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INDEPENDENT AUDITORS' REPORT

To the Honorable City Council
of the City of Glendale
Glendale, California

We have audited the accompanying financial statements of the Electric Enterprise Fund (Fund) of the City of Glendale, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Enterprise Fund of the City of Glendale, California, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, 2020, the changes in 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. As discussed in Note 11, the balance of the net position at July 1, 2019 was restated. Our opinion is not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The Electric Enterprise Fund's June 30, 2019 financial statements were audited by other auditors, who expressed unmodified opinion on the financial statements in their report dated November 26, 2019 from which the prior year summarized financial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Electric Enterprise Fund's proportionate share of the City's net pension liability and schedule of contribution be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Electric Enterprise Fund of the City of Glendale, California. The introductory section and operating statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and operating statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Electric Enterprise Fund'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 Electric Enterprise Fund'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 the Electric Enterprise Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 4, 2020

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, 2020. 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 2020, the Electric Utility's retail revenues increased $3,578 or 2% from the 2019 level. The increase in retail revenues was attributable to increase in rates. Total operating revenues increased by $7,301 or 3.4% and total operating expenses increased by $4,213 or 2% from fiscal year 2019. After adding the net increase of $6,492 from non-operating revenues and subtracting net transfer of $18,353 to/from other funds of the City to operating income of $21,192, total net position increased by $9,331 in fiscal year 2020.

During fiscal year 2019, the Electric Utility's retail revenues decreased $11,419 or 6% from the 2018 level. The decrease in retail revenues was attributable to lower demand due to cooler weather and conservation. Total operating revenues decreased by $7,716 or 3% and total operating expenses increased by $15,752 or 9% from fiscal year 2018. After adding the net increase of $5,289 from non-operating expenses and subtracting $19,022 transfer to the General Fund of the City to operating income of $18,104, total net position increased by $4,371 in fiscal year 2019.

The assets and deferred outflows of the Electric Utility exceeded its liabilities and deferred inflows at the close of fiscal years 2020 and 2019 by $348,688 and $336,158 respectively. Of these amounts, $251,927 and $239,776 respectively was unrestricted and may be used to meet the Electric Utility's ongoing obligations to creditors and customers. Unrestricted net position balances represented 124% and 120% of annual operating expenses for fiscal years 2020 and 2019 respectively.

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 Comprehensive Annual 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 30 to 59 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 $348,688 and $336,158 as of June 30, 2020 and 2019, respectively. A portion of the Electric Utility's net position (22% and 27% as of June 30, 2020 and 2019, respectively) 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 (4% and 2% as of June 30, 2020 and 2019, respectively) 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, and SCAQMD emission controls. For fiscal year ended June 30, 2020 and 2019, the net position restricted is $14,375 and $7,034, respectively.

The unrestricted portion of the Utility's net position (72% and 71% as of June 30, 2020 and 2019 respectively) 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, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Current and other assets	$ 344,043	$ 318,987	$ 292,813
Capital assets	227,568	245,437	266,032
Total assets	571,611	564,424	558,845
Deferred outflows of resources	11,835	15,281	20,852
Current liabilities	21,418	26,577	22,053
Long-term liabilities	212,097	215,365	223,261
Total liabilities	233,515	241,942	245,314
Deferred inflows of resources	1,243	1,605	2,596
Net position:			
Net Investment in capital assets	82,386	89,348	104,053
Carbon Emissions	7,912	-	-
Investment-gas/electric commodity	794	1,365	1,500
SCAQMD emission controls	5,669	5,669	5,669
Unrestricted	251,927	239,776	220,565
Total net position	$ 348,688	$ 336,158	$ 331,787

Net position increased by $12,530 (or 4%) and increased by $4,371 (or 1%) during fiscal years 2020 and 2019, respectively. In fiscal year 2020, the increase in net position was primarily the result of the increase in retail sales and the first time participation in California Air and Resource Board auction partially offset by increase in pension expense and liability. A prior period adjustment of $3,199 was made to increase the beginning net position. In fiscal year 2019, the increase in net position was primarily the result of the increase in the fair market value of investments partially offset by increase in the operating expenses due to higher fuel and spot market prices and decrease in retail sales.

Changes in Net Position – Electric Utility

The Electric Utility's changes in net position for the years ended June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Revenues:			
Retail sales	$ 193,550	$ 189,972	$ 201,391
Sale to other utilities	18,459	21,776	17,451
Miscellaneous revenues	12,984	5,944	6,566
Non-operating revenues	12,514	11,504	925
Total revenues	237,507	229,196	226,333
Expenses:			
Production	132,621	126,468	113,279
Transmission and distribution	38,793	39,953	37,521
Customer accounting and sales	7,532	7,308	6,918
Depreciation	23,846	24,845	24,947
Gas depletion	939	1,014	1,171
Amortization	70	-	-
Interest expense	6,022	6,215	6,452
Total expenses	209,823	205,803	190,288
Transfers in	1,000		
Transfers to the City's General Fund	(19,353)	(19,022)	(20,162)
Increase in net position	9,331	4,371	15,883
Net position, beginning of year as restated	339,357	331,787	315,904
Net position, end of year	$ 348,688	$ 336,158	$ 331,787

A prior period adjustment of $3,199 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, the City of 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 on page 58 of this report.

