

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2012A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Series 2012A Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS."

\$9,810,000

CITY OF BURBANK, CALIFORNIA

Burbank Water and Power

Electric Revenue Refunding Bonds, Series of 2012A

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2012A Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The Burbank Water and Power Electric Revenue Refunding Bonds, Series of 2012A (the "Series 2012A Bonds") are being issued by the City of Burbank, California (the "City") pursuant to the Burbank Water and Power Electric Revenue Bond Indenture, dated as of October 1, 1998 (as supplemented and amended, the "Indenture"), between the City and Wells Fargo Bank, National Association, as successor trustee (the "Trustee"). The Series 2012A Bonds are being issued (i) to refund the City's \$17,385,000 outstanding principal amount of Burbank Water and Power Electric Revenue Bonds, Series of 2002 and (ii) to pay the costs of issuance of the Series 2012A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

The Series 2012A Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2012A Bonds. Purchasers of the Series 2012A Bonds will not receive physical certificates representing their interest in the Series 2012A Bonds purchased. Principal of, premium, if any, and interest on, the Series 2012A Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of such principal, premium, if any, and interest, DTC is obligated to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Series 2012A Bonds. See "DESCRIPTION OF THE SERIES 2012A BONDS" and "BOOK-ENTRY ONLY SYSTEM."

The Series 2012A Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof. The Series 2012A Bonds will be dated the date of delivery and will bear interest at the rates set forth on the inside cover hereof. Interest on the Series 2012A Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2012.

The Series 2012A Bonds are not subject to redemption prior to maturity.

The Series 2012A Bonds are payable solely from and secured by a pledge of the Electric Net Revenues of the City's Electric System and certain other funds pledged therefor under the Indenture. Electric Net Revenues generally consist of Electric Revenues remaining after the payment of Electric Operating Expenses. The Series 2012A Bonds are being issued on a parity with the City's \$88,490,000 aggregate principal amount of electric revenue Bonds to remain Outstanding upon the issuance of the Series 2012A Bonds and any additional electric revenue Bonds and Parity Debt hereafter issued or incurred by the City pursuant to the terms of the Indenture, as more fully described herein.

The 2012 Bonds are special, limited obligations of the City. The Series 2012A Bonds shall not be deemed to constitute a debt or liability of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State of California or of any political subdivision thereof, but shall be payable, except to the extent of certain amounts held under the Indenture pledged therefor, solely from Electric Net Revenues. Neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2012A Bonds. The issuance of the Series 2012A Bonds shall not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

**Maturity Schedule
(see inside cover)**

The Series 2012A Bonds are offered when, as and if issued and received by the Underwriter, and subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed on for the City by the City Attorney and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Public Financial Management, Inc., Los Angeles, California is serving as Financial Advisor to the City in connection with the issuance of the Series 2012A Bonds. It is expected that the Series 2012A Bonds will be available for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST) on or about May 22, 2012.

Morgan Stanley

Maturity Schedule

\$9,810,000 Series 2012A Bonds

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> [†]
2013	\$ 970,000	2.00%	0.38%	12082TBD3
2014	855,000	3.00	0.58	12082TBE1
2015	880,000	3.00	0.79	12082TBF8
2016	910,000	4.00	1.07	12082TBG6
2017	945,000	3.00	1.29	12082TBH4
2018	975,000	3.00	1.55	12082TBJ0
2019	1,000,000	4.00	1.77	12082TBK7
2020	375,000	4.00	2.00	12082TBL5
2020	665,000	5.00	2.00	12082TBP6
2021	1,090,000	5.00	2.28	12082TBM3
2022	1,145,000	5.00	2.44	12082TBN1

[†] CUSIP is a registered trademark of The American Bankers Association. The CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2012A Bonds. Neither the City nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

City of Burbank, California

CITY COUNCIL

Jess Talamantes, Mayor
David Golonski, Vice Mayor
Gary Bric, Councilmember
Emily Gabel-Luddy, Councilmember
Dr. David Gordon, Councilmember

CITY STAFF

Michael Flad, City Manager
Joy Forbes, Deputy City Manager
Justin Hess, Deputy City Manager
Margarita Campos, City Clerk
Amy Albano, City Attorney
Donna Anderson, City Treasurer
Cindy Giraldo, Financial Services Director

BURBANK WATER AND POWER STAFF

Ronald E. Davis, General Manager, Burbank Water and Power
Bob Liu, Chief Financial Officer, Burbank Water and Power
Fred Fletcher, Assistant General Manager/Power Supply
Jorge C. Somoano, Assistant General Manager/Electrical Distribution
Xavier G. Baldwin, Assistant General Manager/Special Projects

FINANCIAL ADVISOR

Public Financial Management, Inc.
Los Angeles, California

BOND COUNSEL

Fulbright & Jaworski L.L.P.
Los Angeles, California

TRUSTEE

Wells Fargo Bank, National Association
Los Angeles, California

VERIFICATION AGENT

The Arbitrage Group, Inc.
Houston, Texas

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2012A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the City and other sources that are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the City's Electric System since the date hereof.

The Underwriter has provided the following two paragraphs for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2012A BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as specifically set forth herein, the City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2012A Bonds.

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OFFICIAL STATEMENT

Relating to

\$9,810,000

City of Burbank, California

Burbank Water and Power

Electric Revenue Refunding Bonds, Series of 2012A

INTRODUCTION

This Introduction is not a summary of this Official Statement, and is qualified by more complete and detailed information contained in the entire Official Statement. A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of Series 2012A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Introduction shall have the meanings given such terms elsewhere in this Official Statement. Certain definitions of capitalized terms used and not otherwise defined in this Official Statement are set forth in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Purpose; Authority for Issuance

This Official Statement, including the appendices hereto, is provided to furnish information in connection with the issuance and sale by the City of Burbank, California (the “City”) of \$9,810,000 Burbank Water and Power Electric Revenue Refunding Bonds, Series of 2012A (the “Series 2012A Bonds”). The Series 2012A Bonds are authorized and issued pursuant to Article 12 of Chapter 4 of Title 2 (formerly Article 12 of Chapter 14) of the Burbank Municipal Code, as amended, and a resolution adopted by the City Council of the City on April 17, 2012. The Series 2012A Bonds are also issued pursuant to the Burbank Water and Power Electric Revenue Bond Indenture, dated as of October 1, 1998 (the “Original Indenture”), as supplemented and amended, including as supplemented and amended by the Sixth Supplemental Burbank Water and Power Electric Revenue Bond Indenture, dated as of May 1, 2012 (the “Sixth Supplemental Indenture”), by and between the City and Wells Fargo Bank, National Association, as successor trustee (the “Trustee”). The Original Indenture, as previously amended and supplemented, and as amended and supplemented by the Sixth Supplemental Indenture, is referred to herein as the “Indenture.”

The Series 2012A Bonds are being issued (i) to refund the City’s \$17,385,000 outstanding principal amount of Electric Revenue Bonds, Series of 2002 (the “2002 Refunded Bonds”) and (ii) to pay the costs of issuance of the Series 2012A Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.”

The City

The City is located in the greater metropolitan Los Angeles area approximately 12 miles northeast of the Los Angeles Civic Center complex. The City was incorporated as a general law city in 1911 and adopted its City Charter in 1927. The City’s population as of January 1, 2011 was 104,304 according to the California Department of Finance. The City provides its residents with electric, water and sewer services and operates its own police and fire departments. See “APPENDIX A – THE CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION.”

Burbank Water and Power and the Enterprise

The City's Public Service Department was established in 1913 under the laws of the State, to supervise the generation, purchase, distribution and sale of electricity and the purchase, distribution and sale of water. In 2000, the name of the Public Service Department was changed to Burbank Water and Power ("BWP"). BWP provides service to all electric and water customers within the City. The City owns and operates an integrated electric system which includes generation, transmission and distribution facilities (the "Electric System") and a water transmission and distribution system (the "Water System" and, together with the Electric System, the "Enterprise"). See "BURBANK WATER AND POWER."

The Electric System provides service to all electric consumers within the limits of the City, which encompasses 17.1 square miles. The City's electric requirements are provided by a variety of sources. For the fiscal year ended June 30, 2011, the average number of retail customers of the Electric System was approximately 52,011, and the total megawatt hours ("MWhs") of energy sold to customers throughout the City were approximately 1,118,700. See "THE ELECTRIC SYSTEM – Power Supply."

Security and Sources of Payment for the Series 2012A Bonds

The Series 2012A Bonds are payable from and secured by Electric Net Revenues of the City's Electric System and by certain other funds pledged therefor under the Indenture. Electric Net Revenues generally consist of Electric Revenues remaining after the payment of Electric Operating Expenses.

The Water System bonds and parity debt of the Water System issued or incurred by the City are payable from and secured by the revenues relating to the Water System portion of the Enterprise and by certain other funds pledged therefor under the 1998 indenture of trust relating to the Water System. Water System revenues and amounts pledged under the 1998 indenture of trust relating to the Water System are not security for the Bonds.

Upon the issuance of the Series 2012A Bonds and the refunding of the 2002 Refunded Bonds, the City will have Outstanding, in addition to the Series 2012A Bonds, \$88,490,000 aggregate principal amount of electric revenue bonds payable from and secured by a pledge of Electric Net Revenues on a parity with the Series 2012A Bonds, consisting of: (i) \$35,825,000 principal amount of Burbank Water and Power Electric Revenue/Refunding Bonds, Series of 2010A (the "Series 2010A Bonds") and (ii) \$52,665,000 principal amount of Burbank Water and Power Electric Revenue Bonds, Series of 2010B (Taxable Build America Bonds) (the "Series 2010B Bonds"). See "APPENDIX F – ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS."

The City may hereafter issue or incur additional electric revenue bonds and Parity Debt payable from Electric Net Revenues on a parity with the Series 2010A Bonds, the Series 2010B Bonds and the Series 2012A Bonds, subject to the terms of the Indenture.

The Series 2012A Bonds, the Series 2010B Bonds and the Series 2010A Bonds, together with all additional electric revenue bonds hereafter issued under the Indenture on a parity with therewith, are collectively referred to herein as the "Bonds."

The Series 2012A Bonds are special, limited obligations of the City. The Series 2012A Bonds shall not be deemed to constitute a debt or liability of the City, the State of California (the "State") or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State or of any political subdivision thereof, but shall be payable, except to the extent of certain amounts held under the Indenture pledged therefor, solely from Electric Net Revenues. Neither the faith and credit nor the taxing

power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2012A Bonds. The issuance of the Series 2012A Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

In connection with the issuance by the City on March 31, 2010 of its Series 2010A Bonds, the City executed and delivered the Fourth Supplemental Indenture, dated as of March 1, 2010 (the "Fourth Supplemental Indenture"), by and between the City and the Trustee. The Fourth Supplemental Indenture included a number of amendments to the Indenture which will become effective upon the date of issuance of the Series 2012A Bonds as a result of all of the City's electric revenue bonds issued previous to the Series 2010A Bonds, including the 2002 Refunded Bonds, being paid or discharged in accordance with their terms as of such date and no longer Outstanding for purposes of the Indenture. Such date of issuance of the Series 2012A Bonds and date of effectiveness of such amendments to the Indenture is hereinafter sometimes referred to as the "Transition Date." The terms of the Indenture as described in this Official Statement reflect such terms as to be effective on such Transition Date (*i.e.*, the date of issuance of the Series 2012A Bonds).

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS."

Joint Powers Agency Contracts

In addition to its own generation facilities, the City has entered into a number of power purchase contracts and transmission service contracts with two joint powers agencies. The City's obligations to make payments with respect to certain of these contracts are unconditional "take-or-pay" obligations, obligating the City to make such payments as operating expenses of the Electric System whether or not the related projects are operating or operable, or the output thereof is suspended, interfered with, reduced, curtailed or terminated in whole or in part. Since such obligations are payable as operating expenses of the Electric System, the obligations are payable prior to any of the payments required to be made on the Bonds and any Parity Debt of the Electric System. In addition, certain of the contracts contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant. See "THE ELECTRIC SYSTEM – Non-Burbank Owned Resources."

Rate Covenant

The City covenants, pursuant to the Indenture, that it shall prescribe, revise and collect such charges for the services, facilities and electricity furnished by the Electric System which, after making allowances for contingencies and error in the estimates, shall provide Electric Net Revenues at least sufficient to pay the following amounts in the order set forth:

- (1) The interest on, and principal and Redemption Price of, the outstanding Bonds and any Parity Debt of the Electric System as the same shall become due and payable;
- (2) All payments required for compliance with the Indenture, including payments required to be made into any bond reserve fund for the Bonds; and
- (3) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Electric Net Revenues;

and the charges shall be fixed so that in each fiscal year (i) the Electric Net Revenues shall be at least equal to 1.00 times the amount required to pay the items specified in clauses (1), (2) and (3) above, and

(ii) the Adjusted Electric Net Revenues shall be at least equal to 1.20 times the amount of Annual Debt Service for such fiscal year. “Adjusted Electric Net Revenues” means the Electric Net Revenues plus, for purposes of determining compliance with the rate covenant only, other lawfully available funds of the City budgeted by the City for the payment of Electric Operating Expenses or Debt Service on the Bonds and/or any Parity Debt of the Electric System. Moneys on deposit in any unrestricted funds are not pledged for the benefit of the owners of the Bonds during such fiscal year. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS – Rate Covenant” (which section includes definitions of certain other terms used in this subsection).

Electric rates are established by the City Council and are not subject to regulation by the California Public Utilities Commission (the “CPUC”) or any other state agency.

Reserve Fund

The Series 2012A Bonds will be secured by amounts on deposit in the Parity Reserve Fund established under the Indenture and held by the Trustee. Pursuant to the Indenture, the Series 2010A Bonds and the Series 2010B Bonds were also secured by the Parity Reserve Fund and all future Series of Bonds other than Bonds authorized by a Supplemental Indenture that provides that such Bonds are not “Participating Bonds” will be secured by the Parity Reserve Fund. After giving effect to the refunding of the 2002 Refunded Bonds and the issuance of the Series 2012A Bonds, the balance on deposit in the Parity Reserve Fund will be equal to the Reserve Fund Requirement (\$3,801,149.96). From and after the date of issuance of the Series 2012A Bonds (which date constitutes the Transition Date for purposes of the Indenture amendments to take effect on such date as described herein), the Reserve Fund Requirement means, as of any date of calculation, (i) with respect to the Parity Reserve Fund, an amount equal to one-half of the greatest amount of principal and interest becoming due and payable on all Outstanding Participating Bonds in the then current or any future fiscal year, net of any expected Federal Subsidy (as hereinafter defined), and (ii) with respect to any Series Reserve Fund for a Series of Future Bonds that do not constitute Participating Bonds, the reserve fund requirement (which reserve fund requirement may be zero (\$0)), specified for such Series of Future Bonds in a Supplemental Indenture setting forth the terms of such Future Bonds, all as computed and determined by the City and specified in writing to the Trustee. “Future Bonds” means all Bonds issued after the Transition Date. “Participating Bonds” means all Bonds Outstanding as of the Transition Date and all Future Bonds other than Future Bonds which are designated by the City as Bonds that will not constitute Participating Bonds under the Indenture (including as amended by the Fourth Supplemental Indenture). Amounts on deposit in the Parity Reserve Fund will be applied to the payment of principal of and interest on Participating Bonds in the event of a deficiency in the Debt Service Fund for such payment. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS – Reserve Fund” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Parity Reserve Fund and Series Reserve Funds.”

Continuing Disclosure

The City will covenant in the Continuing Disclosure Agreement for the benefit of the Owners and beneficial owners of the Series 2012A Bonds to provide certain financial information and operating data relating to the Electric System and to provide notices of the occurrence of certain specified events. See “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Summaries and References to Documents

Brief descriptions or summaries of the Series 2012A Bonds, the security and sources of payment therefor, the Enterprise (including the Electric System), the Indenture and certain other documents are

included in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Series 2012A Bonds, the Bonds, the Indenture, the Continuing Disclosure Agreement and any other documents are qualified in their entirety by reference to the terms of such bonds or such documents, copies of which are available for inspection at the office of the City Clerk located at 275 East Olive Avenue, Burbank, California 91502, telephone: (818) 238-5851. All references to contracts, indentures and other agreements are qualified in their entirety by reference to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and possible exercise of judicial discretion in exercising such rights. Financial and statistical information set forth herein, except for the audited financial statements included in APPENDIX B, is unaudited. The source of all such information is from the City unless otherwise stated. Terms not defined herein have the meanings as set forth in the respective documents.

PLAN OF REFUNDING

On June 1, 2012, a portion of the proceeds of the Series 2012A Bonds, together with certain other moneys, will be applied (i) to pay at maturity the principal of and interest due on the \$1,245,000 principal amount of the 2002 Refunded Bonds maturing on such date and (ii) to redeem on such date, the \$16,140,000 principal amount of the 2002 Refunded Bonds maturing on and after June 1, 2013, at a redemption price of 100% of the principal amount thereof plus accrued interest thereon.

Pursuant to the terms of the Indenture, the refunding of the 2002 Refunded Bonds will be effected by depositing a portion of the proceeds of the Series 2012A Bonds, together with certain other moneys, into the escrow fund (the "Escrow Fund") created and established pursuant to the Escrow Agreement (2002 Refunded Bonds), dated as of May 1, 2012 (the "Escrow Agreement"), by and between the City and Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"). The proceeds deposited in the Escrow Fund will be used to purchase United States Treasury notes, bonds, bills, certificates of indebtedness, or other direct obligations the United States of America or obligations which are unconditionally guaranteed by the United States of America (the "Defeasance Securities") or will be held as cash. The Defeasance Securities, if any, will bear interest at such rates and will mature at such times and in such amounts so that, when paid in accordance with their terms, they will provide sufficient moneys, together with any amounts held in cash in the Escrow Fund, to pay the principal of and interest on the 2002 Refunded Bonds maturing on June 1, 2012 on such date and to pay the redemption price (including accrued interest) of the 2002 Refunded Bonds maturing on and after June 1, 2013 on the June 1, 2012 redemption date therefor. The Escrow Fund will be held by the Escrow Agent in irrevocable trust and will be used solely for the payment of the principal or redemption price of and interest on the 2002 Refunded Bonds, subject only to the transfer to the City of any amount not required for such purpose.

Pursuant to the Indenture, upon the deposit of the Defeasance Securities with the Escrow Agent and the giving (or provision for giving) of certain notices required under the Indenture, all liability of the City in respect of the 2002 Refunded Bonds will cease, terminate and be completely discharged (other than for the payment of such 2002 Refunded Bonds from amounts in the Escrow Fund), and the 2002 Refunded Bonds will no longer be considered Outstanding under the Indenture.

The accuracy of the mathematical computations of the adequacy of the principal and interest on the Defeasance Securities, if any, together with amounts held as cash in the Escrow Fund, to provide for the payment on June 1, 2012 of the principal or redemption price of and interest on the 2002 Refunded Bonds will be verified at the time of delivery of the Series 2012A Bonds by a firm of independent arbitrage consultants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2012A Bonds are shown below:

Sources:	
Principal Amount	\$ 9,810,000
Original Issue Premium	1,228,928
Debt Service Fund Release	1,670,499
Parity Reserve Fund Release ⁽¹⁾	5,422,851
Total Sources	<u>\$18,132,278</u>
Uses:	
Deposit to Escrow Fund	\$17,810,509
Deposit to Series 2012A Costs of Issuance Fund ⁽²⁾	321,769
Total Uses	<u>\$18,132,278</u>

⁽¹⁾ The amount remaining on deposit or credited to the Parity Reserve Fund, including the subaccounts for the Series 2012A Bonds, the Series 2010A Bonds and the Series 2010B Bonds therein, will equal the Reserve Fund Requirement upon the issuance of the Series 2012A Bonds (*i.e.*, \$3,801,149.96). Amounts released include termination payment payable to the City in connection with the termination of a guaranteed investment contract.

⁽²⁾ Includes underwriter's discount, legal fees (including bond counsel and underwriter's counsel fees), financial advisory fees, Trustee's fees, verification agent fees, printing costs, rating agency fees and other costs incurred or to be incurred in connection with the issuance of the Series 2012A Bonds.

DESCRIPTION OF THE SERIES 2012A BONDS

General

The Series 2012A Bonds will be dated their date of delivery, and will bear interest from their date at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the Series 2012A Bonds will be payable on December 1, 2012 and semiannually thereafter on June 1 and December 1 of each year, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Series 2012A Bonds will mature on June 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Ownership interests in the Series 2012A Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof.

