue Premium	<u>23,472,644.20</u>	<u>8,175,195.85</u>	<u>31,647,840.05</u>
Total Sources	\$190,362,644.20	\$60,755,195.85	\$251,117,840.05
Uses:			
Deposit to Construction Fund	\$166,000,000.00	\$ -	\$166,000,000.00
Parity Reserve Fund Deposit	4,720,273.48	-	4,720,273.48
Deposit to Escrow Fund	-	60,511,952.71	60,511,952.71
Deposit to Parity Obligation Payment Fund	18,752,370.72	-	18,752,370.72
Cost of Issuance ⁽¹⁾	<u>890,000.00</u>	<u>243,243.14</u>	<u>1,133,243.14</u>
Total Uses	\$190,362,644.20	\$60,755,195.85	\$251,117,840.05

⁽¹⁾ 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, 2034 are not subject to redemption prior to maturity. The 2024 New Money Bonds maturing on and after February 1, 2035 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2034 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, 2051

Mandatory Sinking Fund Payment Date (February 1)	Mandatory Sinking Fund Payment
2050	\$8,515,000
2051*	8,940,000

* Maturity.

2024 New Money Bonds Maturing on February 1, 2054

Mandatory Sinking Fund Payment Date (February 1)	Mandatory Sinking Fund Payment
2052	\$ 9,390,000
2053	9,860,000
2054*	10,350,000

* Maturity.

Optional Redemption of 2024 Refunding Bonds. The 2024 Refunding Bonds maturing on or prior to February 1, 2034 are not subject to redemption prior to maturity. The 2024 Refunding Bonds maturing on and after February 1, 2035 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2034 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.

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 \$19,740,669. At the time of issuance of the 2024 Bonds, approximately \$9,870,335 of such amount will be held in investment securities and approximately \$9,870,335 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

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.

Chisom Obegolu, Chief Assistant General Manager, Water Services. Chisom Obegolu is the Chief Assistant General Manager of Water Services. He is responsible for managing the water operational and business functions, which includes system operations, planning and water resources management. He oversees Water Engineering, Water Operation, Water Distribution, and Water Quality. Among his primary duties is to implement the water strategic plan and initiatives. Mr. Obegolu previously worked for Glendora Water where he served as the Assistant Director of Water Services. During his tenure at Glendora, he led a city-wide comprehensive water infrastructure assessment including an integrated water resources master plan and cost of service study. He also worked for The Metropolitan Water District of Southern California, where he served as the Lead Engineer on several critical capital improvement projects, and a number of infrastructure reliability initiatives. Mr. Obegolu is a registered Civil Engineer in the State of California and earned a bachelor's degree in Civil Engineering from The University of Texas at San Antonio and a master's degree in Public Administration from California State University, Northridge.

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.

Adrine Isayan, Assistant General Manager, Finance and Risk Management. Mrs. Isayan joined GWP management in February 2024. She was previously the Assistant Director of Finance for the City. She has 25 years of experience working for the City’s Finance Department. Throughout her career, she has worked in various capacities within the Finance Department, with the majority of her experience being in the City’s Budget, Accounts Payable, and Payroll sections. Mrs. Isayan has significant experience in the preparation of financial forecasting and reporting. She has a dual Bachelor’s degree in Information Systems and in Finance, both from California State University, Northridge.

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.

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

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
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	\$177,340	\$194,946	\$211,504	\$227,638	\$245,437

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 1,482,556 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%.

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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) ⁽¹⁾	<u>1,392,077</u>	<u>1,371,399</u>	<u>1,410,514</u>	<u>1,420,820</u>	<u>1,530,808</u>
Total Supply (MWh)	1,482,556	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) ⁽¹⁾	397,991	419,063	482,809	466,894	464,482
System Peak Demand (MW)	329	261	335	288	332

⁽¹⁾ 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)

Source	Capacity Available (MW)	Actual Energy (MWh) ⁽¹⁾	Percent of Total Energy
Glendale-Owned Generating Facilities (Grayson): ⁽²⁾			
Combustion Turbine Generators	178	28,289	1.91%
Steam Turbine Generators	108	62,190	4.20%
Joint Power Agency/Remote Ownership Interests: ⁽³⁾			
Intermountain Power Project (IPA)	39	124,969	8.43%
Palo Verde Project	10	82,613	5.57%
Magnolia (SCPPA)	47	270,334	18.23%
Tieton (SCPPA)	7	23,914	1.61%
Purchased Power: ⁽³⁾			
Hoover	20	43,215	2.92%
Avangrid Renewables – High Winds	9	22,458	1.52%
Pebble Springs Wind	20	40,528	2.73%
Skylar WSPP Renewables	50	300,434	20.26%
Star Peak	12.5	55,815	3.76%
Whitegrass No. 1	3	21,335	1.44%
Market Purchases ⁽⁴⁾	<u>N/A</u>	<u>406,462</u>	<u>27.42%</u>
Total		1,482,556	100.00%

⁽¹⁾ During the twelve-month period ended June 30, 2023.

⁽²⁾ 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.

⁽³⁾ Entitlements, firm allocations and contract amounts.

⁽⁴⁾ 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 ± 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 September 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 8.4% 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 Border (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. Assuming the Eland I Solar and Storage Center achieves commercial operation, Glendale would begin receiving energy from the facility starting in late 2024. 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, 2024, but shall continue to renew unless the City gives PG&E twelve months prior written notice of its desire to terminate.

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 \$.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. 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 10.5 to 12 megawatts (four engines) and 7.7 to 9 megawatts (three engines) of gross renewable power. After 2042, there will be only two engines running and generating an estimated 6 megawatts of gross 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.

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**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 ⁽¹⁾	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

⁽¹⁾ 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**

Effective	Overall System	Residential	Commercial	Industrial	Lighting
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.

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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)	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>
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	<u>9,245</u>	<u>9,185</u>	<u>9,173</u>	<u>9,236</u>	<u>9,207</u>
Total Retail Energy Sales	999,852	985,525	978,251	995,645	1,026,505
Wholesale ⁽¹⁾	<u>397,991</u>	<u>419,063</u>	<u>482,809</u>	<u>466,894</u>	<u>464,482</u>
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 ⁽¹⁾	<u>40,113,000</u>	<u>29,862,000</u>	<u>22,875,000</u>	<u>18,459,000</u>	<u>21,776,000</u>
Total Energy Sales	\$259,483,000	\$231,821,000	\$217,357,000	\$212,009,000	\$211,748,000

⁽¹⁾ 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)**

Fiscal Year	Capital Requirements*
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 February 1, 2024, 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 approximately (i) \$12.2 million in outstanding principal of Electric Revenue Bonds, 2013 Refunding Series; (ii) \$48.2 million in outstanding principal of Electric Revenue Bonds, 2013 Series, and (iii) \$50.8 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)**

	Outstanding Debt	City's Participation⁽¹⁾	City's Share of Principal Amount of Outstanding Debt⁽²⁾
IPA			
Intermountain Power Project ⁽³⁾	\$ 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 ⁽⁴⁾	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 ⁽⁵⁾
Windy Point Project/Windy Flats	161,845,000	7.630	12,348,774 ⁽⁶⁾
Milford Wind Corridor Phase II.....	66,385,000	4.902	3,254,193 ⁽⁷⁾
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
Operating Revenues					
Revenues	\$259,483	\$231,821	\$217,357	\$212,009	\$211,748
Other Revenues Available for Debt Service ⁽¹⁾	<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
Operating Expenses⁽²⁾					
Production ⁽³⁾	\$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 ⁽⁴⁾	\$12,167	\$12,168	\$12,071	\$ 12,071	\$ 12,205
Debt Service Coverage	2.49x	3.78x	3.60x	4.67x	4.37x

⁽¹⁾ 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.

⁽²⁾ 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).

⁽³⁾ Includes generation, fuel, purchase power and labor expenses.

⁽⁴⁾ 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.

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

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
ASSETS					
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>
LIABILITIES AND NET POSITION					
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 ⁽¹⁾ :					
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 ⁽²⁾	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>

⁽¹⁾ 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.

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

Source: Glendale Water and Power.

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 XIIC 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.

A voter initiative entitled “The Taxpayer Protection and Government Accountability Act” (“Initiative 1935”) was recently determined to be eligible for the November 2024 Statewide general election and will be certified as qualified for the ballot in such election, unless withdrawn by its proponent prior to June 27, 2024 or a pending court challenge is successful in preventing Initiative 1935 from appearing on the ballot. Were it to be adopted by the voters in the Statewide general election, Initiative 1935 would amend the California Constitution to provide, among other things, that charges for services or product provided directly to the payor (such as charges for electricity) are “taxes” subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the “actual cost” of providing the service or product, defined as “(i) the minimum amount necessary to reimburse the government for the cost of providing the service or the product to the payor, and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that

cost.” If adopted, Initiative 1935 would be subject to judicial interpretation. The City is unable to predict whether and how Initiative 1935, if adopted, would be interpreted by the courts, and there can be no assurance that any such interpretation or application would not have an adverse impact on the City, the Electric System or the revenues 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.

Cybersecurity

The City, including the Electric System, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as electric systems may be specific targets of cybersecurity threats.

The City has implemented practices, engineering and procedures and has made investments to protect against and mitigate the adverse effects of cyberattacks, including steps to harden its cybersecurity

and provide training for employees in cyber awareness and the use of the City's digital networks and systems. The City currently maintains limited commercial cyber insurance coverage, but is not required to do so. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or disrupt the operation of the Electric System.

See the caption "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY - Federal Policy on Cyber Security."

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 POU 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. POU 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 POUs 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 POUs 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 POUs 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 POUs 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. POUs, 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's 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's 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. 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 EPCA 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 rule was finalized in May 2023.

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 “A+” and “A+”, 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 Morgan Stanley & Co. LLC (the “2024 New Money Bonds Underwriter”) pursuant to a competitive bidding held on February 15, 2024. The 2024 New Money Bonds were awarded to the 2024 New Money Bonds Underwriter at a price of \$190,057,866.34, which price includes original issue premium of \$23,472,644.20 and is net of the underwriter’s discount of \$304,777.86. 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 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.

Morgan Stanley & Co. LLC, an underwriter of the 2024 New Money Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2024 New Money Bonds.

The 2024 Refunding Bonds were awarded to BofA Securities, Inc. (the “2024 Refunding Bonds Underwriter” and, together with the 2024 New Money Bonds Underwriter, the “Underwriters”) pursuant to a competitive bidding held on February 15, 2024. The 2024 Refunding Bonds were awarded to the 2024 Refunding Bonds Underwriter at a price of \$60,694,203.05, which price includes original issue premium of \$8,175,195.85 and is net of the underwriter’s discount of \$60,992.80. 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 February 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 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.

The Code imposes a minimum tax of 15% on the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the 2024 Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential consequences of owning the 2024 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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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

Robert Thomas CPA, LLC, 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: /s/ Jason Bradford
Director of Finance and Information Technology

APPENDIX A

THE CITY OF GLENDALE

The 2024 Bonds will not be secured by any pledge of *ad valorem* taxes or general fund revenues but will be payable solely as described elsewhere in this Official Statement. The description of the financial and economic information regarding the City of Glendale, California (the “City”) set forth in this Appendix A is included in this Official Statement for information purposes only.

General

The City is a charter city of the State of California and was incorporated on February 16, 1906 under the general laws of the state of California. The City Charter was adopted on March 29, 1921. The City has a City Manager form of government with five elected Council members, in addition to an elected City Clerk and City Treasurer. The Council members elect a mayor among themselves and appoint various Boards and Commissions. The City provides a full range of municipal services. These include public safety (police and fire), streets, refuse collection, sewer, hazardous disposal, electric and water utilities, parks and recreation, public improvements, planning and zoning, housing and community development and general administrative and support services.

The City is the fourth largest city in Los Angeles County, encompassing approximately 31 square miles and a population of approximately 191,284 as of January 1, 2023.

Population

The following chart shows the population of the City for the ten years indicated.

<u>Year</u>	<u>Population</u>
2014	196,690
2015	199,339
2016	200,276
2017	201,001
2018	203,254
2019	204,201
2020	195,955
2021	194,949
2022	192,870
2023	191,284

Source: State of California Department of Finance, Population Research Unit, Population Estimates for California Cities 2014-20 with 2010 Benchmark, 2021-23 with 2020 Benchmark

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Employment

The following table shows employment, unemployment and labor force data for the City of Glendale for 2018 through 2022.

**CITY OF GLENDALE
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
Averages for each of the Calendar Years 2018 through 2022**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Civilian Labor Force	104,000	104,100	100,300	101,600	101,200
Employment	99,400	99,800	88,400	92,400	96,300
Unemployment	4,600	4,300	12,800	9,200	4,800
Unemployment Rate	4.4%	4.1%	12.7%	9.0%	4.8%
State Unemployment Rate	3.9%	3.7%	8.1%	5.3%	3.6%

Source: State of California, Employment Development Department.

Building Permit Activity

The following table shows the value of building permits issued in the City for the five fiscal years 2017-18 through 2021-22.

**CITY OF GLENDALE
BUILDING PERMIT VALUATION
Fiscal Years Ended June 30, 2018 through 2022
(in Thousands of Dollars)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential Valuation (thousands)					
Single Family	\$ 4,475	\$ 7,743	\$13,003	\$19,310	\$23,766
Multi-family/Commercial	<u>74,842</u>	<u>76,764</u>	<u>13,860</u>	<u>18,850</u>	<u>43,680</u>
Total	<u>\$79,317</u>	<u>\$84,507</u>	<u>\$26,863</u>	<u>\$38,160</u>	<u>\$67,446</u>
New Dwelling Units					
Single Family	28	18	115	219	261
Multi-family/Commercial	<u>26</u>	<u>12</u>	<u>6</u>	<u>2</u>	<u>6</u>
Total	<u>54</u>	<u>30</u>	<u>121</u>	<u>221</u>	<u>267</u>

Source: City of Glendale

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Taxable Sales

The following table shows taxable transactions in the City by type of business for calendar years 2018 through 2022.

CITY OF GLENDALE
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Calendar Years 2018 through 2022
(in Thousands of Dollars)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Retail and Food Services					
Clothing and Clothing Accessories Stores	\$421,011	\$411,021	\$231,047	\$433,539	\$457,119
General Merchandise Stores	213,406	225,883	154,038	230,603	230,836
Food and Beverage Stores	170,614	173,869	185,124	187,730	190,760
Food Services and Drinking Places	448,098	461,570	296,689	434,029	507,531
Home Furnishings and Appliance Stores	561,343	537,825	307,749	354,705	283,225
Building Materials and Garden Equipment and Supplies	131,503	131,356	126,183	134,208	140,915
Motor Vehicle and Parts Dealers	768,752	819,212	793,342	1,006,539	1,212,577
Gasoline Stations	205,973	209,431	131,997	203,478	280,642
Other Retail Group	237,869	233,273	201,339	254,906	297,951
Total Retail and Food Services	\$3,158,570	\$3,203,441	\$2,427,510	\$3,239,736	\$3,601,556
<i>All Other Outlets</i>	674,680	737,241	572,879	715,420	898,079
Total All Outlets	\$3,833,250	\$3,940,682	\$3,000,390	\$3,955,156	\$4,499,635

Note: Totals may not add due to rounding.

Source: California Department of Tax and Fee Administration

Community Development and Transportation

The quality of life in the City is the result of the City's focus on safety, neighborhood, community involvement, education and managed development. A thriving corporate culture, top entertainment, and safe residential communities make the City a desirable place to live and work. The City's unique downtown area is surrounded by office towers, a four-star Hilton Hotel, an Embassy Suites Hotel, Hyatt Hotel and more than 2,000,000 square feet of commercial retail between the indoor Glendale Galleria shopping mall and outdoor Americana lifestyle center. The City boasts two regional medical centers and a third community hospital aligned with Keck Medicine of the University of Southern California (USC). Glendale is surrounded by four major freeways and is only minutes from Hollywood-Burbank airport and downtown Los Angeles.

Since the end of the Great Recession, Glendale has enjoyed a steady stream of new investment and development in and around its downtown area. With amenities such as the outdoor lifestyle center

Americana at Brand and main street boutiques, restaurants and cafes combined with a progressive land use plan and safe environment, Glendale was poised for investment beginning in 2010. Continued capital investment has been seen throughout the City through business expansion and attraction to Glendale's central location, public safety record, and robust business environment. Implementing the Glendale Tech Strategy continues to strengthen local tech firms such as Service Titan, Age of Learning, Legal Zoom, DISQO, Cisco Systems, Phonexa, dot818, and Beyond Limits. Also of note are Glendale's regional shopping centers, the Glendale Galleria, Americana at Brand, and Brand Boulevard of Cars. The Glenmark Hotel and Residence Inn by Marriott Los Angeles joins major hotels like Embassy Suites and Hilton. Hotels are supported by a corporate presence and three local hospitals. Glendale's economy is diverse, primarily due to a mix of business and industry that operates within its borders.

Media continues to be a main business cluster in Glendale with both the Walt Disney Company and NBC/Universal's DreamWorks Animation Campus located in Glendale. Since 2000, the Walt Disney Company has developed over 1,000,000 square feet of new office space in their existing 110-acre Grand Central Creative Campus including ABC7 Television Studio (the Los Angeles affiliate of ABC Television) and the historic rehabilitation of the Grand Central Air Terminal Building. Together with existing space, the Walt Disney Company occupies almost 3,000,000 square feet of space on their campus. Following their acquisition by NBC/Universal, DreamWorks has continued to occupy their 13-acre, 180,000 square foot campus adjacent to Disney's Grand Central Creative Campus.

The City offers quiet seclusion from the fast-paced southern California life style in its downtown adjacent neighborhoods. Public transportation is made easy with the City's own Beeline shuttle system, which provides quick connections from public transportation centers throughout the city. Glendale is also home to the Larry Zarian Transportation Center, a restored historical train station, which serves the public at large including service from Amtrak and Greyhound. The City is working with LA Metro to increase train service through Glendale connecting to downtown Los Angeles and the Hollywood-Burbank Airport. A viability study is currently underway to study a light-rail streetcar from the transportation center to downtown Glendale, linking the heart of the City to the regional transportation network.

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Overlapping Indirect Bonded Debt

OVERLAPPING INDIRECT DEBT As of June 30, 2023 (in thousands) (unaudited)

	Gross Bonded Debt Balance	Percent Applicable to the City	Amount Applicable to the City
Overlapping tax and assessment debt:			
Metropolitan Water District	\$ 19,215	1.062%	\$ 204
Glendale Community College District	351,017	88.889	312,016
Pasadena Area Community College District	51,995	0.137	71
Glendale Unified School District	335,746	88.889	298,441
La Canada Unified School District	98,950	1.617	<u>1,600</u>
Total overlapping tax and assessment debt			\$612,332
Overlapping general fund debt:			
Los Angeles County General Fund Obligation	\$2,601,551	2.038%	\$ 53,020
Los Angeles County Superintendent of Schools Certificates of Participation	3,403	2.038	69
Pasadena Area Community College District General Fund Obligation	28,785	0.137	39
Glendale Unified School District Certificates of Participation	10,221	88.889	<u>9,085</u>
Total overlapping general fund debt			\$ 62,213
Overlapping tax increment debt (Successor Agency)	\$ 14,145	100.000%	<u>\$ 14,145</u>
Total indirect overlapping debt			<u>\$688,690</u>

Source: City of Glendale, Department of Finance and HdL Coren & Cone

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. The table above excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligation.

Assessed Valuation and Tax Collections

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the County of Los Angeles Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the second roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property of the unsecured roll, and an additional penalty of 1.5% per month begins to accrue commencing on November 1 of the fiscal year.

Collection of delinquent unsecured taxes is the responsibility of the County of Los Angeles using the several means legally available to it.

The tax roll for the fiscal year ended June 30, 2023 indicates a total taxable assessed valuation for revenue purposes of approximately \$38,599,865,000 for the City.

The following table shows the assessed property valuations within the City for the past five fiscal years. Net assessed valuations reflect exemptions for homeowners and tax-exempt uses.

**CITY OF GLENDALE
ASSESSED PROPERTY TAX VALUATIONS
Fiscal Years Ended June 30, 2019 through 2023
(In Thousands)**

<u>Fiscal Year</u>	<u>Net Assessed Valuations</u>	<u>Percent Change</u>
2019	\$31,835,660	4%
2020	33,959,280	7
2021	35,535,397	5
2022	36,608,833	3
2023	38,599,865	5

Source: HdL Coren & Cone.

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Property Tax Collections

The following table shows the City's property tax collections and adjustments for the fiscal years indicated.