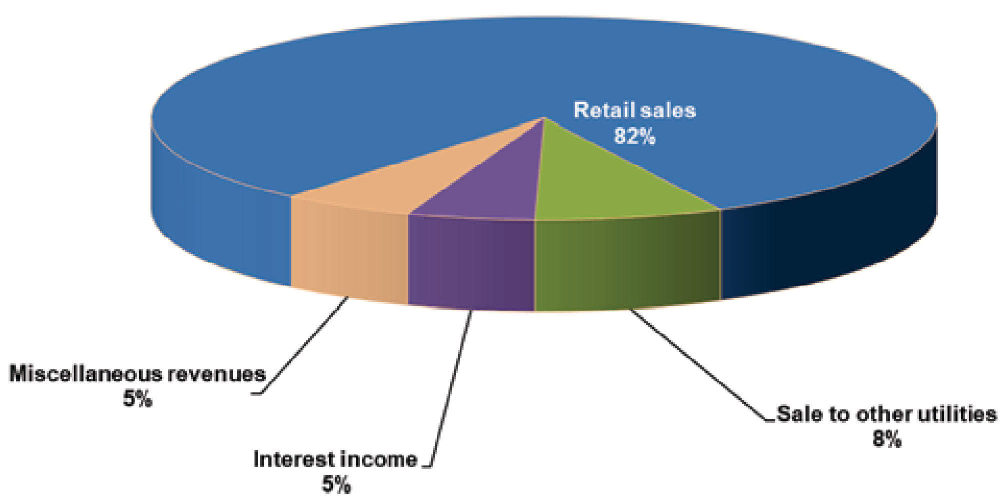
Revenue by Source – Electric Utility

Year ended June 30, 2020

The total revenues increased by 4% from 2019. 2020 retail revenues (residential, commercial, and industrial) continued to be the primary revenue source for the Electric Utility, making up approximately 81% of total revenue. Retail revenues showed an increase of 2% from the prior year were attributable to higher demand due to warmer weather. Sales to other utilities, accounts for the revenues other than the retail revenues, decreased 15% from the prior year.

Non-operating revenues increased 9% from the prior year. The increase was primarily due to an increase in the fair market value of investments.

2020 Revenues

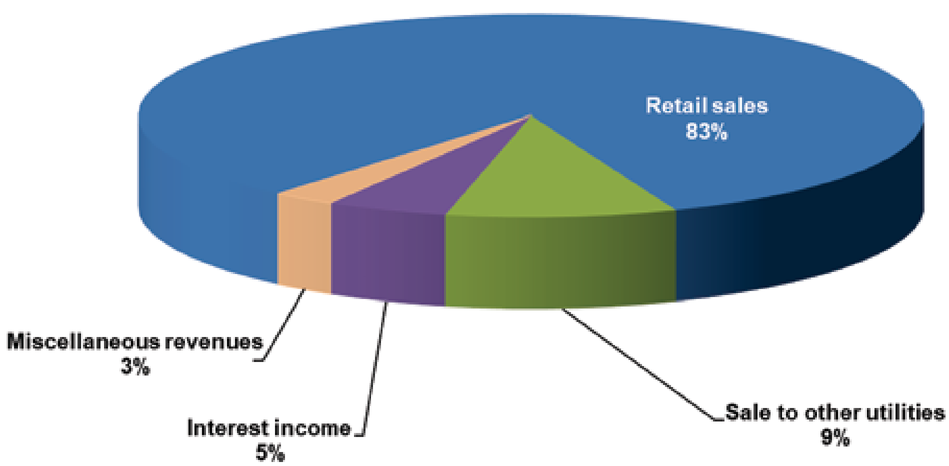


Year ended June 30, 2019

The total revenues increased by 1% from 2018. 2019 retail revenues (residential, commercial, and industrial) continued to be the primary revenue source for the Electric Utility, making up approximately 83% of total revenue. Retail revenues showed a decrease of 6% from the prior year were attributable to lower demand due to cooler weather and conservation. Sales to other utilities, accounts for the revenues other than the retail revenues, increased 25% from the prior year.

Non-operating revenues increased 1,144% from the prior year. The increase was primarily due to an unanticipated GASB 31 interest gain.

2019 Revenues



Expenses by Source – Electric Utility

Year ended June 30, 2020

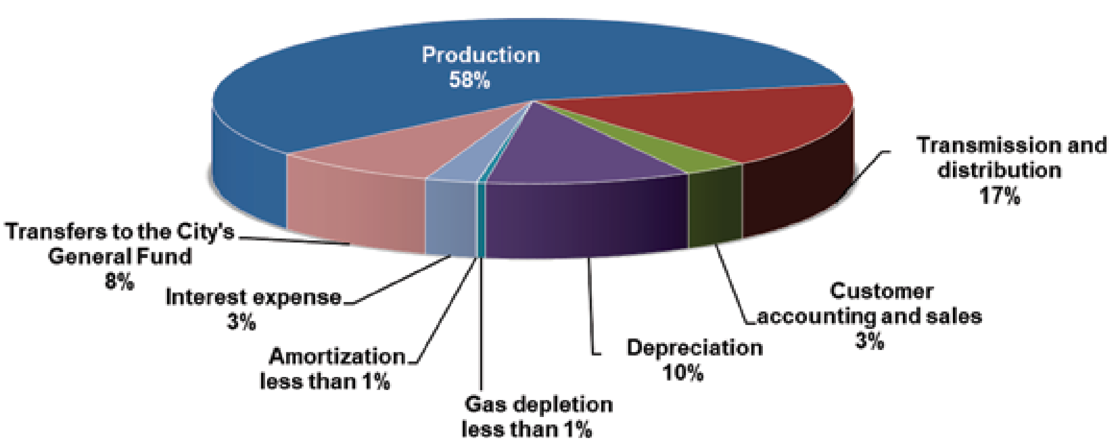
Total expenses for the Electric Utility increased $4,020 (or 2%) from 2019 level. Production expenses increased 5% from 2019 as a result of higher fuel and spot market prices. Transmission and distribution decreased by 3%, partially offset by increase in customer accounting and sales expenses from 2019, as a result of decreased operation and maintenance expenses. Depreciation expense decreased by 4%, primarily as a result of the retirement of capital assets. The depletion of gas decreased 7% from 2019 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 3% from 2019 due 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 2019-20 fiscal year, $19,353, shall be 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 2019-20, and that such reduction from 25% to 10% of operating revenues is necessary to ensure the sound financial position of the Electric Utility.