The Series 2012A Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2012A Bonds. Purchasers of the Series 2012A Bonds will not receive physical certificates representing their interest in the Series 2012A Bonds purchased. Principal of, premium, if any, and interest on, the Series 2012A Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of such principal, premium, if any, and interest, DTC is obligated to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Series 2012A Bonds. See "BOOK-ENTRY ONLY SYSTEM."

No Redemption

The Series 2012A Bonds are not subject to redemption prior to maturity.

BOOK-ENTRY ONLY SYSTEM

General

DTC will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012A Bond will be issued in the aggregate principal amount of each maturity of the Series 2012A Bonds, and will be deposited with DTC.

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

Purchases of the Series 2012A Bonds under the DTC book-entry system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series

2012A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Bonds, such as redemptions (if applicable), defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee, as bond registrar, and request that copies of notices be provided directly to them.

Redemption notices (if applicable) shall be sent to DTC. If less than all of the Series 2012A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price (if applicable) and interest payments on the Series 2012A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price (if applicable) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012A Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive Series 2012A Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive Series 2012A Bonds will be printed and delivered.

The foregoing description concerning DTC and DTC's book-entry system is based solely on information furnished by DTC. No representation is made herein by the City or the Underwriter as to the

accuracy or completeness of such information, and the City and the Underwriter take no responsibility for the accuracy or completeness thereof.

Discontinuation of the Book-Entry System

If DTC determines not to continue to act as securities depository by giving notice to the City and the Trustee, and discharges its responsibilities with respect thereto under applicable law and there is not a successor securities depository, or the City determines that it is in the best interest of the Beneficial Owners of the Series 2012A Bonds that they be able to obtain certificates, the Trustee will execute, transfer and exchange Series 2012A Bonds as requested by DTC and will deliver new Series 2012A Bonds in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof in the names of Beneficial Owners or DTC Participants.

In the event the book-entry system is discontinued, the principal amount of and premium, if any, payable with respect to the Series 2012A Bonds will be payable upon presentation thereof at the principal corporate trust office of the Trustee. The interest on Series 2012A Bonds will be payable by check mailed by first-class mail on each interest payment date to the respective Owners thereof at their addresses as they appear on the registration books maintained by the Trustee as of the close of business on the fifteenth day of the calendar month immediately preceding such interest payment date (the “record date”); provided, that upon the written request of the registered Owner thereof of \$1,000,000 or more in aggregate principal amount of the Series 2012A Bonds received by the Trustee prior to the applicable record date (which such request shall remain in effect until rescinded in writing by such Owner), interest will be paid by wire transfer in immediately available funds.

Any Series 2012A Bond may, in accordance with its terms, be transferred, upon the register required to be kept by the Trustee pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2012A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Series 2012A Bonds may be exchanged at the applicable corporate trust office of the Trustee for a like aggregate principal amount of Series 2012A Bonds of other authorized denominations of the same tenor, maturity and interest rate by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2012A Bond for cancellation; provided that no transfer or exchange may occur during the period established by the Trustee for selection of Series 2012A Bonds for redemption (if applicable), or of any Series 2012A Bond or portion of a Series 2012A Bond so selected for redemption (if applicable). The Trustee shall require the Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

The following discussion describes the security and sources of payment of the Series 2012A Bonds. In connection with the issuance by the City on March 31, 2010 of its Series 2010A Bonds, the City executed and delivered the Fourth Supplemental Indenture, by and between the City and the Trustee. The Fourth Supplemental Indenture included a number of amendments to the Indenture which will become effective upon the date of issuance of the Series 2012A Bonds as a result of all of the City’s electric revenue bonds issued previous to the Series 2010A Bonds, including the 2002 Refunded Bonds, being paid or discharged in accordance with their terms as of such date and no longer Outstanding for purposes of the Indenture. Such date of issuance of the Series 2012A Bonds and date of effectiveness of such amendments to the Indenture is hereinafter sometimes referred to as the “Transition Date.” The terms of the Indenture as described in this Official Statement reflect such terms as to be effective on such Transition Date (i.e., the date of issuance of the Series 2012A Bonds). For a further summary of the

terms of the Indenture, see “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Pledge of Electric Net Revenues

Pursuant to the Indenture, the City has irrevocably pledged to the payment of the principal or redemption price of and interest on the Bonds, including the Series 2012A Bonds, and all Parity Debt, all Electric Net Revenues and all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. “Parity Debt” of the Electric System means any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or interest rate swap agreement having an equal lien and charge upon the Electric Net Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). “Electric Net Revenues” means the amount of Electric Revenues of the Electric System remaining after the payment therefrom of the Electric Operating Expenses.

“Electric Revenues” means all revenues (as defined in Section 54315 of the Government Code, which include all charges received for and all other income and receipts derived by Burbank Water and Power from the operation of the Electric System or arising from the Electric System) received by Burbank Water and Power from the services, facilities, energy and distribution of electric energy by Burbank Water and Power, including income from investments, but excepting therefrom (a) all reimbursement charges and deposits to secure service, (b) any charges collected by any person to amortize, or otherwise relating to the payment of, the uneconomic portion of costs associated with assets and obligations (“stranded costs”) of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds or any Parity Debt then outstanding, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such “stranded costs” of the City or of any such joint powers agency to the extent such “stranded costs” are attributable to, or the responsibility of, the City, and (c) any Federal Subsidy (as hereinafter defined), if elected by the City; provided, that such subsidy is not excluded from the definition of Debt Service under the Indenture. See “– Rate Covenant” below.

“Electric Operating Expenses” means the amount required to pay the expenses of management, repair and other costs necessary to operate, maintain and preserve the Electric System in good repair and working order, including but not limited to, the cost of supply and transmission of electric energy under long-term contracts or otherwise and the expenses of conducting the Electric System, but excluding depreciation. “Electric Operating Expenses” shall include all amounts required to be paid by the City under contract with a joint powers agency for purchase of capacity, energy, transmission capability or any other commodities or services in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Electric Operating Expenses.

The Bonds (including the Series 2012A Bonds) are not payable from or secured by the revenues of the Water System.

Series 2012A Bonds are Limited Obligations

The Bonds (including the Series 2012A Bonds) are special, limited obligations of the City. The Series 2012A Bonds shall not be deemed to constitute a debt or liability of the City, the State or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State or of any political subdivision thereof, but shall be payable, except to the extent of certain amounts held under the Indenture pledged therefor,

solely from Electric Net Revenues. Neither the faith and credit nor the taxing power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2012A Bonds. The issuance of the Series 2012A Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Joint Powers Agency Contracts

In addition to its own generation facilities, the City has entered into a number of power purchase contracts and transmission service contracts with two joint powers agencies. The City's obligations to make payments with respect to certain of these contracts are unconditional "take-or-pay" obligations, obligating the City to make such payments as operating expenses of the Electric System whether or not the related projects are operating or operable, or the output thereof is suspended, interfered with, reduced, curtailed or terminated in whole or in part. Since such obligations are payable as operating expenses of the Electric System, the obligations are payable prior to any of the payments required to be made on the Bonds and any Parity Debt of the Electric System. In addition, certain of the contracts contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant. See "THE ELECTRIC SYSTEM – Non-Burbank Owned Resources." See also "THE ELECTRIC SYSTEM – Joint Powers Agency Contracts."

Rate Covenant

The City covenants, pursuant to the Indenture, that it shall prescribe, revise and collect such charges for the services, facilities and electricity furnished by the Electric System which, after making allowances for contingencies and error in the estimates, shall provide Electric Net Revenues at least sufficient to pay the following amounts in the order set forth:

- (1) The interest on, and principal and Redemption Price of, the outstanding Bonds and any Parity Debt of the Electric System as the same shall become due and payable;
- (2) All payments required for compliance with the Indenture, including payments required to be made into any bond reserve fund for the Bonds; and
- (3) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Electric Net Revenues;

and the charges shall be fixed so that in each fiscal year (i) the Electric Net Revenues shall be at least equal to 1.00 times the amount required to pay the items specified in clauses (1), (2) and (3) above, and (ii) the Adjusted Electric Net Revenues shall be at least equal to 1.20 times the amount of Annual Debt Service for such fiscal year. Moneys on deposit in any unrestricted funds are not pledged for the benefit of the owners of the Bonds. "Adjusted Electric Net Revenues" means the Electric Net Revenues plus, for purposes of determining compliance with the rate covenant only, other lawfully available funds of the City budgeted by the City for the payment of Electric Operating Expenses or Debt Service on the Bonds and/or any Parity Debt of the Electric System during such fiscal year. Pursuant to the Indenture, for purposes of calculating Annual Debt Service on the Bonds in determining compliance with the rate covenant, if interest on any Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code, or any future similar program (a "Federal Subsidy"), then interest payments with respect to such Bonds or Parity Debt may be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America at the election of the City. The City's outstanding Series 2010B Bonds have been designated

“build America bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 for which the City expects to receive a Federal Subsidy equal to 35% of the interest payable on such Series 2010B Bonds. For purposes of calculating Annual Debt Service on the Bonds in determining compliance with the rate covenant, from and after the Transition Date (*i.e.*, the date of issuance of the Series 2012A Bonds), the City will elect to reduce the interest payments coming due on such Series 2010B Bonds by the amount of the Federal Subsidy anticipated to be received in connection with such Series 2010B Bonds. As a result of such election, the Federal Subsidy will not thereafter be included in Electric Revenues pursuant to the Indenture. See “THE ELECTRIC SYSTEM – Historical Net Revenues of the Electric System.”

There can be no assurance that the Electric Net Revenues will not decline from the recent levels described in this Official Statement. Increases in fuel and energy costs, new environmental laws and regulations or other expenses could reduce the Electric Net Revenues and could require further substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

ALTHOUGH THE CITY HAS COVENANTED TO PRESCRIBE, REVISE AND COLLECT RATES AND CHARGES FOR THE ELECTRIC SYSTEM AT CERTAIN LEVELS, THERE CAN BE NO ASSURANCE THAT SUCH AMOUNTS WILL BE COLLECTED IN THE AMOUNTS AND AT THE TIME NECESSARY TO MAKE TIMELY PAYMENTS WITH RESPECT TO THE SERIES 2012A BONDS.

Reserve Fund

The Parity Reserve Fund for the Bonds is established pursuant to the Indenture to be held and maintained by the Trustee. Pursuant to the Indenture, the Series 2010A Bonds and the Series 2010B Bonds were also secured by the Parity Reserve Fund and all future Series of Bonds other than Bonds authorized by a Supplemental Indenture that provides that such Bonds are not “Participating Bonds” will be secured by the Parity Reserve Fund. After giving effect to the refunding of the 2002 Refunded Bonds and the issuance of the Series 2012A Bonds, the balance on deposit in the Parity Reserve Fund will be equal to the Reserve Fund Requirement (\$3,801,149.96). From and after the date of issuance of the Series 2012A Bonds (which date constitutes the Transition Date for purposes of the Indenture amendments to take effect on such date as described herein), the Reserve Fund Requirement means, as of any date of calculation, (i) with respect to the Parity Reserve Fund, an amount equal to one-half of the greatest amount of principal and interest becoming due and payable on all Outstanding Participating Bonds in the then current or any future fiscal year, net of any expected Federal Subsidy, and (ii) with respect to any Series Reserve Fund for a Series of Future Bonds that do not constitute Participating Bonds, the reserve fund requirement (which reserve fund requirement may be zero (\$0)), specified for such Series of Future Bonds in a Supplemental Indenture setting forth the terms of such Future Bonds, all as computed and determined by the City and specified in writing to the Trustee. “Future Bonds” means all Bonds issued after the Transition Date. “Participating Bonds” means all Bonds Outstanding as of the Transition Date and all Future Bonds other than Future Bonds which are designated by the City as Bonds that will not constitute Participating Bonds under the Indenture, including as amended by the Fourth Supplemental Indenture.

Under the Indenture, each additional Series of Bonds which are Future Bonds shall constitute Participating Bonds unless the Supplemental Indenture authorizing such Series of Future Bonds provides that such Series of Future Bonds shall not be Participating Bonds and, if such Series of Future Bonds shall not be Participating Bonds, provides for the establishment of a Series Reserve Fund for such Series of Future Bonds, provides for the pledge of amounts on deposit in such Series Reserve Fund to the payment

of such Series of Future Bonds secured thereby, and establishes the Reserve Fund Requirement for such Series Reserve Fund (which reserve fund requirement, as noted above, may be zero (\$0)).

If on the last Business Day of any month, the amount on deposit in the Debt Service Fund shall be less than the amount required to be in such Debt Service Fund with respect to Participating Bonds as described under “ – Allocation of Electric Net Revenues Under the Indenture” below, the Trustee shall apply amounts from the Parity Reserve Fund to the extent necessary to make good the deficiency with respect to the Participating Bonds.

Whenever the amount on deposit in the Parity Reserve Fund is less than the Reserve Fund Requirement, such amount shall be increased to the Reserve Fund Requirement not later than twelve months thereafter. No deposit need be made in the Parity Reserve Fund so long as there shall be on deposit therein a sum equal to the Reserve Fund Requirement. Except as otherwise provided in a Supplemental Indenture, amounts on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement shall, at the written Request of the City, be withdrawn from the Parity Reserve Fund, and transferred to the City and applied as permitted by Bond Counsel.

Within the Parity Reserve Fund there is established a Series 2012A Bond Reserve Subaccount, a Series 2010A Bond Reserve Subaccount and a Series 2010B Bond Reserve Subaccount. Amounts on deposit in the respective subaccounts will be applied in accordance with the Indenture. For purposes of accounting for any withdrawal from the Parity Reserve Fund for transfer to the Debt Service Fund pursuant to the Indenture in the event of a deficiency in the Debt Service Fund, the total amount of any such withdrawal from the Parity Reserve Fund shall be allocated ratably among the Series 2012A Bond Reserve Subaccount, the Series 2010A Bond Reserve Subaccount, the Series 2010B Bond Reserve Subaccount, any other bond reserve subaccount hereafter established in the Parity Reserve Fund and the balance (if any) of the Parity Reserve Fund. For purposes of accounting for any deposit to the Parity Reserve Fund pursuant to the Indenture to provide for the replenishment of the Parity Reserve Fund, the total amount of such deposit shall be allocated among the Series 2012A Bond Reserve Subaccount, Series 2010A Bond Reserve Subaccount, the Series 2010B Bond Reserve Subaccount, any other bond reserve subaccount hereafter established in the Parity Reserve Fund and the balance (if any) of the Parity Reserve Fund pro rata based on the amount of any prior withdrawal or deficiency therein.

Whenever the amount in the Parity Reserve Fund, together with the amount in the Debt Service Fund available for such purpose, is sufficient to pay in full all Outstanding Participating Bonds in accordance with their terms (including principal or applicable mandatory sinking fund payments and interest thereon), the funds on deposit in the Parity Reserve Fund shall be transferred to the Debt Service Fund and applied to the payment or redemption of the Participating Bonds.

In the event of the refunding of any Participating Bonds, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from the Parity Reserve Fund any amounts on deposit therein and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on the Participating Bonds being refunded; provided, that such withdrawal shall not be made unless (a) immediately thereafter any Participating Bonds being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Parity Reserve Fund after such withdrawal, taking into account any deposits to be made in the Parity Reserve Fund in connection with such refunding, shall not be less than the Reserve Fund Requirement with respect to the Parity Reserve Fund.

The City may provide for all or any part of the Reserve Fund Requirement by delivering to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody’s and Standard & Poor’s at the time such

letter of credit is issued or a surety bond or an insurance policy issued by an insurance company whose unsecured debt obligations (or obligations secured by such insurance company's insurance policies) are rated in one of the two highest Rating Categories of Moody's and Standard & Poor's at the time such surety bond or insurance policy is issued and otherwise satisfying the requirements of the Indenture.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Parity Reserve Fund and Series Reserve Funds."

Allocation of Electric Net Revenues Under the Indenture

Pursuant to the Indenture, as long as any Bonds are Outstanding or any Parity Debt remains unpaid, the City will deposit in a trust fund, designated as the "Electric Revenue Fund," which fund the City shall establish and maintain, all Electric Net Revenues, when and as received by the City.

As soon as practicable in each month after the deposit of Electric Net Revenues into the Electric Revenue Fund, but in any case no later than the last Business Day of such month, the City shall withdraw from the Electric Revenue Fund and pay to the Trustee for deposit (a) in the Debt Service Fund, the amount, if any, required so that the balance in said fund, including any subaccounts therein, to the extent moneys in such subaccounts are available to pay Accrued Aggregate Debt Service (as defined in APPENDIX C hereto) as of the last day of the then current month, shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; provided that for purposes of clause (a) only, the calculation of accrued Debt Service with respect to the definition of Accrued Aggregate Debt Service will be made without regard to any reduction in interest payments becoming payable on the Bonds due to any Federal Subsidy anticipated to be received in connection with the Bonds (see "– Rate Covenant" above); and (b) in the Parity Reserve Fund and in each Series Reserve Fund, if any, required so that the amount credited to such Parity Reserve Fund and each such Series Reserve Fund shall, except as otherwise provided in the Indenture, be at least equal to the Reserve Requirement, as of the last day of the then current month; provided, that the deposits to the Parity Reserve Fund and each Series Reserve Fund shall be made without preference or priority between such deposits and in the event of any deficiency in Electric Net Revenues to make the deposits required by clause (b), such Electric Net Revenues shall be deposited into the Parity Reserve Fund and each Series Reserve Fund ratably based on the amount required to be deposited in each such fund, without discrimination or preference.

For further information regarding the allocation of revenues with respect to the Bonds, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge of Electric Net Revenues; Electric Revenue Fund."

Additional Bonds and Parity Debt

The City covenants under the Indenture that it will not create any pledge, lien or charge upon any of the Electric Net Revenues having priority over the lien of the Bonds; provided, however, that nothing in the Indenture shall be construed to limit the ability of the City to issue or incur obligations secured by charges, not constituting Electric Net Revenues, collected by any person to amortize or otherwise relating to the payment of the "stranded costs" of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds, the payments of which charges will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City. The City may also enter into additional "take-or-pay" obligations or incur additional obligations pursuant to its agreement with joint powers agencies in which it now, or in the future may, participate, which obligations are, and may in the

future be, payable as operating expenses of the Electric System (see “– Joint Powers Agency Contracts” above.)

The Indenture permits the issuance of additional Bonds or Parity Debt upon the satisfaction of certain conditions precedent to the issuance of such additional Bonds or Parity Debt, including the delivery to the Trustee of a Certificate of the City certifying that the sum of: (1) the Electric Net Revenues; plus (2) 90 percent of the amount by which the City projects Electric Net Revenues for any period of 12 consecutive months during the 18 months immediately preceding the date on which any additional Bonds or Parity Debt will become outstanding would have been increased had increases in rates, fees and charges during such period of 12 months been in effect throughout such period of 12 months; plus (3) 75 percent of the amount by which the City projects Electric Net Revenues will increase during the period of 12 months commencing on the date of issuance of such additional Bonds or Parity Debt due to improvements to the Electric System under construction (financed from any source) or to be financed with the proceeds of such additional Bonds, shall (4) have been at least equal to 1.20 times the amount of Maximum Annual Debt Service on all Bonds and Parity Debt then outstanding and the additional Bonds or Parity Debt then proposed to be issued.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Series 2012A Bonds and the Trustee, and the obligations incurred by the City, may be subject to the following: the limitations on legal remedies against public agencies in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2012A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited since the Electric System serves an essential public purpose.

ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS

The debt service requirements with respect to the Outstanding Bonds are set forth in APPENDIX F hereto. See “APPENDIX F – ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS.”

BURBANK WATER AND POWER

Senior Management of Burbank Water and Power

BWP is under the direct management of the BWP General Manager, subject to the policy and direction of the City Council and the Burbank Water and Power Board (the “BWP Board”) and the broad administrative direction of the City Manager. The BWP General Manager is responsible for policy and planning relating to the operation of the Electric and Water Systems. Legal services are provided by the City Attorney’s office, and various administrative services are also provided by the City. Senior management of the Electric System are as follows:

Ronald E. Davis, BWP General Manager, holds a Bachelor of Arts degree in business and professional accounting from Eastern Washington University. He also is a graduate of the U.S. Navy

Nuclear Program. He began his professional career with Washington Water Power Company in Spokane, Washington, moving through various positions from Construction Auditor to General Manager of Accounting to Controller to Director of Marketing and Sales. Prior to working at Puget Sound Energy, where he was Vice-President in charge of regulation, strategic and marketing planning, Mr. Davis was Vice-President of Planning and Regulation at Washington Energy Company. He has served as BWP General Manager since 1999. He was also the President of the California Municipal Utilities Association from March 2009 to March 2011 and the President of the Southern California Public Power Authority (“SCPPA”) for the calendar years 2003 and 2004. Mr. Davis is currently serving as Vice President of SCPPA for calendar year 2012.