**CITY OF GLENDALE
PROPERTY TAX COLLECTIONS
Fiscal Years Ended June 30, 2019 through 2023*
(In Thousands)**

<u>Fiscal Year</u>	<u>Collections Within Fiscal Year of Levy</u>	<u>Collections in Subsequent Fiscal Years</u>	<u>Total Tax Collections</u>	<u>Percent of Levy</u>
2019	\$33,902	315	\$34,217	98%
2020	35,324	543	35,867	98
2021	37,967	651	38,618	99
2022	39,756	263	40,019	99
2023	42,767	--	42,767	99

* Education Revenue Augmentation Fund (ERAF) III payment to State, ERAF in lieu of Vehicle License Fee, SB211 Proposition Share for Central Project, supplemental property tax, and property tax penalty are excluded from property tax collections when compared to property tax levied in this table.

Source: City of Glendale and Los Angeles County Auditor Controller.

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Ten Largest Secured Taxpayers

The following table shows the ten largest secured taxpayers of the City for the fiscal year ended June 30, 2023. These ten largest secured taxpayers represented 7.69% of the City's assessed valuation for the fiscal year ended June 30, 2023.

**CITY OF GLENDALE
TEN LARGEST SECURED TAXPAYERS
Fiscal Year Ended June 30, 2023
(In Thousands)**

	<u>Name</u>	<u>Assessed Valuation</u>
1.	Glendale Mall Associates LLC	\$ 645,464
2.	Walt Disney World Company	640,516
3.	Americana at Brand LLC	267,046
4.	Americana Residential LLC	230,824
5.	Stanley A Sirott Trust	209,419
6.	LA Hana OW LLC Lessor	204,512
7.	GPI 500 Brand Limited	198,941
8.	DWF V 655 North Central LLC	195,763
9.	120 W Wilson Avenue Apartments LP	195,639
10.	Onni 700 Brand LP	<u>180,657</u>
	Total	\$2,968,781

Source: HdL Coren & Cone

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE
CITY'S ELECTRIC SYSTEM FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Glendale
Glendale, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Electric Fund of the City of Glendale, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Fund of the City of Glendale, as of June 30, 2023, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Enterprise Fund and do not purport to, and do not present fairly the financial position of the City of Glendale, California, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Honorable Mayor and
Members of the City Council
City of Glendale

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Honorable Mayor and
Members of the City Council
City of Glendale

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions of the defined benefit plans, the schedule of proportionate share of OPEB liability and the schedule of contributions of the OPEB plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and operating statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the Electric Fund of the City of Glendale's 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Honorable Mayor and
Members of the City Council
City of Glendale

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of the City of Glendale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Glendale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Glendale's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP
Irvine, California
November 20, 2023

MANAGEMENT DISCUSSION AND ANALYSIS – ELECTRIC UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Electric Enterprise Fund (Electric Utility) financial statements a narrative overview and analysis of the financial activities of the Electric Utility for the fiscal year ended June 30, 2023. We encourage our readers to consider the information presented here in conjunction with the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2023, the Electric Utility's retail revenues increased \$17,411 or 8.6% from the 2022 level. The increase in retail revenues was attributable to increase in volumes and rates. Total operating revenues increased by \$26,373 or 10.7% and total operating expenses increased by \$48,014 or 22.1% from fiscal year 2022. After adding the net decrease of \$2,093 from non-operating revenues and subtracting \$21,937 transfer to the General Fund of the City to operating income of \$8,424, total net position decreased by \$15,606 in fiscal year 2023.

The assets and deferred outflows of the Electric Utility exceeded its liabilities and deferred inflows at the close of fiscal year 2023 by \$325,953. Of these amounts, \$238,241 was unrestricted and may be used to meet the Electric Utility's ongoing obligations to creditors and customers. Unrestricted net position balances represented 89.9% of annual operating expenses for fiscal year 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Electric Utility financial statements. The Electric Utility is a business-type activity of the City, and its activities are reported in a separate enterprise fund. These financial statements include only the activities for the City of Glendale Electric Utility. Information on citywide financial results is available in the City of Glendale's Annual Comprehensive Financial Report.

The City of Glendale Electric Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other information to provide our readers additional information about the Electric Utility including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Electric Utility's financial health.

The ***Statement of Net Position*** presents information on assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Position*** presents information showing how the Electric Utility's net position changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The ***Statement of Cash Flows*** presents the flows of cash and cash equivalents during the last fiscal year including certain restricted amounts.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 19 to 57 of this report.

The required supplementary information are presented immediately following the notes to financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Electric Utility's financial position. In the case of the Electric Utility, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$325,953 as of June 30, 2023. A portion of the Electric Utility's net position (13% as of June 30, 2023) reflects its net investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets. The Electric Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities.

An additional portion of the Electric Utility's net position (14% as of June 30, 2023) represents resources that are subject to external restrictions on how they may be used. This line item includes California Air Resources Board carbon emission reduction, investment-gas/electric commodity, Low Carbon Fuel Standard funds, and SCAQMD emission controls. For fiscal year ended June 30, 2023, the net position restricted is \$44,463.

The unrestricted portion of the Utility's net position (73% as of June 30, 2023) may be used to meet the Electric Utility's ongoing obligations to creditors and customers.

Net Position – Electric Utility

The Electric Utility's net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Current and other assets	\$ 365,671	\$ 360,577
Capital assets and lease assets	177,340	194,946
	<u>543,011</u>	<u>555,523</u>
Total assets		
Deferred outflows of resources	28,876	12,992
	<u>28,876</u>	<u>12,992</u>
Current liabilities	40,840	30,303
Long-term liabilities	200,108	173,563
	<u>240,948</u>	<u>203,866</u>
Total liabilities		
Deferred inflows of resources	4,986	23,090
	<u>4,986</u>	<u>23,090</u>
Net position:		
Net Investment in capital assets	43,249	61,184
Carbon Emissions	37,160	26,718
Investment-gas/electric commodity	-	7,281
Low Carbon Fuel Standard	1,634	1,749
SCAQMD emission controls	5,669	5,669
Unrestricted	238,241	238,958
	<u>238,241</u>	<u>238,958</u>
Total net position	\$ 325,953	\$ 341,559
	<u>\$ 325,953</u>	<u>\$ 341,559</u>

Net position decreased by \$15,606 (or 5%) during fiscal year 2023. In fiscal year 2023, the decrease in net position was primarily the result of the increase in operating expenses due to higher fuel and spot market prices, pension expenses, and write-off of Grayson Power Plant's net book value due to plant's demolition.

Changes in Net Position – Electric Utility

The Electric Utility's changes in net position for the years ended June 30, 2023 and 2022 are as follows:

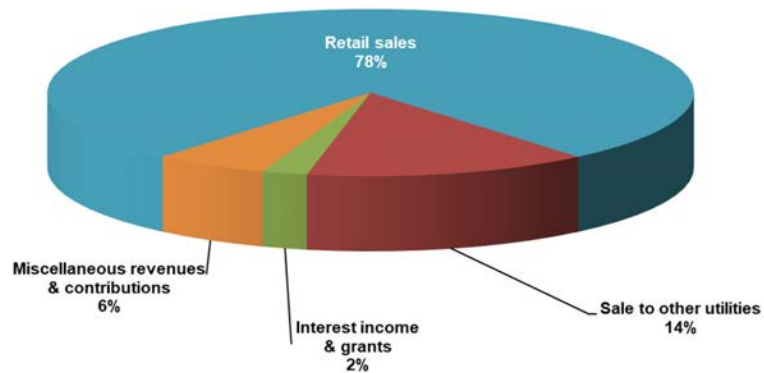
	2023	2022
Revenues:		
Retail sales	\$ 219,370	\$ 201,959
Sale to other utilities	40,113	29,862
Miscellaneous revenues	13,802	15,091
Non-operating revenues	6,393	(6,319)
Total revenues	279,678	240,593
Expenses:		
Production	188,486	145,451
Transmission and distribution	44,046	34,761
Customer accounting and sales	11,210	12,070
Amortization	35	84
Depreciation	20,403	23,770
Gas depletion	681	711
Interest expense	5,214	5,445
Litigation settlement	5,508	-
Total expenses	275,583	222,292
Increase in net position before transfers & contributions	4,095	18,301
Capital contributions	2,236	-
Transfers to the City's General Fund	(21,937)	(20,193)
Increase (decrease) in net position	(15,606)	(1,892)
Net position, beginning of year	341,559	343,451
Net position, end of year	\$ 325,953	\$ 341,559

Revenue by Source – Electric Utility

The total revenues increased by 16% from 2022. 2023 retail revenues (residential, commercial, and industrial) continued to be the primary revenue source for the Electric Utility, making up approximately 78% of total revenue. Retail revenues showed an increase of 9% from the prior year were attributable to increase in volumes and rates. Sales to other utilities, accounts for the revenues other than the retail revenues, increased 34% from the prior year.

Non-operating revenues include California Arrearage Payment Program (CAPP) of approximately \$1.5 million increased 237% from the prior year. The increase was primarily due to a increase in the fair value of investments.

2023 Revenues



Expenses by Source – Electric Utility

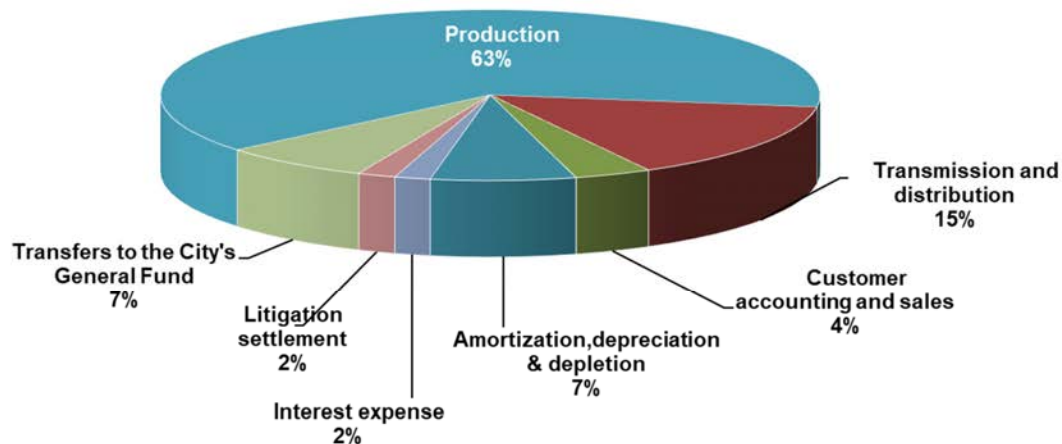
Total expenses for the Electric Utility not including the General Fund Transfer, increased \$53,291 (or 24%) from 2022 level. Production expenses increased 30% from 2022 as a result of higher fuel and spot market prices. Transmission and distribution increased by 27%, offset by decrease in customer accounting and sales expenses from 2022, as a result of California Arrearage Payment Program (CAPP). Depreciation expense decrease by 14% due to Grayson Power Plant assets retirement. The depletion of gas decreased 4% from 2023 due to lower gas volumes.

The Gas Depletion account was established to record the use of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds decreased 4% from 2022 due to lower interest payments.

The City Charter currently provides at the end of each fiscal year, up to 25% of the operating revenues of the Electric Utility to be transferred to the City's General Fund as based on City Council approval. Ten percent (10%) of Electric Works operating revenue for the fiscal year 2022-23, \$21,937, was transferred from the Electric Work Revenue Fund to the Glendale Water and Power Surplus Fund and further transferred to the City's General Reserve Fund for fiscal year 2022-23.

2023 Expenses and Transfers



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in capital assets as of June 30, 2023 were \$177,340 (net of accumulated depreciation and depletion). This included investments in production, transmission, and distribution related facilities, as well as in general items such as office equipment, furniture, etc. Capital assets showed a decrease of 9% as of June 30, 2023, due to retirement of \$82,406 in Grayson capital assets. \$55,364 of the capital asset was fully depreciated and \$27,042 was written off. The decrease in capital assets are partially offset by increase of Grayson Repowering, Fiber Plan Expansion, and Biogas Renewable Generation totaled \$17,776.

The Electric Utility's capital assets as of June 30, 2023 and 2022 are as follows:

	2023	2022
Production	\$ 88,238	\$ 112,794
Transmission and distribution	445,558	438,764
Natural Gas Reserve	22,175	22,171
General	7,537	50,770
Less: accumulated depreciation and depletion	(386,168)	(429,553)
Total capital assets	<u>177,340</u>	<u>194,946</u>

Additional information on the Electric Utility's capital and lease assets can be found in Note 3 on page 31 of this report.

Long-Term Debt

The Electric Utility's long-term debt as of June 30, 2023 and 2022 is as follows:

	2023	2022
Bonds payable:		
Electric Revenue Bonds	\$ 117,450	\$ 123,445
Less: current portion	(7,431)	(7,126)
Unamortized bond premium	16,078	17,210
Total bonds payable	<u>126,097</u>	<u>133,529</u>
Leases payable:		
Leases	128	164
Less: current portion	(42)	(39)
Total leases payable	<u>86</u>	<u>125</u>
Total long-term debt	<u>126,183</u>	<u>133,654</u>

During fiscal year 2023, the Electric Utility maintained an "A+" credit rating from Standard & Poor's, "A+" credit rating from Fitch Ratings, and "Aa3" credit rating from Moody's Investors Service for its revenue bonds.

Additional information on the Electric Utility's long-term debt can be found in Note 4 on pages 32 to 36 of this report.

Economic Factors and Rates

The City continues its effort to minimize exposure to market spikes in power and natural gas by implementing retail rate adjustment clauses that allow retail rates to adjust to market conditions and regulatory changes.

The Electric Utility is advancing its commitment to environmental improvement. On May 4, 2018, upon the direction of the City Council to seek cleaner alternatives to the Grayson Repowering Project, GWP issued the Clean Energy RFP to solicit proposals that will enable the City 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 has unanimously adopted the IRP that enables the utility to reduce its carbon footprint and transition to a 100% clean energy future. The proposed plan includes a grid-scale Battery Energy Storage System (BESS). In February 2023, the City Council directing staff regarding the implementation of the Grayson Repowering Project utilizing three engines and procurement of a BESS and authorizing contracts, and all related and necessary documents, for the engineering, procurement, and construction of the three engines and associated equipment and facilities.

In May 2023, GWP solicited proposals for Phase 1 of the City Owned Solar Development Program. Phase 1 includes six locations for an estimated 3.7 MW of solar PV generation. The proposal deadline was August 11, 2023, and staff is currently reviewing proposal and expects to recommend the award of contract(s) in October.

On January 24, 2023, the City Council approved Scholl Biogas Renewable Generation Project. The project will install four Jenbacher landfill gas generators and corresponding landfill gas cleaning system with the purpose of capturing and combusting the existing landfill gas to produce approximately 11MW of renewable energy. The city has come a long way since the project's Environmental Impact Report (EIR) was certified on November 30, 2021. As of September 2023, mobilization for the Grayson Repowering has begun with demolition and construction commencing in the following months. Prior to mobilization, several environmental surveys were conducted. The delivery of Jenbacher landfill gas engines is estimated to be in March 2024. With no further delays, Substantial Completion is expected to be achieved in May of 2025.

On May 03, 2022, the City Council awarded the "Feeder Reconstruction for 12kV Operation" contract to Hot Line Construction. The contract commencement date was January 10, 2023, and it is a one-year contract. Converting 4kV electrical distribution lines to 12kV, improves the system reliability and capacity and is a critical aspect of upgrading the electrical distribution grid for building and vehicle electrification. As of September 2023, contractor completed the reconstruction of 6 Tropico and 8 Tropico feeders (100%) and 4 Tropico, 4 Acacia and 5 Acacia feeders (75%). With the supply chain challenges in material and power poles, yet the contract is on schedule.

On June 12, 2018, the City of Glendale adopted a five-year rate plan (covering FY 2018-19 through FY 2022-23) with annual base rate revenue adjustments of 0%, 0.5%, 1%, 1%, and 1%. Under the new rate plan, electric rates for commercial customers will generally decrease, while residential rates will generally increase to align with the cost of serving each customer class. The rate plan adjusts time of use periods beginning in FY 2019 to align with GWP load profiles, to incentivize off peak usage and to promote the use of electric vehicles. The rate plan also adds a standby rate for customers with nonrenewable self-generation. In June 2020, the City Council deferred the scheduled July 1, 2020 increase by one year to July 1, 2021, and to defer the subsequent two annual rate increases by one year.

GWP is in the process of completing a new COSA which will be completed in the fourth quarter of 2023. The new COSA is required to determine what if any rate increases might be needed to support the recently approved and proposed clean energy programs, the repower of the Grayson power plant and the Scholl Canyon Biogas project.

General Fund Transfer and Electric Rates Litigation

As of October 31, 2022, the lawsuits challenging the City's 2013 electric rate plan and the transfer of revenues from the Glendale Water & Power (GWP) Electric Fund to the General Fund have concluded. In 2014, Juan Saavedra and I.B.E.W. Local 18 filed a lawsuit in Los Angeles Superior Court (the "2014 IBEW Lawsuit") challenging the 2013 electric rate plan and the City's general fund transfer ("GFT"). The Glendale Coalition for a Better Government ("Coalition") also filed a lawsuit in 2014 challenging the 2013 electric rate plan and GFT ("2014 Coalition Lawsuit"). The 2014 IBEW Lawsuit and 2014 Coalition lawsuit were consolidated for purposes of trial (and are sometimes referred to herein collectively as the "2014 Lawsuits"). In October 2020, the City received a favorable ruling in the remand trial of the 2014 Lawsuits, resulting in a determination that the City will not have to make any refunds of electric rate revenues or general fund transfers. That decision has been appealed by IBEW.

In addition, the Coalition filed a petition for writ of mandate in July 2018 challenging the City's 2018 electric rates on similar grounds as the 2014 Lawsuit ("2018 Coalition Lawsuit"). The 2018 Coalition Lawsuit was dismissed without prejudice and the statute of limitations tolled until there was a final non-appealable judgment in the 2014 Coalition Lawsuit.

Biogas Litigation

On March 18, 2022, the Sierra Club filed a Petition for Writ of Mandate against the City of Glendale in the matter of Sierra Club v City of Glendale, et al., The Petition challenges the Glendale City Council's February 15, 2022 certification of a Final Environmental Impact Report (FEIR) for the proposed Grayson Repowering Project (Grayson) and authorizations to move forward with various Grayson project development activities.

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., The Sierra Club Petition challenges the City Council's February 15, 2022 certification of a FEIR for the proposed Grayson Repowering Project ("Grayson") and authorizations to move forward with various Grayson project development activities.