2020 Expenses and Transfers



Year ended June 30, 2019

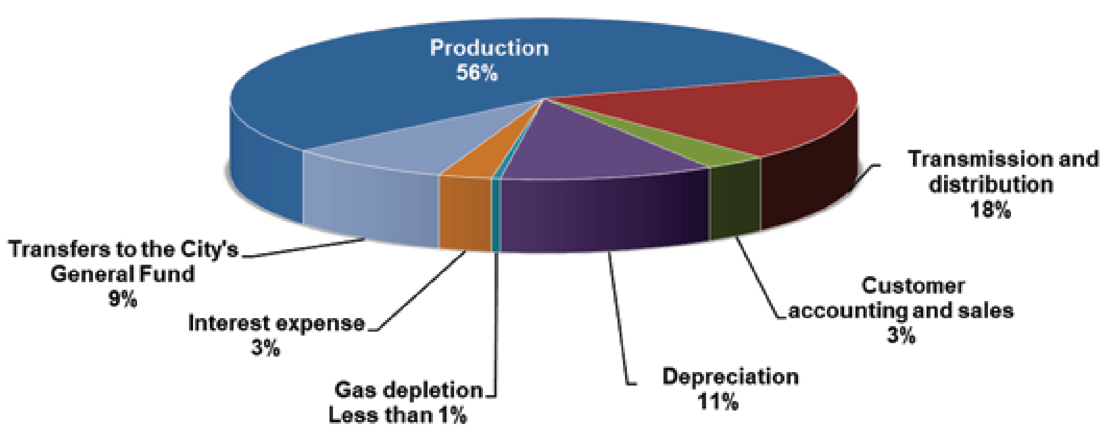
Total expenses for the Electric Utility increased $15,515 (or 8%) from 2018 level. Production expenses increased 12% from 2018 as a result of higher fuel and spot market prices. Transmission and distribution, and customer accounting and sales expenses both increased 6% from 2018 as a result of increased operation and maintenance expenses. Depreciation expense decreased less than 1%, and the depletion of gas decreased 13% from 2018 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 2018 due 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 2018-19 fiscal year, $19,022, shall be 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 2018-19, and that such reduction from 25% to 10% of operating revenues is necessary to ensure the sound financial position of the Electric Utility.

2019 Expenses and Transfers



Capital Assets and Debt Administration

Capital Assets
The Electric Utility's investment in capital assets as of June 30, 2020 and 2019 was $227,568 and $245,437, respectively (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 7% and 8% as of June 30, 2020 and 2019, respectively, due to an increase in accumulated depreciation and depletion.

The Electric Utility's capital assets as of June 30, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Production	$ 109,996	$ 109,123	$ 108,336
Transmission and distribution	445,674	453,693	451,006
Natural Gas Reserve	22,163	22,161	22,150
General	49,118	49,971	51,183
Less: accumulated depreciation and depl	(399,383)	(389,511)	(366,643)
Total	$ 227,568	$ 245,437	$ 266,032

Additional information on the Electric Utility's capital assets can be found in Note 3 on pages 40 to 41 of this report.

Long-Term Debt
As of June 30, 2020, 2019, and 2018, the Electric Utility had outstanding long-term debt of $147,496, $154,087, and $160,424, respectively.

The Electric Utility's long-term debt as of June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Electric Revenue Bonds	$ 134,615	$ 139,820	$ 144,815
Less: current portion	(6,592)	(6,337)	(6,126)
Unamortized bond premium	19,473	20,604	21,735
Total long-term debt	$ 147,496	$ 154,087	$ 160,424

During fiscal year 2020, 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 42 to 45 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), Internal Combustion Engines, distributed solar with battery system for industrial, commercial and residential customers, in conjunction with energy efficiency and demand response programs.

The Electric Utility has subscribed to the Intermountain Power Plant (IPP) Repowering Project, replacing the coal-fired energy with natural gas generation by 2025, with a plan to transition to green hydrogen beginning in 2030. Participation to this project increases the capacity on the Southern Transmission System (STS) line by mid-2027, providing GWP access to abundant renewable resources being developed in Utah and Wyoming.

Currently, contracts and ownership rights are in place to assure compliance with state renewable energy mandates through the end of the current compliance period. GWP entered into long term power sales agreements with SCPPA for a 25MW share of the Eland 1 solar and battery and 15.5 MW of geothermal generation from the Whitegrass and Star Peak Geothermal Projects. GWP continuously seeks opportunities for renewable and clean energy sources in light of the newly-adopted California Senate Bill 100, which requires that 60% of retail loads be served with renewable energy by 2030 and sets a policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by 2045.

GWP is actively developing alternatives for upgrading the Scholl Canyon landfill gas available within the City of Glendale to allow the production of additional renewable energy and will be preparing and circulating a Draft Environmental Impact Report for a proposed Biogas Renewable Generation Project at the Scholl Canyon Landfill.

GWP has in place a Net Energy Metering Program and a Feed-In Tariff for the purchase of energy from local renewable sources within the City, and is preparing for expected increases in local solar capacity, energy storage systems, and other forms of distributed generation. GWP implements an array of successful energy efficiency and demand management programs funded by its Public Benefits Charge Program.

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 over the next 6-8 months. 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 new COSA will also take into account the cost of the revised Grayson Repower Project and impacts COVID-19 current and future electric sales and revenues.