Fred Fletcher, Assistant General Manager/Power Supply, holds a Masters in Business Administration from the University of South Dakota and a Bachelor of Science degree in Electrical Engineering from the South Dakota School of Mines and Technology. Mr. Fletcher is registered as a Professional Electrical Engineer in California. Mr. Fletcher originally joined BWP in 1986. He began his career as an electrical engineer for Black Hills Power and Light. He was also part of the initial management team that started Missouri River Energy Services, a municipal joint action power supplier for 60 municipals in Iowa, Minnesota, North Dakota and South Dakota, where he was responsible for planning as well as operations.

Jorge C. Somoano, Assistant General Manager/Electrical Distribution, holds a Bachelor of Science degree in Electrical Engineering from the California State Polytechnic University, Pomona and a Masters in Business Administration from Woodbury University. He has been in the municipal utility field for over 25 years, holding significant positions with the City of Vernon Light and Power Department and Riverside Public Utilities. His previous experience includes managing conservation programs, rates, resource procurement and planning, and engineering. Mr. Somoano joined BWP on November 2, 2009.

Bob Liu, Chief Financial Officer, holds a Bachelor of Science degree in Finance and a Master of Business Administration from Utah State University. Prior to joining BWP, he worked for the California Power Exchange initially in the Settlements Department and then in the Finance Department. At BWP, he held the positions of Financial Analyst, and Financial Planning and Risk Manager before his current CFO position. His primary focus at BWP has been in the areas of financial reporting, budgeting, financial planning, and energy risk management.

Xavier G. Baldwin, Assistant General Manager/Special Projects, holds a Bachelor of Science Degree in Electrical Engineering from Santa Clara University and a Certificate in Electric Power Systems from University of California, Los Angeles (UCLA). He has been in the electric utility industry for over 44 years, including 40 years in the municipal utility field. He previously held the positions of Senior Electrical Engineer for four years and Principal Electrical Engineer for 35 years at BWP. His primary focus at BWP has been in the areas of system planning, supervisory control and data acquisition, and system operations. Mr. Baldwin is a registered electrical engineer in the state of California and a Life Member of the Institute of Electrical and Electronics Engineers (IEEE).

Burbank Water and Power Board

The BWP Board consists of seven members appointed by the City Council. As set forth in the Burbank Municipal Code, the BWP Board has the following powers and duties:

- (1) To review and make recommendations on all capital improvements which require City Council’s approval;

- (2) To review and make recommendations on purchase power agreements with terms of more than two years;
- (3) To review and make recommendations on BWP's annual budget;
- (4) To review and make recommendations on electric and water rate changes;
- (5) To approve all contract awards for goods, services and public works construction projects which are provided for in BWP's annual budget; and
- (6) To perform advisory functions as delegated to it by the provisions of the Burbank Municipal Code or other actions of the City Council or BWP General Manager.

The present members of BWP Board and their terms of appointment are as set forth below. There is currently one vacancy on the BWP Board.

<u>Name</u>	<u>Position</u>	<u>Term Expires May 31,</u>	<u>Profession</u>
Lynn C. Kronzek	Chairperson	2015	Principal/Consultant, Lynn Kronzek & Associates.
Martin L. Adams	Vice-Chairperson	2013	Director of Water Quality, LADWP
Philippe Eskander	Member	2015	Program Specialist, City of Glendale
Thomas Jamentz	Member	2013	Retired, LADWP
Robert Olson	Member	2013	Media Consultant, Bob Olson Media Group
Jordan Smith	Member	2015	Senior Engineer, Advanced Technology, SCE

Employee Relations

As of June 30, 2011, 280 full-time equivalent City employees were assigned to the Electric System. Certain functions supporting the Electric System's operations, including meter reading, customer billing and collection, are performed by BWP staff.

All BWP employees fall into one of four categories:

- (1) Those represented by Local No. 18 of the International Brotherhood of Electrical Workers ("IBEW").
- (2) Those represented by the Burbank City Employees' Association ("BCEA"), which is affiliated with the American Federation of State, County and Municipal Employees as Local No. 3143.
- (3) Those represented by the Burbank Management Association ("BMA").
- (4) Those that are unrepresented.

The current labor contract with the IBEW will expire on June 23, 2012. Negotiations on a successor contract have been undertaken and the terms of the successor contract are subject to approval by the represented IBEW members. The current labor contract with the BMA will expire on June 30,

2012 and negotiations for a successor contract are expected to begin in the near future. The contract with the BCEA will expire on June 21, 2014. There have been no strikes or other work stoppages by City employees within the last five years, and the City does not anticipate any in the near future.

Pension Plan and Other Post-Employment Employee Benefits for Employees of the Electric System

The City's defined benefit pension plan, Public Employees Retirement System ("PERS"), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. PERS is part of the Public Agency portion of the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Active plan members in CalPERS have been required to contribute 8% of their annual covered salary since July 1, 2008. The City made the 8% contributions required of City employees on their behalf and for their account in the fiscal year ended June 30, 2011 (except for the IBEW which contributes on its own). Starting in fiscal year 2011-12, all existing City employees (except IBEW) are required to contribute 1 to 2% of their annual salary to CalPERS. New hires are required to contribute 4% of their annual salary to CalPERS. The City is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The City is required to contribute at an actuarially determined rate. In fiscal year 2010-11, the City was required to contribute 15.778% of annual covered payroll. The contribution requirements of plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. As of June 30, 2010 (the most recent actuarial valuation date), the City's Miscellaneous Plan at CalPERS (in which Electric System employees participate) had a funded ratio of 83.8%. The Electric System is allocated its portion of the required contributions. The City contributed 100% of the annual pension cost allocable to the Electric System from the Electric Utility Fund for the fiscal years ending June 30, 2009, June 30, 2010 and June 30, 2011 in the amount of \$3,945,000, \$3,645,000 and \$3,675,000, respectively. No assurances can be given that the required contributions allocable to the Electric System will not increase in future years.

The City also provides certain post-employment health care benefits under Burbank Employees Retiree Medical Trust ("BERMT") and the CalPERS Public Employees' Medical and Hospital Care Act ("PEMHCA") plan. The Electric System also makes contributions for such other post-employment benefits ("OPEB"). The Electric System assumes its share of OPEB costs based upon the results of actuarial studies.

BERMT is a single employer, defined benefit plan which was established in April 2003 by Burbank's employee associations to provide post retirement medical benefits to all non-safety employees, including elected and appointed officials. The trust is controlled by seven voting members from the various employee associations appointed to three year terms. The City appoints an eighth member to the board, but that member is non-voting. Plan members are required to contribute fifty dollars per bi-weekly pay period, which the City matches. Plan provisions and contribution requirements are established by and may be amended by BERMT board. Investments are determined by the BERMT plan trustees, and are governed by ERISA provisions. Eligibility for benefits requires that members are retired, and have

reached age 58 with a minimum of five years of contributions into the plan. The benefit provided is up to \$300 in reimbursements per month for eligible medical expenses. The Electric System is allocated its portion of the required contributions. For the fiscal year ended June 30, 2011, the allocable portion of the City contributions to BERMT paid from Electric Utility Fund totaled \$334,810. As of June 30, 2010 (the most recent actuarial valuation date), the BERMT had a funded ratio of 37.5%.

The PEMHCA Plan was established with CalPERS as a single employer plan. The City pays the required PEMHCA minimum contribution for all miscellaneous and safety employees retiring directly from the City. The City paid \$108 per month for all miscellaneous and safety employees for fiscal year 2010-11. In addition, the City paid \$171 per month for 24 management retirees and paid \$188 per month for nine IBEW retirees. The PEMHCA minimum required contribution is included in the \$171 but is paid in addition to the \$188. The PEMHCA benefit provisions are established and amended through negotiations between the City and its employee associations. The Electric System is allocated its portion of the required contributions. For the fiscal year ended June 30, 2011, the allocable portion of the City contributions to the PEMHCA plan paid from Electric Utility Fund totaled \$455,750. As of June 30, 2010 (the most recent actuarial valuation date), the PEMHCA plan had a funded ratio of 61.2%.

The City has also entered into an agreement to provide certain OPEB to the IBEW employees on July 22, 2008 through the Utility Retiree Medical Trust, a single employer plan. The agreement is for IBEW members and seven management employees as a supplement to benefit payments from BERMT and PEMHCA. The Electric Utility Fund accrued an Annual Required Contribution of \$175,000 as an operating expense in fiscal year 2010-11 for the Utility Retiree Medical Trust, which as of June 30, 2010 (the most recent actuarial valuation date) had a funded ratio of 110.0%, with an excess over its actuarial accrued liability of \$489,000.

Further information regarding the City's participation in CalPERS and OPEB may be found in the City's Comprehensive Annual Financial Report.

Insurance

The City maintains an all-risk policy on all City real property holdings. The City is self-insured and self-administered for certain exposures through the Office of the Risk Manager, a division of the Management Services Department. The City's current liability program is self-insured for the first \$1,000,000. All other liability exposures are covered under the City's excess liability program with limits up to \$45,000,000. The City's Workers' Compensation program is also self-insured and self-administered up to the first \$2,000,000. An additional Excess Workers' Compensation policy is also in place with limits up to \$50,000,000. The City does not carry earthquake insurance.

THE ELECTRIC SYSTEM

History of the Electric System

The City's Public Service Department was established in 1913 under the laws of the State to supervise the generation, purchase, distribution and sale of electricity and the purchase, distribution and sale of water. In 2000, the name of the Public Service Department was changed to Burbank Water and Power. BWP currently provides service to all electric and water customers within the City and is a department provided for under the City Charter. The City owns and operates the Electric System, which is an integrated electric system consisting of generation, transmission and distribution facilities. For the fiscal year ended June 30, 2011, the average number of customers of the Electric System was approximately 52,011 and the total MWh of energy sold to customers throughout the City were approximately 1,118,700.

Principal Facilities

The service area of the Electric System is solely within the City boundaries, which encompasses 17.1 square miles. The principal facilities of the Electric System consist of two natural gas-fired steam electric generating units, one natural gas-fired combustion turbine electric generating unit, four switching stations, 13 distributing stations, two industrial stations and transmission and distribution lines aggregating approximately 608 circuit miles.

Power Distribution

The City interconnects its electric facilities with other electric utilities through an 806 MVA tie to the Los Angeles Department of Water and Power (“LADWP”) at Receiving Station “E” as well as a 160 MW tie with Glendale Water and Power. Presently, these ties have more than sufficient capacity to import enough power to meet the City’s system load as well as to export power to the participants in the SCPA Magnolia Power Project. SCPA is a joint powers agency created for financing, acquiring and constructing electric generation and transmission projects for participants by some or all of its members. The City, as a member of SCPA, acts as the operating agent for the Magnolia Power Project and the Tieton Hydropower Project and is responsible for operating these plants on behalf of SCPA. See “THE ELECTRIC SYSTEM – Non-Burbank Owned Resources – *Magnolia Power Project*” and “– *Tieton Hydropower Project*.”

Within the City, bulk power is transformed from 69 kV to 34.5 kV by four switching stations interconnected with nearly 32 circuit miles of 69 kV lines. There are about 45 circuit miles of 34.5 kV lines that interconnect the switching stations with 13 distributing stations and two industrial stations. The City has about 118 distribution circuits and 6,200 distribution transformers to serve residential neighborhoods and businesses. The City’s distribution system includes about 125 distribution circuit miles of underground lines and 215 circuit miles of overhead lines.

Power Supply

General. BWP currently meets its Electric System power requirements from a combination of on-site gas-fired generating facilities, power purchase agreements, firm contracts and non-firm energy purchases. Among such resources, the City purchases power from the Intermountain Power Project (“IPP”) of the Intermountain Power Agency (“IPA”) and has power exchange agreements with Powerex and Morgan Stanley. Additionally, the City has entitlement interests in the Palo Verde Nuclear Generating Station, the Hoover Upgrading Project, the Ameresco Chiquita Landfill Gas Project, the Milford Phase I Wind Project, the Pebble Springs Wind Project, the Tieton Hydropower Project and the Magnolia Power Project through its membership in SCPA. See “THE ELECTRIC SYSTEM – On-Site Resources”, “– Non-Burbank Owned Resources” and “– Short-Term, Non-Firm Contracts.”

During the fiscal year ended June 30, 2011, the Electric System generated and purchased (exclusive of purchases and sales for wholesale purposes) approximately 1,203,900 MWh of electricity (prior to transmission losses) for delivery to customers throughout the City. The following table sets forth the amounts, in megawatt-hours and percentages, of electricity obtained by the City for sales to customers throughout the City during the fiscal year ended June 30, 2011.

**Burbank Water and Power
Annual Retail Electric Supply
Fiscal Year Ended June 30, 2011**

Resource	MWh	Percentage
Intermountain Power Project (IPP)	417,600	34.7%
On-Site Generation.....	19,100	1.6
Hoover.....	21,600	1.8
PVNGS.....	83,600	6.9
Magnolia Power Project.....	319,800	26.6
Firm and Non-Firm Contracts.....	241,300	20.0
Renewables ⁽¹⁾	<u>100,900</u>	<u>8.4</u>
Total	1,203,900 ⁽²⁾	100.0%

⁽¹⁾ Renewable resources include the Milford Phase I Wind Project, the Tieton Hydropower Project, the Ameresco Chiquita Landfill Gas Project, the Pebble Springs Wind Project, the Southwest Wyoming Pleasant Valley Facility Wind Contract, and local generation from BWP Valley Pumping Plant, Burbank Landfill and customer and utility solar installations.

⁽²⁾ Does not equal total sales to customers throughout the City (*i.e.*, 1,118,700 MWh) due to transmission losses and timing differences in billing cycle.

Source: BWP.

On-Site Resources

The City owns and operates two steam electric generating units with a total continuous net capacity of 90 megawatts (“MW”) (with a nameplate capacity of 99 MW). The City also owns one combustion turbine electric generating unit with a total continuous net capacity of 45 MW (with a nameplate capacity of 47 MW), as indicated in the following table:

**On-Site Generation
Owned by Burbank Water and Power**

Unit Name	Type	Nameplate Capacity (MW)	Continuous Capacity (MW)	Year In-service	Energy Produced in Fiscal Year 2011 (MWh)
Olive 1	Steam	44	40	1959	10,100
Olive 2	Steam	55	50	1964	900
Lake 1	Combustion Turbine	<u>47</u>	<u>45</u>	2002	<u>8,100</u>
Total		146	135		19,100

Source: BWP.

Non-Burbank Owned Resources

The City purchases power and transmission capability from other sources pursuant to contracts. These contracts provide generally for the City to pay costs associated with the firm purchase of power or transmission capability (including fixed components like operations, maintenance and administrative expenses as well as variable components like fuel expenses). With respect to each of the facilities discussed herein, the City is one of any number of purchasers of such power or transmission capability and, with the exception of Magnolia Power Project and the Tieton Hydropower Project, does not control the operations or management of such facility. See also “– Joint Powers Agency Contracts” below.

Generation

Intermountain Power Project. Intermountain Power Project (as defined herein, “IPP”) consists of: (a) a two-unit coal-fired, steam-electric generating plant with net ratings of 900 MW per unit (the “Intermountain Generating Station”) and switchyard (the “Intermountain AC Switchyard”), located near Lynndyl, in Millard County, Utah; (b) a ±500 kV direct current transmission line approximately 490 miles in length from and including the Intermountain AC Switchyard, the Intermountain Converter Station (an alternating current/direct current converter station adjacent to the Switchyard) to and including a corresponding converter station at Adelanto, California (collectively, the “Southern Transmission System” or “STS”); (c) two 50-mile, 345 kV alternating current transmission lines from the Intermountain AC Switchyard to the Mona Substation in the vicinity of Mona, Utah, and a 144-mile, 230 kV alternating current transmission line from the Intermountain AC Switchyard to the Gonder Substation near Ely, Nevada (collectively, the “Northern Transmission System” or “NTS”); (d) a rail car service center located in Springville, in Utah County, Utah (the “Service Center”); and (e) certain water rights and coal supplies. Such water rights and coal supplies, together with the Intermountain Generating Station, the Intermountain AC Switchyard and the Service Center, are referred to herein collectively as the “Generation Station.”

IPP purchasers are 36 utilities (collectively, the “IPP Purchasers”) consisting of the City and the California cities of Anaheim, Los Angeles, Riverside, Glendale and Pasadena (the “IPP California Participants”); PacifiCorp Energy (“PacifiCorp”), as successor to the obligations of Utah Power & Light Company (“UP&L”); 22 members of IPA and Heber Light & Power Company (collectively, the “Utah Municipal Purchasers”); and six rural electric cooperatives serving loads in the States of Utah, Arizona, Colorado, Nevada and Wyoming (collectively, the “Cooperative Purchasers”). LADWP is the operating agent of IPP.

The IPP California Participants, PacifiCorp, the Utah Municipal Purchasers and the Cooperative Purchasers have contracted, pursuant to IPP Power Sales Contracts, to purchase 75%, 4%, 14% and 7%, respectively, of the net capability of the Generation Station. The City has a 3.371% (60 MW) entitlement in the capability of the Generation Station. The City’s entitlement increases to a maximum of 4.167% when the IPP Excess Power Sales Agreement to which the City is a party is taken into consideration, but all or a portion of this increased amount of power can be recalled by other IPP participants.

IPP was constructed to provide IPP Purchasers with firm capacity and energy to satisfy a portion of their projected firm power and energy requirements. Unit 1 and Unit 2 of IPP were placed in commercial operation in 1986 and 1987, respectively.

The IPP Purchasers purchased their shares pursuant to separate IPP Power Sales Contracts between IPA and each IPP Purchaser. Under IPP Power Sales Contracts, IPP Purchasers are entitled to IPP generation and transmission capabilities based on their respective Generation Entitlement Shares and transmission entitlements and are obligated to make payments therefor on a “take-or-pay” basis, that is, whether or not IPP or any part thereof has been completed, is operating or is non-operable, or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever. The payment obligations under IPP Power Sales Contracts constitute operating expenses of the respective IPP California Participants and Utah Municipal Purchasers payable solely from their electric revenue funds, and general obligations of PacifiCorp and the respective Cooperative Purchasers.

On September 29, 2010, IPA closed the sale of its 50% undivided interest in the West Ridge Mine in Carbon County, Utah and its 50% undivided interest in the Crandall Canyon Mine in Emery

County, Utah to its longtime co-owner, Andalex Resources, Inc. Combined, these two mines have supplied IPP with approximately 20% of its annual coal requirements since 1999. Instead of having an ownership interest, IPP now receives approximately 20% of its annual coal supply from a life-of-mine coal supply agreement with the operator of the West Ridge Mine. Coal requirements for the IPP are approximately six million tons per year. LADWP, in its role as operating agent, manages several long-term coal supply agreements that can provide approximately 50-70% of the annual coal requirements for the IPP. Spot market and opportunity purchases provide the balance of the fuel requirements for the facility. LADWP reports that it has determined that coal presently under contract is sufficient, with the exercise of available options, to meet the IPP's annual coal requirements through 2015, with lesser amounts of coal under contract for an additional two years. Additional coal will be purchased through a combination of long-term and spot contracts. The average cost of coal delivered to the Intermountain Generating Station in fiscal year 2010-11 was approximately \$38.02 per ton. During the prior fiscal year, the average cost of coal delivered was approximately \$36.34 per ton. LADWP has reported that it expects the costs to fulfill IPP's annual coal supply requirements after 2015 will be higher than its current contract costs due to the continual turnover of mining properties in Utah, difficult mining conditions at the remaining mines, increased mining costs due to regulatory oversight, and the continued increase in rail transportation costs, among other things. To be able to continue to operate the IPP in the event of a disruption in the IPP's coal supply, IPA attempts to maintain a coal stockpile at the Intermountain Generating Station that is sufficient to operate the plant at the IPP's current plant capacity factors for a minimum of 60 days. Transportation of coal to the Intermountain Generating Station is provided primarily by rail under agreements between IPA and the Utah Railway and the Union Pacific Railroad companies, and the coal is transported in IPA-owned railcars. Coal can also be transported, to some extent, in commercial trucks.

Transmission of the output from IPP to the City and the other IPP California Participants is provided by the STS. The STS was placed in operation in May 1987, and its current transfer capability, as a result of the completion of the STS upgrade project in December 2010, is 2,400 MW. The City and SCPPA have entered into a transmission service contract to provide for transmission of the City's entitlement between the Generating Station and Adelanto. Transmission service from Adelanto to the City is provided under transmission service agreements with LADWP.