Additional information on the litigations can be found in Note 11 under General Fund Transfer and Electric Rates Litigation, Biogas Litigation, and Grayson Litigation on pages 52 to 56 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Electric Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND

Statement of Net Position

June 30, 2023 (in thousands)

(with summarized comparative amounts for 2022)

	2023	2022
Assets		
Current assets:		
Pooled cash and investments	\$ 85,662	\$ 136,560
Cash with fiscal agent	2,543	2,332
Investments with fiscal agent	2,398	2,398
Interest receivable	1,709	1,422
Investment-gas/electric commodity	8,018	-
Accounts receivable, net	12,754	16,536
Unbilled receivable	15,275	16,455
Due from other agencies	285	72
Inventories	11,484	9,704
Prepaid items and other	28,652	8,565
Total current assets	168,780	194,044
Noncurrent assets:		
Capital assets:		
Land	6,306	6,306
Natural gas reserve	22,175	22,171
Buildings and improvements	63,970	73,722
Machinery and equipment	440,728	512,684
Intangible and subscription assets	422	327
Accumulated depreciation	(370,682)	(414,831)
Accumulated natural gas depletion	(15,162)	(14,481)
Amortization	(324)	(241)
Construction in progress	29,695	9,086
Lease assets - Land, not being depreciated	212	203
Total capital assets	177,340	194,946
Pooled designated & invested cash	151,435	124,100
Pooled Restricted cash	44,463	41,417
Leases receivable	993	1,016
Other noncurrent assets	196,891	166,533
Total noncurrent assets	374,231	361,479
Total assets	543,011	555,523
Deferred outflows of resources:		
Deferred outflows of resources related to OPEB	408	467
Deferred outflows related to pensions	25,077	8,898
Loss on refunding	3,391	3,627
Total deferred outflows of resources	28,876	12,992
Total assets and deferred outflow of resources	571,887	568,515

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND

Statement of Net Position

June 30, 2023 (in thousands)

(with summarized comparative amounts for 2022)

	2023	2022
Liabilities		
Current liabilities:		
Accounts payable	27,282	17,915
Contracts-retained amount due	422	2
Bonds payable, due in one year	7,431	7,126
Deposits	1,726	1,355
Interest payable	2,447	2,572
Leases payable	42	39
Wages and benefits payable	1,490	1,294
Total current liabilities	<u>40,840</u>	<u>30,303</u>
Noncurrent liabilities:		
Bonds payable	126,097	133,529
Lease payable	86	125
OPEB liability	1,781	2,156
Net pension liability	72,144	37,753
Total noncurrent liabilities	<u>200,108</u>	<u>173,563</u>
Total liabilities	<u>240,948</u>	<u>203,866</u>
Deferred inflows of resources:		
Deferred inflows of resources related to leases	942	990
Deferred inflows related to OPEB	897	682
Deferred inflows related to pensions	3,147	21,418
Total deferred inflows of resources	<u>4,986</u>	<u>23,090</u>
Total liabilities and deferred inflows of resources	<u>245,934</u>	<u>226,956</u>
Net position:		
Net investment in capital assets	43,249	61,184
Restricted for		
Carbon Emissions	37,160	26,718
Investment-gas/electric commodity	-	7,281
Low carbon fuel standard	1,634	1,749
SCAQMD emission controls	5,669	5,669
Unrestricted	238,241	238,958
Total net position	<u>\$ 325,953</u>	<u>\$ 341,559</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023 (in thousands)
(with summarized comparative amounts for 2022)

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Retail:		
Electric residential sales	\$ 96,598	\$ 85,438
Electric commercial sales	119,810	113,588
Electric street and traffic light sales	2,962	2,933
Sales to other utilities	40,113	29,862
Miscellaneous revenues	13,802	15,091
Total operating revenues	<u>273,285</u>	<u>246,912</u>
Operating expenses:		
Production	188,486	145,451
Transmission & distribution	44,046	34,761
Customer accounting and sales	11,210	12,070
Amortization	35	84
Depreciation	20,403	23,770
Gas depletion	681	711
Total operating expenses	<u>264,861</u>	<u>216,847</u>
Operating income	<u>8,424</u>	<u>30,065</u>
Non operating revenues (expenses):		
Grant revenue	1,786	4,995
Interest Income	3,666	(12,613)
Sales of property	95	343
Leases/rentals revenues	846	956
Interest expense	(5,214)	(5,445)
Litigation settlement	(5,508)	-
Total non operating revenues (expenses), net	<u>(4,329)</u>	<u>(11,764)</u>
Income before transfers & contributions	<u>4,095</u>	<u>18,301</u>
Capital contributions	2,236	-
Transfer to the General Fund of the City	<u>(21,937)</u>	<u>(20,193)</u>
Change in net position	(15,606)	(1,892)
Net position at beginning of year	<u>341,559</u>	<u>343,451</u>
Net position at end of year	<u>\$ 325,953</u>	<u>\$ 341,559</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND

Statement of Cash Flows

Year Ended June 30, 2023 (in thousands)

(with summarized comparative amounts for 2022)

	2023	2022
Cash flows from operating activities:		
Cash from customers	\$ 278,381	\$ 244,775
Cash paid to employees	(40,165)	(39,304)
Cash paid to suppliers	(215,623)	(154,506)
Operating grants received	1,786	4,995
	<u>24,379</u>	<u>55,960</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Litigation settlement	(5,508)	-
Lease revenue received	846	956.00
Transfers in (out), net	(21,937)	(20,193)
	<u>(26,599)</u>	<u>(19,237)</u>
Net cash (used) by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of property, plant, gas and equipment	(3,550)	(7,844)
Interest paid on long-term debt	(6,233)	(6,458)
Principal payments and premiums	(5,995)	(5,710)
Proceed from sales of capital assets	95	343
Capital grants and contributions	2,236	-
	<u>(13,447)</u>	<u>(19,669)</u>
Net cash (used) by capital and related financing activities		
Cash flows from investing activities:		
Investment - gas/electric commodity	(8,018)	-
Interest received	3,379	(12,972)
	<u>(4,639)</u>	<u>(12,972)</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	<u>(20,306)</u>	<u>4,082</u>
Cash and cash equivalents at beginning of year	<u>304,409</u>	<u>300,327</u>
Cash and cash equivalents at end of year	<u>\$ 284,103</u>	<u>\$ 304,409</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND

Statement of Cash Flows

Year Ended June 30, 2023 (in thousands)

(with summarized comparative amounts for 2022)

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,424	\$ 30,065
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	35	84
Depreciation	20,402	23,770
Gas depletion	681	711
Operating grants received	1,786	4,995
(Increase) Decrease Accounts receivable net	3,805	(1,320)
(Increase) Decrease Unbilled services	1,180	(897)
(Increase) Decrease Due from other agencies	(213)	28
(Increase) Inventories	(1,780)	(303)
(Increase) Prepaid expenses	(20,088)	(183)
Decrease Deferred outflows from OPEB	60	28
(Increase) Decrease Deferred outflows from pension	(16,179)	671
Increase (Decrease) Accrued wages payable	196	(1,275)
Increase Accounts payable	9,367	8,448
Increase Contracts - retention	420	2
Increase Deposits	371	78
(Decrease) OPEB liability	(374)	(476)
Increase Deferred inflows from OPEB	214	389
Increase (Decrease) Deferred inflows from pension	(18,271)	21,377
Increase (Decrease) Deferred inflows from leases	(48)	990
Increase (Decrease) Net pension liability	34,391	(31,222)
Total adjustments	15,955	25,895
Net cash provided by operating activities	\$ 24,379	\$ 55,960
Reconciliation of Statement of Cash Flows to Statement of Net Position:		
Pooled cash and investments	\$ 85,662	\$ 136,560
Cash with fiscal agent	2,543	2,332
Pooled designated & invested cash	151,435	124,100
Restricted cash	44,463	41,417
Cash and cash equivalents at June 30	\$ 284,103	\$ 304,409

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Electric Enterprise Fund, (Electric Utility). All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The accounts of the City are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and net position that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City's Electric Utility is used to account for the construction, operation and maintenance of the City-owned electric utility. The Fund is considered to be an enterprise fund, proprietary fund type, and uses flow of economic resources measurement focus to determine net income and financial position, as defined under accounting principles generally accepted in the United States of America. Accordingly, the accrual basis of accounting is followed by the Electric Utility, where revenues are recorded when earned and expenses are recorded when incurred. The Electric Utility is included in the City's Annual Comprehensive Financial Report (ACFR), and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flow thereof of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pooled Cash and Investments

The Electric Utility pools its cash with the City. The Electric Utility values its cash and investments at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and follows the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs.

Interest income from the investment of pooled cash is allocated to the Electric Utility on a monthly basis based upon the prior month end cash balance of the Electric Utility as a percent of the month end total pooled cash balance. The City normally holds the investment to maturity; therefore no realized gain/loss is recorded.

For purposes of statement of cash flows of the Electric Utility, cash and cash equivalents include all pooled cash and investments, pooled designated & invested cash, restricted cash and cash with fiscal agents with an original maturity of three months or less. The Electric Utility considers the cash and investments pool to be a demand deposit accounts where funds may be withdrawn and deposited at any time without prior notice or penalty.

Investment-gas/electric commodity

As of June 30, 2023, the Electric Utility holds \$8,018 of investment that involves simultaneous purchase and sell of physical California Carbon Allowances (CCAs) through an exchange traded platform that removes the majority of credit and financial risk from counterparties. The City purchases and holds the CCAs for a period of time and earn a fixed rate of return, and this derivative instrument is considered an investment and not hedging for accounting purposes.

Pooled Designated Cash and Investments

A Cash Reserve Policy for the Electric Utility was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for the fiscal year ending June 30, 2023, established a target of \$124,100 of designated cash in the following categories: \$57,700 for the operating reserve, \$40,400 for contingency reserve; \$10,000 for rate stabilization reserve; and \$16,000 for Reserve for Gas Reserve Project. As of June 30, 2022, \$124,100 was included in the pooled designated and invested cash.

Capital Assets

The Electric Utility's capital assets include land, building, improvements and equipment that are reported in the Electric Utility's financial statements. The Electric Utility follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of \$10 or \$100 in aggregate and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the City by independent contractors, are recorded at acquisition cost. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset.

A summary of the useful lives of the capital assets of the Electric Utility is as follows:

<u>Assets</u>	<u>Years</u>
Building and Improvements	10-50
General Structure & Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	3-12
Passenger Cars, Pickup	3-8
Cargo Vans	6-8
Dump/Tractor/Trailer Trucks	10-12

Lease Assets

Lease assets represent the Electric Utility's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets, which include land, structures, mobile equipment and equipment, follow the same

capitalization threshold of \$10 as capital assets. Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentive received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease asset into service. Lease assets are depreciated using a straight-line depreciation over the shorter of the lease term or the useful life of the underlying asset.

SBITA (Subscription-Based Information Technology Arrangements) assets represent the Electric Utility's control of the right to use another party's Information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITA assets, follow the same capitalization threshold of \$10 as capital assets. SBITA assets are reported in the financial statements. SBITA assets are recorded at the amount of the initial measurement of the SBITA liabilities and modified by any SBITA payments made to the SBITA vendor at or before the commencement of the SBITA term, less any SBITA incentive received from the SBITA vendor at or before the commencement of the SBITA term along with any initial direct costs that are ancillary charges necessary to place the SBITA asset into service. SBITA assets are depreciated using a straight-line depreciation over the following useful life of the underlying asset:

Inventories

Inventories, consisting primarily of construction and maintenance materials and tools for the production and distribution system of the Electric Utility are stated at cost, using the weighted average cost method or disposal value.

Long-Term Debt

The long-term debt and other obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period when the debt is issued.

Lease Payable

Lease payable represents the Electric Utility's obligation to make lease payments arising from the lease. Lease payable is recognized at the commencement date based on the present value of

expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

Compensated Absences

The Electric Utility records and funds a liability for its employees' earned but unused accumulated vacation and overtime.

The Electric Utility also provides sick leave conversion benefits through the Retiree Health Saving Plan (RHSP). Unused sick leave is converted to a dollar amount and deposited in the employee's RHSP account at retirement. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying the healthcare premiums from personal funds. The Electric Utility records an expense as the benefit is earned and probable of being paid out.

For additional details on the Compensated Absences, please refer to the City of Glendale Annual Comprehensive Financial Report.

Other Post Employment Benefits (OPEB)

Eligible employees of the Electric Utility are eligible to participate in the City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Additional information on the Electric Utility's OPEB can be found in Note 6 on pages 41 to 44 of this report.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Glendale's California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounts Receivable

The Electric Utility records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities and government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is adjusted at fiscal year end based on the amount equal to the annual uncollectible accounts. As of June 30, 2023, the Electric Utility's allowance for doubtful accounts was \$728.

Unbilled Receivable

The Electric Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2023, the Electric Utility's unbilled receivables was \$15,275.

Lease Receivable

The Electric Utility measures lease receivable at the present value of lease payments expected to be received during the lease term. Interest revenue is recognized ratably over the contract term.

Prepaid Items and Other

Certain payments to the vendors reflect costs applicable to future accounting period and are recorded as prepaid, which are then recognized as expense as benefits are received. As of June 30, 2023, prepaid was \$28,652.

Contracts - Retained Amount Due

The Electric Utility withholds 5% - 10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor. As of June 30, 2023, contracts – retained was \$422.

Deposits

The Electric Utility requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Electric Utility to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Electric Utility. As of June 30, 2023, the Electric Utility's deposits was \$1,726.

Transfers to the City

The City's charter provides for certain percentages (up to a maximum of 25%) of operating revenues in the Electric Utility to be transferred to the City's General Fund. For the fiscal year 2023, ten percent (10%) of Electric Works retail revenue shall be transferred from the Electric Work Revenue Fund to the Glendale Water and Power Surplus Fund and further transferred to the General Reserve Fund. As of June 30, 2023, the Electric Utility's transfers to the City was \$21,937.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Electric Utility first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues are recognized for services and energy provided to customers, and customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

The Electric Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric Utility's budget in June each year via a resolution.

Pronouncements Issued But Not Yet Implemented

The Governmental Accounting Standards Board (GASB) issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Electric Utility.

- GASB Statement No. 99 – *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practices issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (FY 2023-24).
- GASB Statement No. 100 – *Accounting Changes and Error Corrections-an amendment of GASB Statement NO. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023 (FY 2023-24).
- GASB Statement No. 101 – *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal years beginning after December 15, 2023 (FY 2024-25).

Implementation of Pronouncement

The Electric Utility has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2023:

- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The statement, except for paragraphs 11b, 13, and 14, is effective for periods beginning after June 15, 2020. The paragraph 11b is effective for fiscal years ending after December 31, 2021.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for fiscal years beginning after June 15, 2022. The implementation of this statement did not affect the net position on July 1, 2022.
- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The objective of this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The statement is effective for fiscal years beginning after June 15, 2022. The implementation of this statement did not affect the net position on July 1, 2022.
- GASB Statement No. 99 – *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practices issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022.

Deferred Outflows and Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources, in addition to assets. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or expenses, until then. For current or advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debts (i.e., deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the straight line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. When the City makes the pension contributions and OPEB

payments after the measurement date, the City reports deferred outflows of resources. When there is an increase in pension and OPEB expense arising from the recognition of change in assumptions and differences between expected and actual experience, and difference between projected and actual earnings on pension plan investments, the City reports a deferred outflow of resources until the increase is recognized in expense. This category consists of loss on refunding, related to pension, and related to OPEB for reporting in the statements of net position. As of June 30, 2023, the Electric Utility's deferred outflows of resources was \$28,876.

The statement of net position reports a separate section for deferred inflows of resources, in addition to liabilities. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources, or revenues, until then. When there is a decrease in pension and OPEB expense arising from the recognition of changes in assumptions and of differences between expected and actual experience, the Electric Utility reports a deferred inflow of resources until the decrease is recognized in expense. For leases that the Electric Utility is the lessor, the amount of the initial measurement of the lease receivable is reported as a deferred inflow of resources, and amortized to lease revenue based on the straight line method over the lease term. The Electric Utility records deferred inflows of resources related to leases, OPEB, and pension. As of June 30, 2023, the Electric Utility's deferred inflows of resources was \$4,986.

Prior-Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Electric Utility Fund's prior-year financial statements from which this selected financial data was derived.

2. Pooled Cash and Investments

Cash resources of the Electric Utility are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore,

individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Electric Utility on a monthly basis, based upon the month-end cash balance of the Electric Utility as a percent of the month-end total pooled cash balance. Of this total pooled cash and investments, \$281,560 pertains to the Electric Utility for fiscal year 2023. Pooled cash and investments are stated at the fair value.

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash and investments at fiscal year-end consist of the following:

	2023
Pooled cash and investments	\$ 85,662
Cash and investments with fiscal agent	4,941
Investment-gas/electric commodity	8,018
Pooled restricted cash	44,463
Pooled designated and invested cash	151,435
Total	<u>\$ 294,519</u>

For additional details on the City investment pool including disclosure relating to Interest Rate Risk, Credit Risk, Custodial Credit Risk, Investment in State Investment Pool and Fair Value Measurement, please refer to Note 3 of the City of Glendale Annual Comprehensive Financial Report.

Restricted Cash

Cash and investments restricted for a specific purpose by either bond resolution, funding agency, or an outside third party are classified as restricted assets. The restricted cash consists of Southern California Air Quality Management District environmental compliance funds, California Air Resources Board carbon emission reduction, Low Carbon Fuel Standard funds, and investment in gas and electric commodity. As of June 30, 2023, there is \$44,463 recorded. The amounts set aside in this account shall remain therein until from time to time expended for the

projects and purposes of paying for the costs of acquisition and construction of certain improvements to the Electric System of the City.

Cash and investments with Fiscal Agent

The Electric Utility has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These funds are governed by the bond indentures. These ordinances are generally more restrictive than the City's general investment policy. As of June 30, 2023, the Electric Utility had \$4,941 on deposit with fiscal agent as required by the bond documents.

Investment-gas/electric commodity

As of June 30, 2023, the Electric Utility holds \$8,018 of investment that involves simultaneous purchase and sell of physical California Carbon Allowances (CCAs) through an exchange traded platform that removes the majority of credit and financial risk from counterparties. The Electric Utility purchases and holds the CCAs for a period of time and earn a fixed rate of return, and this derivative instrument is considered an investment and not hedging for accounting purposes.

The Electric Utility had the following underlying investments:

	Total	Maturity	Moody's Rating
Investment Derivative Instrument	\$ 8,018	Less than 1 yr	Unrated
Guaranteed Investment Contracts	2,398	More than 5 yr	Unrated
Money Market	2,543	Less than 1 yr	Aaa
	<u>\$ 12,959</u>		

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

3. Capital Assets and Lease Assets

A summary of the changes in Electric Utility June 30, 2023 Capital Assets is as follows:

	Balance at July 1, as restated	Increases	Decreases	Reclass	Balance at June 30
Capital assets not being depreciated/depleted/amortized:					
Land	\$ 6,306	-	-	-	6,306
Construction in progress	9,086	22,727	(804)	(1,314)	29,695
Lease assets - Land	203	-	-	9	212
Total assets not being depreciated/depleted/amortized	15,595	22,727	(804)	(1,305)	36,213
Depreciable capital assets:					
Building and improvements	73,722	38	(9,790)	-	63,970
Machinery and equipment	512,684	7,706	(80,976)	1,314	440,728
Total other capital assets at cost	586,406	7,744	(90,766)	1,314	504,698
Depletable capital assets:					
Natural gas reserve	22,171	4	-	-	22,175
Amortizable assets:					
Intangible assets	327	-	-	-	327
Subscription assets	-	95	-	-	95
Less accumulated depreciation:					
Building and improvements	51,774	1,950	(6,470)	-	47,254
Machinery and equipment	363,057	18,405	(58,034)	-	323,428
Total accumulated depreciation	414,831	20,355	(64,504)	-	370,682
Less accumulated natural gas depletion:					
Natural gas reserve	14,481	681	-	-	15,162
Less amortization					
Intangible assets	241	35	-	-	276
Subscription assets	-	48	-	-	48
Total assets being depreciated/depleted/amortized	179,351	(13,323)	(26,262)	1,314	141,032
Electric Fund capital assets, net	\$ 194,946	9,451	(27,066)	9	177,340

Natural Gas Project

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls 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. The first acquisition was completed on July 1, 2005 with the total cost to the participants at \$306.1 million. The City's share in the project is \$13.1 million or 4.2553%. Subsequently, capital drilling costs of \$9 million had been capitalized. As of June 30, 2023, the balance for the Natural Gas Reserve Project, net of accumulated natural gas depletion was \$7,013.

4. Long-Term Debt

The Electric Utility's outstanding principal as of June 30, 2023 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2023
Electric Revenue Bonds, 2013 Refunding Series	4.00%-5.00%	20,510	\$ 13,395
Electric Revenue Bonds, 2013 Series	3.00%-5.00%	60,000	49,655
Electric Revenue Bonds, 2016 Refunding Series	4.00%-5.00%	72,615	54,400
Total			<u>\$ 117,450</u>

Electric Revenue Bonds, 2013 Refunding Series

The Electric utility of Glendale Water & Power issued \$20,510 in revenue bonds in March 2013 to provide funds to refund all of the City's outstanding Electric Revenue Bonds, 2003 Series and pay cost of issuance. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2003 Series through a legal defeasance.

The refunding resulted in the recognition of a deferred loss on refunding of \$71 as of June 30, 2023, and is being amortized through FY 2031-32. The refunding also resulted in cash flow savings of \$3,699 which is the difference between the cash flows required from the prior debt service and the cash flows required for the new refunding debt service.

Interest rates range from 4.00% to 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2013 Refunding Bonds mature in regularly increasing amounts ranging from \$1,210 to \$1,805 annually from FY 2023-24 to FY 2031-32. Outstanding principal balance at June 30, 2023 was \$13,395.

The 2013 Refunding Bonds have an optional redemption on and after February 1, 2024.

Electric Revenue Bonds, 2013 Series

The Electric utility of Glendale Water & Power issued \$60,000 in revenue bonds in December 2013 to finance the costs of acquisition and construction of certain improvements to the City's

electric public utility including the rebuilding of Grandview substation and other reliability improvements to the distribution system.

Interest rates range from 3.00% to 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2013 Bonds will mature in regularly increasing amounts ranging from \$1,500 to \$3,795 annually from FY 2023-24 to FY 2042-43. Outstanding principal balance at June 30, 2023 was \$49,655.

The 2013 Bonds have an optional redemption on and after February 1, 2024. The 2013 Bonds maturing on February 1, 2039 and February 1, 2043 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

Electric Revenue Bonds, 2016 Refunding Series

The Electric utility of Glendale Water & Power issued \$72,615 in revenue bonds in May 2016 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2006 Refunding Series, a portion of the City's outstanding Electric Revenue Bonds, 2008 Series, and paying the costs of issuance of the 2016 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2006 Refunding Series and a portion of the outstanding Electric Revenue Bonds, 2008 Series through a legal defeasance.