The City is nearing completion of two consolidated cases regarding its 2013 electric rates and transfer from the Electric Fund to the General Fund, which were filed in the Los Angeles Superior Court in 2014 (together, the "2014 Lawsuit"). In July 2018, the Glendale Coalition for a Better Government filed a petition for writ of mandate challenging the City's adopted 2018 electric rates on similar grounds ("2018 Lawsuit"). The 2018 Lawsuit has been dismissed without prejudice and the statute of limitations tolled until there is a final non-appealable judgment in the 2014 Lawsuit. On October 13, 2020, the City received a favorable ruling in the 2014 Lawsuit resulting in a determination that the City will not have to make any refunds of electric rate revenues or general fund transfers. That decision may be appealed. Additional information on the General Fund Litigation can be found in Note 10 under Litigation on pages 56 to 58 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, 2020 (in thousands)
(with comparative amounts for 2019)

	2020	2019
Assets		
Current assets:		
Pooled cash and investments	$ 149,612	$ 138,827
Cash with fiscal agent	2,409	2,251
Investments with fiscal agent	2,398	2,398
Interest receivable	1,440	1,338
Accounts receivable, net	12,879	7,023
Unbilled receivable	15,320	16,133
Due from other agencies	32	31
Inventories	10,018	6,875
Prepaid items and other	11,460	12,977
Total current assets	205,568	187,853
Noncurrent assets:		
Capital assets:		
Land	6,306	6,306
Natural gas reserve	22,163	22,161
Buildings and improvements	71,334	66,306
Machinery and equipment	510,898	512,627
Intangible assets	327	248
Accumulated depreciation	(386,335)	(377,472)
Accumulated natural gas depletion	(12,978)	(12,039)
Amortization	(70)	-
Construction in progress	15,923	27,300
Total capital assets	227,568	245,437
Pooled designated & invested cash	124,100	124,100
Pooled Restricted cash	14,375	7,034
Total noncurrent assets	366,043	376,571
Total assets	571,611	564,424
Deferred outflows of resources:		
Deferred outflows related to pensions	7,736	10,946
Loss on refunding	4,099	4,335
Total deferred outflows of resources	11,835	15,281
Total assets and deferred outflow of resources	583,446	579,705

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, 2020 (in thousands)
(with comparative amounts for 2019)

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable	7,627	12,775
Contracts-retained amount due	-	1
Wages and benefits payable	2,376	2,152
Interest payable	2,800	2,904
Bonds payable, due in one year	6,592	6,337
Deposits	2,023	2,408
Total current liabilities	21,418	26,577
Noncurrent liabilities:		
Bonds payable	147,496	154,087
Net pension liability	64,601	61,278
Total noncurrent liabilities	212,097	215,365
Total liabilities	233,515	241,942
Deferred inflows of resources:		
Deferred inflows related to pensions	1,243	1,605
Net position:		
Net investment in capital assets	82,386	89,348
Restricted for		
Carbon Emissions	7,912	-
Investment-gas/electric commodity	794	1,365
SCAQMD emission controls	5,669	5,669
Unrestricted	251,927	239,776
Total net position	$ 348,688	$ 336,158

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, 2020 (in thousands)
(with comparative amounts for 2019)

	2020	2019
Operating revenues:		
Retail:		
Electric residential sales	$ 78,325	$ 72,591
Electric commercial sales	112,292	114,324
Electric street light sales	2,933	3,057
Sales to other utilities	18,459	21,776
Miscellaneous revenues	12,984	5,944
Total operating revenues	224,993	217,692
Operating expenses:		
Production	132,621	126,468
Transmission & distribution	38,793	39,953
Customer accounting and sales	7,532	7,308
Depreciation	23,846	24,845
Gas depletion	939	1,014
Amortization	70	-
Total operating expenses	203,801	199,588
Operating income	21,192	18,104
Non operating revenues (expenses):		
Interest Income	12,477	11,458
Sales of property	37	14
Grant revenue	-	32
Interest expense	(6,022)	(6,215)
Total non operating revenues (expenses), net	6,492	5,289
Income before transfers	27,684	23,393
Transfer in:	1,000	-
Transfer out:		
Transfer to the General Fund of the City	(19,353)	(19,022)
Change in net position	9,331	4,371
Net position at beginning of year	336,158	331,787
Prior period adjustment	3,199	-
Net position at end of year	$ 348,688	$ 336,158

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, 2020 (in thousands)
(with comparative amounts for 2019)

	2020	2019
Cash flows from operating activities:		
Cash from customers	$ 219,565	$ 220,937
Cash paid to employees	(36,466)	(33,377)
Cash paid to suppliers	(138,980)	(133,868)
Net cash provided by operating activities	44,119	53,692
Cash flows from noncapital financing activities:		
Transfers in/out, net	(18,353)	(19,022)
Operating grant received	-	32
Net cash (used) by noncapital financing activities	(18,353)	(18,990)
Cash flows from capital and related financing activities:		
Acquisition of property, plant, gas and equipment	(7,668)	(5,264)
Interest paid on long-term debt	(7,022)	(7,210)
Principal payments	(5,205)	(4,995)
Proceed from sales of capital assets	37	14
Net cash (used) by capital and related financing activities	(19,858)	(17,455)
Cash flows from investing activities:		
Interest received	12,376	11,152
Net cash provided by investing activities	12,376	11,152
Net increase in cash and cash equivalents	18,284	28,399
Cash and cash equivalents at beginning of year *	272,212	243,813
Cash and cash equivalents at end of year	$ 290,496	$ 272,212

* Beginning cash balance of the Electric Fund was restated due to reclassification of Investment-gas/electric commodity to Restricted cash and investments.

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, 2020 (in thousands)
(with comparative amounts for 2019)

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 21,192	$ 18,104
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,846	24,845
Amortization	70	-
Gas depletion	939	1,014
(Increase) Decrease Accounts receivable net	(5,857)	2,678
Decrease Unbilled Services	813	1,269
Decrease Due from other agencies	-	11
(Increase) Decrease Inventories	(1,647)	80
(Increase) Decrease Prepaid expenses	3,900	(1,507)
(Increase) Decrease Deferred outflows from pension	3,210	5,335
Increase Accrued wages payable	225	143
Increase (Decrease) Accounts payable	(5,148)	5,002
(Decrease) Contracts - retention	(1)	(19)
(Decrease) Deposits	(384)	(713)
Increase (Decrease) Net pension liability	3,323	(1,559)
Increase (Decrease) Deferred inflows from pension	(362)	(991)
Total adjustments	22,927	35,588
Net cash provided by operating activities	$ 44,119	$ 53,692
Reconciliation of Statement of Cash Flows to Statement of Net Position:		
Pooled cash and investments	$ 149,612	$ 137,462
Cash with fiscal agent	2,409	2,251
Pooled designated & invested cash	124,100	124,100
Restricted cash	14,375	7,034
Cash and cash equivalents at June 30	$ 290,496	$ 270,847

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

Notes to Financial Statements

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 Comprehensive Annual Financial Report (CAFR), 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.

