

Memorandum

Date: September 24, 2020

To: Marybel Batjer, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

From: Department of Water Resources

Subject: Memorandum confirming Defeasance of Outstanding Power Supply Revenue Bonds

In this memorandum, the Department of Water Resources (“DWR” or the “Department”) is notifying the California Public Utilities Commission (“CPUC” or the “Commission”) of the defeasance of all outstanding Power Supply Revenue Bonds on September 24, 2020 and confirmation that the covenants, agreements, and other obligations of the Department to the registered owners of the Power Supply Revenue Bonds have been discharged and satisfied pursuant to the Trust Indenture for the Power Supply Revenue Bonds. The Notice of Defeasance from the California Office of the Treasurer is included in this Memorandum.

Outstanding Power Supply Revenue Bonds

The Department previously issued its Power Supply Revenue Bonds, Series 2011N, in the original principal amount of \$959,565,000, its Power Supply Revenue Bonds, Series 2015O, in the original principal amount of \$765,845,000, and its Power Supply Revenue Bonds, Series 2016P, in the original principal amount of \$567,230,000 (together the Series 2011N Bonds, the Series 2015O Bonds and the Series 2016P Bonds are referred to as the “Outstanding Power Supply Revenue Bonds”). As of September 23, 2020, the Outstanding Power Supply Revenue Bonds were outstanding in the amounts of \$220,850,000 (Series 2011N), \$765,845,000 (Series 2015O), and \$502,295,000 (Series 2016P). All other Power Supply Revenue Bonds have previously been retired or defeased.

Defeasance of Outstanding Power Supply Revenue Bonds

The Department’s Outstanding Power Supply Revenue Bonds were issued pursuant to the Trust Indenture, dated as of October 1, 2002 (as amended and supplemented, the “Trust Indenture”), executed by the Department, the Treasurer of the State of California (the “STO” serving as Trustee under the Trust Indenture) and U.S. Bank National Association (as “Co-Trustee” under the Trust Indenture). The Trust Indenture allows for outstanding Power Supply Revenue Bonds to be deemed paid and defeased if the Department irrevocably deposits “Defeasance Securities” (as defined in the Trust Indenture) with the Trustee for deposit into an “Escrow Fund” as long as the principal of and interest earned on these Defeasance Securities, together with other amounts in

the Escrow Fund, are sufficient to pay all payments of principal of and interest on the outstanding Power Supply Revenue Bonds when they become due.

On September 24, 2020, the Department arranged for the aggregate sum of \$1,580,235,170.11 to be deposited to the Escrow Fund established by the Trustee for purposes of defeasing the outstanding Power Supply Revenue Bonds. This aggregate amount was comprised of amounts from certain investment agreement termination payments, accrued interest, outstanding amounts, liquidated securities, and cash equivalents previously held by the Co-Trustee in connection with the Debt Service Reserve Account for the Power Supply Revenue Bonds, along with amounts released from DWR's Bond Charge Payment Account and Bond Charge Collection Account, which were established with respect to the previously issued Power Supply Revenue Bonds.

On September 24, 2020, the STO applied \$1,573,600,917.03 of the amounts in the Escrow Fund to purchase the Defeasance Securities and retained \$930.81 uninvested in cash, as directed in the Escrow Agreement dated as of September 1, 2020 between the Department and the STO. Based upon the report of Robert Thomas CPA (an independent firm of certified public accountants serving as Verification Agent), the moneys deposited in the Escrow Fund, along with the principal of and interest on the purchased Defeasance Securities, will be sufficient to pay the principal of and interest on all defeased Power Supply Revenue Bonds (the "Defeased Bonds") when they become due. The report prepared by Robert Thomas CPA reviewed the mathematical accuracy of the computations relating to the adequacy of the maturing principal amount of, and interest to be earned on, the Defeasance Securities and other amounts in the Escrow Fund, to pay the principal and interest due on the maturity dates of the Defeased Bonds.

Further, pursuant to the Escrow Agreement and in accordance with the Trust Indenture, the Department provided the STO irrevocable instructions to mail a notice of defeasance of the Defeased Bonds.

Additionally, Hawkins Delafield & Wood LLP, serving as Bond Counsel to the Department, delivered a defeasance opinion dated September 24, 2020, to the effect that, based upon specified information and documentation noted in the defeasance opinion, the Defeased Bonds are deemed to have been paid in accordance with the Trust Indenture, and the covenants agreements, and other obligations of the Department to the registered owners of the Defeased Bonds have been discharged and satisfied pursuant to the Trust Indenture.

Finally, following the funding of the Escrow Fund on September 24, 2020, the Department sent a letter to the STO (i) advising the Trustee that all payments due on all Power Supply Revenue Bonds (and any parity obligations) have been paid when due and requesting that the Trustee confirm that all such Power Supply Revenue Bonds and parity obligations are no longer outstanding, (ii) directing the application of whatever excess amounts remain on hand under the Trust Indenture, and (iii) requesting that the Trustee confirm by its execution of the letter that all of the

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covenants, agreements and other obligations of DWR to the owners of Power Supply Revenue Bonds and the holders or issuers of or other parties to all parity obligations are discharged and satisfied and that the Trust Indenture is accordingly terminated in accordance with its terms.

Summary

In this memorandum, the Department is communicating to the CPUC that, as of September 24, 2020, the Power Supply Revenue Bonds have been legally defeased and the covenants, agreements, and other obligations of the Department to the registered owners of the Power Supply Revenue Bonds have been discharged and satisfied pursuant to the Trust Indenture.

If you have any questions or need additional information, please contact Jesse Cason at (916) 557-4620 or jesse.cason@water.ca.gov.