The refunding resulted in the recognition of a deferred loss on refunding of \$3,321 as of June 30, 2023, and is being amortized through FY 2037-38. The refunding also resulted in cash flow savings of \$13,026 which is the difference between the cash flows required from the prior debt service and the cash flows required for the new refunding debt service.

Interest rates are 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2016 Refunding Bonds will mature in regularly increasing amounts ranging from \$2,700 to \$4,715 annually from FY 2023-24 to FY 2037-38. Outstanding principal balance at June 30, 2023 was \$54,400.

The 2016 Refunding Bonds have an optional redemption on and after February 1, 2027. The 2016 Refunding Bonds maturing on February 1, 2038 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

The Electric Utility has outstanding long-term debt of \$133,528 and has no direct borrowings and no direct placements as of June 30, 2023. The Electric Utility also has no outstanding or unused line of credit related to long-term debt as of June 30, 2023. The Electric Utility bonds payable contain a provision that none of the electric utility assets owned by the City will be sold or leased if the City is unable to satisfy the debt service requirement. The Electric Utility bonds payable contain a provision that in an event of default, the owners of 25% in aggregate Bond Obligations of Bonds then outstanding may call a meeting of the bond owners for the purpose of electing a bondowners' committee. The Electric Utility bonds payable contain a subjective acceleration clause that allows the bondowners' committee to accelerate payment of the entire principal and interest amounts to become immediately due in an event of default by the City.

	Amount outstanding at June 30, 2022	Additions	Retirements	Amount outstanding at June 30, 2023	Due within one year
Electric Revenue Bonds, 2013 Refunding Series	\$ 14,540	-	1,145	13,395	1,210
Electric Revenue Bonds, 2013 Series	51,085	-	1,430	49,655	1,500
Electric Revenue Bonds, 2016 Refunding Series	57,820	-	3,420	54,400	3,590
Premium	17,210	-	1,131	16,078	1,131
Total bonds payable	\$ 140,655	-	7,126	133,528	7,431

Leases Payable

	Balance at July 1, 2022	Additions	Retirements	Adjustment	Balance at June 30, 2023	Due within one year
Flint Peak tower facility ground lease	\$ 87	-	2	-	85	3
Airspace land lease	77	-	40	6	43	39
Total leases payable	\$ 164	-	42	6	128	42

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

The annual debt service requirements to amortize long-term bonded debt at June 30, 2023 are as follows:

Fiscal year	Electric Revenue Bonds		
	Interest	Principal	Total
2024	\$ 5,873	6,300	12,173
2025	5,558	6,600	12,158
2026	5,228	6,930	12,158
2027	4,881	7,270	12,151
2028	4,518	7,630	12,148
2029-2033	16,833	35,000	51,833
2034-2038	9,027	30,470	39,497
2039-2043	2,672	17,250	19,922
	<u>\$ 54,590</u>	<u>117,450</u>	<u>172,040</u>

The Electric Utility's total future minimum payments under lease agreements at June 30, 2023 are as follows:

Fiscal year	Future Minimum Lease Payments		
	Interest	Principal	Total
2024	\$ 2	42	44
2025	1	6	7
2026	1	3	4
2027	1	3	4
2028	1	3	4
2029-2033	4	20	24
2034-2038	2	30	32
2039-2042	1	21	22
	<u>\$ 13</u>	<u>128</u>	<u>141</u>

A summary of the Electric Utility's lease terms and interest rates is as follows:

The Electric Utility has entered into a lease for a space at a telecommunications facility known as Flint Peak T1 CA with American Tower Corporation that commenced on April 1, 2021 and expires on March 31, 2026. The lease has an automatic renewal until March 31, 2031 and the Electric Utility has an option to renew the lease until March 31, 2041. The agreement has annual payments of \$4 with interest rate of 1.47%. The annual payment is subject to an annual increase of 5.00%.

The Electric Utility has entered in its last five-year extension term of a land lease for the property known as Airspace Lease owned by the State of California – Department of Transportation in August 1, 2019 and expires on July 31, 2024. The agreement has monthly payment of \$4 with interest rate of 0.28%.

Rate Covenants

The Electric Utility has covenanted in the Indenture of Trust that 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. The Electric Utility is in compliance with this requirement. For the year ended June 30, 2023, net income as defined in the indenture, was \$30,236 and the debt service requirement was \$12,167.

5. Pension Plan

Plan Description

All qualified permanent and probationary employees of the Electric Utility are eligible to participate in the City's Miscellaneous Plan, an agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service.

The Plan's provisions and benefits in effect at the measurement date ended June 30, 2022, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

For the year ended June 30, 2023, the Electric Utility contributions to the City's Miscellaneous Plan was \$7,746.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the Electric Utility reported a liability of \$72,144 for its proportionate share of the City's Miscellaneous Plan net pension liability. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using standard update procedures. The Electric Utility's proportion of the City's Miscellaneous Plan net pension liability at June 30, 2023 was based on the Electric Utility's fiscal year 2022 contributions to the City's Miscellaneous Plan relative to the total City contributions to the Miscellaneous Plan.

The Electric Utility's proportionate share of the net pension liability for the City's Miscellaneous Plan as of measurement dates ended June 30, 2021, and June 20, 2022, were as follows:

Proportion - June 30, 2021	21%
Proportion - June 30, 2022	22%
Change - Increase (Decrease)	<u>1%</u>

For the year ended June 30, 2023, the Electric Utility recognized pension expense of \$7,686. At June 30, 2023, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,746	-
Changes of assumptions	5,606	-
Differences between expected and actual experience	44	3,147
Net differences between projected and actual earnings on plan investments	11,681	
Total	<u>\$ 25,077</u>	<u>3,147</u>

The amount of \$7,746 reported as deferred outflows of resources related to pensions resulting from the Electric Utility's contributions to the City's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year ending June 30	Amounts
2024	\$ 3,113
2025	3,058
2026	1,152
2027	6,861
Total	<u>\$ 14,184</u>

Actuarial Assumptions

The Electric Utility's proportion of the City's total pension liability in the June 30, 2021 Miscellaneous Plan actuarial valuation was rolled forward to measure the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Actuarial Cost Method
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvements using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' assets classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as followed:

Asset Class *	Assumed Asset	
	Allocation	Real Return
Global equity – Cap-weighted	30.00%	4.54%
Global equity – Non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

* An expected inflation rate of 2.30% used for this period.

** Figures are based on the 2021 Asset Liability Management Study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Electric Utility's Proportionate share of the City's Miscellaneous Plan's Net Pension Liability to Changes in the Discount Rate

The following presents the Electric Utility's proportionate share of the net pension liability, calculated using the discount rate of 6.90%, as well as what the Electric Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease		5.90%
Net Pension Liability	\$	107,517
Current Discount Rate		6.90%
Net Pension Liability	\$	72,144
1% Increase		7.90%
Net Pension Liability	\$	39,782

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

6. Other Post Employment Benefits Than Pensions (OPEB)

Plan Description

Eligible employees of the Electric Utility are eligible to participate in the City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

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 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 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 Electric Utility for the year ended June 30, 2023 were \$73.

Total OPEB Liability

As of June 30, 2023, the Electric Utility reported a liability of \$1,781 for its proportionate share of the City's total OPEB liability. The City's total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021, rolled forward to the June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2022
Discount rate	3.54%
General inflation	2.50% annually
Medicare Part A trend	3.50% annually (inflation + 1%) Not related to health care trend
Medical Trend	Non-Medicare – 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) – 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) – 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076

The discount rate was based on the Bond Buyer 20-Bond index.

Mortality information was derived from data collected during CalPERS 2000-20019 Experience Study. Mortality improvement scale was updated to Scale MP-2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability measured of the Electric Utility as of June 30, 2022, as well as what the Electric Utility's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		2.54%	3.54%	4.54%
Total OPEB Liability	\$	2,022	1,781	1,582

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Electric Utility, as well as what the Electric Utility's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease (Trend -1%)	Current Healthcare Cost Trend Rates	1% Increase (Trend +1%)
Total OPEB Liability	\$	1,766	1,781	1,798

Non-Medicare trend rate of 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076. Medicare trend rate (Non-Kaiser) of 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076. Medicare trend rate (Kaiser) of 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, Electric Fund recognized OPEB credit of \$28. At June 30, 2023, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB payments made subsequent to the measurement date	\$	73	-
Changes of assumptions		355	505
Differences between expected and actual experience		-	392
Total	\$	408	897

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(in thousands)

The amount of \$73 reported as deferred outflows of resources related to OPEB payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amounts
2024	\$ (80)
2025	(80)
2026	(80)
2027	(54)
2028	(46)
Thereafter	(222)
Total	\$ (562)

Change in Assumption

Discount rate was changed from 2.16% to 3.54%.

7. Self-Insurance Program

The Electric Utility participates in City's unemployment and workers' compensation insurance. For purposes of general liability, the Electric Utility participated in the City's self-insurance program which is accounted for in an internal service fund of the City. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2022-23 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self-insured retention)
Excess Liability Insurance	\$ 27,000	\$5,000 SIR per occurrence
E & O Employment Practices	2,000	\$250 SIR non-safety; \$500 SIR Safety
Excess Workers' Comp Employer's Liability Ins.	Statutory	\$2,000 SIR per occurrence
Property Insurance	185,431	Various deductibles
Employee Dishonesty - Crime Policy	6,000	\$2,000 Single Loss Limit
Cyber Insurance	5,000	\$150

The annual premiums are based primarily on claims experience and are charged to expense when paid. Premiums are evaluated periodically and increases are charged to the Electric Utility to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2023, premiums charged for Electric Utility was \$1,772. For additional details on the self-insurance program, please refer to the City of Glendale Annual Comprehensive Financial Report.

8. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position is reported as unrestricted when there are no limitations imposed on their use.

Environmental compliance mandated by the California Air Resources Board (CARB) dedicated to the reduction of carbon emissions and provide educational programs for the improvement of public health in Glendale. The proceeds from the CARB auction for fiscal year 2023 was \$37,160.

Low Carbon Fuel Standard (LCFS) program offered by the CARB to reduce the carbon intensity of transportation fuels used in California and provide local EV programs, including education, outreach, installation of public EV charging infrastructure and EV rebate programs. The proceeds from the LCFS program for fiscal year 2023 was \$1,634.

Excess capital surcharge revenue restricted to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal year 2023 was \$5,669.

9. "Take or Pay" Contracts

The Electric Utility has entered into twelve "Take or Pay" contracts, which require 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 Electric Utility'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. These contracts provide for current and future electric generating capacity and transmission of energy for the City residents.

Through these contracts, the Electric Utility purchased approximately 46% of its total energy requirements during fiscal year 2022-2023. With a few exceptions, the Electric Utility is obligated to pay the amortized cost of indebtedness regardless of the ability of the contracting agency to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain “step-up” provisions obligating the Electric Utility to pay a share of the obligations of any defaulting participant.

The Intermountain Power Agency, a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah and associated transmission lines, called the Intermountain Power Project. The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts. The Electric Utility through contract is obligated for 30 megawatts or 1.70% of the generation. In addition, the Electric Utility entered into an “Excess Power Sales Agreement” with the IPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the Electric Utility to additional shares that can vary from year to year. As of June 30, 2023, Excess Entitlement share is 0.50%. The total Electric Utility’s obligation from Intermountain Power Project (IPP) is up to 39 megawatts. The current agreement expires in 2025.

Activities to repower the 1,800 megawatts coal-fired generation facility with 840 megawatts natural gas-fired combined cycle generation commenced in 2019. 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 plant and increase its share of the Southern Transmission System (STS) to 5.278%, providing Glendale 35 megawatts of generation and 127 megawatts of transmission capacity through 2077. The IPP Repowering project also includes the plan to fuel the plant entirely with green hydrogen by 2045, beginning with 30% in 2025.

The Electric Utility joined the Southern California Public Power Authority (SCPPA) on November 1, 1980. This authority, consisting of the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District, was formed for the purpose of financing future power resources. The Electric Utility has entered into eleven projects with SCPPA.

The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of three (3) units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of

capacity and associated energy (approximately 5.91% of total Palo Verde output), of which the Electric Utility receives 9.9 megawatts or 4.40% of SCPPA's entitlement. As of June 30, 2023, Electric Utility's share is 4.40% (PV).

A second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is currently rated at 2,400 megawatts. The Electric Utility's share of the line is 2.27% or approximately 55 megawatts. As of June 30, 2023, Electric Utility's share is 2.27% (STS).

In October 2022, the City Council approved Motion authorizing execution of the Renewal Agreement for the Acquisition of Capacity, and Renewal Transmission Service Contract with SCPPA for STS, including any ancillary documents to administer and effectuate the implementation of these agreements. As a result, Electric Utility will acquire in 2027, transmission capacity of 5.278% through 2077.

A third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3 (SJ), located in New Mexico. SCPPA members are entitled to 208 megawatts. The Electric Utility is obligated for 20 megawatts or 9.80% of the SCPPA entitlement. In July 2015, the City Council authorized the SCPPA to execute, on Glendale's behalf, a set of three agreements that collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. The termination of operations at San Juan Unit 3 will help GWP achieve California state goals regarding the reduction of greenhouse gas emissions. Under the Mine Reclamation and Plant Decommissioning Agreements, Electric Utility remains responsible for the liability arising from operations before December 31, 2017. Electric Utility'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.

A fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The Electric Utility is obligated for 90 megawatts or 11.04% of the SCPPA entitlement. As of June 30, 2023, Electric Utility's share is 11.04% (MA).

A fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The Electric Utility's participation shares in the components range from 11.76% to 22.73%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the Electric Utility's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical energy is readily available. As of June 30, 2023, Electric Utility's share is 14.80% (MP).

A sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The Electric Utility is obligated for 40 megawatts or 16.53% of the project's output. As of June 30, 2023, Electric Utility's generation cost share is 16.53% and indenture cost share is 17.25%.

A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the Electric Utility entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below a spot market price index. The delivery of natural gas started in July 2008. As of June 30, 2023, Electric Utility's share is 23.00% (NGPP).

An eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. The 25-year purchase power agreement with SCPPA is for purchase of 10.00% (approximately 5 MW) of the capacity of the project. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2023, Electric Utility's share is 10.00% (LIN).

A ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 14 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacifiCorp's Tieton Substation. The Electric

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

Utility is obligated for approximately 6.8 megawatts or 50.00% of the project's output. As of June 30, 2023, Electric Utility's share is 50.00% (THP).

A tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20-year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2023, Electric Utility's share is 7.63% (WP).

The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard Counties, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved 20-year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.90% of the Project's output. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power, but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2023, Electric Utility's share is 4.90% (MIL2).

Take-or-Pay commitments expire upon contract expiration date, or final maturity of outstanding bonds for each project, whichever is later.

Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP) *	2027	2.12%
Palo Verde Project (PV)	2030	4.40%
Southern Transmission System (STS)	2027	2.27%
Mead-Adelanto Project (MA)	2030	11.04%
Mead-Phoenix Project (MP)	2030	14.80%
Magnolia Power Project (MPP)	2036	17.25%
Natural Gas Prepaid Project (NGPP)	2035	23.00%
Linden Wind Energy Project (LIN)	2035	10.00%
Tieton Hydropower Project (THP)	2040	50.00%
Windy Point/Windy Flats Project (WP)	2030	7.63%
Milford II Wind Project (MIL2)	2031	4.90%

*IPP debt service share

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

A summary of the Electric Utility's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2023:

Fiscal Year		IPP	STS	MPP	NGPP	LIN	THP	WP	MIL2	Total
2024	\$	984	1,594	3,335	2,950	933	1,382	1,866	495	13,539
2025		850	730	3,363	5,760	4,379	1,383	13,002	495	29,962
2026		850	729	3,388	6,043	246	2,130	286	495	14,167
2027		1,355	727	3,418	6,054	246	1,232	286	494	13,812
2028		1,877	728	3,448	6,334	246	1,233	286	494	14,646
2029 - 2033		13,130	-	17,736	35,048	2,707	6,142	6,437	1,969	83,169
2034 - 2038		13,095	-	17,619	16,296	2,819	6,118	-	-	55,947
2039 - 2043		13,033	-	-	-	-	3,675	-	-	16,708
2044 - 2046		7,787	-	-	-	-	-	-	-	7,787
Total	\$	52,961	4,508	52,307	78,485	11,576	23,295	22,163	4,442	249,737

In addition to debt service, the Electric Utility's entitlement requires the payment for fuel costs, operation and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2023 and 2022 are as follows:

Fiscal Year		IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2023	\$	6,907	2,795	588	2	338	204	5,635	8,085	-	958	-	-	25,512
2022	\$	6,912	2,895	334	7	322	268	6,328	4,682	-	1,046	-	-	22,794

10. Power Purchase Agreements

Boulder Canyon Project

Since 1937, the Electric Utility has held capacity and energy rights to the hydropower generation from the Hoover Power Plant through contracts with the U.S. Bureau of Reclamation (Bureau) and the U. S. Department of Energy Western Area Power Administration (Western). As a contractual partner with the Bureau and Western, The Electric Utility has the right to a share of the power generated by the Hoover Power Plant.

The Electric Utility's long-term contract for Hoover Power, last renewed in 1987, expired on September 30, 2017. However, as approved by the City Council on August 23, 2016, they were replaced by a new Electric Services Contract with the United States Department of Energy Western Area Power Administration ("Western") and an Amended and Restated Implementation Services Agreement with Western, the United States Bureau of Reclamation, and the Boulder

Canyon Project contractors, for the purchase of energy and capacity from the Boulder Canyon Project (commonly known as Hoover Dam). The current Electric Services Contract allows the Electric Utility continued ownership share in the Hoover Power Plant and the continued right to purchase power and capacity from the Hoover Power Plant, for a term of fifty years beginning on October 1, 2017 through September 30, 2067. The City is entitled to 33 MW.

High Winds Energy Project

In August 2003, the Electric Utility entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. for the purchase of 9 megawatts of capacity from wind-powered resources in California. The City began taking delivery of the energy on September 1, 2003. The project will terminate on December 31, 2023.

Pebble Springs Wind Project

In November 2007, The Electric Utility entered into an 18-year contract with SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility. The project began commercial operation in January 2009.

Skylar Renewable Solar Power Purchase Agreement

In September 2014, the City entered into a 25-year contract with Skylar Resources L.P. for the purchase 50 megawatts of firmed solar-generated electric power generated from a solar facility within Western Electricity Coordinating Council (WECC) designated by Skylar, with a guarantee by the seller that at least fifty percent of 50 MW/hour to qualify as Portfolio Content Category 1 (PCC1) renewable energy on an annual basis.

In November 2015, the transaction was bifurcated into 2 separate agreements: the first agreement was a four-year contract with Morgan Stanley Capital Group, Inc. (MSCG) 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 (PPA) to increase renewable and carbon-free energy deliveries from 50% to 75%.

As of October 1st, 2021, the 21-year agreement executed in October 25, 2017 was assigned to Townsite Solar, LLC ("Townsite"), for the remaining 19 years of the PPA term. Under the Agreement, Townsite will continue to provide Glendale with 292,000 MWh of renewable and carbon-free energy per year, through November 30, 2040.

Whitegrass No. 1 Geothermal Energy Project

In February 2020, City Council approved a power purchase agreement with SCPPA for the purchase of 3 megawatts of renewable energy from Whitegrass No. 1 Geothermal Energy Project for a term of 25-years. The project began commercial operation in April 2020.

Star Peak Geothermal Energy Project

In February 2020, City Council approved a power purchase agreement with SCPPA for the purchase of 12.5 megawatts of renewable energy from Star Peak Geothermal Energy Project for a term of 24-years. The project began commercial operation in September 2022.

Eland I Solar and Storage Purchase

In December 2019, the City Council authorized a 25-year Power Sales Agreement (PSA) with the Southern California Public Power Authority (SCPPA) for the purchase of 12.5% renewable solar energy, battery energy storage system (BESS), and environmental attributes of the Eland 1 Solar and Storage Center.

Upon execution of the Agreement, the City's entitlement share was 25 MW of solar energy and 12.5MW/50MWh of BESS. In January 2020, the project participants exercised the option to increase the BESS to 150 MW/600 MWh, augmenting the City's share of the BESS to 18.75MW/75MWh. The facility is located in Kern County, California, with point of delivery at Barren Ridge. In August 2021, Glendale City Council approved to execute a Firm Point-To-Point Transmission Service Agreement with the City of Los Angeles under LADWP's Open Access Transmission Tariff to provide 25 megawatts (MW) of capacity to transmit Eland Solar and Storage energy to the City of Glendale. The anticipated commercial operation date is in 2025.