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, 2020, 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, 2020 and 2019, $124,100 and $124,100 was designated, respectively.

Capital Assets

The Electric Utility's capital assets include land, building, improvements and equipments 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 $5 or more 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:

Assets	Years
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	6-10
Passenger Cars, Pickup	6
Cargo Vans	7
Dump/Tractor/Trailer Trucks	10

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.

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 Comprehensive Annual Financial 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, 2020 and 2019, the Electric Utility's allowance for doubtful accounts were $46 and $324, respectively.

Unbilled Receivable

The Electric Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2020 and 2019, the Electric Utility's unbilled receivables were $15,320 and $16,133, respectively.

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, 2020 and 2019, prepaids were $11,460 and $12,977, respectively.

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, 2020 and 2019, the Electric Utility's contracts – retained amount due were $0 and $1, respectively.

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, 2020 and 2019, the Electric Utility's deposits were $2,023 and $2,408, respectively.

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 2019 and 2018, ten percent (10%) of Electric Works operating 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, 2020 and 2019, the Electric Utility's transfers to the City were $19,353 and $19,022, respectively.

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, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes 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. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2018.

- GASB Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after December 15, 2019.

- GASB Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.* The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for periods beginning after December 15, 2018.

- GASB Statement No. 91 – *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments-extend by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement is effective for periods beginning after December 15, 2020.

- 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 periods ending after December 31, 2021. The paragraph 13 and 14 is effective for periods beginning after June 15, 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 periods beginning after June 15, 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 periods beginning after June 15, 2022.

- GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objective of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement, except for paragraphs 4 and 5, is effective for periods beginning after June 15, 2021. The paragraph 4 and 5 is effective immediately.

Implementation of Pronouncement

The Electric Utility has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2020:

- GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation

Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately.

- GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objective of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement, except for paragraphs 4 and 5, is effective for periods beginning after June 15, 2021. The paragraph 4 and 5 is effective immediately.

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. This category consists of loss on debt refunding and deferred outflows of resources related to pension for reporting in the statements of net position. As of June 30, 2020 and 2019, the Electric Utility's deferred outflows of resources were $11,835 and $15,281, respectively.

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, and difference between projected and actual earnings on pension plan investments, the Electric Utility reports a deferred inflow of resources until the decrease is recognized in expense. The Electric Utility records deferred inflows of resources related to pension. As of June 30, 2020 and 2019, the Electric Utility's deferred inflows of resources were $1,243 and $1,605, respectively.

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, $287,294 and $268,596 pertains to the Electric Utility for fiscal year 2020 and 2019, respectively. 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:

	2020	2019
Pooled cash and investments	$ 149,612	$ 138,827
Cash and investments with fiscal agent	4,807	4,649
Pooled restricted cash	14,375	7,034
Pooled designated and invested cash	124,100	124,100
Total	$ 292,894	$ 274,610

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 Comprehensive Annual 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 and investment in gas and electric commodity. As of June 30, 2020 and 2019 there is $14,375 and $7,034 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, 2020, the Electric Utility had $4,807 on deposit with fiscal agent as required by the bond documents; the Electric Utility had the following underlying investments:

Cash and investments with fiscal agents	Total	Maturity	Moody's Rating
Guaranteed Investment Contracts	$ 2,398	More than 5 yr	Unrated
Money Market	2,409	Less than 1 yr	Aaa
	$ 4,807		

As of June 30, 2019, the Electric Utility had $4,649 on deposit with fiscal agent as required by the bond documents; the Electric Utility had the following underlying investments:

Cash and investments with fiscal agents	Total	Maturity	Moody's Rating
Guaranteed Investment Contracts	$ 2,398	More than 5 yr	Unrated
Money Market	2,251	Less than 1 yr	Aaa
	$ 4,649		

3. Capital Assets

A summary of the changes in Electric Utility June 30, 2020 Capital Assets is as follows:

	Balance at June 30, 2019	Increases	Decreases	Reclass	Adjustment	Balance at June 30, 2020
Capital assets not being depreciated/depleted:						
Land	$ 6,306	-	-	-	-	6,306
Construction in progress	27,300	4,997	-	(16,374)	-	15,923
Total assets not being depreciated/depleted	33,606	4,997	-	(16,374)	-	22,229
Depreciable capital assets:						
Building and improvements	66,306	-	-	5,028		71,334
Machinery and equipment	512,627	2,576	(13,960)	11,359	(1,704) *	510,898
Total other capital assets at cost	578,933	2,576	(13,960)	16,387	(1,704)	582,232
Depletable capital assets:						
Natural gas reserve	22,161	2	-	-		22,163
Amortizable intangible assets:						
Intangible assets	248	79	-	-		327
Less accumulated depreciation:						
Building and improvements	46,238	1,666	-			47,904
Machinery and equipment	331,234	22,180	(13,960)	13	(1,036) *	338,431
Total accumulated depreciation	377,472	23,846	(13,960)	13	(1,036)	386,335
Less accumulated natural gas depletion:						
Natural gas reserve	12,039	939	-	-		12,978
Less amortization						
Intangible assets	-	70				70
Total assets being depreciated/depleted	211,831	(22,198)	-	16,374	(668)	205,339
Electric Fund capital assets, net	$ 245,437	(17,201)	-	-	(668)	227,568

*Transformers asset adjustment from FY2018-19.

