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## **Southern California Public Power Authority: Fitch New Issue Report**

The 'AA-' project rating on the new Southern Transmission System Renewal Project reflects the credit quality of the largest project purchaser, the power system of the Los Angeles Department of Water and Power (LADWP; AA-/Stable), and the terms of the transmission sales contracts for all participants that require unconditional payment of project costs. Six project participants are obligated to pay project costs through June 15, 2027, and three project participants are obligated to pay project costs as of June 16, 2027, the transition date. Payments by the project participants are unconditional for 100% of project costs and the Southern California Public Power Authority (SCPPA) has the ability to reallocate costs to non-defaulting participants. Beginning on the transition date, SCPPA's reallocation authority becomes limited to a 15% step-up of participants' original percentage shares, which remains sufficient to cover a default by two of the participants remaining in the project after the transition date, but not LADWP. Bondholders will continue to have direct credit exposure to LADWP.

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