11. Contingent Liabilities

General Fund Transfer and Electric Rates Litigation

Background

As of October 31, 2022, the lawsuits challenging the City's 2013 electric rate plan and the transfer of revenues from the Glendale Water & Power (GWP) Electric Fund to the General Fund have concluded. In 2014, Juan Saavedra and I.B.E.W. Local 18 filed a lawsuit in Los Angeles Superior Court (the "2014 IBEW Lawsuit") challenging the 2013 electric rate plan and the City's general fund transfer ("GFT"). The Glendale Coalition for a Better Government ("Coalition") also filed a

lawsuit in 2014 challenging the 2013 electric rate plan and GFT (“2014 Coalition Lawsuit”). The 2014 IBEW Lawsuit and 2014 Coalition lawsuit were consolidated for purposes of trial (and are sometimes referred to herein collectively as the “2014 Lawsuits”). In October 2020, the City received a favorable ruling in the remand trial of the 2014 Lawsuits, resulting in a determination that the City will not have to make any refunds of electric rate revenues or general fund transfers. That decision has been appealed by IBEW.

In addition, the Coalition filed a petition for writ of mandate in July 2018 challenging the City’s 2018 electric rates on similar grounds as the 2014 Lawsuit (“2018 Coalition Lawsuit”). The 2018 Coalition Lawsuit was dismissed without prejudice and the statute of limitations tolled until there was a final non-appealable judgment in the 2014 Coalition Lawsuit.

Trial in 2014 Lawsuits

The 2014 Lawsuits challenged GWP’s 2013 electric rate plan which included GFTs. The City Charter provides that the City shall transfer 25% of electric operating revenues to the General Reserve Fund, which may be then transferred to the General Fund, unless the City Council chooses to transfer a lesser percentage to insure the sound financial position of GWP. The City has made the GFT under the authority of its City Charter since it was approved in 1921, although for many years, if not decades, it has chosen to transfer less than 25%.

The 2013 electric rates were challenged primarily on the grounds they violated Proposition 26, in that they constituted a “tax” since they exceeded the cost of providing electric service by including the GFT. In 2016, the trial court concluded that the 2013 electric rates violated Proposition 26 because of the GFT and ordered the City to credit ratepayers in the cumulative amount of the GFTs beginning with FY 2013-14, plus interest. The trial court ordered that credits for any subsequent years would accrue. The trial court also issued a writ of mandate commanding the City to cease to include the GFT in the electric rates charged to consumers unless and until a majority of the Glendale electorate approved the “tax” in the rates.

Appeal in 2014 Lawsuit

The City appealed the trial court’s 2016 decision. While the appeal was pending, the California Supreme Court decided *Citizens for Fair REU Rates v. City of Redding* (2018) 6 Cal.5th 1, which upheld a similar transfer the City of Redding imposed on its electric utility. Redding’s key holding was that, regardless of transfers, rates do not violate Proposition 26 if total projected rate revenue

does not exceed all permissible service costs the utility could charge or if non-rate revenue, such as wholesale revenue, rental income or interest, is sufficient to cover the GFT.

In 2018, the 2nd District Court of Appeal reversed the trial court decision and remanded the judgments to the trial court. Among other things, the appellate court – relying on Redding - found that any invalid “tax” in the 2013 rates was not necessarily equivalent to the GFT but instead existed only to the extent that rate revenues exceed lawful expenses of the utility.

The appellate court also found that to the extent the City maintained a “tax” prior to Propositions 26's adoption in 2010, it could continue to maintain said “tax” at the same rate going forward. In other words, any tax that existed in the City's rates in 2010 was grandfathered. The appellate court reversed the portion of the trial court's judgement declaring the 2013 rates invalid and requiring rebates in the amount of the annual transfers, and remanded the 2014 Lawsuit to the trial court to make certain factual determinations regarding the amount of the tax, if any, and consideration of the impacts of non-rate and other revenues to fund the transfer.

Remand Trial

On August 6, August 20, and October 8, 2020, the trial court held the remand trial. The trial court found that the City's 2013 rates did not increase the tax implicit in the electric rates beyond what was grandfathered in 2006 (when the Council approved the last rate plan prior to the adoption of Proposition 26) and therefore no monetary refunds are warranted. First, the court found that the grandfathered tax implicit in the 2006 electric rates was 9.42%. Second, the court considered what rate the City imposed in 2013. The court also found that the City intended the rate increase to substantially increase its reserves, which were depleted at the time.

Third, the court agreed with the City that it could use its non-rate miscellaneous revenue from rents and grants to partially fund the GFT under Redding. Using staff's projections for the utility's net income, the court found the implicit tax was never projected to exceed approximately 8% over each of the five years the 2013 rates would be in place. The 2013 rates therefore did not exceed the amount grandfathered from 2006 (9.42%) and therefore the court would not order the credits it had previously, or in any amount.

In sum, rather than being required to refund some \$20 million over five years (e.g., some \$100 million), the trial court ordered no monetary remedy whatsoever. Additionally, there is no longer any order in effect requiring the City to cease making GFTs or requiring voter approval to make such transfers. The trial court entered in the remand trial on November 20, 2020.

Settlement of 2014 Coalition Lawsuit and 2018 Coalition Lawsuit

On January 22, 2021, the City and the Coalition entered a settlement agreement that resolved the 2014 Coalition Lawsuit and the 2018 Coalition Lawsuit. In exchange for payment of Coalition's attorneys' fees and costs in the amount of \$200,000, the Coalition agreed to forego an appeal of the judgment in the 2014 Coalition Lawsuit and not to re-file a lawsuit for its claims made in the 2018 Coalition Lawsuit. The settlement resolved any legal challenges to the 2018 rates.

IBEW Appeal and Conclusion of Case

The Saavedra/IBEW petitioners appealed the judgment in the remand trial in the 2014 IBEW Lawsuit. On October 31, 2022, the Court of Appeal, in an unpublished decision, upheld the decision of the trial court, finding that there were no errors in the trial court's methodology or calculation in determining that City was not required to provide any monetary refunds or credits. IBEW did not seek rehearing or Supreme Court review of the Court of Appeal's October 31, 2022 decision; thus the Saavedra case is final. There are no ongoing challenges to the City's GFT.

Biogas Litigation

On January 11, 2022 Glenoaks Canyon Homeowners Association (GOCHA) filed a Petition for Writ of Mandate (Petition) against the City of Glendale in the matter of Glenoaks Canyon Homeowners Association v. City of Glendale, et al, Los Angeles Superior Court Case No. 22STCP00114. The Petition challenged the City Council's November 30, 2021 certification of the Biogas Renewable Generation Project (Biogas Project) Final Environmental Impact Report (FEIR), and the granting of related land use approvals. The Petition alleged that the FEIR is incomplete because lacks full analysis of various Biogas Project impacts on air quality, wildfire and lacks adequate alternatives. It further alleges that the Biogas Project is inconsistent with the City's General Plan and the findings of support of the granting of a Conditional Use Permit and a Special Review (the land use approvals) are not supported by substantial evidence. The City disagreed with GOCHA's contentions and maintained that all of the points raised in GOCHA's allegations have been adequately addressed during the CEQA review and administrative hearings for the Biogas Project. In August 2023 GOCHA and City reached a settlement to resolve all claims raised by the Petition. The Settlement Agreement was executed on August 22, 2023 and GOCHA's Petition has been dismissed, with prejudice by GOCHA. The Biogas Project is proceedings as planned.

Grayson Litigation

On March 18, 2022, the Sierra Club filed a Petition for Writ of Mandate against the City of Glendale in the matter of Sierra Club v City of Glendale, et al., Los Angeles Court Case No. 22STCP00983. The Petition challenges the Glendale City Council's February 15, 2022 certification of a Final Environmental Impact Report (FEIR) for the proposed Grayson Repowering Project (Grayson) and authorizations to move forward with various Grayson project development activities. The Petition alleges the FEIR violates the California Environmental Quality Act (CEQA) based on the contentions that the Grayson project description is inaccurate and incomplete, that the environmental justice analysis is inadequate, and that the Final EIR failed to adequately disclose and evaluate the Grayson project's significant environmental effects. City disagrees with Sierra Club's contentions and maintains the FEIR is legally adequate under CEQA.

In a related case that the Los Angeles Superior Court has coordinated with the above-described Sierra Club matter, on March 21, 2022, the Glendale Residents Against Environmental Destruction (GRAED) filed a Petition for Writ of Mandate against the City of Glendale (Glendale Residents Against Environmental Destruction v City of Glendale, et al., Los Angeles Court Case No. 22STCP01021) also challenging the Glendale City Council's February 15, 2022 certification of a Final Environmental Impact Report (FEIR) for the proposed Grayson Repowering Project (Grayson) and authorizations to move forward with various Grayson project development activities. The GRAED Petition alleges the FEIR 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 EIR, and for failure to adopt adequate findings. The Petitioner also alleges the City violated the Glendale Municipal Code. City disagrees with GRAED's contentions and maintains the FEIR is legally adequate under CEQA.

On July 31, 2023, the trial court issued statement of decisions denying both Petitions (both for Sierra Club and GRAED). In the Sierra Club the court rejected Sierra Club's arguments, including the argument that the City needed to study the potential impacts of burning hydrogen and that the City inadequately analyzed environmental justice issues. In the GRAED case, the court ruled that although the certification of the EIR was appropriately done and the procedures followed by the City were adequate. An appeal has not been filed in either of the cases. The Grayson Project continues to move forward as planned and currently is well into the demolition phase.

11. Subsequent Events

In an effort to lower its liability insurance premium cost and lower its Self-Insured Retention, on June 27, 2023, Council approved the authorization to Join Public Risk Innovation, Solutions, and Management (PRISM) Joint Powers Authority and the annual Insurance Policy Renewals for Fiscal Year 2023-24 (effective July 1, 2023). This would result in lowering its self-insured retention from \$5 million back down to \$2 million and increase coverage limits for a couple of years.

ELECTRIC UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Electric Utility's Proportionate Share of the City's Net Pension Liability (Miscellaneous Plan) Last 10 Years

	2023	2022	2021	2020	2019
Electric Utility's proportion of the net pension liability	22%	21%	21%	21%	21%
Electric Utility's proportionate share of the net pension liability	\$ 72,144	\$ 37,753	\$ 68,975	\$ 64,601	\$ 61,278
Covered payroll	\$ 21,305	\$ 21,329	\$ 20,792	\$ 20,008	\$ 19,488
Electric Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll	338.62%	177.00%	331.74%	322.88%	314.44%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	74.62%	85.84%	73.24%	74.01%	74.42%

	2018	2017	2016	2015
Electric Utility's proportion of the net pension liability	21%	21%	21%	21%
Electric Utility's proportionate share of the net pension liability	\$ 62,837	\$ 56,051	\$ 45,890	\$ 41,187
Covered payroll	\$ 19,032	\$ 18,177	\$ 19,275	\$ 19,168
Electric Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll	330.16%	308.36%	238.08%	214.87%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%

- FY2015 is the first year of implementation of GASB 68; therefore, only nine years of data are shown.

ELECTRIC UTILITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension Plan Contributions Last 10 Years

	2023	2022	2021	2020	2019
Actuarially determined contributions	\$ 7,746	\$ 7,316	\$ 6,788	\$ 6,207	\$ 5,749
Contributions in relation to the actuarially determined contribution	7,746	8,500	6,788	6,207	5,749
Contribution deficiency (excess)	\$ -	\$ (1,184)	\$ -	\$ -	\$ -
Covered payroll	\$ 21,825	\$ 21,305 *	\$ 21,329	\$ 20,792	\$ 20,008
Contributions as a percentage of covered payroll	35.49%	39.90%	31.83%	29.85%	28.73%

	2018	2017	2016	2015
Actuarially determined contributions	\$ 4,877	\$ 4,013	\$ 3,634	\$ 2,982
Contributions in relation to the actuarially determined contribution	4,877	4,013	3,634	2,982
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 19,488	\$ 19,032	\$ 18,177	\$ 19,275
Contributions as a percentage of covered payroll	25.03%	21.09%	19.99%	15.47%

- FY2015 is the first year of implementation of GASB 68; therefore, only nine years of data are shown.

* Revised Covered payroll to match CalPERS GASB 68 Accounting Report.

ELECTRIC UTILITY REQUIRED SUPPLEMENTARY INFORMATION

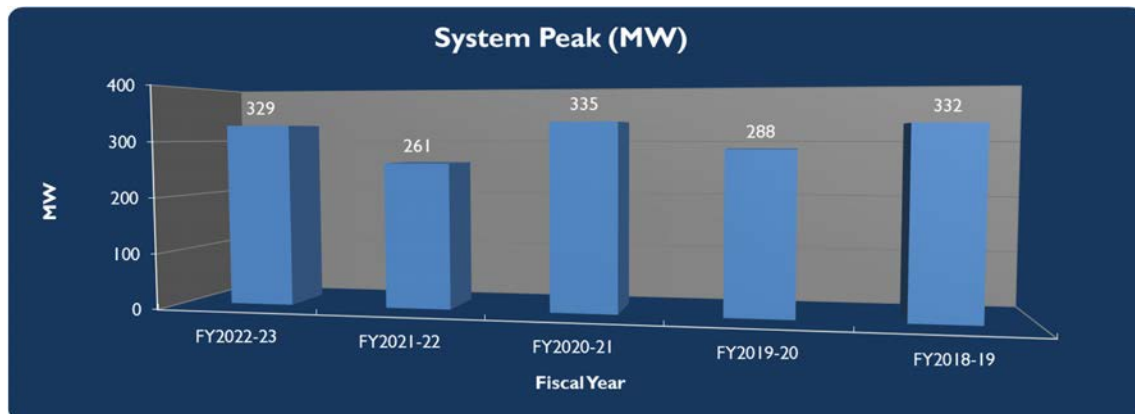
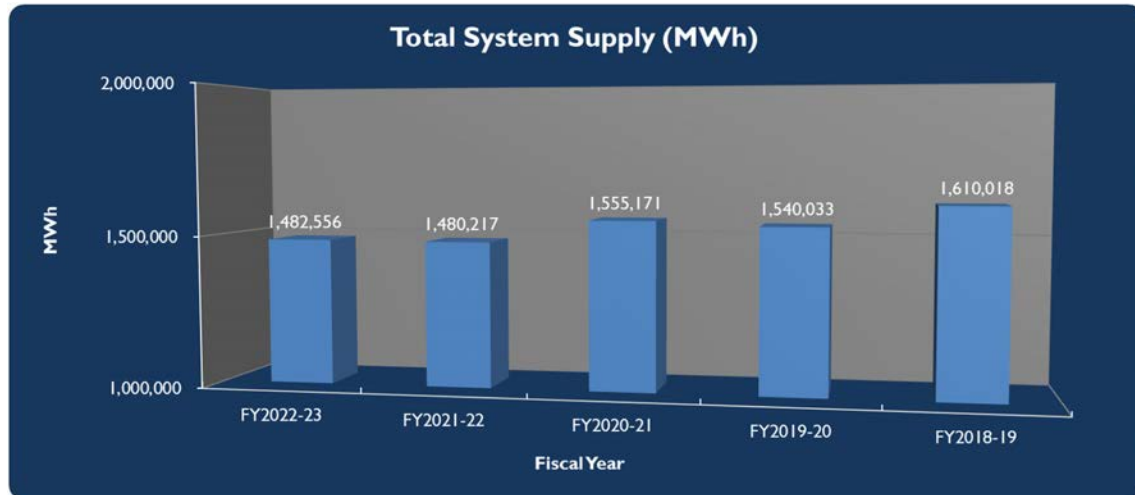
Schedule of the Electric Utility's Proportionate Share of the City's Total OPEB Liability Last 10 Years

	2023	2022	2021
Electric Utility's proportion of the total OPEB liability	14.33%	14.36%	14.44%
Electric Utility's proportionate share of the total OPEB liability	\$ 1,781	2,156	2,632
Covered-employee payroll	\$ 24,302	25,283	23,859
Electric Utility's proportionate share of the total OPEB liability as a percentage of the covered-employee payroll	7.33%	8.53%	11.03%

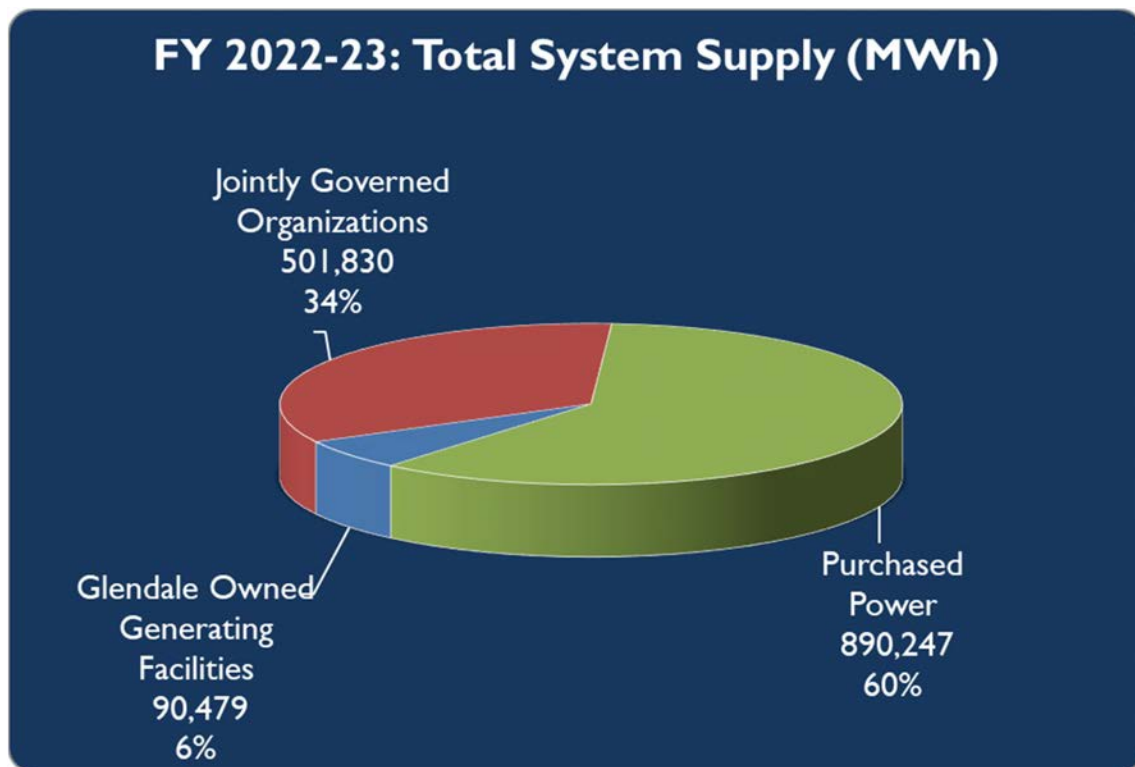
- FY2021 is the first year of recording OPEB liability in the Electric Utility; therefore, only three years of data is shown.