A summary of the changes in Electric Utility June 30, 2019 Capital Assets is as follows:

	Balance at June 30, 2018	Increases	Decreases	Reclass/ Transfers	Balance at June 30, 2019
Land	$ 6,306	-	-	-	6,306
Construction in progress	25,978	3,826	-	(2,504)	27,300
Total assets not being depreciated/depleted	32,284	3,826	-	(2,504)	33,606
Depreciable capital assets:					
Building and improvements	66,187	2	-	117	66,306
Machinery and equipment	512,054	1,177	(2,991)	2,387	512,627
Total other capital assets at cost	578,241	1,179	(2,991)	2,504	578,933
Depletable capital assets:					
Natural gas reserve	22,150	11	-	-	22,161
Amortizable intangible assets:					
Intangible assets	-	248	-	-	248
Less accumulated depreciation:					
Building and improvements	44,450	1,788	-		46,238
Machinery and equipment	311,168	23,057	(2,991)		331,234
Total accumulated depreciation	355,618	24,845	(2,991)	-	377,472
Less accumulated natural gas depletion:					
Natural gas reserve	11,025	1,014	-	-	12,039
Total assets being depreciated	233,748	(24,669)	-	2,504	211,831
Electric Fund capital assets, net	$ 266,032	(20,843)	-	-	245,437

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, 2020 and 2019, the balance for the Natural Gas Reserve Project, net of accumulated natural gas depletion was $9,185 and $10,122, respectively.

4. Long-Term Debt

The Electric Utility's outstanding principal as of June 30, 2020 and 2019 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2020	Outstanding June 30, 2019
Electric Revenue Bonds, 2013 Refunding Series	4.00%-5.00%	20,510	$ 16,690	$ 17,700
Electric Revenue Bonds, 2013 Series	3.00%-5.00%	60,000	53,745	54,980
Electric Revenue Bonds, 2016 Refunding Series	4.00%-5.00%	72,615	64,180	67,140
Total			$ 134,615	$ 139,820

Electric Revenue Bonds, 2013 Refunding Series

The Electric Utility 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 current refunding resulted in the recognition of a deferred loss on refunding of $95 as of June 30, 2020, 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. As of June 30, 2020, the reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $4,807 on parity with other Electric revenue bonds. The 2013 Refunding Bonds mature in regularly increasing amounts ranging from $1,055 to $1,805 annually from FY 2020-21 to FY 2031-32. Outstanding balance at June 30, 2020 was $16,690.

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

Electric Revenue Bonds, 2013 Series

The Electric Utility issued $60,000 in revenue bonds in December 2013 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The terms of the 2013 Electric Revenue Bonds' (2013 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The bonds mature in regularly increasing amounts ranging from

$1,300 to $3,795 annually from FY 2020-21 to FY 2042-43. Outstanding balance at June 30, 2020 was $53,745.

The 2013 Bonds has 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 advance refunding resulted in the recognition of a deferred loss on refunding of $4,004 as of June 30, 2020, and is being amortized through FY 2037-38. The terms of the Electric Revenue Bonds, 2016 Refunding Series' (2016 Refunding Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account. The bonds mature in regularly increasing amounts ranging from $2,700 to $4,715 annually from 2020 to 2038. Outstanding balance at June 30, 2020 was $64,180.

The 2016 Refunding Bonds maturing on or prior to February 1, 2026 are not subject to redemption prior to maturity. The 2016 Refunding Bonds maturing on and after February 1, 2027 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2026, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2016 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

The Electric Utility has outstanding long-term debt of $154,088 and has no direct borrowings and no direct placements as of June 30, 2020. The Electric Utility also has no outstanding or unused line of credit related to long-term debt as of June 30, 2020. 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, 2019	Additions	Retirements	Amount outstanding at June 30, 2020	Due within one year
Electric Revenue Bonds, 2013 Refunding Series	$ 17,700	-	1,010	16,690	1,055
Electric Revenue Bonds, 2013 Series	54,980	-	1,235	53,745	1,300
Electric Revenue Bonds, 2016 Refunding Series	67,140	-	2,960	64,180	3,105
Premium	20,604	-	1,131	19,473	1,132
Total bonds payable	$ 160,424	-	6,336	154,088	6,592

	Amount outstanding at June 30, 2018	Additions	Retirements	Amount outstanding at June 30, 2019	Due within one year
Electric Revenue Bonds, 2013 Refunding Series	$ 18,675	-	975	17,700	1,010
Electric Revenue Bonds, 2013 Series	56,155	-	1,175	54,980	1,235
Electric Revenue Bonds, 2016 Refunding Series	69,985	-	2,845	67,140	2,960
Premium	21,735	-	1,131	20,604	1,132
Total bonds payable	$ 166,550	-	6,126	160,424	6,337

The annual debt service requirements to amortize long-term bonded debt at June 30, 2020 are as follows:

	Electric Revenue Bonds		
Fiscal year	Interest	Principal	Total
2021	$ 6,611	5,460	12,071
2022	6,339	5,710	12,049
2023	6,047	5,995	12,042
2024	5,741	6,300	12,041
2025	5,420	6,600	12,020
2026-2030	21,703	38,185	59,888
2031-2035	12,831	29,975	42,806
2036-2040	5,569	25,540	31,109
2041-2044	877	10,850	11,727
	$ 71,138	134,615	205,753

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, 2020, net income as defined in the indenture, was $56,423 and the debt service requirement was $12,071. For the year ended June 30, 2019, net income as defined in the indenture, was $53,334 and the debt service requirement was $12,205.

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 June 30, 2020, are summarized as follows:

	Miscellaneous		
Hire date	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
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%	1.4% to 2.4%	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, 2020, the Electric Utility contributions to the City's Miscellaneous Plan were $6,207.