The City's current share of IPP capacity is up to 75 MW. The City's participation in IPP Units 1 and 2 continues through the year 2027. The City, along with the other California participants in IPP, will undertake studies and subsequent plans to mitigate emissions at the facility in an effort to maintain its position in the plant beyond 2027. The City's entitlement in the Generation Station has historically accounted for between one-third to one-half of the Electric System's total energy resources. In fiscal year ended June 30, 2011, the IPP Generating Station provided 417,600 MWh of energy to the City at an average cost (including additional amounts collected by IPA during such Fiscal Year to be used for competitive purposes) for delivered power of approximately 6.3 cents per kilowatt hour ("kWh"). The Generation Station also represents the City's largest source of electricity generated by coal-fired plants. Senate Bill 1368 ("SB 1368") and other legislation will likely cause the City to decrease its reliance on electricity generated by burning coal. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS – State Legislation."

In February 2005, a number of dairies and dairy farmers filed a lawsuit (the "Utah Dairy Case") in Utah state court naming IPA, LADWP and others as defendants based upon claims alleging that since 1987, "stray voltage" emitted from the IPP facilities through the ground and ground water damaged the dairy herds, including higher than normal death rates, a reduction in milk production and an impairment to the cows' immune systems. The Utah plaintiffs seek compensatory damages in excess of \$250,000,000. The trial court has dismissed certain claims in the complaint with prejudice and certain other claims without prejudice. In September 2008, the court issued rulings on certain other pending

motions, including granting a motion of LADWP and IPA to dismiss all claims of punitive damages against those entities, dismissing the claims of one plaintiff, dismissing one other cause of action against LADWP and IPA, and denying certain other motions without prejudice. In June 2009, the court held a five-day evidentiary hearing on motions by LADWP and IPA to exclude the testimony of Plaintiffs' experts. On August 4, 2009, the court ruled that it would permit Plaintiffs' electrical experts to testify, but would exclude all testimony of Plaintiffs' only veterinary witness. Because the court has strongly suggested in prior rulings that Plaintiffs must have expert veterinary testimony to proceed, LADWP and IPA filed a motion for summary judgment. However, in the interim, Plaintiffs sought leave to appeal the order excluding their veterinary witness. The Utah Court of Appeals granted such leave on November 19, 2009, and subsequently issued an order on December 4, 2009, staying all proceedings in the trial court pending resolution of the appeal. LADWP and IPA then cross-appealed the trial court's decision permitting Plaintiffs' electrical experts to testify. Plaintiffs moved to dismiss the cross-appeal. LADWP and IPA filed an opposition. By order dated May 25, 2010, the court of appeals denied that motion, directed that briefing on the appeal and cross-appeal be completed, and stated that the court would review the issues raised in plaintiffs' motion to dismiss once all briefing was completed. The parties then fully briefed the plaintiffs' appeal and LADWP's cross-appeal. Oral argument was held on both appeals on March 22, 2011. On January 20, 2012, the court of appeals reversed the decision of the trial court and directed that the plaintiffs' veterinary expert be permitted to testify. It also affirmed the decision of the trial court to permit the testimony of plaintiffs' electrical experts at trial. LADWP and IPA indicated their intent to file a petition with the Utah Supreme Court asking that court to review and reverse the court of appeals decision concerning the testimony of plaintiffs' veterinary witness. The Utah Supreme Court is not obligated to accept this petition, and LADWP cannot predict whether that court will accept LADWP's petition for review, or if it does, whether the court will then affirm or reverse the decision of the court of appeals. There is no deadline by which the court must act. If the Utah Supreme Court grants the petition, LADWP and plaintiffs will then file briefs concerning whether the court of appeals' decision on the veterinary witness was correct. The Utah Supreme Court will then decide whether to affirm or reverse that decision. If the court denies the petition for review, the court of appeals' decision will stand and the case will be returned to the trial court. Prior to the appeal being taken, the trial court had decided that in the event of trial, there would be several trials, given the number of farms, with the first trial to include six dairies as chosen by the parties. However, the judge that handled this case has since been reassigned to a different district, and LADWP has indicated that it does not know whether that same judge will opt to retain this litigation. If the judge does not do so, the case will be assigned to a new judge, and that judge may, although LADWP has made no prediction, decide to proceed differently. LADWP has indicated that in the event that damages are awarded to the Utah plaintiffs against IPA, any part of the award not otherwise covered by insurance may be apportioned among utilities that purchase IPP capacity in accordance with their entitlement shares. The City cannot predict the final resolution of the Utah Dairy Case or its impact on the IPP or the IPP Purchasers.

Hoover Uprating Project. The City is a participant in SCPPA's Hoover Uprating Project. Modern insulation technology made it possible to "uprate" the nameplate capacity of existing generators (the "Hoover Uprating Project"). The Hoover Uprating Project consists principally of the uprating of the capacity of 17 generating units at the hydroelectric power plant of the Hoover Dam, located approximately 25 miles from Las Vegas, Nevada. The City and the cities of Anaheim, Azusa, Banning, Colton, Glendale, Pasadena, Riverside and Vernon have obtained entitlements totaling 127 MW of capacity and approximately 143,000 MWhs of allocated energy annually from the Hoover Uprating Project. In 1987, to reflect these entitlements, these cities entered into contracts with the United States Bureau of Reclamation (the "Bureau") providing for the advancement of funds for the uprating and with Western Area Power Administration ("Western") for the purchase of power from the Hoover Uprating Project. Subsequently, the City and the cities of Anaheim, Riverside, Azusa, Colton and Banning (collective, the "Hoover Participants") entered into assignment agreements with SCPPA to assign their entitlements in return for SCPPA's agreement to provide funds to the Bureau to pay for the Hoover

Participants' share of the Hoover Upgrading Project costs. Based on Western's allocations and the assignment agreements, SCPA's share of the Hoover Upgrading Project is approximately 94 MW of capacity and approximately 107,000 MWh of associated energy annually. As of February 15, 2012, SCPA had outstanding \$11,355,000 aggregate principal amount of bonds with respect to the Hoover Upgrading Project.

The City has a 15.9574% (15 MW) entitlement interest in SCPA's approximately 94 MW interest in the total capacity and allocated energy of Hoover Upgrading Project. The City has executed a power sales contract with SCPA under which the City has agreed to make monthly payments on a "take-or-pay" basis in exchange for its share of SCPA's proportionate share of Hoover capacity and allocated energy. In the fiscal year ended June 30, 2011, Hoover Upgrading Project provided 21,600 MWh of energy to the City.

Magnolia Power Project. The City is a participant and the operating agent of the Magnolia Power Project of SCPA. The Magnolia Power Project ("Magnolia Project") consists of a natural gas-fired electric generating plant with a nominally rated net capacity of 242 MW and auxiliary facilities located in Burbank, California. The Magnolia Project is owned by SCPA and was constructed and acquired for the primary purpose of providing participants in the Magnolia Project with firm capacity and energy to help meet their power and energy requirements. SCPA has entered into Power Sales Agreements with the City and the cities of Anaheim, Cerritos, Colton, Glendale and Pasadena pursuant to which SCPA has sold 100% of its entitlement to capacity and energy in the Magnolia Project to such participants on a "take-or-pay" basis. The commercial operation date for the Magnolia Project was September 22, 2005. SCPA had outstanding \$362,480,000 aggregate principal amount of bonds with respect to the Magnolia Project as of February 15, 2012 (of which \$12,700,000 relates exclusively to the City of Cerritos).

The City has a 30.9917% entitlement (75 MW base capacity and 97.6 MW peaking capacity) in the project through a long-term power purchase agreement with SCPA which obligates the City to pay for its share of capacity and energy on a "take-or-pay" basis, including debt service on bonds issued by SCPA for the project, capital costs and costs related to operation and maintenance. The annual operating costs of the Magnolia Power Project are estimated to range from \$8 million to \$10 million, plus natural gas fuel supply costs. The unit was placed in service in September 2005 and operates in a base-load mode (8,000 hours per year or more) with staffing by BWP personnel on a 24-hour basis. In the fiscal year ended June 30, 2011, the Magnolia Power Project supplied the City with 319,800 MWh.

Palo Verde Nuclear Generating Station (PVNGS). Through its membership in SCPA, the City has a 4.40% entitlement interest (9.7 MW) in SCPA's 5.91% ownership interest in the Palo Verde Nuclear Generating Station ("PVNGS"), including certain associated facilities and contractual rights, a 5.56% ownership in the Arizona Nuclear Power Project ("ANPP") High Voltage Switchyard and associated contractual rights, and a 6.55% share of the rights to use certain portions of the ANPP Valley Transmission System.

SCPA has sold the entire capability of SCPA's interest pursuant to power sales contracts with nine California cities and a California irrigation district, each of which is a member of SCPA. The City and the cities of Azusa, Banning, Colton, Glendale, Pasadena, Riverside and Vernon as well as LADWP and the Imperial Irrigation District are PVNGS project participants. Under the PVNGS power sales contracts, the participants are entitled to SCPA generation capability based on their respective PVNGS entitlements and are obligated to make payments on a "take-or-pay" basis.

Commercial operation and initial deliveries from PVNGS Units 1, 2 and 3 commenced in 1986 and 1987, respectively. In addition to the transmission lines for the Mead-Adelanto Project and the

Mead-Phoenix Project, transmission is accomplished through agreements with Salt River Project, LADWP and Southern California Edison Company. SCPPA had outstanding \$69,100,000 aggregate principal amount of bonds with respect to PVNGS as of February 15, 2012.

In response to increased competition in the electric utility business, in 1997 SCPPA began taking steps designed to accelerate the payment of all fixed rate bonds relating to PVNGS by July 1, 2004 (the “PVNGS Restructuring Plan”). Such steps consisted primarily of refunding certain outstanding bonds for savings and accelerating payments by the PVNGS project participants on the bonds issued by SCPPA for PVNGS. The PVNGS Restructuring Plan accomplishes substantial savings to the PVNGS project participants from and after the time the principal of and interest on such fixed rate bonds were paid or provision for the payment thereof was made (*i.e.*, from and after July 1, 2004). Under the PVNGS Restructuring Plan, the delivered cost of energy produced by PVNGS decreased significantly on July 1, 2004.

In response to the earthquake and tsunami on March 11, 2011 that affected the Fukushima Dai-ichi Nuclear Power Plant in Japan, the nuclear industry and regulators have been working to understand the events that damaged the reactors and spent fuel storage pools and whether any changes might be necessary at nuclear plants in the United States. The NRC conducted special stress test reviews of nuclear power plants in the United States, including PVNGS. The focus of the inspection was on the licensee’s capability to mitigate conditions that result from beyond design basis events, station electrical blackout and internal and external flooding events and to perform walkdowns and inspections of equipment important to mitigate fire and flood events during and after an earthquake. Although the NRC is still evaluating the inspection results, no material concerns have been identified relating to PVNGS nor has the evaluation resulted in new regulatory requirements affecting PVNGS.

The events in Japan have also created broader economic uncertainties that may affect future operating costs. The City cannot predict the impact of any changes resulting from the NRC review on the operation and costs of PVNGS. These broader economic uncertainties could adversely affect the production cost of nuclear power, and may somewhat impact the capital investment requirement.

The City has a power sales agreement with SCPPA which obligates the City to pay for its share of capacity and energy on a “take-or-pay” basis, including debt service on bonds issued by SCPPA for the project, capital costs and costs related to operation and maintenance. In the fiscal year ended June 30, 2011, PVNGS provided 83,600 MWh of energy to the City.

The co-owners of PVNGS have created external accounts for the decommissioning of PVNGS at the end of its life. Based on a 2010 estimate, which is the most recent estimate of decommissioning costs, SCPPA has advised the City that its estimated share of decommissioning costs through SCPPA is fully funded as of December 31, 2010. No assurance can be given, however, that such amount will continue to be sufficient to fully fund SCPPA’s share of decommissioning costs. SCPPA has advised the City that it anticipates that it will receive a new estimate of decommissioning costs every three years.

Southwest Wyoming Pleasant Valley Facility Wind Contract. In 2006, the City signed a 16-year power purchase contract with Iberdrola Renewables, Inc. (formerly PPM Energy Inc.) for the purchase of 5 MW of wind power from a generation facility located in Southwest Wyoming. The City began receiving wind power from the facility in July 2006. The energy from this project is estimated to provide approximately 1% of the City’s energy needs.

Pebble Springs Wind Project. SCPPA, on behalf of three project participants, including the City, signed a long-term power purchase agreement with Pebble Springs Wind Project LLC. The facility is located in Oregon with a total capacity of 98.7 MW, comprised of 47 Suzlon 2.1 MW wind turbines. The

City has a 10.132% (approximately 10 MW) entitlement interest in the total capacity, energy and environmental attribute rights produced by the facility. In the fiscal year ended June 30, 2011, Pebble Springs provided 25,662 MWh of energy to the City.

Ameresco Chiquita Landfill Project. The City has entered into a Power Sales Agreement with SCPPA for 16.7% (approximately 1.33 MW) of the output of Ameresco Chiquita Landfill Energy Project. The facility is developed, owned and operated by Ameresco Chiquita Energy, LLC in Chiquita Canyon Landfill in Valencia, California, near Highway 126 and west of Santa Clarita with a total capacity of 8 MW. The City has an entitlement interest of 16.7% of the total capacity, energy and environmental attribute rights produced by the facility for the next 20 years. The plant began commercial operation in November 23, 2010. In the fiscal year ended June 30, 2011, the Ameresco Chiquita Landfill Project provided 4,836 MWh of energy to the City.

Milford I Wind Project. The City entered into a Power Sales Agreement with SCPPA for 5.0% (approximately 10 MW) of the output of Milford Wind Corridor Phase I Project. The facility is owned by Milford Wind Corridor Phase I, LLC, a wholly owned subsidiary of UPC Wind Management. The facility is located in Utah with a total capacity of 200 MW, comprised of 80 Clipper 2.5 MW wind turbines. The City has an entitlement interest of 5.0% of the total capacity, energy and environmental attribute rights produced by the facility. The plant went into commercial operation on November 16, 2009. On February 9, 2010, SCPPA issued \$237,235,000 aggregate principal amount of revenue bonds in order to finance the purchase by prepayment of a specified quantity of energy from the Milford Wind Corridor Phase I facility over the 20-year delivery term (with a guaranteed annual quantity in each year), commencing on the commercial operation date of the Milford Wind Corridor Phase I facility. As of February 15, 2012, SCPPA had outstanding \$229,640,000 aggregate principal amount of revenue bonds with respect to the Milford Wind Corridor Phase I Project. In the fiscal year ended June 30, 2011, the Milford Wind Corridor Phase I Project provided 22,807 MWh of energy to the City.

Tieton Hydropower Project. The City is a participant in SCPPA's Tieton Hydropower Project. The Tieton Hydropower Project consists of a 13.6 MW nameplate capacity "run of the reservoir" hydroelectric generation facility, comprised of (i) a powerhouse located near Rimrock Lake in Yakima County approximately 40 miles west of the city of Yakima, Washington, and constructed at the base of the Bureau's Tieton Dam on the Tieton River, (ii) a 21-mile 115 kV transmission line from the power plant substation to the point of interconnection with the electrical grid, and (iii) related assets, property and contractual rights, acquired by SCPPA in November 2009, pursuant to an Asset Purchase Agreement, dated as of October 19, 2009, by and between SCPPA and Tieton Hydropower, L.L.C., a Washington limited liability corporation. As of February 15, 2012, SCPPA had outstanding \$52,050,000 principal amount of revenue bonds with respect to the Tieton Hydropower Project. The City has entered into a power sales and acquisition contract with SCPPA, under which SCPPA has sold to the City on a "take-or-pay" basis, its entitlement share of 50.0% (approximately 6.8 MW) of the capacity and energy of the Tieton Hydropower Project. The City's power sales and acquisition contract with SCPPA obligates the City to pay its share of debt service on bonds issued by SCPPA for the project, as well as capital costs and costs related to operation and maintenance. In the fiscal year ended June 30, 2011, the Tieton Hydropower Project provided 30,097 Mwh of energy to the City.

Transmission

Southern Transmission Project. The City is a participant in SCPPA's Southern Transmission Project, which provides the City with a 4.498% entitlement (currently 108 MW) in the transfer capability of the STS. The STS is one component of the IPP. Certain members of SCPPA (namely, LADWP, the City and the cities of Anaheim, Glendale, Pasadena and Riverside) have entered into power sales contracts with IPA pursuant to which they purchase a share of the capacity and energy of the IPP.

SCPPA acquired from each of such members its entitlement to capacity of the Southern Transmission Project. The Southern Transmission Project consists of the following: (a) the AC/DC Intermountain Converter Station adjacent to the IPP AC switchyard in Utah; (b) the ± 500 -kV DC bi-pole transmission line (“HVDC transmission line”), 488 miles in length, from the Intermountain Converter Station to the City of Adelanto, California; (c) the AC/DC Adelanto Converter Station, where the Southern Transmission Project connects to the switching and transmission facilities of LADWP; and (d) related microwave communication system facilities. The HVDC transmission line is designed to have the capability of transmitting in excess of the aggregate output of the IPP anticipated to be delivered to the participants in the Southern Transmission Project. The AC/DC converter stations each consist of two solid state converter valve groups and have a combined rating of 2,400 MW (increased from 1,920 MW prior to completion of the upgrade project in December 2010). The microwave communication system facilities are used for Generation Station dispatch, for IPP communication, and for control and protection of the Southern Transmission Project. The microwave system facilities are located along two routes between the Generation Station and Adelanto, forming a loop network. The commercial operation date for the Southern Transmission Project was July 1, 1986. SCPPA has sold all of its acquired capability of the Southern Transmission Project, on a “take-or-pay” basis, through transmission service contracts with LADWP, the City and the cities of Anaheim, Glendale, Pasadena and Riverside. As of February 15, 2012, SCPPA had outstanding \$820,110,000 aggregate principal amount of bonds with respect to the Southern Transmission Project. The City’s transmission service contract with SCPPA obligates the City to pay its share of debt service on bonds issued by SCPPA for the project on a “take-or-pay” basis, as well as capital costs and costs related to operation and maintenance. As discussed above, the City uses its entitlement share of transfer capability in the Southern Transmission Project for the transmission of energy from the IPP, as well energy from the Milford Phase I Wind Project and energy under the Southwest Wyoming Pleasant Valley Facility Wind Contract.

Mead-Phoenix Transmission Project. The City is a participant in SCPPA’s Mead-Phoenix Transmission Project. The Mead-Phoenix Transmission Project consists of a 256-mile, 500-kV AC transmission line that extends between a southern terminus at the existing Westwing Substation (in the vicinity of Phoenix, Arizona) and a northern terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. The line is looped through the 500-kV switchyard constructed in the existing Mead Substation in southern Nevada with a transfer capability of 1,300 MW. By connecting to Marketplace Substation, the Mead-Phoenix Transmission Project interconnects with the Mead-Adelanto Transmission Project and with the existing McCullough Substation. The Mead-Phoenix Transmission Project is comprised of three project components. SCPPA has executed an ownership agreement providing it with an 18.3077% member-related ownership share in the Westwing-Mead project component, a 17.7563% member-related ownership share in the Mead Substation project component, and a 22.4082% member-related ownership share in the Mead-Marketplace project component. Other owners of the line are Arizona Public Service Company, M-S-R Public Power Agency, Salt River Project and Startrans IO, L.L.C.. SCPPA has sold, on a “take-or-pay” basis, the entire capability of its member-related ownership interest through transmission service contracts with nine members of SCPPA (all of SCPPA’s members with the exception of the Imperial Irrigation District and the cities of Cerritos and Vernon). The commercial operation date for the project was April 15, 1996. SCPPA had outstanding \$50,555,000 aggregate principal amount of bonds with respect to the Mead-Phoenix Transmission Project as of February 15, 2012.

The City has entered into a transmission service contract with SCPPA under which SCPPA has sold to the City, on a “take-or-pay” basis, its entitlement share of 15.4% (approximately 35 MW) of SCPPA’s member-related ownership interest in the Mead-Phoenix Transmission Project and which obligates the City to pay its share of debt service on bonds issued by SCPPA for the project, as well as capital costs and costs related to operation and maintenance.