Last Five Years

SYSTEM SUPPLY (MWh)	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Owned Generation					
Glendale Owned Generating Facilities					
Natural Gas Units (Grayson)	90,479	108,818	144,657	119,213	79,210
Jointly Governed Organizations					
Intermountain Power Project (IPA)	124,969	143,070	261,086	233,619	243,520
PV Nuclear Generating Station (SCPPA)	82,613	82,401	81,215	82,196	81,767
Magnolia Power Project (SCPPA)	270,334	239,577	184,164	211,566	244,479
Tieton Hydropower Project (SCPPA)	23,914	26,843	21,137	19,072	18,499
Total Owned Generation	592,309	600,709	692,259	665,666	667,475
Purchased Power					
Purchased Power Contracts	483,785	463,909	488,616	453,634	451,655
Market Purchases	406,462	415,599	374,296	420,733	490,888
Total Purchased Power	890,247	879,508	862,912	874,367	942,543
Total System Supply	1,482,556	1,480,217	1,555,171	1,540,033	1,610,018
System Peak (MW)	329	261	335	288	332



Not covered by independent auditor's report



Not covered by independent auditor's report

Last Five Years

ELECTRIC USE	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Average Number of Meters					
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
Streetlights	21	21	21	21	21
Total Meters - All Classes	90,578	90,283	90,079	90,030	89,564
MEGAWATT-HOUR SALES (MWh)					
Retail Sale of Electricity					
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
Streetlighting	9,245	9,185	9,173	9,236	9,207
Total Retail Sale of Electricity	999,852	985,525	978,251	995,645	1,026,505
Wholesale to Other Utilities					
Sales to Other Utilities	397,991	419,063	482,809	466,894	464,482
Total Megawatt-Hour Sales	1,397,843	1,404,588	1,461,060	1,462,539	1,490,987

Retail Sale of Electricity (MWh)



Wholesale to Other Utilities (MWh)



Not covered by independent auditor's report

Last Five Years

REVENUES (\$000)	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Retail and Wholesale Revenues					
Retail Sale of Electricity					
Residential	\$ 96,598	\$ 85,439	\$ 84,866	\$ 78,325	\$ 72,591
Commercial	67,516	63,927	59,869	62,350	63,255
Industrial	55,248	52,586	49,740	52,869	54,120
Streetlighting	8	7	7	6	6
Total Retail Sale of Electricity	219,370	201,959	194,482	193,550	189,972
Wholesale to Other Utilities					
Sales to Other Utilities	40,113	29,862	22,875	18,459	21,776
Total Retail and Wholesale Revenues	\$ 259,483	\$ 231,821	\$ 217,357	\$ 212,009	\$ 211,748

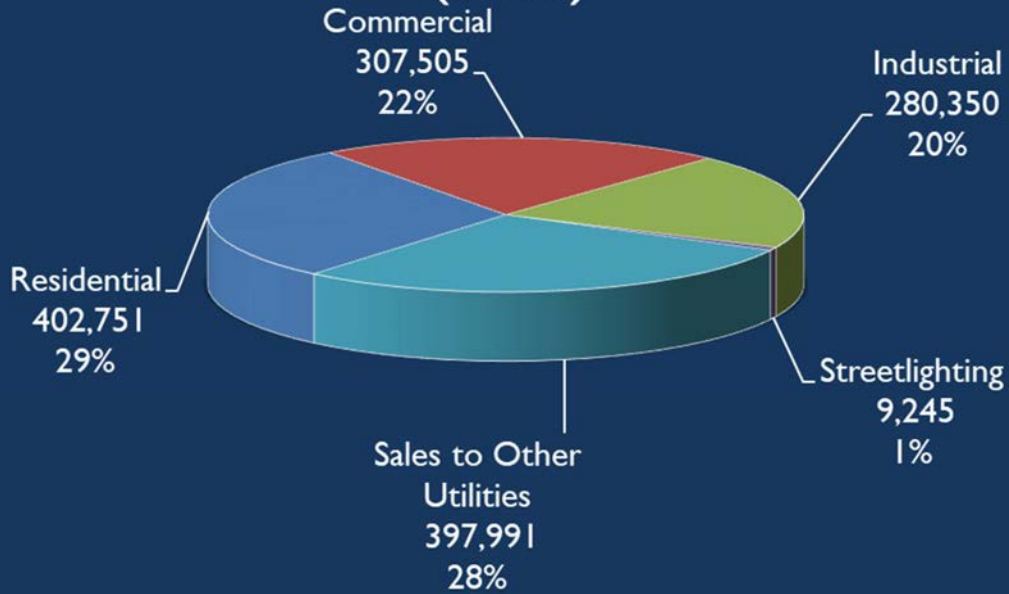
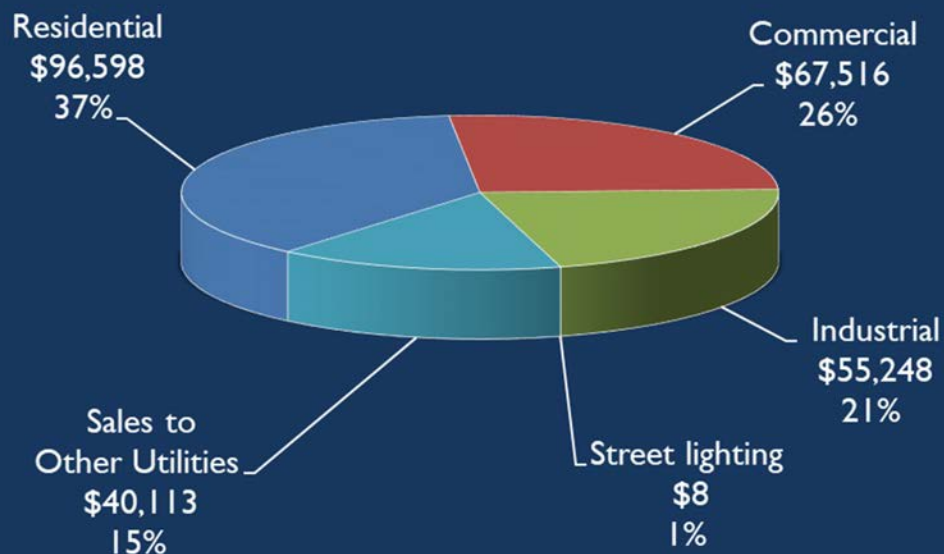
Retail Sale of Electricity (\$000)



Wholesale to Other Utilities (\$000)



Not covered by independent auditor's report

**FY2022-23: Sale of Electricity
(MWh)****FY2022-23: Sale of Electricity
(\$000)**

Last Five Years

TRANSMISSION & DISTRIBUTION	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Circuit Miles					
Overhead lines (miles)	276	276	275	276	276
Underground lines (miles)	284	284	284	283	282
Total Circuit Miles	560	560	559	559	558
Transformer Capacity, kVA					
230kV to 69kV	324,000	324,000	324,000	324,000	324,000
69kV to 35kV	500,000	500,000	500,000	500,000	500,000
69kV to 12kV	255,000	255,000	255,000	255,000	255,000
35kV to 12kV	122,000	122,000	137,000	137,000	137,000
35kV to 4kV	126,000	126,000	126,000	126,000	126,000
13.8kV to 35kV	186,800	186,800	186,800	186,800	186,800
13.8kV to 69kV	98,500	98,500	98,500	99,000	99,000
373V to 69kV	2,000	2,000	2,000	2,000	2,000
12 kV to Customer	702,882	702,983	696,140	693,242	687,766
4 kV to Customer	165,726	165,841	168,070	168,956	168,512
ELECTRIC UTILITY FACTS	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Operating Margin	-2.1%	6.5%	2.2%	3.9%	5.7%
Debt to Total Capitalization	29.1%	29.2%	30.0%	30.6%	32.3%
Debt Service Coverage Ratio	2.5	3.8	3.6	4.7	4.4

ELECTRIC UTILITY Class Trends (Overview)	Residential	Commercial	Industrial	Street lighting	Subtotal	Sales to Other Utilities	Total
Revenue from the Sale of Electricity (\$000)							
Year Ended June 30 -							
2023	\$ 96,599	\$ 67,515	\$ 55,248	\$ 8	219,370	\$ 40,113	\$ 259,483
2022	85,439	63,927	52,586	7	201,959	29,862	231,821
Increase (Decrease)	\$ 11,160	\$ 3,588	\$ 2,662	\$ 1	\$ 17,411	\$ 10,251	\$ 27,662
Percent Increase (-)	13.1%	5.6%	5.1%	14.3%	8.6%	34.3%	11.9%
Megawatt-Hours Sold							
Year Ended June 30 -							
2023	402,751	307,505	280,350	9,245	999,852	397,991	1,397,843
2022	381,594	310,816	283,930	9,185	985,525	419,063	1,404,588
Increase (Decrease)	21,157	(3,311)	(3,579)	60	14,327	(21,072)	(6,745)
Percent Increase (-)	5.5%	-1.1%	-1.3%	0.7%	1.5%	-5.0%	-0.5%
Average Number of Meters							
Year Ended June 30 -							
2023	77,188	13,184	185	21	90,578	N/A	90,578
2022	76,929	13,140	193	21	90,283	N/A	90,283
Increase (Decrease)	259	44	(8)	-	295	N/A	295
Percent Increase (-)	0.3%	0.3%	-4.1%	0.0%	0.3%	N/A	0.3%

ELECTRIC UTILITY Class Trends (Unit Cost)	Residential	Commercial	Industrial	Street lighting	Subtotal	Sales to Other Utilities	Total
Average Billing Price per KWh							
Year Ended June 30 -							
2023	\$ 0.2398	\$ 0.2196	\$ 0.1971	\$ 0.0008	\$ 0.2194	\$ 0.1008	\$ 0.1856
2022	0.2239	0.2057	0.1852	0.0008	0.2049	0.0713	0.1650
Increase (Decrease)	\$ 0.0159	\$ 0.0139	\$ 0.0119	\$ 0.0000	\$ 0.0145	\$ 0.0295	\$ 0.0206
Percent Increase (-)	7.1%	6.8%	6.4%	1.3%	7.1%	41.4%	12.5%

ELECTRIC UTILITY Class Trends (Usage by Meter)	Residential	Commercial	Industrial	Street lighting	Subtotal	Sales to Other Utilities	Total
Average Use by Meter, kWh							
Year Ended June 30 -							
2023	5,218	23,324	1,515,407	440,252	11,039	N/A	11,039
2022	4,960	23,654	1,471,138	437,389	10,916	N/A	10,916
Increase (Decrease)	258	(330)	44,269	2,863	123	N/A	123
Percent Increase (-)	5.2%	-1.4%	3.0%	0.7%	1.1%	N/A	1.1%

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APPENDIX C

BOOK-ENTRY SYSTEM

General

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2024 Bond will be issued for each series and maturity of the 2024 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to DTC’s participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by reference.

Purchases of the 2024 Bonds under the DTC book-entry system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions (if applicable), defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2024 Bonds may wish to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee, as bond registrar, and request that copies of notices be provided directly to them.

Redemption notices (if applicable) shall be sent to DTC. If less than all of the 2024 Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price (if applicable) and interest payments on the 2024 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price (if applicable) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive 2024 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive 2024 Bonds will be printed and delivered.

The foregoing description concerning DTC and DTC's book-entry system is based solely on information furnished by DTC. No representation is made herein by the City as to the accuracy or completeness of such information, and the City takes no responsibility for the accuracy or completeness thereof.

Discontinuation of the Book-Entry System

If DTC determines not to continue to act as securities depository by giving notice to the City and the Trustee, and discharges its responsibilities with respect thereto under applicable law and there is not a successor securities depository, or the City determines that it is in the best interest of the Beneficial Owners of the 2024 Bonds that they be able to obtain certificates, the Trustee will execute, transfer and exchange 2024 Bonds as requested by DTC and will deliver new 2024 Bonds in fully registered form in authorized denominations in the names of Beneficial Owners or DTC Participants.

If the book-entry system is discontinued, the principal amount of and premium, if any, payable with respect to the 2024 Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee. The interest on 2024 Bonds will be payable by check mailed to the respective Owners thereof at their addresses as they appear on the books maintained by the Trustee.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

Certain provisions of the Indenture of Trust are summarized below. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture of Trust.

Definitions

“Accreted Value” means, with respect to any Capital Appreciation Indebtedness or any Convertible Capital Appreciation Indebtedness, the amount representing principal and interest on (i) such Capital Appreciation Indebtedness at or prior to the maturity date thereof or (ii) such Convertible Capital Appreciation Indebtedness at and prior to the expiration of the Accretion Period thereof, being, in either case, as of any date of computation an amount equal to the principal amount of such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at its initial offering plus the interest accrued thereon from the date of delivery thereof to the dates specified in the Supplemental Indenture of Trust or other document providing for such Capital Appreciation Indebtedness or Convertible Capital Appreciation Bond, such interest to accrue at the rate per annum established as provided in a Supplemental Indenture of Trust or other document providing for such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness, compounded periodically, plus, with respect to matters relating to the payment upon redemption of such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness, if such date of computation shall not be one of such specified dates, the ratable portion of the difference between the Accreted Value as of the immediately preceding such specified date (or the date of delivery thereof if the date of computation is prior to the first such specified date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding such specified date, calculated based on the assumption that the Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

“Accretion Period” means, with respect to any particular Convertible Capital Appreciation Indebtedness, the period from the date of delivery thereof through the date specified in the Supplemental Indenture of Trust or other document providing for such Convertible Capital Appreciation Indebtedness (which date must be prior to the maturity date thereof), after which interest accruing on such Convertible Capital Appreciation Indebtedness shall be payable semiannually, with the first such payment date being the applicable interest payment date immediately succeeding the expiration of the Accretion Period.

“Annual Debt Service” means for any Fiscal Year the aggregate amount of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

“Assumed Debt Service” means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds and Parity Obligations if each Excluded Principal Payment were amortized for a period specified by the City (but no longer than thirty (30) years from the date of the issuance of the Bonds or Parity Obligations to which such Excluded Principal Payment relates) on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the City could borrow for such period, as certified by a certificate of a financial advisor or investment banker delivered to the Trustee, who may rely conclusively on such certificate, within thirty (30) days of the date of calculation.

“Authorized City Representative” means any officer or agent of the City duly authorized to perform any function required of such person under the Indenture of Trust.

“Average Annual Debt Service” means, as of any date of calculation, an amount equal to (i) the Debt Service remaining to be paid on all Bonds and Parity Obligations on the date of calculation, divided by (ii) the number of Fiscal Years (or partial years) commencing with the Fiscal Year of the date of calculation to and including the Fiscal Year which includes the first date on which none of such Bonds or Parity Obligations remains Outstanding. Such interest and principal shall be calculated on the assumption that no Bonds or Parity Obligations at the date of calculation shall cease to be Outstanding except by reason of the payment when due of each principal installment (including mandatory sinking account payments).

“Bond Obligation” means, as of any given date of calculation, (i) with respect to any Outstanding Bond or Parity Obligation which is Current Interest Indebtedness or Convertible Capital Appreciation Indebtedness after the expiration of the Accretion Period thereof, the principal amount thereof, and (ii) with respect to any Outstanding Bond or Parity Obligations which are Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at and prior to the expiration of the Accretion Period thereof, the Accreted Value thereof.

“Bonds” means the City of Glendale, California Electric Revenue Bonds, authorized by, and at any time Outstanding pursuant to, the Indenture of Trust and any Supplemental Indenture of Trust.

“Business Day” means any day other than (i) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, and (ii) for purposes of payments and other actions relating to Bonds secured by a letter of credit, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the letter of credit are to be presented are authorized or obligated by law or executive order to be closed.

“Capital Appreciation Indebtedness” means Bonds and Parity Obligations on which interest is compounded and paid less frequently than annually (not constituting Convertible Capital Appreciation Indebtedness).

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by an Authorized City Representative or any other person authorized by an Authorized City Representative to execute such instruments.

“Charter” means the Charter of the City, as it may be amended from time to time.

“City” means the City of Glendale, California, a chartered city of the State, organized and existing under and by virtue of the Constitution and laws of the State.

“City Council” means the City Council of the City of Glendale, California.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Agreement” means any Continuing Disclosure Agreement relating to any Series of Bonds.

“Convertible Capital Appreciation Indebtedness” means any Bonds and Parity Obligations as to which interest accruing is not paid prior to the expiration of the specified Accretion Period and, prior thereto, is compounded periodically on certain designated dates.

“Costs of Issuance” means, with respect to each Series of Bonds, all items of expense directly or indirectly payable by or reimbursable to the City and reasonably related to the authorization, issuance, sale and delivery of each Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of each Series of Bonds and any other cost, charge or fee in connection with the original issuance of each Series of Bonds.

“Current Interest Indebtedness” means the Bonds and Parity Obligations on which interest is paid at least annually.

“Debt Service” means the amount of principal and interest becoming due and payable on all Bonds and Parity Obligations; provided, however, that for the purposes of computing Debt Service:

(a) Excluded Principal Payments shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) if the Bonds or Parity Obligations are Variable Rate Indebtedness, the interest rate thereon for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the rate that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made (the “assumed RBI-based rate”);

(c) principal and interest payments on Bonds and Parity Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or another fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Obligations held by the Trustee or another fiduciary as capitalized interest;

(d) in determining the principal amount, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking account payments or any scheduled redemption or payment of Bonds or Parity Obligations constituting Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at or prior to the expiration of the Accretion Period on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at or prior to the expiration of the Accretion Period;

(e) if any interest rate swap agreement is in effect with respect to, and is payable on a parity with, the Bonds or Parity Obligations to which it relates, no amounts payable under such interest rate swap agreement shall be included in the calculation of Debt Service unless the sum of (i) interest payable on such Bonds or Parity Obligations, plus (ii) amounts payable by the City under such interest rate swap agreement, less (iii) amounts receivable by the City under such interest rate swap agreement are greater than the interest payable on the Bonds or Parity

Obligations to which it relates, then, in such instance, the amount of such payments to be made that exceed the interest to be paid on the Bonds or Parity Obligations shall be included in such calculation. For such purposes, the variable amount under any such interest rate swap agreement shall be assumed to be equal to the assumed RBI-based rate; and

(f) if any Bonds or Parity Obligations include an option or an obligation to tender all or a portion of such Bonds or Parity Obligations to the City, the Trustee or another fiduciary or agent and require that such Bonds or Parity Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due, the options or obligations to tender shall be treated as a principal maturity occurring on the first date on which holders or owners thereof may or are required to tender, except that any such option or obligation to tender shall be ignored and not treated as a principal maturity, if (1) such Bonds or Parity Obligations are rated in one of the two highest long-term Rating Categories by Fitch and Standard & Poor's or such Bonds or Parity Obligations are rated in the highest short-term, note or commercial paper Rating Categories by Fitch and Standard & Poor's and (2) funds for the purchase price are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the City with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds or Parity Obligations, shall be subordinated to the obligation of the City on the Bonds and Parity Obligations.

“Department” means Glendale Water and Power.

“Electric System” means the entire system and facilities of the City for the development, transmission and distribution of electric energy and power for light, heat and power purposes and for the providing of any other services and/or products that may be lawfully provided by such system and facilities, as said system and facilities now exist and including all additions, extensions and improvements later constructed or acquired.

“Electric Works Revenue Fund” means the electric works revenue fund authorized by Section 20 of Article XI of the Charter, the moneys in which are derived from, among other things, (i) the payment for electrical energy generated by the power division of the Department and any service rendered in connection therewith; (ii) the sale, lease or other disposition of any property acquired with funds or property of the Electric System; and (iii) any special taxes at any time authorized for the purpose of the Electric System.

“Event of Default” means any of the events specified in Section 6.01 of the Indenture of Trust.

“Excluded Principal Payments” means each payment of principal (or the principal component of lease or installment purchase payments) of Bonds or Parity Obligations which the City determines on a date not later than the date of issuance thereof that the City intends to pay with moneys which are not Gross Revenues or Net Income but from the proceeds of future debt obligations of the City and the Trustee may rely conclusively on such determination of the City.

“Federal Securities” means (i) direct obligations of the United States of America (including obligations held or issued in book-entry form on the books of the Department of the Treasury of the United States of America and “CATS” and “TIGRS”) or (ii) obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

“Fiscal Year” means any twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June or such other twelve-month period as the City Council may designate.

“Fitch” means Fitch IBCA, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such a corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“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 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 then outstanding, but excepting therefrom (a) all refundable charges and deposits to secure 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 shall 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. Amounts, if any, on deposit in the City’s Stranded Investment Account shall be available (in accordance with the City’s Resolution No. 03-156, adopted on July 22, 2003) for the purpose of paying, among other things, Maintenance and Operating Expenses to at least the extent necessary to comply with Section 5.03 (relating to the rate covenant of the City) and, only for purposes of determining compliance with such Section 5.03, shall constitute “Gross Revenues” under the Indenture of Trust to the extent of any moneys therein available to pay Maintenance and Operating Expenses. See “Covenants – Rates and Charges.”

“Indenture of Trust” or **“Indenture”** means the Indenture of Trust, dated as of February 1, 2000, by and between the Trustee and the City, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture of Trust delivered pursuant to the provisions of the Indenture of Trust.

“Investment Securities” means (i) any permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law; (ii) a repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that the following conditions are satisfied:

- (1) The agreement is secured by any direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment and principal of and interest on which are directly or indirectly guaranteed by the United States of America;

(2) The underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars and which is independent of the issuer of the repurchase agreement; and

(3) The underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 104 percent of the amount so invested;

(iii) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution the long-term unsecured obligations of which are rated in the top two Rating Categories by Moody's and S&P at the time of initial investment; (iv) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, which trust is approved by the bond insurer or bond insurers then insuring any of the Bonds or is rated in one of the two highest Rating Categories of each rating agency then rating the Bonds; (v) money market funds rated in the highest short-term Rating Category of at least one nationally-recognized rating agency, including funds for which the Trustee and its affiliates provide investment advisory or other management services; and (vi) the Master Repurchase Agreement, dated as of February 23, 2000, between the City and Salomon Reinvestment Company Inc. If the City requests the Trustee to invest funds in investments permitted under clause "(i)" above, the City shall certify to the Trustee that such investments comply with such clause "(i)".

"Maintenance and Operating Expenses" means 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 of the Department, 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 Section 5.04 relating to the additional Bonds covenant of the City) 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 Bonds and Parity Obligations (which fund or account shall include, but not be limited to, the Stranded Investment Account and any fund or account established by Intermountain Power Agency or Southern California Public Power Authority to pay "stranded costs"). "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.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Income" means the amount of the Gross Revenues less the Maintenance and Operating Expenses.