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

As of June 30, 2020, the Electric Utility reported a liability of $64,601 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Electric Utility's proportion of the City's Miscellaneous Plan net pension liability at June 30, 2020 was based on the Electric Utility's fiscal year 2019 contributions to the City's Miscellaneous Plan relative to the total City contributions to the Miscellaneous Plan. At June 30, 2019, Electric Utility's proportion was 21% for 2020 and 2019.

For the year ended June 30, 2020, the Electric Utility recognized pension expense of $12,378. At June 30, 2020, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,207	-
Changes of assumptions	-	454
Differences between expected and actual experience	1,529	-
Net differences between projected and actual earnings on plan investments	-	789
Total	$ 7,736	1,243

The amount of $6,207 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, 2021.

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
2021	$ 1,159
2022	(914)
2023	(136)
2024	177
Total	$ 286

Actuarial Assumptions

The Electric Utility's proportion of the City's total pension liability in the June 30, 2018 Miscellaneous Plan actuarial valuation was rolled forward to measure the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 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 December 2017 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 as well as the expected pension fund cash flows. Using historical returns of all the funds' assets classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class *	Target Allocation	Real Return Years 1 - 10 **	Real Return Years 11+ ***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	(0.92)%
Total	100.00%		

* In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

** An expected inflation rate of 2.00% used for this period.

*** An expected inflation rate of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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 7.15%, 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		6.15%
Net Pension Liability	$	97,334
Current Discount Rate		7.15%
Net Pension Liability	$	64,601
1% Increase		8.15%
Net Pension Liability	$	37,268

Pension Plan Fiduciary Net Position

Detailed information about the City's collective net pension liability is available in the City's separately issued Comprehensive Annual Financial Report (CAFR). The City's financial statements may be obtained by contacting the City of Glendale's Finance Department. The report may also be obtained on the internet at www.glendaleca.gov/government/departments/finance/budget/annual-report.

6. 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 2019-20 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self-insured retention)
Excess Liability Insurance	$ 52,000	$2,000 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	400,000	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, 2020, premiums charged for Electric Utility was $1,479.

For additional details on the self-insurance program, please refer to the City of Glendale Comprehensive Annual Financial Report.

7. 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.

Excess capital surcharge revenue restricted to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal years 2020 and 2019 was $5,669 and $5,669, respectively.

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. This is the first year the City has participated in the auction. The proceeds from the CARB auction as of June 30, 2020 is $7,912.

8. "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 51% of its total energy requirements during fiscal year 2019-2020. 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, 2020, Excess Entitlement share is 0.50%. The total Electric Utility's obligation from Intermountain Power Project (IPP) is between 35 and 38 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 5.29%, providing Glendale 35 megawatts of generation and 128 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, 2020, 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, 2020, Electric Utility's share is 2.27% (STS).

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, 2020, 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, 2020, 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, 2020, 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, 2020, 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% (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, 2020, 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 Utility is obligated for approximately 6.8 megawatts or 50.00% of the project's output. As of June 30, 2020, 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, 2020, 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, 2020, 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	2.17%
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%

A summary of the Electric Utility's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2020:

Fiscal Year	IPP	STS	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2021	$ 3,830	1,736	2,049	1,027	2,025	5,066	499	1,131	745	622	18,730
2022	2,337	2,096	300	328	2,411	5,245	934	1,387	1,868	622	17,528
2023	2,296	1,585	300	328	3,897	5,309	934	1,386	1,867	621	18,523
2024	239	1,594	300	328	3,335	5,537	933	1,383	1,866	620	16,135
2025-2029	-	2,914	1,495	1,627	17,095	30,813	5,363	7,208	14,146	3,092	83,753
2030-2034	-	-	595	647	17,913	36,025	3,419	6,139	6,151	1,846	72,735
2035-2039	-	-	-	-	13,964	8,698	1,862	6,118	-	-	30,642
2040-2044	-	-	-	-	-	-	-	2,447	-	-	2,447
Total	$ 8,702	9,925	5,039	4,285	60,640	96,693	13,944	27,199	26,643	7,423	260,493

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 2020 and 2019 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2020	$ 8,385	2,862	1,239	9	350	213	5,013	1,902	-	2,160	-	-	22,133
2019	$ 8,380	2,919	1,058	15	388	111	4,045	3,669	-	1,380	-	-	21,965

9. Power Purchase Agreements

Boulder Canyon Project

The Electric Utility first participated in Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50-year, expired on May 31, 1987. In January 1987, the Electric Utility renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30-year from 1987 to 2017. In September 2016, the Boulder Canyon Project agreement was amended and restated to extend the term through September 30, 2067. The Electric Utility 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.

Ormat Geothermal Project

In June 2005, the Electric Utility entered into a 25-year power sales agreement with SCPPA for the Ormat Geothermal Energy Project for purchase of up to 3 megawatts of the project electric energy. The project began commercial operation in January 2006.

Southwest Wyoming Wind Project

In October 2006, the Electric Utility entered into a 16-year contract with PPM Energy, Inc. for the purchase of 10 megawatts of capacity from wind-powered resources in Wyoming. The City began taking delivery of the energy under WSPP master agreement from July 1, 2006 through September 30, 2006. The 16-year contract term started on October 1, 2006.

Pebble Springs Wind Project

In November 2007, The Electric Utility entered into a 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 Electric Utility entered into a 25-year contract with Skylar Resources L.P. for the procurement of 50 megawatts of firmed renewable solar. At least fifty percent of 50 MW/hour is guaranteed by the seller to qualify as Portfolio Content Category 1 (PCC1) renewable energy on an annual basis.

In November 2015, the transaction was bifurcated into 2 separate renewable energy transactions, one with a term of December 1, 2015 through December 31, 2019 and the other with a term of Jan 1, 2020 through Nov 20, 2040. The 4-year transaction was subsequently novated to Morgan Stanley Capital Group. The City began taking delivery of the energy on December 2015.