Mead-Adelanto Transmission Project. In connection with the Mead-Phoenix Transmission Project, the City has an 11.5337% (approximately 101 MW) entitlement to SCPPA's share of the Mead-Adelanto Transmission Project. The Mead-Adelanto Transmission Project consists of a 202-mile, 500-kV AC transmission line that extends between a southwest terminus at the existing Adelanto Substation in southern California and a northeast terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. By connecting to Marketplace Substation, the line interconnects with the Mead-Phoenix Transmission Project and the Mead-Adelanto Transmission Project interconnects with the existing McCullough Substation in southern Nevada. The line has a transfer capability of 1,200 MW. SCPPA has executed an ownership agreement providing it with a total of a 67.9167% member-related ownership share in the project. The other owners of the line are M-S-R Public Power Agency and Startrans IO, L.L.C.. SCPPA has sold the entire capability of its member-related ownership interest, on a "take-or-pay" basis, through transmission service contracts with nine members of SCPPA (all of SCPPA's members with the exception of the Imperial Irrigation District and the Cities of Cerritos and Vernon). SCPPA has two separate and independent ownership interests in this project: one interest for SCPPA's members participating in the project, and one interest for Western which provides the funding for that interest. The commercial operation date for the project was April 15, 1996, which coincided with the completion of the Mead-Phoenix Transmission Project. SCPPA had outstanding \$162,645,000 aggregate principal amount of bonds with respect to the Mead-Adelanto Transmission Project as of February 15, 2012.

The City has entered into a transmission service contract with SCPPA, under which SCPPA has sold to the City, on a "take-or-pay" basis, its entitlement share of SCPPA's member-related ownership interest in the Mead-Adelanto Transmission Project. The City's transmission service contract with SCPPA obligates the City to pay its share of debt service on bonds issued by SCPPA for the project, as well as capital costs and costs related to operation and maintenance.

Pacific Northwest-Pacific Southwest 500 kV DC Transmission Line. The DC Intertie is an 850 mile ± 500 kV DC line rated 3,100 MW connecting the Pacific Northwest with the Los Angeles Basin. The line is operated by Bonneville Power Administration ("BPA"). The City has ownership in 119 MW of capacity at the Nevada-Oregon border. The City currently has excess capacity on this line. In 1990, the City entered into a 20-year agreement with the cities of Anaheim, Azusa, Banning, Colton and Riverside to sell 30 MW of this excess capacity that expired on September 30, 2009. The City and the cities of Glendale and Pasadena participated in the Sylmar Expansion Project which was completed in 1991. The Sylmar Expansion Project provided a 1,100 MW expansion of the DC Intertie's AC/DC terminal converter station located at Sylmar, California. The increased capacity of the DC Intertie (from 2,000 MW to 3,100 MW) is operational and available.

Natural Gas

Natural Gas Project. The City is a participant in SCPPA's Natural Gas Project. The Natural Gas Project includes the SCPPA's leasehold interests in (i) certain natural gas resources, reserves, fields, wells and related facilities located near Pinedale, Wyoming (the "Wyoming Subproject") and (ii) certain natural gas resources, reserves, fields, wells and related facilities in (or near) the Barnett Shale geological formation in Texas (the "Texas Subproject," and collectively with the Wyoming Subproject, the "Natural Gas Project"). SCPPA has sold the entire production capacity of its leasehold interests in the Natural Gas Project by entering into gas sales agreements with the City and the cities of Anaheim and Colton (collectively, the "Natural Gas Project A Participants") and with the cities of Glendale and Pasadena on a "take-or-pay" basis (other than with respect to debt service, which is payable only by the Natural Gas Project A Participants on a several basis). On February 6, 2008, SCPPA issued revenue bonds in three simultaneous financings (each for the benefit of a Natural Gas Project A Participant). As of February 15, 2012, SCPPA had outstanding \$106,475,000 aggregate principal amount of Natural Gas Project A

Revenue Bonds, consisting of \$61,395,000, \$32,450,000 and \$12,630,000 aggregate principal amount of the Anaheim series, the Burbank series and the Colton series, respectively.

The City has an interest in a portion of the production capacity of SCPPA's leasehold interests in the Natural Gas Project through a gas sales agreement with SCPPA, which agreement obligates the City to pay for its share of capital costs and costs related to operation and maintenance of the Natural Gas Project on a "take-or-pay" basis, as well as 100% of the debt service (on a several basis) on bonds issued by SCPPA to finance the City's share of the costs for the development and acquisition of the Natural Gas Project.

Prepaid Natural Gas Project. The City and several members of SCPPA have completed a prepaid natural gas financing to secure another source of long-term supply of gas to provide fuel for the Magnolia Power Project and other gas-fired generation stations. The Prepaid Natural Gas Project primarily consists of the acquisition by SCPPA of the right to receive an aggregate amount of approximately 135 billion cubic feet of natural gas (which amount has been reduced to approximately 90 billion cubic feet as a result of the restructuring described below) from J. Aron & Company ("J. Aron") pursuant to the terms of five Prepaid Natural Gas Sales Agreements between SCPPA and J. Aron, each relating to a separate participant. The gas is delivered by J. Aron to SCPPA at designated delivery points on the natural gas pipelines that serve the participants in specified daily quantities each month, over the approximately 30-year term (now 27-year term due to the restructuring) of each of the Prepaid Natural Gas Sales Agreements, in exchange for the lump sum prepayment made to J. Aron by SCPPA on the date of issuance of SCPPA's Gas Project Revenue Bonds (Project No. 1) in 2007. SCPPA had outstanding \$327,655,000 aggregate principal amount of bonds with respect to the Prepaid Natural Gas Project as of February 15 2012. On October 22, 2009, the Prepaid Natural Gas Sales Agreements and certain other agreements between SCPPA and J. Aron were restructured to provide an acceleration of a portion of the long-term savings, reduce the remaining volumes of gas to be delivered and shorten the overall duration of the agreements. As a result of the restructuring, approximately \$165,000,000 principal amount of bonds with respect to the Prepaid Natural Gas Project was discharged. SCPPA has sold its interest in the natural gas, on a "take-and-pay" basis, through gas supply agreements with the City and the cities of Anaheim, Colton, Glendale and Pasadena. The City's natural gas supply agreement with SCPPA is expected to provide approximately one-fourth of the City's gas requirements for the Magnolia Power Project. Gas delivered under the City's natural gas supply agreement with SCPPA is priced at the applicable monthly index price for the delivery point less a fixed discount. The City has no obligation under the natural gas supply agreement to pay for gas not delivered.

Certain of the projects described above are subject to the other parties involved in those projects meeting their respective payment obligations with respect to such projects. If a party defaults on its payment obligations, then the non-defaulting parties, subject to the utilization of any reserves, may be required to expend additional funds with respect to such project. If a non-defaulting party does "step-up" to the payment obligation of a defaulting party, the non-defaulting party is entitled to the capability and/or output of the defaulting party's share of the project.

Exchange Agreements

Powerex Exchange Agreement. On January 1, 2008, an exchange agreement between the City and Powerex took effect. Under the agreement, the City receives approximately 42,000 MWh of firm on-peak energy from mid-June to mid-October each year delivered at a rate of 40 MW per hour. In exchange, the City returns to Powerex on an annual basis approximately 97,500 MWh during the off-peak period of varying rates from 25 to 50 MW per hour. The contract has a five year term and is scheduled to expire on December 31, 2012.

Morgan Stanley Exchange Agreement. On June 21, 2011, the City and Morgan Stanley Capital Group Inc. (“Morgan Stanley”) entered into an energy exchange agreement from April 1, 2012 to March 21, 2017. Under the agreement, the City will receive approximately 52,000 MWh annually from June to October of firm on-peak renewable energy with WREGIS’s (Western Renewable Generation Information System) RECs (renewable energy credits) delivered at a rate of 25 MW per peak-hour. In exchange, the City will return to Morgan Stanley an approximately 131,500 MWh annually of firm energy at a rate of 15 MW per hour.

Short-Term, Non-Firm Contracts

The City expects to provide for its energy needs that are not covered by long-term power supply contracts from the least expensive method of either dispatching power from its local generating units or short-term (quarterly, monthly, weekly, daily or hourly) purchases on the spot market. Short-term purchases are made under the Western Systems Power Pool Agreement and numerous bilateral agreements. The cost of obtaining the necessary energy is dependent upon such factors as the availability of generating resources in the region and weather conditions such as ambient temperatures and time of year.

In the past four years, non-firm purchased power supplied approximately from 2-16% of the City’s energy supply. In the fiscal year ended June 30, 2011, the City purchased approximately 20% of its power supply from short term, non-firm power purchases on the open market to take advantage of seasonal surplus energy from the Pacific Northwest and utilize its on-site generators to generate peak-hour and near-peak-hour energy. The flexibility of short term, non-firm power purchases allows the City to adjust its needs and to offer competitive rates to its customers. This strategy has worked well and is reflected in the fact that the cost of these economic purchases has historically averaged significantly less than the cost of long-term power contracts.

Fuel Procurement and Retail Energy Hedging Strategy

Fuel procurement for BWP’s local generation units is addressed as part of its overall energy hedging strategy and undertaken in accordance with the BWP Energy Risk Management Policy. Fuel procurement instruments used include over the counter physical contracts, over the counter financial swap contracts, options, the SCPPA Natural Gas Project (described above), and biogas contracts. BWP has hedged 80% of its energy supply up to 2017. BWP’s Risk Management Policy recommends hedging 90% of the energy supply prior to the beginning of the fiscal year. However, the hedge percentages can be revised by the Risk Management Committee to accommodate weather, load and other market factors. Energy hedging decisions are continuously monitored and reviewed at the Risk Oversight Committee. See – Electric System Initiatives – *Wholesale Margins*” below for additional information about the Risk Oversight Committee.

Electric System Initiatives

Competitiveness Transition Plan. In 1998, the BWP Board and the City Council adopted, and has subsequently from time to time updated, its “Competitiveness Transition Plan” (as updated, the “Plan”) in response to the then anticipated impacts of deregulation in California. The City has never granted open access for Burbank customers.

These goals have been adopted to fulfill the Plan:

- Maintain competitive and stable rates for all customer classes;

- Optimize use of assets, manage costs, and increase reserves;
- Maintain sound financial policies to ensure BWP's financial stability;
- Ensure that BWP is competitive with other Western utilities; and
- Uphold standards of customer service and reliability.

Power Supply Resources. The availability of local generation through existing facilities (the cost of which is more economical during periods of high cost in the power market) as well as the additional facilities utilizing state-of-the-art natural gas-fired technology (including the Lake 1 Unit and the Magnolia Power Project) are designed to allow the City to more efficiently dispatch local generation and to hedge against future market volatility in energy prices. Another essential factor is that local generation will improve regional electric reliability because it does not depend on long-distance interstate transmission lines.

The City has taken the following actions to serve its customers and to mitigate the impact of recent changes in its power supply resource portfolio:

Integrated Resource Plan (IRP). The City Council approved the 2006 IRP and supports policy recommendations that BWP meet future power supply needs by developing resources in the following order of priority: Efficiency Improvements, Conservation and Renewable Energy. The City is currently updating the IRP. The updated IRP will focus on the City's commitment to implementing conservation and energy management through its smart grid efforts as the first resources to meet future needs. It will recognize the need to plan for the continued reduction in greenhouse gases and outline how additional renewable energy resources will be acquired in order to meet the requirement of having 33% of the City's energy portfolio from renewable sources by 2020.

Forward Purchases and Energy Risk Management. BWP has developed short-term as well as long-term energy procurement strategies to reduce price risks and volatility. These strategies are monitored by BWP management utilizing the Energy Risk Management Policy originally adopted in 2003 and most recently amended in April 2009.

Renewable Energy. The City Council adopted a Renewable Portfolio Standard ("RPS") policy in November 2003 which was revised in June 2007 to address the growing concerns about the environment. Pursuant to the revised resolution approved in June 2007, the City Council revised the RPS's initial goal of meeting 20% of the City's retail energy sales with renewable energy resources by 2017 to 33% by 2020. On November 17, 2008 the State Governor signed Executive Order S-14-08 setting the same standard, among other things, of requiring retail electricity sellers in California to serve 33% of their loads with eligible renewable energy resources by 2020. On September 15, 2009, the State Governor signed Executive Order S-21-09 which, among other things, required that the California Air Resources Board ("CARB") establish regulations consistent with the 33% RPS target established in Executive Order S-14-08 and work with the California Energy Commission (the "CEC") and the CPUC to ensure that such new regulation build upon the existing RPS program and regulate all California load serving entities, including publicly-owned utilities. On April 12, 2011, the State Governor signed SBX1-2 into law requiring California's electric utilities, including publicly-owned electric utilities, to increase their procurement of renewable energy resources to serve 33% of their loads from such resources by 2020. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS – State Legislation – *Renewable Portfolio Standards.*"

On December 13, 2011, the California Office of Administrative Law approved a cap-and-trade regulation adopted by CARB. The regulation became effective on January 1, 2012, with emission obligations commencing on January 1, 2013. CARB adopted this regulation as part of the implementation of Assembly Bill 32, the Global Warming Solutions Act of 2006. This bill mandated CARB to implement regulations that reduce greenhouse gas emissions by capping them at 1990 levels by the year 2020. The cap-and-trade program places an upper limit on statewide greenhouse gas emissions beginning in 2013. The limit is initially set at the emissions forecast for 2013. The cap will decline in each year thereafter to 2020. Utilities will be given free emission allowances to cover all or part of their obligations. They can sell, buy, or trade allowances and offsets to ensure they have enough allowances or offsets to cover their emissions and comply with the regulation. See “DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS – State Legislation – *Greenhouse Gas Emissions.*”

During the past few years, the City has focused on the acquisition of renewable energy resources. Long-term agreements have been entered into for energy from as far away as Wyoming and the Pacific Northwest. The City receives wind energy from the Pleasant Valley Facility in Southwest Wyoming, the Pebble Springs Facility in Northern Oregon, and the Milford Wind Corridor Phase I Project in Utah. The City also purchases hydropower energy from the Tieton Hydropower Project, a small hydroelectric facility located in Washington State, and has contracted for energy from the Ameresco Chiquita Landfill Gas Project, a landfill gas facility located west of Santa Clarita, California, and has recently started using bio-methane products. For the fiscal year ended June 30, 2011, renewable energy resources made up approximately 9% of the City’s total energy supply. Meeting the goals of above-referenced legislation and the City’s adopted RPS has and may in the future require the replacement of existing energy sources with renewable energy resources. As the City expects that the cost of renewable energy, relative to other energy options, may be greater, the acquisition of addition renewable resources may result in increased costs to the City and may require future rate increases, which are subject to City Council review and approval. See “– Electric Rates and Charges” below.

Wholesale Margins. Wholesale margins for fiscal year 2010-11 were \$1.9 million. Wholesale margins continue to contribute to BWP’s financial performance by reducing the utility’s overall power supply costs. Wholesale trading opportunities exist because the City is able to market BWP’s excess capacity, energy or transmission. The City believes that wholesale transactions are low risk because they are short-term (*e.g.*, mostly less than 90 days), and not open-ended transactions. The trading risks are also mitigated through the adoption of the Energy Risk Management Policy, the formation of the Risk Oversight Committee and oversight by the Financial Planning and Risk Manager. The Risk Oversight Committee meets regularly to review counterparty credits and transactions. Voting members of the Risk Oversight Committee include the General Manager, Chief Financial Officer, Assistant General Manager/Power Supply, Energy Control Center Manager, Power Production Manager, Power Resource Manger, and the Financial Planning and Risk Manager.

Financial Reserves. BWP management initially developed a financial reserve policy to maintain its long term rate stability in May 2003. This policy was updated once in January 2008 and is currently being updated. Reserves were established for general operating expenses, debt reduction and capital funding, fleet replacement and general plant replacement. The Electric System maintained approximately \$70.8 million of cash and cash equivalents, including \$21.2 million of bond proceeds and \$8.7 million in deposits held by SCPA, as of June 30, 2011.

Customer Relations. Customers and community relationships continue to be an important focus for all utility interactions. Good relationships go hand in hand with high system reliability, and competitive and stable rates. BWP conducts regular customer satisfaction surveys using an independent

research firm to ensure service levels and that the programs meet customers' expectations. The results of the most recent survey revealed that customers continue to believe the utility is well-run, trustworthy, reliable and committed to protecting the environment. BWP has maintained an outstanding system-wide reliability statistics. The average customer experienced a service outage only once every 2.9 years, for an average period lasting only 81.7 minutes during fiscal year 2010-11. Further, BWP continues to enhance its service options with telecommunications capabilities for its larger commercial customers.

Smart Grid Programs. The City was awarded a \$20 million grant under the American Recovery and Reinvestment Act for Smart Grid Programs. BWP is currently deploying Smart Meters, a meter data management system, communication infrastructure systems, distribution automation, and smart grid control systems. Under this program, there will also be demand response, which involves mechanisms to enable consumers to reduce energy usage during peak periods. When these deployments are fully operational, customer choice programs will be implemented to allow direct control over some loads in addition to putting customers in control of their energy usage, especially when reliability is threatened or when prices are high. The benefits of these efforts include lower power supply cost, fewer line losses, faster outage management responses and service restoration, increased ability to integrate distributed generation, and improved system reliability.

Customers and Energy Sales

The following table sets forth the Electric Revenues derived from sales by classification of services and peak demand during the past five fiscal years.

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**Burbank Water and Power
Electric Revenues and Peak Demand
(\$000's)**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Electric Revenues from Sales:					
Residential	\$ 36,379	\$ 37,424	\$ 37,878	\$ 37,379	\$ 37,326
Commercial	97,235	85,725 ⁽¹⁾	67,666	67,137 ⁽¹⁾	75,535
Large Commercial	14,764	25,068 ⁽¹⁾	44,832	42,576 ⁽¹⁾	43,054
Other retail revenues	<u>5,538</u>	<u>7,297</u>	<u>7,663</u>	<u>7,082</u>	<u>7,144</u>
Total Retail Revenues	153,916	155,514	158,039	154,174	160,059
Wholesale	207,259	220,177	120,716	75,946	59,200
Other Operating Revenue ⁽²⁾	<u>7,585</u>	<u>6,476</u>	<u>8,834</u>	<u>4,900</u>	<u>8,014</u>
Total	<u>\$368,760</u>	<u>\$382,167</u>	<u>\$287,589</u>	<u>\$235,020</u>	<u>\$227,273</u>
Peak Demand (MW)	307	308	289	285	316

⁽¹⁾ Reflects mid-year customer class and rate restructuring effective January 1, 2008 and January 1, 2009.

⁽²⁾ Other operating revenues included transmission, telecommunications and other miscellaneous revenues.

Source: BWP.

The following tables set forth the average number of retail customers and total retail energy sold during the past five fiscal years.

**Burbank Water and Power
Average Number of Retail Customers**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Residential	44,009	44,279	44,499	44,833	45,049
Commercial	6,589	6,801 ⁽¹⁾	6,787	6,908 ⁽¹⁾	6,887
Large Commercial	<u>164</u>	<u>71⁽¹⁾</u>	<u>81</u>	<u>77⁽¹⁾</u>	<u>75</u>
Total	50,762	51,151	51,367	51,818	52,011

⁽¹⁾ Reflects mid-year customer class and rate restructuring effective January 1, 2008 and January 1, 2009.

Source: BWP.

**Burbank Water and Power
Total Retail Energy Sold
(Millions of kWh)**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Residential	285	286	285	277	265
Commercial	762	671	510	497	510
Large Commercial	141	223	389	361	344
Total	1,188	1,180	1,184	1,135	1,119

Source: BWP.

Major Customers

The City’s largest retail electric customer accounted for approximately 6.9% of the City’s energy sales for the fiscal year ended June 30, 2011. The City’s ten largest retail electric customers (excluding other City departments), comprised of large commercial customers, provided approximately 20.7% of the City’s energy sales for the fiscal year ended June 30, 2011.

Electric Rates and Charges

Burbank is obligated by the City Charter and by its electric bond indentures to establish rates and collect charges in an amount sufficient to meet its operation and maintenance expenses and debt service requirements. Electric rates are established by the City Council and are not subject to regulation by the CPUC or by any other state agency.

Although its rates are not subject to approval by any federal agency, the City is subject to certain provisions of the federal Public Utility Regulatory Policies Act of 1978 (“PURPA”). PURPA requires state regulatory authorities and nonregulated electric utilities, including the City, to consider certain rate-making standards and to make certain determinations in connection therewith. The City believes that it is operating in compliance with PURPA.

On January 1, 1998, pursuant to California Assembly Bill 1890, the City instituted a public benefits surcharge. The Electric System’s base rates have been changed nine times over the period beginning January 1, 1998. The City Council approved the most recent mid-year rate increase of 2.90% effective on January 1, 2011 for electric customers. The City provides no free electric services. The following table sets forth the percentage change in overall system rates since 1998.

**Burbank Water and Power
Percentage Change in Electric Rates⁽¹⁾**

Effective Date	Overall System
01/01/98 ⁽²⁾	1.00%
07/01/98	5.00
07/01/99	3.50
07/01/01	10.00
10/01/01	11.00
07/01/06	3.50
01/01/08	2.50
01/01/10	5.75
01/01/11	2.90

⁽¹⁾ Percentage change is based upon immediately preceding rate.