"Opinion of Bond Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

“Outstanding,” when used as of any particular time with reference to the Bonds means all the Bonds issued and delivered by the City under the Indenture of Trust except:

- (a) Bonds cancelled or surrendered for cancellation;
- (b) Bonds for the payment or redemption of which money or securities in the necessary amount shall have been deposited in trust (whether at or prior to the maturity or Redemption Date of such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereto, notice of such redemption shall have been given in the proper manner; and
- (c) Bonds in lieu of, or in substitution for which, other Bonds shall have been issued and delivered by the City pursuant to the Indenture of Trust.

“Owner” or “Bond Owner” or “Bondowner,” whenever used in the Indenture of Trust with respect to a Bond, means the person in whose name such Bond is registered.

“Parity Obligations” means any revenue bonds, revenue notes or other similar evidences of indebtedness heretofore or hereafter issued, or any interest rate swap agreement incurred, for the acquisition, construction and financing or refinancing of additions to, and extensions and improvements of, the Electric System, payable out of the revenues derived therefrom by the Department and which, pursuant to their terms and in accordance with the Indenture of Trust and any Supplemental Indenture of Trust, rank on a parity with the Bonds.

“Parity Reserve Fund” means the City of Glendale Electric System Parity Reserve Fund referred to in Section 4.02 of the Indenture of Trust.

“Rating Category” means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“RBI” means the Bond Buyer Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, and, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

“Rebate Fund” means that fund established under the Indenture of Trust.

“Record Date” means the close of business on the fifteenth day of the month immediately preceding an Interest Payment Date or such other date designated as the Record Date pursuant to a Supplemental Indenture.

“Redemption Date” means any date on which Bonds are to be presented for redemption.

“Redemption Price” means, with respect to any Bond (or portion thereof) the Bond Obligation thereof (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture of Trust.

“Reserve Fund Requirement” means, 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 Code, (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 (including, but not limited to, the Stranded Investment Account); provided further, that such requirement (or any portion thereof) may be provided by the City delivering 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 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 or "AA" or higher assigned by Standard & Poor's.

"Series," whenever used in the Indenture of Trust with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture of Trust.

"Standard & Poor's" means Standard & Poor's, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"State" means the State of California.

"Stranded Investment Account" means any or all of the following funds or accounts to the extent any moneys therein are available to pay Maintenance and Operating Expenses, each such fund or account having been opened pursuant to the City's Resolution No. 03-156, adopted on July 22, 2003: the Operating Reserve; the Reserve for Contingency; the Rate Stabilization Fund; and the Reserve for Capital Improvement. The funds and accounts constituting the Stranded Investment Account are not funds and accounts established by the Indenture of Trust, and moneys, if any, held therein are not pledged to the payment of principal of or interest on the Bonds.

"Supplemental Indenture of Trust" means any agreement hereafter duly executed and delivered, supplementing, modifying or amending the Indenture of Trust, but only if and to the extent that such Supplemental Indenture of Trust is specifically authorized under the Indenture of Trust.

"Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of a Series of Bonds executed and delivered by the City on the date of initial delivery of such Series of Bonds, including any and all exhibits attached thereto.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., acting as successor Trustee under the Indenture of Trust, or its successor, as Trustee as provided in the Indenture of Trust.

“Variable Rate Indebtedness” means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness.

Pledge of Net Income; Electric Works Revenue Fund

The Bonds shall not constitute an indebtedness of the City, but shall constitute obligations that shall be payable as to both principal and interest, and any premium upon redemption thereof prior to maturity, exclusively from the Electric Works Revenue Fund and such other funds as provided in the Indenture of Trust or in any Supplemental Indenture of Trust; provided, however, that this shall not preclude the payment thereof from the proceeds of bonds issued to refund the Bonds, nor preclude the use of any sum received as premium or accrued interest on the sale of the Bonds to pay principal and interest thereof, nor payment from certain other funds or moneys to the extent provided in Subdivision 4 of Section 4 of Article XXVI of the Charter.

All Net Income is pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds and any Parity Obligations in accordance with their terms, subject only to the provisions of the Indenture of Trust permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture of Trust. Said pledge shall constitute a first lien on the Net Income and shall be valid and binding from and after delivery by the City of the Bonds or Parity Obligations, as applicable, without any physical delivery thereof or further act. Amounts on deposit in the Rebate Fund shall not be pledged to, or available for, the payment of the Bonds or any Parity Obligations.

Nothing in the Indenture of Trust shall restrict the issuance of additional bonds under Article XXVI of the Charter, subject to the limitations set forth in the Indenture of Trust, payable from the Electric Works Revenue Fund and ranking on a parity with or subordinate to the Bonds.

The general fund of the City is not liable for, and neither the full faith and credit nor the taxing power of the City is pledged to, the payment of the Bonds or Parity Obligations.

Application of Net Income

In order to carry out and effectuate the obligation of the City contained in the Indenture of Trust, the City agrees and covenants that all Gross Revenues received by it shall be deposited when and as received in the Electric Works Revenue Fund pursuant to Section 20 of Article XI of the Charter, and all money on deposit in the Electric Works Revenue Fund shall be applied and used only as provided in the Indenture of Trust and the Charter. The City shall pay all Maintenance and Operating Expenses (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operating Expenses the payment of which is not then immediately required) from the Electric Works Revenue Fund as they become due and payable, and remaining money on deposit in the Electric Works Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

- (1) *Parity Obligation Payment Fund; Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable (whether at maturity or prior redemption or otherwise) on the Bonds or any Parity Obligation, the City shall, from the money in the Electric Works Revenue Fund, deposit in the City of Glendale Electric System Parity Obligation Payment Fund, which fund is established by the Indenture of Trust pursuant to Section 3 of Article XXVI of the Charter and which fund shall be held by the Trustee separate and apart from other moneys of the City so long as any Bonds or Parity Obligations remain

unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Bonds and Parity Obligations on such due date, except that no such deposit need be made if the Trustee then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal (including mandatory sinking account payments) becoming due and payable on all Bonds or Parity Obligations on the next succeeding date on which interest or principal becomes due and payable on the Bonds or any Parity Obligation. Moneys on deposit in the Parity Obligation Payment Fund shall be transferred by the Trustee to make and satisfy the payments due on the next applicable date on which interest or principal (including mandatory sinking account payments) becomes due and payable on the Bonds or any Parity Obligation.

(2) *Parity Reserve Fund; Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable on the Bonds or any Parity Obligation, the City shall, from the remaining money on deposit in the Electric Works Revenue Fund after deposits and transfers pursuant to paragraph (1) above, deposit in the Parity Reserve Fund, which fund is established by the Indenture of Trust pursuant to Section 3 of Article XXVI of the Charter and shall be maintained by the City (and held by the Trustee) so long as any Bonds are Outstanding, that sum, if any, necessary to restore the Parity Reserve Fund, after taking into consideration any moneys on deposit in any unrestricted fund or account of the Electric System as permitted in the definition of "Reserve Fund Requirement," to an amount equal to the Reserve Fund Requirement.

(3) *Rebate Fund; Deposits.* The City shall, from the remaining money on deposit in the Electric Works Revenue Fund after deposits and transfers pursuant to paragraphs (1) and (2) above, deposit in the Rebate Fund, which fund is to be established pursuant to the Indenture of Trust and shall be maintained by the City, that sum, if any, necessary to fund the Rebate Fund to the amount required by the Indenture of Trust and the applicable Tax Certificate.

After making the deposits and transfers required to be made above, 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, payment of amounts sufficient to meet normal depreciation of the Electric System (as provided in Section 17 of Article XI of the Charter), 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, the payment of any subordinate obligations in accordance with the instruments authorizing such subordinate obligations, and transfers to the City's general reserve fund of the general fund as provided in Section 22 of Article XI of the Charter; provided, however, that any such remaining Gross Revenues shall be transferred to the Public Service Surplus Fund established pursuant to Section 22 of Article XI of the Charter if and to the extent required by the Charter.

If on the last Business Day before each day on which interest or principal becomes due and payable (whether at maturity or prior redemption or otherwise) on Bonds or any Parity Obligations, the amounts on deposit in the Parity Obligation Payment Fund are insufficient to make any required payment to be made from the Parity Obligation Payment Fund, the Trustee shall immediately notify the City, by telephone or facsimile transmission, of such deficiency. The City hereby covenants and agrees, to the extent allowed by law, to transfer immediately to the Trustee, from any available remaining moneys transferred to the City (pursuant to the preceding paragraph) in its possession, the amount of such deficiency on the Business Day on which such interest or principal is due (whether at maturity or prior redemption or otherwise).

Parity Reserve Fund

The City agrees and covenants to maintain the Parity Reserve Fund 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," so long as any Bond or Parity Obligation to be secured by the Parity Reserve Fund remains outstanding under the Indenture of Trust. The Parity Reserve Fund and any amount on deposit therein shall be held by the Trustee. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the Bonds and any Parity Obligations secured by the Parity Reserve Fund (and only those Bonds and Parity Obligations secured by the Parity Reserve Fund) and shall be applied only for such purposes as permitted in the Indenture of Trust. Moneys on deposit in the Parity Reserve Fund shall be transferred by the Trustee to the Parity Obligation Payment Fund to pay principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund in the event amounts on deposit therein are insufficient for such purposes. If and to the extent that the Parity Reserve Fund has been funded with a combination of cash and one or more surety bonds, insurance policies or letters of credit as permitted pursuant to the definition of "Reserve Fund Requirement" in the Indenture of Trust, all cash, including moneys on deposit in any unrestricted fund or account of the Electric System as permitted, and to the extent provided for, in the definition of "Reserve Fund Requirement," shall be used (including any Investment Securities purchased with such cash, which shall be liquidated and the proceeds thereof applied as required under the Indenture of Trust), prior to any drawing under a surety bond, insurance policy or letter of credit, and repayment of any amounts owing to any provider of such surety bond, insurance policy or letter of credit shall be made in accordance with the terms thereof prior to any replenishment of any such cash amounts. After first applying all such cash and Investment Securities to pay principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund when required by the Indenture of Trust, the City or the Trustee, as applicable, shall, on a pro rata basis with respect to the portion of the Parity Reserve Fund held in the form of surety bonds, insurance policies and letters of credit (calculated by reference to the maximum amounts of such surety bonds, insurance policies and letters of credit), draw under each surety bond, insurance policy or letter of credit issued with respect to the Parity Reserve Fund, in a timely manner and pursuant to the terms of such surety bond, insurance policy or letter of credit to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bonds and Parity Obligations secured by the Parity Reserve Fund when due. Notwithstanding the immediately preceding two sentences, if the following of the procedures described in such two sentences would cause one or more Series of Bonds or Parity Obligations secured by the Parity Reserve Fund to benefit other than proportionately with respect to the cash and any surety bonds, insurance policies or letters of credit described in such two sentences, then the Trustee shall instead follow a procedure that will provide proportionate benefits to each Series of Bonds and Parity Obligations secured by the Parity Reserve Fund. All amounts due and owing any provider of any such surety bond, insurance policy or letter of credit shall be paid in accordance therewith prior to any discharge of the Indenture of Trust pursuant to the terms thereof. Amounts on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement shall be withdrawn from the Parity Reserve Fund and transferred to the Electric Works Revenue Fund.

Investments of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the City or the Trustee and established pursuant to the Indenture of Trust shall be invested solely in Investment Securities. Unless otherwise provided in the Indenture of Trust or in a Supplemental Indenture of Trust with respect to any fund or account created pursuant to that Supplemental Indenture of Trust, Investment Securities purchased as an investment of moneys in any fund or account created under the provisions of the Indenture of Trust shall be deemed at all times to be a part of such fund or account and any profit realized from the liquidation of such investment and any income or interest received on account of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, such fund or account.

Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

In computing the amount in any fund or account created under the provisions of the Indenture of Trust or a Supplemental Indenture of Trust for any purpose provided in the Indenture of Trust or a Supplemental Indenture of Trust, Investment Securities purchased as an investment of moneys therein shall be valued no less frequently than annually at the amortized cost of such obligations (including accrued interest), except that Investment Securities purchased as an investment of moneys in the Parity Reserve Fund shall be valued at the market value thereof. Investment Securities purchased as an investment of moneys in the Parity Reserve Fund may not have maturities extending beyond five (5) years.

Except as otherwise provided in the Indenture of Trust or a Supplemental Indenture of Trust, the City shall sell at the best price obtainable or present for prepayment or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized City Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any account held by it. In lieu of such sale or presentment for prepayment, the City may, in making the payment or transfer from any account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectable at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The City and the Trustee (except for the Trustee's own gross negligence or willful misconduct) shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Covenants

Pursuant to the Indenture of Trust, the City has covenanted as follows:

Operation of Electric System; Insurance. The City covenants and agrees to operate the Electric System in an efficient and economical manner and to operate, maintain and preserve the Electric System in good repair and working order. Subject in each case to the condition that insurance is obtainable at rates deemed reasonable by the City and upon terms and conditions deemed reasonable by the City, the City shall procure and maintain at all times: (i) insurance on the Electric System against such risks as and in such amounts as the City deems prudent taking into account insurance coverage for similar utilities, and (ii) public liability insurance, including self-insurance, as appropriate, in such amounts as the City deems appropriate.

Electric Works Revenue Fund. All Gross Revenues shall be credited to the Electric Works Revenue Fund. Disbursements shall be made from said Fund for the payment of the Maintenance and Operating Expenses of conducting the Electric System prior to the payment of principal or interest (including premiums, if any, upon redemption) for any revenue bonds (including the Bonds and the Parity Obligations) issued under Article XXVI of the Charter. After any transfers required to be made in any Fiscal Year for the payment of principal or interest (including premiums, if any, upon redemption and including transfers to the Parity Reserve Fund) of revenue bonds (including the Bonds and the Parity Obligations) and for the payment of any other amounts payable from the Electric Works Revenue Fund have been made, moneys in said Fund shall be transferred to the City free and clear of the Indenture of Trust.

Rates and Charges. The rates to be charged for services furnished by the Electric System shall be fixed 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 the 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 any 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 fixed 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 (including mandatory sinking account redemption payments) as the same become due, on all Bonds and Parity Obligations for such Fiscal Year.

The City shall have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates and charges applicable to the Electric System provided to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City shall not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing in the Indenture of Trust shall prevent the City, in its sole and exclusive discretion, from permitting other parties to sell electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales shall not relieve the City of its obligations under the Indenture of Trust.

Additional Bonds. 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 this provision 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 shall 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 amount 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 shall 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 paragraphs (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 shall limit 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, if any, 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 by the Indenture of Trust.

Against Encumbrances. No bonds shall be issued pursuant to Article XXVI of the Charter, or under any other provisions of the Charter, or under any law of the State of California, having any priority in payment of principal or interest out of the Gross Revenues over the Bonds authorized by the Indenture of Trust to be issued and payable out of said Gross Revenues. The City shall not create any pledge, lien or charge upon any of the Net Income having priority over the lien of the Bonds; provided, however, that nothing in the Indenture of Trust shall be construed to limit the ability of the City to issue or incur obligations secured by charges, not constituting Net Income, collected by any person to amortize or otherwise relating to the payment of the “stranded costs” of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds, the payments of which charges shall be applied to or pledged to or otherwise set aside 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.

The City covenants that in order to fully preserve and protect the priority and security of the Bonds, the City shall pay from the Electric Works Revenue Fund and discharge all lawful claims for

labor, materials and supplies furnished for or in connection with the Electric System which, if unpaid, may become a lien or charge upon the revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City shall also pay from the Electric Works Revenue Fund all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Electric System or upon any part thereof or upon any of the revenues therefrom.

Sale of Electric System. The Electric System shall not be sold or leased or otherwise disposed of as a whole, or substantially as a whole, unless such sale, lease or other disposition be so arranged as to provide for a continuance of payments into the Electric Works Revenue Fund sufficient in amount to permit payment therefrom of the principal of and interest on, and premiums, if any, due upon the maturity or redemption of, all Bonds and Parity Obligations (including, if applicable, the imposition of any charges collected by any person to amortize or otherwise relating to the payment of “stranded costs” of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of the Bonds the imposition of which shall amortize the payment in full of such Outstanding Bonds through the maturity thereof) payable out of the Electric Works Revenue Fund, or to provide for such payments into some other fund charged with such payments. None of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System shall be sold, leased or otherwise disposed of if such sale, lease or disposition would cause the City to be unable to satisfy the requirements of the Indenture of Trust.

Accounting Records. The City shall cause the books and accounts of the power division of the Department to be audited annually by an independent certified public accountant or firm of certified public accountants and shall make available for inspection by the Owners, at the office of the City Clerk and at the Department of Finance and Administrative Services of the City, a copy of the report of such accountants and shall also furnish a copy thereof upon request to any Owner.

Tax Covenants. The City covenants with the Owners of the Bonds that, notwithstanding any other provisions of the Indenture of Trust, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, shall comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The City shall follow reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

The City shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all

regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Bonds.

The City shall not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that with respect to a particular Series of Bonds, it shall comply with any additional tax covenants contained in the Supplemental Indenture of Trust relating to that Series of Bonds and shall comply with the provisions of the Tax Certificates, which Tax Certificates are incorporated in the Indenture of Trust as if fully set forth in the Indenture of Trust. These covenants shall survive payment in full or defeasance of the Bonds.

The City shall establish and maintain, so long as any Bonds remain Outstanding, a fund separate from any other fund established and maintained under the Indenture of Trust designated as the “City of Glendale Electric Revenue Bonds Rebate Fund.” All amounts at any time on deposit in the Rebate Fund shall be held by the City to the extent required to satisfy the requirement to rebate the amount required to be rebated to the United States pursuant to Section 148 of the Code and the tax regulations promulgated thereunder. Such amounts shall be free and clear of any lien under the Indenture of Trust (and shall not be pledged to, or available for, the payment of the Bonds and any Parity Obligations) and shall be governed by the Indenture of Trust and by the Tax Certificates.

Further Assurances. The City shall make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture of Trust and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture of Trust.

Continuing Disclosure Agreement. The City shall comply with and carry out all of its obligations under any Continuing Disclosure Agreement executed in connection with a Series of Bonds. Upon the failure of the City to comply with the Continuing Disclosure Agreement relating to any Series of Bonds, the Trustee may (and, at the request of any Participating Underwriter (as defined in the respective Continuing Disclosure Agreement) or the Owners of at least 25% in aggregate Bond Obligation of the related Series of Bonds, shall upon being indemnified to its satisfaction) or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this covenant. For purposes of this covenant, “Beneficial Owner” shall have the meaning prescribed thereto in the respective Continuing Disclosure Agreement relating to such Series of Bonds.

Events of Default; Remedies

Events of Default. The following events shall be Events of Default under the Indenture of Trust:

(a) Default by the City in the due and punctual payment of the principal of or premium, if any, on any Bond or Parity Obligation (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Bond or Parity Obligation;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under the Indenture of Trust or in the Bonds for a period of 90 days after written notice from the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding, specifying such failure and

requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City to proceed promptly to cure the default with due diligence;

(d) (1) Failure of the City generally to pay its debts as the same become due, (2) commencement by the City of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the Electric System or any substantial part of the City's property, or to the taking possession by any such official of the Electric System or any substantial part of the City's property, (4) making by the City of any assignment for the benefit of creditors, or (5) taking of corporate action by the City in furtherance of any of the foregoing;

(e) The entry of any (1) decree or order for relief by a court having jurisdiction over the City or its property in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Electric System or any substantial part of the City's property, or (3) order for the termination or liquidation of the City of its affairs; or

(f) Failure of the City within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of paragraph (c) above are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Indenture of Trust, the City shall not be deemed in default during the continuance of such disability. The term "force majeure" as used in the Indenture of Trust shall include without limitation acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of California or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission or distribution lines; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City shall, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to it.

Bond Owners' Committee. If an Event of Default shall have occurred and be continuing, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding may call a meeting of the Bond Owners for the purpose of electing a bondowners' committee (a "Bond Owners' Committee"). At such meeting the Owners of not less than a majority in aggregate Bond Obligation of Bonds then Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting, the Owners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Owners, to the Bond Owners' Committee. The Owners present in person or by proxy at such meeting, or at any adjourned meeting thereof (i) shall prescribe the manner in which the successors of the persons elected to the Bond Owners' Committee shall be elected or appointed, (ii) may prescribe rules and

regulations governing the exercise by the Bond Owners' Committee of the power conferred upon it in the Indenture of Trust, and (iii) may provide for the termination of the existence of the Bond Owners' Committee. The Bond Owners' Committee is declared to be trustee for the Owners of all Bonds then Outstanding, and are empowered to exercise in the name of the Bond Owners' Committee as trustee all the rights and powers conferred in the Indenture of Trust on any Owners; provided, however, that whenever any provision of the Indenture of Trust requires the consent, approval or concurrence of the Owners of a specified percentage of Bond Obligation of Bonds, in order to exercise the right or power conferred in the Indenture of Trust on the Owners to which such percentage obtains, the Bond Owners' Committee either shall have been elected by or their election shall have been approved by or concurred in, and such Committee shall then represent, the Owners of such specified percentage of Bond Obligation of Bonds. A certificate of the election of the Bond Owners' Committee, including the names and addresses of its chairperson and other members, shall be filed with the City Clerk.

