

Bond Case Briefs

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Los Angeles Department of Water & Power, California: Fitch New Issue Report

Revenue Defensibility: 'aa'; Diverse and Favorable Service Area, Unique Rate Structure: The system's very strong revenue defensibility is supported by a service area with a strong and diverse economy. A rate structure implemented in fiscal 2016 includes automatic pass-through adjustments and a mechanism that largely decouples demand from revenue generation, resulting in stable financial performance. Operating Risk: 'aa'; Very Strong Operating Risk Profile, Solid Operations Work to Expand Local Supply: The system's operating risk assessment reflects a very low operating cost burden and sustained capital investment that averaged about 360% of annual depreciation costs for the five fiscal years ended in 2021. Capital projects are focused on infrastructure rehab and renewal (R&R) and expanding the recycled water program to reduce dependence on purchased water supplied by MWD. Financial Profile: 'aa'; Very Strong Financial Profile; Increase Possible: LADWP's financial profile is very strong. Leverage in fiscal 2021 was 8.3x but could tick up to about 8.8x in fiscal 2022. A sustained trend at that level would likely pressure the financial profile and rating. The liquidity profile is considered neutral to the assessment. Asymmetric Additive Risk Considerations: No asymmetric additive risk considerations affected this rating determination.

ACCESS REPORT

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