⁽²⁾ Increase was imposed to assist BWP in satisfying the public benefit spending obligation imposed by AB 1890 (i.e., 2.85% of electric rate revenues).

Source: BWP.

The table below sets forth the weighted average billing price per kWh of the City’s various retail customer classes for the past five fiscal years.

**Burbank Water and Power
Weighted Average Retail Billing Price⁽¹⁾
(Cents per kWh)**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Residential	12.78	13.07	13.27	13.51	14.10
Commercial	12.75	12.77	13.28	13.48	14.22
Large Commercial	10.47	11.26	11.53	11.81	12.52
Weighted Average – All Classes Combined	12.51	12.58	12.73	12.98	13.69

⁽¹⁾ All weighted average rates exclude Public Benefit and Street Lighting Charges.

Source: BWP.

Capital Improvements

The City has a capital improvement program designed to meet load requirements, repair and replace facilities as needed, and satisfy new safety and regulatory requirements. All capital improvements are considered and adopted as part of the City’s annual budget process. The City currently expects to finance such capital improvements through a combination of bond financing, governmental grants and a “pay-as-you-go” basis.

The following table is a summary of the City’s Five-Year Capital Improvement Program.

**Burbank Water and Power
Five-Year Capital Improvement Program
(\$000's)**

	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast	Total Forecast
Power Supply Improvement Projects	\$14,747	\$ 2,727	\$ 1,250	\$ 400	\$ 7,100	\$26,224
Operations Technology	2,274	638	0	0	0	2,912
Distribution Expansion Projects	4,283	5,850	1,100	1,000	700	12,933
Distribution Replacement Projects	12,002	6,250	6,350	6,350	6,450	37,402
New Customer Projects/AIC	1,815	2,015	1,965	1,715	1,365	8,873
Fiber Optic Projects	780	780	515	515	515	3,105
Facility Renovations	1,089	1,537	200	0	0	2,826
Customer Service and other	5,811	5,516	0	0	0	11,328
Capital Outlay and other	<u>2,263</u>	<u>2,194</u>	<u>2,615</u>	<u>3,174</u>	<u>1,531</u>	<u>11,776</u>
Total CIP	\$45,063	\$27,507	\$13,994	\$13,154	\$17,660	\$117,379

Source: BWP.

As described under “– Electric System Initiatives – *Power Supply Resources – Integrated Resource Plan*,” the City is in the process of updating its 2006 Integrated Resource Plan and is also currently developing a Distribution Master Plan. These plans may identify additional capital requirements for generation and distribution acquisitions or improvements beyond those contemplated by the current five year capital improvement program. The estimated costs of, and projected schedule for, any such additional capital improvements have not yet been developed and are subject to a number of uncertainties. Furthermore, any particular programs and commitments for additional capital improvements are subject to review by the City Council.

Indebtedness

As of February 15, 2012, the City had \$105,875,000 in outstanding principal amount of long-term obligations of the Electric System payable from Electric Net Revenues of the Electric System (after the payment of Electric Operating Expenses, including the City’s obligations with respect to its agreements with joint powers agencies as described under “– Joint Powers Agency Contracts” below) consisting of the following Bonds: (i) the \$17,385,000 in outstanding principal amount of Refunded 2002 Bonds, (ii) \$35,825,000 in outstanding principal amount of Series 2010A Bonds and (iii) \$52,665,000 in outstanding principal amount of Series 2010B Bonds. As described herein, the Series 2012A Bonds are being issued for the purpose of refunding the outstanding Refunded 2002 Bonds. See “PLAN OF REFUNDING.” After issuance of the Series 2012A Bonds, the City will have \$98,300,000 in outstanding principal amount of Bonds payable from Electric Net Revenues of the Electric System (after the payment of Electric Operating Expenses, including the City’s obligations with respect to its agreements with joint powers agencies as described under “– Joint Powers Agency Contracts” below).

Joint Powers Agency Contracts

As previously discussed, the City contracts with IPA and SCPPA. Obligations of the City under the agreements with IPA and SCPPA constitute operating expenses of the Electric System payable prior to any of the payments required to be made on the City’s electric system Bonds. Agreements between the City and IPA and the City and SCPPA (other than the agreement relating to SCPPA’s Prepaid Natural Gas Project bonds) are on a “take-or-pay” basis, which requires payments to be made whether or not applicable projects are operating or operable, or whether the output from such projects is suspended,

interfered with, reduced, curtailed or terminated in whole or in part. In addition, most of these agreements contain “step up” provisions obligating the City to pay its relevant share following a failure to pay by a defaulting participant. The City’s participation and share of principal obligations (without giving effect to interest due on the obligations or any “step up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**Outstanding Debt of Joint Powers Agencies and Burbank’s Share
As of February 15, 2012**

	Principal Amount of Outstanding Debt	City’s Participation⁽¹⁾	City’s Share of Principal Amount of Outstanding Debt⁽²⁾
Intermountain Power Agency			
Intermountain Power Project (IPP) ⁽³⁾	\$2,226,795,000	3.371%	\$ 75,065,260
Southern California Public Power Authority			
Palo Verde Nuclear Generating Station	69,100,000	4.400	3,040,400
Southern Transmission System	820,110,000	4.498	36,888,548
Hoover Dam Uprating	11,355,000	15.957	1,811,917
Magnolia Power Project ⁽⁴⁾	349,780,000	32.350	113,153,830
Mead-Phoenix Transmission	50,555,000	15.400	7,785,470
Mead-Adelanto Transmission	162,645,000	11.534	18,759,474
Milford Wind Corridor Phase I	229,640,000	5.000	11,482,000
Prepaid Natural Gas Project ⁽⁵⁾	327,655,000	33.099	108,450,528
Natural Gas Project	32,450,000	100.000	32,450,000
Tieton Hydropower Project	<u>52,050,000</u>	50.000	<u>26,025,000</u>
Total	<u>\$4,332,135,000</u>		<u>\$434,912,427</u>

⁽¹⁾ Obligation is subject to increase upon default of another project participant (other than with respect to SCPPA’s Prepaid Natural Gas Project bonds and the Natural Gas Project bonds).

⁽²⁾ Excludes interest on the debt.

⁽³⁾ Includes commercial paper, subordinate notes and full accreted value at maturity for all capital appreciation bonds. Inclusive of the IPP Excess Power Sales Agreement, after reduction for portion withdrawn by Utah members in accordance with such Agreement.

⁽⁴⁾ Excludes bonds relating solely to City of Cerritos.

⁽⁵⁾ The Prepaid Natural Gas Project is a “take-and-pay” contract. Payments by the City are contingent upon the delivery of gas.

Source: BWP.

For the fiscal year ended June 30, 2011, the City’s payments of debt service on its joint powers agency obligations aggregated approximately \$38.4 million, including the take-and-pay debt service from the prepaid natural gas project of \$4.0 million. As of July 1, 2011 a portion of the joint powers agency obligation debt service was unhedged variable rate debt. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at rates well in excess of the maximum rate as otherwise permitted under the applicable documents pursuant to which such obligations were issued. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In addition, swap agreements entered into by the joint powers agencies are subject to early termination under certain circumstances, in which event the joint powers agency could owe substantial termination payments to the applicable swap provider.

Historical Net Revenues of the Electric System

The following table sets forth summaries of net revenues of the Electric System for the five fiscal years ended June 30, 2011, together with debt service coverage ratios. The information relating to the fiscal years ended June 30, 2007 through June 30, 2011 was prepared on the basis of audited financial statements.

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Burbank Water and Power
Historical Net Revenues and Debt Service Coverage
Electric System
(\$000's)

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Operating revenue:					
Retail	\$153,916	\$155,514	\$158,039	\$154,174	\$160,059
Wholesale	207,259	220,177	120,716 ⁽¹⁾	75,946 ⁽¹⁾	59,200 ⁽¹⁾
Other ⁽²⁾	<u>7,585</u>	<u>6,476</u>	<u>8,834</u>	<u>4,900</u>	<u>8,014</u>
Total Operating Revenue	368,760	382,167	287,589	235,020	227,273
Operating expenses:					
Retail (Fuel, Purchased Power and Power Operations)	93,288	105,481	95,043	89,225	95,476
Wholesale	201,132	212,823	116,544	73,331	57,261
Other (Distribution and Other O&M)	<u>38,462</u>	<u>37,932</u>	<u>41,246</u>	<u>42,886</u>	<u>43,820</u>
Total operating expenses ⁽³⁾	332,882	356,236	252,833	205,442	196,557
Operating income/(loss)	35,878	25,931	34,756	29,578	30,716
Other non-operating income ⁽⁴⁾	<u>5,580</u>	<u>5,191</u>	<u>2,191</u>	<u>1,415</u>	<u>2,709</u>
Net Income Available for Debt Service (a)	41,458	31,122	36,947	30,993	33,425
In Lieu of Taxes (b)	7,658	7,642	7,871	7,667	8,045
Debt Service (c)	<u>12,385</u>	<u>12,388</u>	<u>12,386</u>	<u>10,609</u>	<u>10,644⁽⁵⁾</u>
Rate Covenant Coverage (Prior to In Lieu) (a) / (c)	3.35x	2.51x	2.98x	2.92x	3.14x
Debt Service Coverage (After In Lieu) (a) – (b) / (c)	2.73x	1.90x	2.35x	2.20x	2.38x
Revenues Available After Debt Service (a) – (b) – (c)	\$ 21,413	\$ 11,092	\$ 16,691	\$ 12,717	\$ 14,736

⁽¹⁾ Lower energy prices, a weak economy, and the de-rating of a transmission line have reduced the ability to monetize excess transmission capacity and diminished wholesale opportunities accordingly.

⁽²⁾ Other operating revenues include transmission, telecommunications and other miscellaneous revenues. In fiscal year 2011 also includes the Federal Subsidy received by the City in connection with its Series 2010B Bonds. Beginning in fiscal year 2012, the City will elect to apply such Federal Subsidy as an offset to the interest on such Series 2010B Bonds. See SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS – Rate Covenant.”

⁽³⁾ Operating expenses exclude depreciation, in lieu of taxes, and interest expense.

⁽⁴⁾ Other revenues available for debt service include interest income plus other non-operating revenues less other non-operating expenses. Other revenues do not include capital contributions.

⁽⁵⁾ Debt Service on Series 2010B Bonds reflected is gross debt service with the Federal Subsidy received by the City for such Series 2010B Bonds included as Electric Revenues. Beginning in fiscal year 2012, the City will elect to apply such Federal Subsidy as an offset to the interest on such Series 2010B Bonds (and not as an Electric System Revenues). See SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS – Rate Covenant.”

Source: BWP.

Condensed Balance Sheet Information

The following Condensed Balance Sheet for the five fiscal years ended June 30, 2007 through June 30, 2011 has been prepared by the City based on audited financial information.

City of Burbank Electric Utility Fund Condensed Balance Sheet (\$000's)

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 67,481	\$ 45,085	\$ 39,645	\$ 35,180	\$ 40,737
Accounts receivable, net	26,093	32,189	13,629	12,727	12,871
Interest receivable	687	518	318	182	142
Materials and supplies.....	5,286	4,221	5,744	4,795	6,212
Deposits and prepaid expenses.....	15,207	17,631	21,427	22,496	25,111
Total current assets.....	<u>114,754</u>	<u>99,644</u>	<u>80,763</u>	<u>75,380</u>	<u>85,073</u>
Restricted cash and investments:					
Restricted nonpooled investments.....	<u>10,766</u>	<u>10,699</u>	<u>10,249</u>	<u>49,357</u>	<u>30,814</u>
Total restricted cash and investments.....	<u>10,766</u>	<u>10,699</u>	<u>10,249</u>	<u>49,357</u>	<u>30,814</u>
Utility plant and equipment:					
Utility plant and equipment.....	298,022	316,458	331,547	328,859	387,048
Construction in progress	<u>35,082</u>	<u>49,473</u>	<u>52,174</u>	<u>76,591</u>	<u>43,811</u>
Total utility plant and equipment	333,104	365,931	383,721	405,450	430,859
Less accumulated depreciation	<u>(128,453)</u>	<u>(140,782)</u>	<u>(153,476)</u>	<u>(156,969)</u>	<u>(170,955)</u>
Net utility plant and equipment.....	<u>204,651</u>	<u>225,149</u>	<u>230,245</u>	<u>248,481</u>	<u>259,904</u>
Other noncurrent assets:					
Rights to purchase power.....	1,335	1,335	1,335	1,335	1,335
Advances receivable	2,853	2,725	2,167	1,593	1,018
Deferred bond issuance and acquisition costs..	<u>515</u>	<u>460</u>	<u>404</u>	<u>214</u>	<u>196</u>
Total other noncurrent assets.....	<u>4,703</u>	<u>4,520</u>	<u>3,906</u>	<u>3,142</u>	<u>2,549</u>
Total assets.....	<u>\$334,874</u>	<u>\$340,012</u>	<u>\$325,163</u>	<u>\$376,360</u>	<u>\$378,340</u>
LIABILITIES AND FUND EQUITY					
Current liabilities:					
Accounts payable and accrued expenses.....	\$ 26,072	\$ 30,259	\$ 8,245	\$ 7,296	\$ 10,830
Current portion of compensated absences.....	232	214	324	818	217
Accrued payroll.....	943	11	12	12	-
Interest payable	144	119	93	795	795
Due to the City of Burbank.....	394	463	411	463	445
Customer deposits.....	12,186	13,369	14,440	12,941	9,229
Current portion of revenue bonds	<u>8,505</u>	<u>8,805</u>	<u>9,125</u>	<u>3,805</u>	<u>3,535</u>
Total current liabilities	<u>48,476</u>	<u>53,240</u>	<u>32,650</u>	<u>26,130</u>	<u>25,051</u>
Long-term liabilities, net of current portion:					
Revenue bonds.....	79,058	70,287	61,197	109,250	105,577
Compensated absences.....	<u>3,625</u>	<u>3,800</u>	<u>4,554</u>	<u>4,238</u>	<u>4,432</u>
Total long-term liabilities.....	<u>82,683</u>	<u>74,087</u>	<u>65,751</u>	<u>113,488</u>	<u>110,009</u>
Total liabilities	<u>131,159</u>	<u>127,327</u>	<u>98,401</u>	<u>139,618</u>	<u>135,060</u>
Fund equity:					
Total net assets	<u>203,715</u>	<u>212,685</u>	<u>226,762</u>	<u>236,742</u>	<u>243,280</u>
Total liabilities and net assets.....	<u>\$334,874</u>	<u>\$340,012</u>	<u>\$325,163</u>	<u>\$376,360</u>	<u>\$378,340</u>

Source: BWP.

Transfers to the City's General Fund

Under the City Charter, the City Council may transfer to the City's General Fund up to 5% of the Electric System's gross sales of water and electricity in lieu of taxes (exclusive of wholesale sales to other public or privately-owned utilities). The transfers to the City's General Fund for such electricity sales for the fiscal years ended June 30, 2011 and June 30, 2010 were approximately \$7,667,000 and \$8,045,000, respectively (constituting approximately 5% of such gross electricity sales for each fiscal year). The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2012 is expected to be approximately \$8,128,000 or 5% of such expected gross electricity sales for such fiscal year.

In addition, under the City Charter, the City Council may transfer to the City's General Fund up to 2.0% of the Electric System's gross sales of electricity (exclusive of wholesale sales of electricity to other public or privately-owned utilities) to pay for the operation of the City's street lights. The transfers to the General Fund for such purpose for the fiscal years ended June 30, 2011 and June 30, 2010 were approximately \$2,216,000 and \$2,291,000, respectively (constituting approximately 1.5% of such gross electricity sales for each fiscal year). The budgeted transfer to the General Fund for the fiscal year ending June 30, 2012 is expected to be approximately \$2,436,000 or 1.5% of such expected gross electricity sales for such fiscal year.

Seismic Activity

The City is located in a region of seismic activity. It is impossible to accurately predict the cost or effect of an earthquake on the Electric System or on BWP's ability to provide continued uninterrupted service to all parts of its service area.

The principal earthquake fault in the Los Angeles and Burbank area is the San Andreas Fault, which extends an estimated 700 miles from north of the San Francisco area to the Salton Sea in Southern California. At its nearest point, it is approximately 30 miles north of the City. Significant earthquakes that have occurred in recent years in the Los Angeles and Burbank area, including the Northridge earthquake in 1994, have resulted in only temporary electrical outages in the Electric System and, after inspection to determine the scope of any damage, only minor damage to the Electric System. In the event of a severe earthquake, however, the amount of moneys available to pay debt service on the Series 2012A Bonds could be reduced significantly.

Litigation

At any given time, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of Electric System enterprise activities. In the view of BWP management and the City Attorney, other than as described in this Official Statement, there is no litigation, present or pending, which will, individually or in the aggregate, materially impair the City's ability to service its Electric System indebtedness or which will have a material adverse effect on the business operations of the Electric System.

RATE REGULATION

The City sets rates, fees and charges for electric service. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the CPUC and presently neither the CPUC nor any other regulatory authority of the State nor the FERC approves such rates and charges. It is possible that future legislative and/or regulatory changes could subject the rates and/or service area of the City to the jurisdiction of the CPUC or to other limitations or requirements.

FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under Part I of the Federal Power Act (“Part I”), although it has not as a practical matter exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. There is a question as to whether FERC has jurisdiction at all to modify rates for municipalities which are authorized to set their own rates. FERC and its predecessor, the Federal Power Commission (the “FPC”), have indicated on a number of occasions that municipalities and other public agencies authorized to set their own rates are not subject to FERC’s regulatory jurisdiction over rates. On the other hand, the FPC in at least one decision suggested a contrary result. Even if FERC were to assert jurisdiction over the services and charges associated with such hydroelectric projects, it is unlikely that any reasonable rates and charges would be found to be contrary to applicable federal regulatory standards.

Under the 1992 revisions to the Federal Power Act, enacted as the Energy Policy Act of 1992 (the “Energy Policy Act”), FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at cost-based rates.

FERC also has jurisdiction to regulate those cost-based rates, and has asserted that jurisdiction in *Minnesota Municipal Power Agency v. Southern Minnesota Municipal Power Agency*, 66 FERC ¶61,223 (1994) and 68 FERC ¶61,060 (1994). However, FERC’s asserted jurisdiction over municipal rates does not extend to the rates for power sales, and applies only to transmission service ordered by FERC pursuant to Section 211 of the Federal Power Act, as amended by the Energy Policy Act. Neither the City nor the joint powers agencies with which the City has contracted which developed the transmission assets are providing any such transmission service to others. No assurance can be given that such service will not be requested in the future.

DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS

Background; California Electric Market Deregulation

In 1996, California partially deregulated its electric energy market. As a consequence of the partial deregulation, the California investor-owned utilities (the “IOUs”) sold a large portion of their generation resources and began to purchase significant amounts of electricity. During portions of 2000 and 2001, the market price of electricity in California went through significant fluctuations, the impacts of which are well documented.

A number of State and federal proceedings began as a result of the market dysfunction of 2000 and 2001. These included investigations into alleged market manipulation, which for the most part have either ended or are in the final appellate stages. Other proceedings are ongoing, such as litigation at FERC regarding the need for refunds due to the alleged overcharging for the sale of electricity. (Such proceedings initially included sales by municipal utilities but those were dismissed for lack of jurisdiction). Other cases have been or are expected to be remanded to FERC after appeals to the U.S. Ninth Circuit Court of Appeals, some of which are currently stayed or in abeyance. Although it was ultimately found that FERC lacked jurisdiction to order refunds for alleged overcharging by non-jurisdictional entities, several plaintiffs have pursued remedies in State and federal courts based on a contract and quasi-contract theory. While much of this litigation has been settled, there are still some claims by others at FERC that remain ongoing. The City is unable to predict the final outcome of existing investigations and proceedings regarding California’s energy crisis of 2000 and 2001 until all of the proceedings are finally concluded.

During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. While there has been some progress in addressing these

issues, uncertainty remains (including, for example, in the near term with respect to possible reliability challenges for San Diego and portions of the Los Angeles basin that may result from an extended outage at the San Onofre Nuclear Generating Station). As a result of the foregoing and other factors, no assurance can be given that measures undertaken during the last several years, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected BWP and other California electric utilities in the past.

State Legislation

A number of bills affecting the electric utility industry have been introduced or enacted by the California Legislature in recent years. In general, these bills regulate greenhouse gas emissions and provide for greater investment in energy-efficiency and environmentally friendly generation alternatives through more stringent renewable resource portfolio standards. The following is a brief summary of certain of these bills.