Acceleration. Upon the concurrence and continuation of an Event of Default specified in paragraphs (a), (b), (d), (e) or (f) above, the Bond Owners' Committee or, if there is none, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding may, by written notice to the City, declare the entire unpaid principal of the Bonds due and payable and, thereupon, the entire unpaid principal of the Bonds shall forthwith become due and payable. Upon any such declaration the City shall forthwith pay to the Owners of the Bonds the entire unpaid principal of and accrued interest on the Bonds, but only from Net Income and other moneys specifically pledged for such purpose. If at any time after such a declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Indenture of Trust, the principal of all Bonds and Parity Obligations that have matured or been called for redemption pursuant to any sinking fund provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Trustee may, by written notice to the City, rescind or annul such declaration and its consequences. No such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Receiver. Upon the occurrence and continuation of an Event of Default for a period of 90 days, the Bond Owners' Committee or, if there is none, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding shall be entitled to the appointment of a receiver upon application to any court of competent jurisdiction in the State of California. Any receiver so appointed may enter and take possession of the Electric System, operate, maintain and repair same, to the extent permitted by law impose and prescribe rates, fees and other charges, and receive and apply all Gross Revenue thereafter arising therefrom in the same manner as the City itself might do. No bond shall be required of such receiver.

Other Remedies; Rights of Bond Owners. Upon the occurrence and continuation of an Event of Default the Owners may proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Indenture of Trust.

No remedy conferred by the Indenture of Trust upon or reserved to the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Bond Owners under the Indenture of Trust or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default by the Owners shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Unconditional Right to Receive Principal, Premium and Interest. Nothing in the Indenture of Trust shall affect or impair the right of any Owner to enforce, by action at law, payment of the principal of, premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as provided in the Indenture of Trust, or the obligation of the City to pay the principal of, premium, if any, and interest on each of the Bonds issued to the respective Owners thereof at the time and place, from the source and in the manner expressed in the Indenture of Trust and in the Bond.

The Trustee

Duties of Trustee Generally. The Trustee shall perform such duties and only such duties as are expressly and specifically set forth in the Indenture of Trust.

Removal of Trustee. The City may upon 30 days prior written notice remove the Trustee at any time, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture of Trust, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City and to the Owners notice of such resignation at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

Merger or Consolidation. Any bank corporation or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank corporation or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank corporation or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank corporation or trust company shall be eligible under the Indenture of Trust, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Liability of Trustee. The recitals of facts in the Indenture of Trust and in the Bonds shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture of Trust or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture of Trust in connection with the respective duties or obligations in the Indenture of Trust or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture of Trust or of any Bonds, or in respect of the security afforded by the Indenture of Trust, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the following: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its

capacity as Trustee; or (iii) the application of any moneys paid to the City or others in accordance with the Indenture of Trust except as the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under the Indenture of Trust, except for its own gross negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture of Trust.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting or exercising any trust or power conferred upon the Trustee under the Indenture of Trust.

The Trustee assumes no responsibility or liability for any information, statement or recital in any official statement or offering memorandum or other disclosure material prepared and distributed with respect to the Bonds.

No provision of the Indenture of Trust shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture of Trust.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture of Trust in good faith and in accordance therewith; provided, however, the Trustee shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Amendments

Amendments Permitted. The Indenture of Trust and the rights and obligations of the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture of Trust, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture of Trust is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding, which shall have been filed with the Trustee; provided that if such modification or amendment shall, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture of Trust.

In lieu of satisfying certain requirements of the Indenture of Trust, the Indenture of Trust and the rights and obligations of the City and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture of Trust entered into by the City and the Trustee which shall become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which is not in

default under any such policy of municipal bond insurance or letter of credit. A copy of each such Supplemental Indenture of Trust shall be sent by the City to Fitch and Standard & Poor's.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any mandatory sinking account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Income prior to or on a parity with the lien created by the Indenture of Trust, or deprive the Owners of the Bonds of the lien created by the Indenture of Trust on such Net Income (in each case, except as expressly provided in the Indenture of Trust), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture of Trust, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Trustee and the City of any Supplemental Indenture of Trust pursuant to these provisions, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture of Trust to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture of Trust. The Trustee shall not be required to enter into or consent to any Supplemental Indenture of Trust which could reasonably be expected to adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided to the Trustee under the Indenture of Trust.

The Indenture of Trust and the rights and obligations of the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture of Trust, which the City and the Trustee may enter into without the consent of any Bond Owners or any providers of any letter of credit or policy of municipal bond insurance for the Bonds, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Indenture of Trust other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture of Trust reserved to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture of Trust, or in regard to matters or questions arising under the Indenture of Trust, as the City may deem necessary or desirable, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend or supplement the Indenture of Trust in such manner as to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Indebtedness, Convertible Capital Appreciation Indebtedness or Parity Obligations with such interest rate, payment, maturity and other terms as the City may deem desirable that do not materially and adversely affect the interests of the Owners of any Series of Bonds then Outstanding;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision shall materially and adversely affect the interests of the Owners of the Bonds;

(6) to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation and to make such provisions as are necessary or appropriate to ensure such exclusion, or to provide for a Series of Bonds the interest on which is not intended to be so excluded;

(7) to provide for the issuance of an additional Series of Bonds; and

(8) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Defeasance

Discharge of Indenture of Trust. Bonds of any Series or a portion thereof may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture of Trust) to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the City shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture of Trust by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and the Indenture of Trust), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture of Trust and the pledge of Net Income made under the Indenture of Trust and all covenants, agreements and other obligations of the City under the Indenture of Trust shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the City, the Trustee shall cause an accounting for such period or periods as may be determined by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture of Trust which, as evidenced by a verification report from a firm of certified public accountants, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture of Trust) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the Redemption Date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture of Trust or provision shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Trustee

as aforesaid for their payment, subject, however, to the provisions of the Indenture of Trust and the continuing duties of the Trustee under the Indenture of Trust.

The City may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture of Trust it is provided or permitted that there be deposited with or held in trust by the Trustee, an escrow agent or other fiduciary in trust, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee, an escrow agent or other fiduciary in trust, shall be:

(a) lawful money of the United States of America in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture of Trust or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the Redemption Date; or

(b) Federal Securities, the principal of and interest on which when due shall, in the opinion of an independent certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the Redemption Date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture of Trust or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture of Trust or by Request of the City) to apply such money to the payment of such Bond Obligation or Redemption Price and interest with respect to such Bonds.

Miscellaneous

Liability of City Limited to Net Income. Notwithstanding anything in the Indenture of Trust or in the Bonds to the contrary, the City shall not be required to advance any moneys derived from any source other than the Net Income and other money, assets and security pledged under the Indenture of Trust for any of the purposes mentioned in the Indenture of Trust, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture of Trust.

The general fund of the City is not liable for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest. 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 any Bonds and any premium upon the redemption of any thereof prior to maturity are not a debt of the City or 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 other funds, security or assets to the extent expressly provided in the Indenture of Trust which are pledged to the payment of the Bonds, interest thereon and any premium upon redemption.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of February 1, 2024, is executed and delivered by the City of Glendale, California (the “City”) and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), in connection with the issuance of \$166,890,000 aggregate principal amount of City of Glendale Electric Revenue Bonds, 2024 Series and \$52,580,000 aggregate principal amount of City of Glendale Electric Revenue Bonds, 2024 Refunding Series (together, the “2024 Bonds”). The 2024 Bonds are being issued pursuant to Article XXVI of the Charter, Ordinance No. 6018 (the “Ordinance”), adopted on January 9, 2024 by the City Council (the “City Council”) of the City and an Indenture of Trust, dated as of February 1, 2000, by and between the City and the Trustee (as supplemented and amended, the “Indenture of Trust”). The City and the Trustee covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the Holders and Beneficial Owners of the 2024 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any 2024 Bonds (including persons holding 2024 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2024 Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the City, with notice of such selection or change in fiscal year to be provided as set forth herein.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designed by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Owner” shall mean either the registered owners of the 2024 Bonds, or, if the 2024 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Participating Underwriter” shall mean any of the original underwriter or underwriters of the 2024 Bonds required to comply with the Rule in connection with offering of the 2024 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same has been or may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than seven months after the end of the City’s Fiscal Year, commencing with the report for the Fiscal Year ended June 30, 2024, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes for the City, the City shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than ten (10) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide its Annual Report to the Dissemination Agent. If by ten (10) Business Days prior to such date specified in subsection (a), the Dissemination Agent has not received a copy of the Annual Report from the City, the Dissemination Agent shall promptly notify the City of such failure to receive the report. The City shall provide a written statement with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such statement of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report of the City has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent

shall, in a timely manner, send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

- (i) determine prior to the date for providing the Annual Report for such year the electronic filing address of, and the then-current procedure for, submitting Annual Reports to the MSRB; and
- (ii) provided it has received the Annual Report pursuant to Section 3(a), file a report with the City (and if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided. The Dissemination Agent shall have no responsibility for the content of any Annual Report.

SECTION 4. Content of Annual Reports.

(a) The City's Annual Report shall contain or include by reference the following:

(i) The audited financial statements of the City's Electric Works Revenue Fund for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the City and by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) Updated information comparable to the information in the following charts:

(a) the chart entitled "Electric System Facilities" as it appears on page 22 in the Official Statement, dated February 15, 2024, relating to the 2024 Bonds (the "Official Statement");

(b) the chart entitled "Total Power Generated and Purchased and Peak Demand" as it appears on page 23 in the Official Statement;

(c) the chart entitled "Power Supply Resources" as it appears on page 23 in the Official Statement;

(d) the chart entitled "Five Year History of Rates" as it appears on page 34 in the Official Statement;

(e) the chart entitled "Percentage Increase in Electric Rates" as it appears on page 35 in the Official Statement;

(f) the chart entitled "Customers, Sales, Revenues and Demand" as it appears on page 36 in the Official Statement;

(g) the chart entitled “Capital Requirements” as it appears on page 37 in the Official Statement;

(h) the chart entitled “Outstanding IPA and SCPPA Obligations” as it appears on page 39 in the Official Statement;

(i) the chart entitled “Historical Operating Results and Debt Service Coverage” as it appears on page 41 in the Official Statement; and

(j) the chart entitled “Electric System Statement Of Net Position” as it appears on page 43 in the Official Statement.

(iii) Updated information comparable to the information in the section entitled “THE ELECTRIC SYSTEM — Transfers to the General Fund” as such information appears on page 37 in the Official Statement.

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or public entities related thereto, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

(c) The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the legal form of the City; provided, that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the 2024 Bonds, the City shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

- (i) principal or interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) modifications to the rights of the Owners of the 2024 Bonds, if material;
- (iv) optional, contingent or unscheduled calls, if material, and tender offers;
- (v) defeasances;
- (vi) rating changes;

(vii) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2024 Bonds or other material events affecting the tax status of the 2024 Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) substitution of the credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the 2024 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings of the City, which shall occur as described below;

(xiii) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xiv) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the Electric System of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xv) incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect holders of the 2020 Bonds, if material; or

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties..

For these purposes, any event described in item (xii) of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(b) Upon receipt of notice from the City and instruction by the City to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the City, inform the City of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The City, or the Dissemination Agent, if the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten (10) business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The obligations of the City and the Trustee under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2024 Bonds.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign by providing thirty (30) days’ written notice to the City.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the City which does not impose any greater duties or any greater risk of liability on the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a) or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2024 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2024 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2024 Bonds in the same manner as provided in the Indenture of Trust with respect to amendments to the Indenture of Trust which require the consent of Holders, or (ii) does not, in the opinion of

nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2024 Bonds.

If any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner provided in Section 5 and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement or otherwise to update such information or include it in any future Annual Report.

SECTION 10. Filings with the MSRB. All information, operating data, financial statements, annual reports, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the City or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of outstanding 2024 Bonds, shall) upon being indemnified to its satisfaction, or any Holder or Beneficial Owner of the 2024 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture of Trust is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture of Trust. The Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise

or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the 2024 Bonds. If the Trustee performs the duties assigned to it hereunder, the Trustee shall not be responsible to any person for any failure by the City or the Dissemination Agent (if other than the Trustee) to perform duties or obligations imposed hereby. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2024 Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

SECTION 14. Notices. All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the City:

City of Glendale
141 N. Glendale Avenue
Room 346
Glendale, California 91206-4998
Attention: Director of Finance
Telephone: (818) 548-2085
Facsimile: (818) 956-3286

To the Trustee:

The Bank of New York Mellon Trust Company, N.A.
400 Hope Street
Suite 400
Los Angeles, California 90071
Attention: California Unit
Telephone: (213) 630-6247
Facsimile: (213) 630-6215

The Trustee and the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee or the City may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF GLENDALE, CALIFORNIA

By _____
Director of Finance and Information Technology

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF GLENDALE, CALIFORNIA

Name of Issue: ELECTRIC REVENUE BONDS, 2024 SERIES
ELECTRIC REVENUE BONDS, 2024 REFUNDING SERIES

Date of Issuance: February 29, 2024

NOTICE IS HEREBY GIVEN that the City of Glendale, California (the “City”) has not provided an Annual Report with respect to the above-named 2024 Bonds as required by the Continuing Disclosure Agreement, dated as of February 1, 2024, between the City and The Bank of New York Mellon Trust Company, N.A., as Trustee. The City anticipates that the Annual Report will be filed by

Dated: _____

The Bank of New York Mellon Trust Company, N.A., as
Trustee, on behalf of the City of Glendale, California

By _____

Title: _____

cc: City of Glendale, California

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City of Glendale
Glendale, California

\$219,470,000
City of Glendale, California
Electric Revenue Bonds, 2024 Series and 2024 Refunding Series

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Glendale, California (the “City”) of its Electric Revenue Bonds, 2024 Series in the aggregate principal amount of \$166,890,000 (the “2024 New Money Bonds”) and its Electric Revenue Bonds, 2024 Refunding Series in the aggregate principal amount of \$52,580,000 (the “2024 Refunding Bonds” and, together with the 2024 New Money Bonds, the “Bonds”). The Bonds are being issued pursuant to the Charter of the City, as amended (the “Charter”), including Article XXVI thereof, Ordinance No. 6018 (the “Ordinance”), adopted by the City Council of the City (the “City Council”) on January 9, 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 an Eighth Supplement to Indenture of Trust, dated as of February 1, 2024, relating to the 2024 New Money Bonds, and a Ninth Supplement to Indenture of Trust, dated as of February 1, 2024, relating to the 2024 Refunding Bonds, each by and between the City and the Trustee (collectively, the “Indenture of Trust”). The 2024 New Money Bonds are being issued for the purpose of providing moneys for the costs of the acquisition and construction of certain improvements to the Electric System. The 2024 Refunding Bonds are being issued to refund all of the City’s outstanding Electric Revenue Bonds, 2013 Refunding Series and all of the City’s outstanding Electric Revenue Bonds, 2013 Series.

In our capacity as bond counsel, we have reviewed the Charter, the Ordinance, resolutions adopted by the City Council, the Indenture of Trust, certifications of the City, the Trustee, and others, opinions of counsel to the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture of Trust.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture of Trust, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The City is authorized and empowered by law, including the Charter, to adopt the Ordinance, to execute and deliver the Indenture of Trust, to issue the Bonds, to use the proceeds from the sale thereof for the purposes stated in the Ordinance and the Indenture of Trust, and to pledge the Net Income of the Electric System to the payment of the Bonds.

2. The Indenture of Trust has been, pursuant to law, including the Charter, duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the City. The Indenture of Trust creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Income and certain other funds as and to the extent set forth in the Indenture of Trust and subject to the provisions of the Indenture of Trust permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Bonds are special obligations of the City and are payable exclusively from the City's Electric Works Revenue Fund and certain other funds as provided in the Indenture of Trust, and 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 and issued from time to time pursuant to the Indenture of Trust. The Bonds constitute valid and binding obligations of the City as provided in the Indenture of Trust and are enforceable in accordance with their terms and the terms of the Indenture of Trust. 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 on the Bonds, 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 on the Bonds. The owner of any Bond shall not have the right to 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.

4. Under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants described below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. Interest on the 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 we render no opinion, as a result of ownership of the Bonds or the inclusion in certain computations (including, without limitation, those related to the alternative minimum tax on the adjusted financial statement income of certain corporations) of interest that is excluded from gross income. The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 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. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. The City has covenanted in the Indenture of Trust 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 Bonds from the gross income of the owners thereof for federal income tax purposes. Except as stated in the preceding paragraph, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to the

effect on the exclusion from gross income of interest on the Bonds of any action taken or not taken after the date of this opinion without our approval.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

The opinions expressed in paragraphs 2 and 3 above are qualified to the extent that the enforceability of the Bonds and the Indenture of Trust may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds and the Indenture of Trust is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California (including, but not limited to, rights of indemnification).

These opinions are limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

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APPENDIX G

ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS⁽¹⁾

The following table indicates the debt service requirements on the Bonds immediately upon the issuance of the 2024 Bonds after giving effect to refunding of the Refunded Bonds.

Fiscal Year Ending June 30	2013 Refunding Bonds, 2013 Bonds and 2016 Refunding Bonds		2024 New Money Bonds		2024 Refunding Bonds		Total Debt Service ⁽¹⁾
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 6,300,000	\$ 5,872,500	\$ -	\$ -	\$ -	\$ -	\$ 12,172,500
2025	3,760,000	2,540,500	2,330,000	7,695,483	2,820,000	2,424,522	21,570,506
2026	3,945,000	2,352,500	2,640,000	8,228,000	2,710,000	2,488,000	22,363,500
2027	4,135,000	2,155,250	2,775,000	8,096,000	2,845,000	2,352,500	22,358,750
2028	4,320,000	1,948,500	2,910,000	7,957,250	3,005,000	2,210,250	22,351,000
2029	4,520,000	1,732,500	3,055,000	7,811,750	3,150,000	2,060,000	22,329,250
2030	4,715,000	1,506,500	3,210,000	7,659,000	3,315,000	1,902,500	22,308,000
2031	2,700,000	1,270,750	3,370,000	7,498,500	3,480,000	1,736,750	20,056,000
2032	2,810,000	1,135,750	3,540,000	7,330,000	3,655,000	1,562,750	20,033,500
2033	2,950,000	995,250	3,715,000	7,153,000	1,945,000	1,380,000	18,138,250
2034	3,085,000	847,750	3,900,000	6,967,250	2,040,000	1,282,750	18,122,750
2035	3,230,000	693,500	4,095,000	6,772,250	2,145,000	1,180,750	18,116,500
2036	3,385,000	532,000	4,300,000	6,567,500	2,245,000	1,073,500	18,103,000
2037	3,545,000	362,750	4,515,000	6,352,500	2,360,000	961,250	18,096,500
2038	3,710,000	185,500	4,740,000	6,126,750	2,480,000	843,250	18,085,500
2039	-	-	4,980,000	5,889,750	2,600,000	719,250	14,189,000
2040	-	-	5,230,000	5,640,750	2,735,000	589,250	14,195,000
2041	-	-	5,490,000	5,379,250	2,870,000	452,500	14,191,750
2042	-	-	5,765,000	5,104,750	3,015,000	309,000	14,193,750
2043	-	-	6,050,000	4,816,500	3,165,000	158,250	14,189,750
2044	-	-	6,355,000	4,514,000	-	-	10,869,000
2045	-	-	6,675,000	4,196,250	-	-	10,871,250
2046	-	-	7,005,000	3,862,500	-	-	10,867,500
2047	-	-	7,355,000	3,512,250	-	-	10,867,250
2048	-	-	7,725,000	3,144,500	-	-	10,869,500
2049	-	-	8,110,000	2,758,250	-	-	10,868,250
2050	-	-	8,515,000	2,352,750	-	-	10,867,750
2051	-	-	8,940,000	1,927,000	-	-	10,867,000
2052	-	-	9,390,000	1,480,000	-	-	10,870,000
2053	-	-	9,860,000	1,010,500	-	-	10,870,500
2054	-	-	10,350,000	517,500	-	-	10,867,500
Total ⁽¹⁾	\$57,110,000	\$24,131,500	\$166,890,000	\$158,321,733	\$52,580,000	\$25,687,022	\$484,720,256

⁽¹⁾ Totals may not add due to rounding.

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