John Pacheco
Executive Advisor

(cc: See attached list.)

cc: Honorable Clifford Rechtschaffen, Commissioner
California Public Utilities Commission
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San Francisco, California 94102

Honorable Martha Guzman Aceves, Commissioner
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Honorable Liane M. Randolph, Commissioner
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OFFICE OF THE TREASURERP. O. BOX 942809
SACRAMENTO, CA 94209-0001**NOTICE OF DEFEASANCE**

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
POWER SUPPLY REVENUE BONDS**

NOTICE IS HEREBY GIVEN that on September 24, 2020, the Department of Water Resources (the "Department") deposited cash and certain investment securities in an irrevocable escrow (the "Escrow Fund") with the Treasurer of the State of California (the "Treasurer"), as Escrow Agent and Trustee, as security for the defeasance of certain State of California Department of Water Resources Power Supply Revenue Bonds (the "Defeased Bonds") as identified below. The maturing principal of and interest on the investment securities together with the cash amount held in the Escrow Fund are designed to be sufficient to provide for the payment of the principal of and interest on the Defeased Bonds when due. The maturities of the Defeased Bonds of a particular series as identified below will be fully defeased. The Defeased Bonds will be paid at their stated maturity dates.

THE DEFEASED BONDS TO BE PAID AT MATURITY:

Series	Dated Date	Maturity Date	Principal Amount	Interest Rate (%)	Redemption Price (%)	CUSIP
2011N	8/31/2011	5/1/2021	\$8,345,000	4.000	100	13066YSH3
2011N	8/31/2011	5/1/2021	\$212,505,000	5.000	100	13066YSN0
2015O	4/29/2015	5/1/2021	\$4,090,000	2.000	100	13066YSQ3
2015O	4/29/2015	5/1/2021	\$840,000	3.000	100	13066YSS9
2015O	4/29/2015	5/1/2021	\$1,510,000	4.000	100	13066YSU4
2015O	4/29/2015	5/1/2021	\$309,570,000	5.000	100	13066YSW0
2015O	4/29/2015	5/1/2022	\$4,580,000	2.000	100	13066YSR1
2015O	4/29/2015	5/1/2022	\$2,300,000	3.000	100	13066YST7
2015O	4/29/2015	5/1/2022	\$7,360,000	4.000	100	13066YSV2
2015O	4/29/2015	5/1/2022	\$435,595,000	5.000	100	13066YSX8
2016P	9/28/2016	5/1/2021	\$186,890,000	1.713	100	13066YTY5
2016P	9/28/2016	5/1/2022	\$315,405,000	2.000	100	13066YTZ2
		Total:	\$1,488,990,000			

CONTINUING DISCLOSURE FILINGS: The Department's obligation to comply with its continuing disclosure undertakings with respect to the Defeased Bonds has terminated and the Department will no longer file annual reports, or reports of certain material events, with respect to the Defeased Bonds.

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STO Public Finance CPO

From: EMMANotifications@msrb.org
Sent: Thursday, September 24, 2020 9:39 AM
To: STO Public Finance CPO
Subject: Confirmation: Continuing Disclosure Submission Successfully Published to EMMA

Your continuing disclosure submission has been published and can be viewed on the MSRB's Electronic Municipal Market Access (EMMA®) website at the following link:

<https://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=P21074174>

SubmissionId: P21074174

Disclosure Type: EVENT FILING

Defeasance: State of California Department of Water Resources Power Supply Revenue Bonds 2011N, 2015O & 2016P dated 09/24/2020

Document Name: Event Filing dated 09/24/2020 dated 09/24/2020

PSRB 2011N, 2015O & 2016P Notice of Defeasance_Fin posted 09/24/2020 12:29:07 PM

The following issuers are associated with this continuing disclosure submission:

CUSIP6	State	Issuer Name
13066Y	CA	CALIFORNIA ST DEPT WTR RES PWR SUPPLY REV

The following 12 Securities have been published with this continuing disclosure submission:

Security: CUSIP - 13066YSH3, Maturity Date - 05/01/2021
Security: CUSIP - 13066YSN0, Maturity Date - 05/01/2021
Security: CUSIP - 13066YSQ3, Maturity Date - 05/01/2021
Security: CUSIP - 13066YSR1, Maturity Date - 05/01/2022
Security: CUSIP - 13066YSS9, Maturity Date - 05/01/2021
Security: CUSIP - 13066YST7, Maturity Date - 05/01/2022
Security: CUSIP - 13066YSU4, Maturity Date - 05/01/2021
Security: CUSIP - 13066YSV2, Maturity Date - 05/01/2022
Security: CUSIP - 13066YSW0, Maturity Date - 05/01/2021
Security: CUSIP - 13066YSX8, Maturity Date - 05/01/2022
Security: CUSIP - 13066YTY5, Maturity Date - 05/01/2021
Security: CUSIP - 13066YTZ2, Maturity Date - 05/01/2022

Please follow the link to make changes to this submission:
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NOTICE OF DEFEASANCE
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
POWER SUPPLY REVENUE BONDS
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THE CUSIP NUMBERS listed in this notice are for convenience of reference only. Neither the Department nor the Treasurer shall be responsible for any error of any nature relating to the selection or the use of the CUSIP numbers, nor is any representation made as to its correctness on the Defeased Bonds or as indicated in this notice.

Please contact the State Treasurer's Office at (800) 900-3873 for any questions regarding this notice.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
BY: FIONA MA
TREASURER OF THE STATE OF CALIFORNIA
AS ESCROW AGENT AND TRUSTEE
DATED: SEPTEMBER 24, 2020**