Greenhouse Gas Emissions. On June 1, 2005, then Governor Arnold Schwarzenegger signed Executive Order S-3-05, which placed an emphasis on efforts to reduce greenhouse gas emissions by establishing statewide greenhouse gas reduction targets. The targets are: (i) a reduction to 2000 emissions levels by 2010; (ii) a reduction to 1990 levels by 2020; and (iii) a reduction to 80% below 1990 levels by 2050. The Executive Order also called for the California Environmental Protection Agency to lead a multi-agency effort to examine the impacts of climate change on California and develop strategies and mitigation plans to achieve the targets. On April 25, 2006, then Governor Schwarzenegger also signed Executive Order S-06-06 which directs the State to meet a 20% biomass utilization target within the renewable generation targets of 2010 and 2020 for the contribution to greenhouse gas emission reduction.

Then Governor Schwarzenegger signed Assembly Bill 32, the Global Warming Solutions Act of 2006 (the “GWSA”), which became effective as law on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas emission levels by 2020. In addition, the GWSA establishes a mandatory reporting program for all IOUs, local publicly-owned electric utilities (“POUs”) and other load-serving entities (electric utilities providing energy to end-use customers) to inventory and report greenhouse gas emissions to CARB, requires CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a “cap-and-trade” system) and gives CARB the authority to enforce such regulations beginning in 2012.

On December 11, 2008, CARB adopted a “scoping plan” to reduce greenhouse gas emissions. The scoping plan set out a mixed approach of market structures, regulation, fees and voluntary measures. The scoping plan included a cap-and-trade system covering approximately 85% of all greenhouse gas emissions in California. In August 2011, CARB revised the scoping plan in response to litigation. The revised scoping plan continues to include a cap-and-trade system.

On October 20, 2011, CARB adopted a regulation implementing a cap-and-trade system. The California Office of Administrative Law (“OAL”) approved the regulation on December 13, 2011, and it became effective on January 1, 2012.

The cap-and-trade program covers sources accounting for 85% of California’s greenhouse gas emissions, the largest program of its type in the United States. The cap-and-trade regulation became effective on January 1, 2012, and it provides for emission compliance obligations to begin on January 1, 2013.

The cap-and-trade program will be implemented in phases. The first phase of the program (January 1, 2013 to December 31, 2014) will introduce a hard emissions cap that covers emissions from electricity generators and large industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases (“CO₂e”) per year. In 2015, the program will be expanded to cover emissions from transportation fuels, natural gas, propane and other fossil fuels. The cap will decline each year. The cap-and-trade program will include the distribution of carbon allowances. Each allowance will be equal to one metric ton of CO₂e. As part of a transition process, initially, most of the carbon allowances will be distributed for free. Additional allowances will be auctioned quarterly, beginning in the second half of 2012, in which auctions utilities can acquire more emissions credits. IOUs, as well as POUs that sell electricity into the ISO markets will be required to auction their allowances. They will then need to purchase allowances to meet their compliance obligations, and use any remaining proceeds from the sale of their allocated allowances for the benefit of their ratepayers. POUs that do not sell into the ISO markets have three options (which are not mutually exclusive) once their allocated allowances are distributed to them. They can (i) place allowances in their compliance accounts to meet compliance obligations for plants they operate directly, (ii) place allowances in the compliance account of a joint powers agency or public power utility that generates power on their behalf, and/or (iii) auction the allowances and use the proceeds to benefit their ratepayers.

The cap-and-trade program will also allow covered entities to use offset credits for compliance purposes (not exceeding 8% of a covered entity’s compliance obligation). Offsets can be generated by certified projects in sectors that are not regulated under the cap-and-trade program. These include urban forest projects, reforestation projects, destruction of ozone-depleting substances, and methane management projects. CARB is considering additional offset protocols, including conversion of pneumatic controllers and N₂O reductions from changes in fertilizer management. These protocols may be approved in 2012.

There are a number of issues remaining to be addressed prior to the start of emission compliance obligations in 2013, including reviewing provisions relating to electricity imports, developing rules to minimize emissions leakage through “resource shuffling,” linking the California cap-and-trade program to the equivalent program in Quebec, Canada, and developing and testing a trading and tracking computer system. CARB will work on these issues throughout 2012. Linking California’s program to additional Canadian cap-and-trade programs may occur in 2013, as part of the Western Climate Initiative. The Western Climate Initiative is a regional effort consisting of California and four Canadian provinces (Quebec, British Columbia, Ontario and Manitoba), which is in the process of establishing a greenhouse gas reduction trading framework.

The City is unable to predict at this time the full impact of the cap-and-trade program on the BWP electric utility or on the electric utility industry generally or whether any changes to the adopted program will be made. However, BWP could be adversely affected if the carbon emissions of its resource portfolio are in excess of the allowances administratively allocated to it and it is required to purchase allowances on the market to cover its emissions.

In addition to the GWSA, Senate Bill 1368 also became effective as law on January 1, 2007 and provides for an emission performance standard, restricting new investments in baseload fossil fuel electric generating resources that exceed the rate of emissions for greenhouse gases for existing combined-cycle natural gas baseload generation and seeks to allow the CEC to establish a regulatory framework necessary to enforce the greenhouse gas emission performance standard for POUs such as BWP. The CPUC has a similar responsibility for the IOUs. The regulations promulgated by the CEC were approved by the Office of Administrative Law on October 16, 2007. The CEC regulations prohibit any investment in baseload generation that does not meet the emission performance standard of 1,100 pounds of CO₂ per MWh of electricity, with limited exceptions for routine maintenance, requirements of pre-existing

contractual commitments, or threat of significant financial harm. In December 2011 the CEC decided to undertake a review of these regulations to ensure there is adequate review of investments in facilities that do not meet the emission performance standard.

Additionally, Assembly Bill 1925, signed by then Governor Schwarzenegger on September 26, 2006, requires the CEC to develop a cost-effective strategy for the geologic sequestration and management of industrial carbon dioxide.

Energy Procurement and Efficiency Reporting. Senate Bill 1037 (“SB 1037”) was signed by then Governor Schwarzenegger on September 29, 2005. It requires that each POU, including BWP, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost-effective, reliable and feasible. SB 1037 also requires each POU to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. BWP has complied with such reporting requirements.

Further, California Assembly Bill 2021 (“AB 2021”), signed by then Governor Schwarzenegger on September 29, 2006, requires that the POUs establish, report, and explain the basis of the annual energy efficiency and demand reduction targets by June 1, 2007 and every three years thereafter for a ten-year horizon. BWP has complied with this reporting requirement under AB 2021. Future reporting requirements under AB 2021 include: (i) the identification of sources of funding for the investment in energy efficiency and demand reduction programs; (ii) the methodologies and input assumptions used to determine cost-effectiveness; and (iii) the results of an independent evaluation to measure and verify energy efficiency savings and demand reduction program impacts. The information obtained from the POUs is being used by the CEC to present the progress made by the POUs towards the State’s goal of reducing electrical consumption by 10% within ten years and the greenhouse gas targets presented in Executive Order S-3-05. In addition, the CEC will provide recommendations for improvement to assist each POU in achieving cost-effective, reliable, and feasible savings in conjunction with the established targets for reduction.

Renewable Portfolio Standards. In September 2002, the California Legislature enacted and then Governor Gray Davis signed into law Senate Bill 1078 (“SB 1078”). SB 1078 requires that the IOUs adopt an RPS to meet a minimum increase of 1% of retail energy sales needs each year from renewable resources and to meet a goal of 20% of their retail energy needs from renewable energy resources by the year 2017. SB 1078 also directed the State’s POUs to implement and enforce an RPS that recognizes the intent of the Legislature to encourage development of renewable resources, taking into consideration the impact on a utility’s standard on rates, reliability, financial resources, and the goal of environmental improvement. On September 26, 2006, then Governor Schwarzenegger signed Senate Bill 107 (“SB 107”) into law, which requires IOUs to have 20% of their electricity produced by renewable sources by 2010 and prescribes that POUs meet the intent of the legislation. On November 17, 2008, then Governor Schwarzenegger signed Executive Order S-14-08. Among other things, Executive Order S-14-08 provides that the RPS target established for California shall require retail electricity sellers to serve 33% of their loads with eligible renewable energy resources by 2020.

Since the implementation of SB 1078, the CPUC and the CEC have taken a number of actions designed to assist utilities in achieving the renewable energy goals set by the legislation. In order to help utilities overcome the challenges associated with meeting accelerated RPS goals, the CPUC and the CEC supported the implementation of a renewable energy certificate (“REC”) trading system. In parallel, pursuant to SB 1078, the CEC, collaboratively with the Western Governors’ Association and the Western Electricity Coordinating Council (“WECC”), established the Western Renewable Energy Generation Information System (“WREGIS”), to ensure the integrity of RECs and prevent the double counting of the certificates. The electronic tracking system became operational in 2007.

Senate Bill X1 2 (“SBX1 2”), the “California Renewable Energy Resources Act,” was signed into law by Governor Jerry Brown on April 12, 2011. SBX1 2 codifies the RPS target for retail electricity sellers to serve 33% of their loads with eligible renewable energy resources by 2020 as provided in Executive Order S-14-08. As enacted, SBX1 2 makes the requirements of the RPS program applicable to POU (rather than just prescribing that POU meet the intent of the legislation as under previous statutes). However, the governing boards of POU are responsible for implementing the requirements, rather than the CPUC, as is the case for the IOUs. In addition, certain enforcement authority with respect to POU is given to the CEC and CARB, including authority to impose penalties. SBX1 2 requires each POU to adopt and implement a renewable energy resource procurement plan. The plan must require the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, which may include RECs, as a specified percentage of total kilowatt hours sold to the utility’s retail end-use customers to achieve the following targets: (i) an average of 20% for the period January 1, 2011 to December 31, 2013, inclusive; (ii) 25% by December 31, 2016; and (iii) 33% by December 31, 2020 and for all subsequent years. SBX1 2 grandfathers any facility approved by the governing board of a POU prior to June 1, 2010 for procurement to satisfy renewable energy procurement obligations adopted under prior law if the facility is a “renewable electrical generation facility” as defined in the bill (subject to certain restrictions). Renewable electrical generation facilities include certain out-of-state renewable energy generation facilities if the facility: (i) will not cause or contribute to any violation of a California environmental quality standard or requirement, (ii) participates in the accounting system to verify compliance with the RPS program requirements, and (iii) either (a) commenced initial commercial operation after January 1, 2005 or (b) either (x) the electricity is from incremental generation resulting from expansion or repowering of the facility or (y) electricity generated by the facility was procured by a retail seller or POU as of January 1, 2010. The percentage of a POU’s RPS requirements that may be met with unbundled RECs from generating facilities outside California declines over time, beginning at 25% through 2013 and declining to a level of 10% in 2017 and beyond. The CEC is in the process of developing detailed rules to implement SBX1 2.

In connection with the implementation of SBX1 2, the CEC is responsible for certifying electric generation facilities as “eligible renewable energy resources” for purposes of the RPS program and has adopted guidelines for this purpose that identify the requirements, conditions and process for certification of facilities as eligible renewable energy resources. The current guidelines identify bio-methane as an eligible renewable energy resource and allow power plants that use bio-methane to generate electricity to be certified as eligible to meet the RPS requirements. The City has obtained certification from the CEC to burn bio-methane in the Magnolia Power Project and its own Lake One peaker unit. It is currently using bio-methane in the Magnolia Power Project and intends to use it in the future in the Lake One unit. On March 28, 2012, the CEC suspended its previously adopted guidelines with respect to allowing electric generation facilities to be certified as eligible renewable energy resources if the facilities use bio-methane to generate electricity. However, the suspension does not affect power plants that have been certified as RPS-eligible by the CEC and permitted to use bio-methane as part of the certification, subject to certain limitations. The City is unable to predict what changes to the eligibility guidelines the CEC will put into place if and when the suspension is lifted.

Solar Power. On August 21, 2006, then Governor Schwarzenegger signed into law Senate Bill 1 (also known as the “California Solar Initiative”). This legislation requires POU, including BWP, to establish a program supporting the stated goal of the legislation to install 3,000 MW of photovoltaic energy in California. POU are also required to establish eligibility criteria in collaboration with the CEC for the funding of solar energy systems receiving ratepayer-funded incentives. The legislation gives a POU the choice of selecting an incentive based on the installed capacity, starting at \$2.80 per watt, or based on the energy produced by the solar energy system, measured in kilowatt-hours. Incentives would be required to decrease at a minimum average rate of 7% per year. POU also have to meet certain reporting requirements regarding the installed capacity, number of installed systems, number of

applicants, amount of awarded incentives and the contribution toward the program's goals. BWP has established programs in accordance with the requirements of the California Solar Initiative.

Future Regulation

The electric industry is subject to continuing legislative and administrative reform. States routinely consider changes to the way in which they regulate the electric industry. Recently, both further deregulation and forms of additional regulation have been proposed for the industry, which has been highly regulated throughout its history. The City is unable to predict at this time the impact any such proposals will have on the operations and finances of the BWP electric utility or the electric utility industry generally.

Impact of Developments on the City and BWP

The effect of the developments in the California energy markets described above on the City and BWP cannot be fully ascertained at this time. Also, volatility in energy prices in California may return due to a variety of factors that affect both the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of greenhouse gas emission legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). See "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY." This price volatility may contribute to greater volatility in the revenues of BWP's electric systems from the sale (and purchase) of electric energy and, therefore, could materially affect BWP's financial condition. BWP undertakes resource planning and risk management activities and manages its resource portfolio to mitigate such price volatility and spot market rate exposure.

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Federal Energy Legislation

Energy Policy Act of 2005. Under the federal Energy Policy Act of 2005 ("EPAct 2005"), FERC was given refund authority over municipal utilities if they sell into short-term markets, like the ISO markets, and sell eight million MWhs or more of electric energy on an annual basis. In addition, FERC was given authority over the behavior of market participants. Under FERC's authority it can impose penalties on any seller for using a manipulative or deceptive device, including market manipulation, in connection with the purchase or sale of energy or of transmission service.

EPAct 2005 authorizes FERC to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor if FERC determines that the statutory conditions are met. EPAct 2005 also requires the creation of an electric reliability organization ("ERO") to establish and enforce, under FERC supervision, mandatory reliability standards to increase system reliability and minimize blackouts. Failure to comply with such mandatory standards exposes a utility to significant fines and penalties by the ERO.

NERC Reliability Standards. EPAct 2005 required FERC to certify an ERO to develop mandatory and enforceable reliability standards, subject to FERC review and approval. The reliability standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each reliability standard. On February 3, 2006, FERC issued Order 672, which certified the North

American Electric Reliability Corporation (“NERC”) as the ERO. Many reliability standards have since been approved by FERC.

The ERO or the entities to which NERC has delegated enforcement authority through an agreement approved by FERC (“Regional Entities”), such as the WECC, may enforce the reliability standards, subject to FERC oversight, or FERC may independently enforce them. Potential monetary sanctions include fines of up to \$1 million per violation per day. FERC Order 693 further provided the ERO and Regional Entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

Other Legislation. Congress has considered and is considering numerous bills addressing United States energy policies and various environmental matters, including bills relating to energy supplies (such as a federal clean energy portfolio standard), global warming and water quality. Many of these bills, if enacted into law, could have a material impact on BWP and the electric utility industry generally. The impact that federal clean energy portfolio standard legislation will have on the electric utility industry and business generally, and on BWP, in particular, depends largely on the specific provisions of the legislation that ultimately become law. Some of the important factors to be addressed in any federal clean energy legislation include the clean energy targets and timelines, the list of fuel types accepted as “clean energy”, and whether or not existing clean energy sources can be used to meet the targets. The timeline and impact of any such legislation cannot be accurately assessed at this time, but it is expected that any such federal action will have a significant impact on fossil-fueled generation facilities. In light of the variety of issues affecting the utility sector, federal energy legislation in other areas such as reliability, transmission planning and cost allocation, operation of markets, environmental requirements and cybersecurity is also possible. However, the City is unable to predict the outcome or potential impacts of any possible legislation on the City and BWP at this time.

Environmental Issues

General. Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any BWP facility or project will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

Greenhouse Gas Regulations Under the Clean Air Act. The United States Environmental Protection Agency (the “EPA”) has taken steps to regulate greenhouse gas emissions under existing law. In 2009, the EPA issued a final “endangerment finding,” in which it declared that the weight of scientific evidence requires a finding that six identified greenhouse gases, namely, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride, cause global warming, and that global warming endangers public health and welfare. The final rule for the “endangerment finding” was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA is authorized to issue regulations limiting carbon dioxide emissions from, among other things, stationary sources such as electric generating facilities, under the federal Clean Air Act. The “Tailoring Rule” states that greenhouse gas emissions will be regulated from large stationary sources, including electric generating facilities, if the sources emit more than the specified threshold levels of tons per year of CO₂e. Large sources with the potential to emit in excess of the applicable threshold will be subject to the major

source permitting requirements under the Clean Air Act. Permits would be required in order to construct, modify and operate facilities exceeding the emissions threshold. Examples of such permitting requirements include, but are not limited to, the application of Best Available Control Technology (known as BACT) for greenhouse gas emissions, and monitoring, reporting, and recordkeeping for greenhouse gases.

On September 22, 2009, the EPA issued the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but required data collection to begin on January 1, 2010, and initially provided that the first annual reports would be due March 31, 2011. However, the EPA extended the initial reporting deadline until September 30, 2011, in order to finalize development of software to be utilized for such reporting. BWP is complying with the data collection and reporting requirements to which it is subject. Such data collection and reporting lays the foundation for controlling and reducing greenhouse gas emissions in the future, whether by way of the EPA regulations under existing Clean Air Act authority or under a new climate change federal law.

On December 23, 2010, the EPA announced two settlements with a number of states and environmental groups. The settlements (as amended on June 13, 2011) commit the EPA to issuing final regulations by May 26, 2012 (although the EPA will not be able to meet this date as noted below), setting performance standards for greenhouse gas emissions from new, modified, and existing power plants. These standards are to be based on the best demonstrated control technology. On March 27, 2012, the EPA issued its proposed regulations setting performance standards for new power plants. As proposed, the performance standard will apply only to new power plants (the new regulations will not apply to existing, modified or reconstructed power plants). In addition, power plants that have been issued a Prevention of Significant Deterioration permit and commence construction within one year will be exempted from application of the new performance standard. The proposed regulations would impose an emissions performance standard of 1,000 pounds of CO₂ per MWh of electricity (averaged over 12 months). (A power plant that uses coal or petroleum coke for fuel would, however, have the option of complying with an alternative annual standard of 1,800 pounds of CO₂ per MWh for 10 years, but would be required to install and operate a carbon capture and storage system thereafter and demonstrate after 30 years that it has emitted no more than 1,000 pounds of CO₂ per MWh on average over that time period). If finalized, this new performance standard would be the most stringent in the country (surpassing the emission performance standard of 1,100 pounds of CO₂ per MWh of electricity imposed by the CEC regulations in California as described under “DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS – State Legislation – *Greenhouse Gas Emissions*). The regulations are subject to public comment for 60 days from the date of publication in the Federal Register (unless the EPA issues an extension) prior to enactment (as a result of which the final regulations will not be issued by the May 26, 2012 deadline established by the settlement agreement mentioned above). The EPA has indicated that it has not established any time frame for developing any new performance standard regulations applicable to existing power plants in the near term.

On May 20, 2011, the State of Texas filed, on behalf of itself, certain other state petitioners and supporting intervenors, a petition for review of the EPA’s endangerment finding in the United States Court of Appeals for the District of Columbia in a proceeding consolidating several similar challenges to the endangerment finding and subsequent EPA rulemaking. On September 28, 2011, the EPA’s Office of Inspector General issued a report concluding that the EPA should have followed a more rigorous peer review process in relation to the endangerment finding. The EPA disagreed with this conclusion. In addition, legislation has been introduced in the United States Congress that would repeal the EPA’s endangerment finding or otherwise prevent the EPA from regulating greenhouse gases as air pollutants.

The City is unable to predict the outcome of these legal and legislative challenges to the EPA's endangerment finding and subsequent rulemaking or the effect that any final rules promulgated by the EPA regulating greenhouse gas emissions from electric generating units and other stationary sources would have on BWP's electric system.

Air Quality – National Ambient Air Quality Standards. The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an “attainment area.” The EPA has recently increased the stringency of the NAAQS for three pollutants, nitrogen dioxide, sulfur dioxide and particulate matter. A proposed rule for the secondary NAAQS for nitrogen dioxide and sulfur dioxide was published in the Federal Register on August 1, 2011. On September 2, 2011, President Obama directed the EPA to withdraw its proposal to lower the NAAQS for ozone. As a result of this withdrawal, the EPA will now resume the process of issuing non-attainment designations for the ozone NAAQS. Even without lower standards, non-attainment areas for ozone are likely to be designated. This may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions.