In June 2017, the 21-year contract with Skylar was terminated and replaced concurrently with a new power purchase agreement with a higher percentage of renewable and zero-carbon energy. Under the new agreement, Skylar is obligated to deliver at least 55% Portfolio Content Categories 1 (PCC1) renewable and 20% zero-carbon energy.

Whitegrass No. 1 Geothermal Energy Project

In February 2020, City Council approved a purchase power 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 purchase power 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 is expected to begin commercial operation in April 2021.

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 must negotiate for the delivery of the energy with the Los Angeles Department of Water and Power. Glendale has a 12.5% entitlement interest in the total capacity, energy, storage and environmental attribute rights produced by the Facility, or 25 MW of renewable solar energy and 18.75 MW/75 MWh of battery storage capacity. The anticipated commercial operation date is in 2023.

10. Subsequent Events

Litigation

The City is nearing completion of two consolidated cases regarding its 2013 electric rates and transfer from the Electric Fund to the General Fund, which were filed in the Los Angeles Superior Court in 2014 (together, the "2014 Lawsuit"). In July 2018, the Glendale Coalition for a Better Government filed a petition for writ of mandate challenging the City's adopted 2018 electric rates on similar grounds ("2018 Lawsuit"). The 2018 Lawsuit has been dismissed without prejudice and the statute of limitations tolled until there is a final non-appealable judgment in the 2014 Lawsuit. On October 13, 2020, the City received a favorable ruling in the 2014 Lawsuit resulting in a determination that the City will not have to make any refunds of electric rate revenues or general fund transfers. That decision may be appealed.

The 2014 Lawsuit challenged the City's electric rate plan which includes transfers of electric revenue from the Glendale Water & Power Electric Fund to the General Fund (the "GFT"). The City Charter provides that the City may transfer 25% of electric operating revenues to the General Fund. The City has made the GFT under the authority of its City Charter since it was approved in 1921, although not recently for the fully authorized 25%.

The 2013 electric rates were challenged primarily on the grounds they violated Proposition 26, in that they constituted a "tax" because they included the GFT. The trial court concluded that the 2013 electric rates violated Proposition 26 and ordered that the City credit ratepayers for the GFT in the cumulative amount of the transfer beginning with FY 2013-14, plus interest. The trial court ordered that credits for any subsequent years would accrue. The trial court has 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 approves the tax in the rates. The City appealed that 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 rates do not violate Proposition 26 if total projected rate revenue does not exceed all permissible service costs or if non-rate revenue, such as wholesale revenue, rental income or interest, is sufficient to cover the GFT. In the Glendale case, the appellate court reversed the trial court 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" - in the proportion of excess revenues to costs - prior to Propositions 26's adoption in 2010, and it could continue to maintain said "tax" at the same rate going forward. 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 cases to the trial court to make certain factual determinations regarding the amount of the tax, if any.

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 that grandfathered in 2006 and therefore no monetary refunds are warranted. First, the court found the 2006 grandfathered tax implicit in rates was 9.42%, not 10.66%. 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 of 9.42% and therefore the court would not order the credits it had previously.

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. The trial court will likely enter a final judgment in December, at which point petitioners will be able to appeal.

The appellate court and trial court rulings should have a positive impact on the 2018 Lawsuit because the City did not project total retail rate revenue to exceed the cost of service in the 2018 electric rate making, even after deducting the GFT. However, the City must await a final, non-appealable judgment in this case before the City can seek to have the 2018 case dismissed.

Complete assurances cannot be given that the General Fund Transfer will be permitted in the future, or that any amount of the prior GFT will not be subject to rebate. However, the appellate and trial court rulings in the 2014 Lawsuit put the City in a very strong legal position going forward to defend the past and future transfers.

11. Restatement

A prior period adjustment of $3,199 was made to increase the beginning net position of the Electric Utility for 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, the City of 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).

The restatement of beginning net position for the Electric Utility is summarized as follows:

		June 30, 2019 Previously Stated	Restatement	July 1, 2019 Restated
Inventories	$	6,875	1,484	8,359
Prepaid items		12,977	2,383	15,360
Capital assets, net		211,831	(668)	211,163
Net Position - Beginning	$	336,158	3,199	339,357

12. Uncertainty Disclosure

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of an outbreak of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks that are posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The outbreak could have potential impacts to the Electric Utility, including disruptions or restrictions on employees’ ability to work, although all the operations have remained solid so far. Staffs have been working a modified schedule and maintain social distancing requirements in order to maintain service during the pandemic. The Electric Utility cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have an impact on the Electric Utility’s results of future operations and financial position in FY 2020-21.

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

	2020	2019	2018
Electric Utility's proportion of the net pension liability	21%	21%	21%
Electric Utility's proportionate share of the net pension liability	$ 64,601	$ 61,278	$ 62,837
Covered payroll	$ 20,008	$ 19,488	$ 19,032
Electric Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll	321.97%	314.44%	330.16%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	74.01%	74.42%	73.01%

	2017	2016	2015
Electric Utility's proportion of the net pension liability	21%	21%	21%
Electric Utility's proportionate share of the net pension liability	$ 56,051	$ 45,890	$ 41,187
Covered payroll	$ 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	308.36%	238.08%	214.87%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	73.87%	77.94%	79.94%

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

ELECTRIC UTILITY
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Last 10 Years

	2020	2019	2018
Actuarially determined contributions	$ 6,207	$ 5,749	$ 4,877
Contributions in relation to the actuarially determined contril	6,207	5,749	4,877
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 20,790	$ 20,008	$ 19,488
Contributions as a percentage of covered payroll	29.86%	28.73%	25.03%

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

- FY2015 is the first year of implementation of GASB 68; therefore, only six years of data are shown.
- Revised Covered payroll to match CalPERS GASB 68 Accounting Report.