Mercury and Air Toxics Standards. On December 16, 2011, the EPA signed a rule establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards, or “NSPS”) and 112 (toxics program) of the Clean Air Act. Under section 111, the NSPS revises the standards that new coal- and oil-fired power plants must meet for particulate matter, sulfur dioxide, and nitrogen oxides. Under section 112, the new toxics standards set limits on emissions of heavy metals, including mercury, arsenic, chromium, and nickel; and acid gases, including hydrochloric acid and hydrofluoric acid, from existing and new power plants larger than 25 megawatts that burn coal or oil. Power plants have up to four years to meet these standards. While many plants already meet some or all of these new standards, some plants will be required to install new equipment to meet the standards. BWP purchases power from coal-fired power stations that may be affected by these new rules, and so BWP may be exposed to increased costs.

Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above (including those affecting nuclear power plants), (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes resulting from a national energy policy, (d) effects of competition from other electric utilities (including increased competition resulting from a movement to allow direct access or from mergers, acquisitions, and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (e) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs, (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (g) “self-generation” or “distributed generation” (such as microturbines and fuel cells) by industrial and commercial customers and others, (h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (i) effects of

inflation on the operating and maintenance costs of an electric utility and its facilities, (j) changes from projected future load requirements, (k) increases in costs and uncertain availability of capital, (l) shifts in the availability and relative costs of different fuels (including the cost of natural gas and nuclear fuel), (m) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in California, (n) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, (o) other legislative changes, voter initiatives, referenda and statewide propositions, (p) effects of the changes in the economy, (q) effects of possible manipulation of the electric markets, (r) natural disasters or other physical calamities, including, but not limited to, earthquakes and floods and (s) changes to the climate. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City is unable to predict what impact such factors will have on the business operations and financial condition of BWP, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Series 2012A Bonds should obtain and review such information.

CONSTITUTIONAL LIMITATIONS ON GOVERNMENTAL SPENDING

Articles XIIC and XIID of the State Constitution

Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State on November 5, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution. Article XIID creates additional requirements for the imposition by most local governments (including the City) of general taxes, special taxes, assessments and “property-related” fees and charges. Article XIID explicitly exempts fees for the provision of electric service from the provisions of such article. Nevertheless, Proposition 218 could indirectly affect some California municipally-owned electric utilities. For example, to the extent Proposition 218 reduces a city’s general fund revenues, that city could seek to increase the transfers from its electric utility to its general fund.

Article XIIC expressly extends the people’s initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. The terms “fees and charges” are not defined in Article XIIC, although the California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006), that the initiative power described in Article XIIC may apply to a broader category of fees and charges than the property-related fees and charges governed by Article XIID. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the Court of Appeal determined that electric rates are subject to the initiative power. Thus, even electric service charges (which are expressly exempted from the provisions of Article XIID) might be subject to the initiative provision of Article XIIC, thereby subjecting such fees and charges imposed by the City to reduction by the electorate. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIIC or otherwise, the electorate of the City would be precluded from reducing electric rates and charges in a manner adversely affecting the payment of the Series 2012A Bonds by virtue of the “impairment of contracts clause” of the United States and California Constitutions.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 may, however, be interpreted to limit fees and charges for electric utility services charged by governmental entities such as the City to preclude future transfers of electric utility generated funds to a local government's general fund, if applicable, and/or to require stricter standards for the allocation of costs among customer classes. The City is unable to predict at this time how Proposition 26 will be interpreted by other courts or what its ultimate impact will be.

Future Initiatives

Articles XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, including presently, other initiatives have been, and could be, proposed, and if qualified for the ballot, could be adopted affecting BWP's revenues or operations. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by BWP.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2012A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the Series 2012A Bonds. The City has covenanted in the Indenture not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Series 2012A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law interest on the Series 2012A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants referred to herein, interest on the Series 2012A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that under existing law the Series 2012A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Series 2012A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. However, receipt or accrual of interest on Series 2012A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed.

Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, delivered by the City in connection with the issuance of the Series 2012A Bonds, the City has made representations relevant to the determination of, and has made certain additional covenants regarding or affecting, the exclusion of interest on the Series 2012A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions set forth in the preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the City with such covenants. Except as set forth in the preceding paragraph, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2012A Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Series 2012A Bonds, or the interest thereon, if any action is taken with respect to the Series 2012A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

A copy of the proposed form of opinion of Bond Counsel relating to the Series 2012A Bonds is included in Appendix E.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2012A Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2012A Bonds, the City may have different or conflicting interests from those of the owners of the Series 2012A Bonds. Public awareness of any future audit of the Series 2012A Bonds could adversely affect the value and liquidity of the Series 2012A Bonds during the pendency of the audit, regardless of the ultimate outcome.

To the extent that a purchaser of a Series 2012A Bond acquires that Series 2012A Bond at a price in excess of its "stated redemption price at maturity" within the meaning of section 1273(a)(2) of the Code, such excess constitutes "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Series 2012A Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2012A Bond to the owner. Purchasers of Series 2012A Bonds at a price that includes bond premium should consult their own tax advisors with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Series 2012A Bonds.

The excess, if any, of the stated redemption price at maturity of Series 2012A Bonds of a maturity over the initial offering price to the public of the Series 2012A Bonds of that maturity is "original issue discount." Original issue discount accruing on a Series 2012A Bond is treated as interest for federal

income tax purposes and is excluded from the gross income of the owner thereof for federal income tax purposes, and is exempt from California personal income tax, to the same extent as would be stated interest on that Series 2012A Bond. Original issue discount on any Series 2012A Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Series 2012A Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Series 2012A Bond accruing during each period is added to the adjusted basis of such Series 2012A Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Series 2012A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Series 2012A Bonds who purchase such Series 2012A Bonds other than at the initial offering price and pursuant to the initial offering. Purchasers of Series 2012A Bonds of a maturity having original issue discount should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012A Bonds with original issue discount.

Although Bond Counsel is of the opinion that interest on the Series 2012A Bonds is exempt from California personal income tax and that interest on the Series 2012A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2012A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2012A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2012A Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Series 2012A Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2012A Bonds, (iii) interest on the Series 2012A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2012A Bonds, may be subject to federal income taxation under section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2012A Bonds, and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2012A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences. Persons considering purchasing Series 2012A Bonds should consult their own tax advisors with respect to such other tax consequences.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2012A Bonds may affect the tax status of interest on the Series 2012A Bonds or the tax consequences of the ownership of the Series 2012A Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2012A Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Series 2012A Bonds from the gross income of the owners thereof for federal income tax purposes.

Existing law may change to reduce or eliminate the benefit to beneficial owners of the exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of

the Series 2012A Bonds. Prospective purchasers of the Series 2012A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

CERTAIN LEGAL MATTERS

The issuance of the Series 2012A Bonds is subject to the approving opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2012A Bonds. Certain legal matters will be passed on for the City by the City Attorney, Amy Albano, Esq. and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

LITIGATION

At the time of delivery and payment for the Series 2012A Bonds, an officer of the City will certify that there is no litigation pending, or, to the knowledge of the City, threatened, questioning (i) the corporate existence of the City, or the title of the officers of the City to their respective offices, or the validity of the Series 2012A Bonds or the power and authority of the City to issue the Series 2012A Bonds, or (ii) the authority of the City to fix, charge and collect rates for the sale of power and energy by the City as provided in the Indenture.

FINANCIAL STATEMENTS

The audited financial statements of the City's Electric and Water Utility Enterprise Funds, as of June 30, 2011 and for the year then ended are included in APPENDIX B to this Official Statement. A complete copy of the City's Comprehensive Annual Financial Report may be obtained from the City. The financial statements of the City's Electric and Water Utility Enterprise Funds have been audited by McGladrey & Pullen, LLP, independent auditor (the "Auditor") as stated in their report appearing in APPENDIX B to this Official Statement. The Auditor has not been engaged to perform, and has not performed, since the date of its report included in APPENDIX B, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP also has not performed any procedures with respect to this Official Statement.

RATING

It is expected that Standard & Poor's Corporation will assign the Series 2012A Bonds the credit rating of "AA-." No application has been made to any other rating agency to obtain additional ratings on the Series 2012A Bonds. Such credit rating reflects only the view of such organization and any desired explanation of the significance of such credit rating should be obtained from the rating agency furnishing the same.

The above described rating is not a recommendation to buy, sell or hold the Series 2012A Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency furnishing the same. The City and the Underwriter undertake no responsibility either to bring to the attention of the owners of the Series 2012A Bonds the downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2012A Bonds.

UNDERWRITING

The Series 2012A Bonds will be purchased for reoffering by the Underwriter set forth on the cover of this Official Statement, at an aggregate purchase price of \$11,003,610.40, representing the par amount of the Series 2012A Bonds of \$9,810,000.00, less an Underwriter's discount of \$35,317.60 and plus an original issue premium of \$1,228,928.00. The Underwriter will be obligated to purchase all of the Series 2012A Bonds if any of the Series 2012A Bonds are purchased.

The Underwriter may offer and sell the Series 2012A Bonds to certain dealers (including dealers depositing Series 2012A Bonds into investment trusts) and others at prices lower than the public offering price stated on the inside cover page of this Official Statement. The initial public offering price may be changed from time to time by the Underwriter.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail brokerage joint venture with Citigroup, Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of the broker dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012A Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc., a firm of independent arbitrage consultants, will verify the accuracy of (i) mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Defeasance Securities, if any, deposited in the Escrow Fund, together with amounts held as cash therein, to provide for payment of the principal or redemption price of and interest on the Refunded Bonds on June 1, 2012 and (ii) certain mathematical computations supporting the conclusion that the Series 2012A Bonds are not "arbitrage bonds" under the Code, which will be used in part by Bond Counsel in concluding that the interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings.

The report of such independent arbitrage consultants will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Los Angeles, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2012A Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Series 2012A Bonds.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Agreement, dated the date of delivery of the Series 2012A Bonds (the "Continuing Disclosure Agreement"), for the benefit of the holders and beneficial owners of the Series 2012A Bonds to provide certain financial information and operating data relating to the Electric System (the "Annual Report") by no later than 180 days following the end of the

City's fiscal year (which fiscal year currently ends on June 30), commencing with the Annual Report for the 2011-12 fiscal year and to provide notices of the occurrence of certain specified events. The Annual Report and the notices of specified events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report and the notice of specified events is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City has not failed in the last five years to comply in all material respects with any previous undertaking with regard to said Rule to provide annual reports or notices of material events.

MISCELLANEOUS

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF BURBANK, CALIFORNIA

By /s/ Michael Flad
City Manager

By /s/ Ronald E. Davis
BWP General Manager

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APPENDIX A

THE CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION

The following information relating to the City is provided for informational purposes only. The 2012A Bonds (as defined in the front part of this Official Statement) are payable solely as described in this Official Statement and are not payable or secured by a pledge of the faith and credit or the taxing power of the City.

General

The City of Burbank, California (the “City” or “Burbank”) is located in the greater metropolitan Los Angeles area, approximately 12 miles northeast of the Los Angeles Civic Center complex. The economy represents a diverse blend of industrial, commercial and residential development. Burbank is a mature community that experienced very little population growth in the later 1970’s, modest population growth in the early 1980’s, and slightly faster population growth in the late 1980’s and early 1990’s.

Municipal Government

The City was incorporated as a general law city in 1911, and adopted its city charter in 1927. Burbank is administered by a Council-Manager form of government. The five City Council members, one of whom serves as Mayor, are elected at-large for four-year terms. Elections are staggered at two-year intervals.

The City operates 22 parks, a golf course and 3 libraries.

As of June 30, 2011, the City had 1,403 employees with 1,198 full-time and 205 part-time employees. Six associations represent the City’s employees: the Burbank City Employees’ Association (“BCEA”); the Burbank Fire Fighters Association (“BFF”); the Burbank Police Officers’ Association (“BPOA”); the International Brotherhood of Electric Workers Local 18 (“IBEW”); the Burbank Fire Fighters-Chief Officer’s Unit (“BFF-COU”); and, the Burbank Management Association (“BMA”). In addition, there are approximately 80 non-represented management employees. All of the associations are subject to the Meyers-Milias-Brown Act, which requires each association to meet and confer with the City in an effort to develop a “memorandum of understanding” (“MOU”). Negotiations for each MOU are conducted before the expiration of the applicable MOU. The current MOU for each association expires as follows: BCEA, June 21, 2014; BPOA, June 30, 2015; and IBEW and BMA, June 23, 2012. The MOU for BFF and BFF-COU have previously expired and are currently under negotiation. There have been no strikes or other work stoppages by City employees within the last five years, and the City does not anticipate any in the near future.

Population

The following table summarizes estimates of population for the years indicated. To address future population increases, the City is attempting to develop more affordable housing.

**CITY OF BURBANK
POPULATION**

<u>January 1</u>	<u>Population</u>
2002	102,751
2003	104,308
2004	105,148
2005	106,037
2006	106,549
2007	107,020
2008	107,412
2009	108,082
2010	103,396
2011	104,304

Source: State of California, Department of Finance revised, based upon revision to the U.S. Census information with 2010 benchmark. Updates to estimates for years 2002 through 2009 incorporating the 2010 census counts are not available.

Industry and Employment

The following table lists Burbank’s major employers as of June 30, 2011. Most of these entities are also among the City’s largest taxpayers.

**CITY OF BURBANK
MAJOR EMPLOYERS**

<u>Company Name</u>	<u>No. of Employees</u>	<u>Products/Services</u>
The Walt Disney Company	7,900	Entertainment
Warner Bros. Entertainment Inc.	7,400	Entertainment
Providence St. Joseph’s Hospital	2,850	Medical
Bob Hope Airport	2,400	Aviation
ABC Inc.	2,300	Entertainment
Burbank Unified School District	1,800	Education
City of Burbank	1,624	Government
NBC/Universal	1,300	Entertainment
Foto-Kem Industries	600	Media Related
Crane Hydro-Aire	600	Aviation

Source: City of Burbank.

As reported by the Community Development Department/Planning Division, the distribution of employment in the greater Burbank labor market is as shown on the following table:

**CITY OF BURBANK
DISTRIBUTION OF EMPLOYMENT
(as of January 1, 2012)**

<u>Classification</u>	<u>Employment</u>	<u>Distribution</u>
Durable and non-durable goods manufacturing	5,606	10.0%
Wholesale and retail trade	14,636	26.0
Services	13,280	23.6
Other (entertainment, utilities, airport and miscellaneous)	<u>22,720</u>	<u>40.4</u>
Total	56,242	100.0%

Source: City of Burbank Community Development Department/Planning Division.

Taxable Sales

The tables below show the history of taxable sales for the City for the years indicated:

**CITY OF BURBANK
TAXABLE SALES
(\$ in thousands)**

<u>Industry Group</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Consumer Goods	\$1,052,711.2	\$1,006,078.6	\$ 903,430.3	\$ 904,882.8	\$ 974,297.2
Business and Industry	633,062.9	649,462.8	427,552.3	579,878.5	565,355.2
Restaurants and Hotels	358,779.8	351,825.4	300,641.1	330,099.3	352,361.7
Fuel and Service Stations	184,512.3	287,897.2	173,528.7	200,673.5	263,303.6
Autos and Transportation	304,239.4	258,585.1	208,733.3	226,179.8	242,241.9
Building and Construction	250,426.7	228,991.0	199,940.6	181,741.6	186,002.5
Food and Drugs	<u>125,816.1</u>	<u>128,925.4</u>	<u>130,843.1</u>	<u>130,048.2</u>	<u>135,039.2</u>
Total All Outlets	<u>\$2,909,548.4</u>	<u>\$2,911,765.5</u>	<u>\$2,344,669.4</u>	<u>\$2,553,503.7</u>	<u>\$2,718,601.3</u>

Source: HdL Companies.

Construction Activity

The number of building permits (including all building permits) issued by the City for the years indicated is set forth below.

CITY OF BURBANK BUILDING PERMITS

<u>Year</u>	<u>Number of Permits</u>
2007	1,979
2008	1,768
2009	1,448
2010	1,451
2011	1,614

Source: City of Burbank Building Division.

The total valuation of building permits issued in the City for calendar year 2011 was approximately \$81.3 million. This compares with approximately \$77.7 million for calendar year 2010. The following table provides a summary of building permit valuations authorized in the City during the past five years.

CITY OF BURBANK BUILDING PERMIT VALUATION Calendar Years 2007 – 2011

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Valuation					
Residential	\$ 76,133,059	\$ 60,472,724	\$ 30,677,236	\$38,402,313	\$33,041,502
Commercial/Industrial	<u>226,798,794</u>	<u>103,171,749</u>	<u>85,969,013</u>	<u>39,344,406</u>	<u>48,213,764</u>
TOTAL	\$302,931,853	\$163,644,473	\$116,646,249	\$77,746,719	\$81,255,266
New Dwelling Units					
Single Family	40	47	15	9	15
Multi-Family	<u>144</u>	<u>272</u>	<u>127</u>	<u>4</u>	<u>4</u>
TOTAL	184	319	142	13	19

Source: City of Burbank Building Division.

Economic Conditions and Outlook

The State of California, as well as the nation as a whole, has experienced an economic recession since early 2008. While this economic downturn has had impacts for the City, the region and the entire country, the City most recently experienced across-the-board improvement in a number of economic indicators in 2010, despite a weak regional and national economy. The City attributes these improvements to the City's diverse economic based, targeted marketing, and proactive business practices. Unemployment rates in the City remain lower than the rates of the Los Angeles County and the State of California, and office vacancy rate is among the lowest in the Los Angeles County. Some of the positive indicators in 2010 included increases in retail sales, transient occupancy tax receipts, and housing units sold; and decreases in notices of defaults and foreclosures.

The City of Burbank has had some notable developments over the past several years. On January 5, 2009, the newly renovated DeBell Golf Clubhouse was opened to the public. The Clubhouse offers 13,760 square feet of recreational area which includes an upper level bar and grill, patio dining, a community room with theater seating capacity, restroom facilities, lounge areas, a kitchen and administrative offices. The facility also maintains a welcoming pro shop, starter area and golf cart storage on the lower level.

The Clubhouse which has a craftsman style design also features an art piece sculpture of a golfer in bronze commissioned by local Burbank resident Shiela Cavalluzi. The DeBell Clubhouse is adjacent to the DeBell Golf Course and sits on a hillside location surrounded by Stough Nature Center and Wildwood Canyon. The DeBell Golf Course marked its 50th year anniversary in June 2009.

The Robert “Bud” Ovrom Park, located on South San Fernando Boulevard and Providencia Avenue, was completed in April 2009. The one acre recreation facility provides a 7,000 square foot building with a community room, kitchen, two separate children’s play areas, a lighted basketball court, picnic/barbeque areas, a reception area and public restrooms. The park is part of an ongoing revitalization project of South San Fernando Boulevard which is the main corridor to Downtown Burbank and is named after Robert R. “Bud” Ovrom who served as Burbank’s City Manager from 1985 to 2003.

Located just south of the Bob Hope/Burbank Airport and just east of the I-5, the 2300 Empire Center Office Project is a 364,000 sq. ft. 7-story Class “A”, Leed Certified office building. The development is located as part of a 105 acre master-planned retail, hotel, and office project known as Empire Center.

The Burbank Housing Corporation and the City of Burbank are developing a community garden to improve the quality of life in the Elmwood neighborhood, the City’s first focus neighborhood. The community garden will include hardscape, art, solar panels and a small water feature. This sustainable garden would provide recreational green space, help keep the air clean, use storm water Best Management Practices (BMP), and showcase water-wise gardening.

The Olive Avenue Street Improvement Project is located along an approximate 3.2 mile corridor between Lake Street to the east and Lakeside Avenue to the west. The Olive Avenue Streetscape Project will be geared towards improving opportunities for residents, businesses, and visitors to use transit and non-motorized means of transportation tying in with the City Council’s commitment to sustainability.

In the downtown area, construction of “The Collection” was completed in fiscal year 2008-09. This \$80 million multi-use development added 188 residential units, 40,000 square feet of retail and restaurant space, and 700 parking spaces to Downtown Burbank.

Affordable housing remains a key component of the City’s development plan, and is an especially important area of focus during these tough economic times. The Burbank Housing Corporation recently announced the completion of the Peyton-Grismer revitalization development, a 70-unit multi-family affordable housing community located on Grismer Avenue and Elliot Drive. The Housing Corporation also recently commenced construction on two properties within the Verdugo Lake and Golden State neighborhoods that will add another 38 affordable housing units to the City’s inventory.

Utilities

The City of Burbank provides its own municipal electric, water and sewer utilities. Southern California Gas Company and Pacific Bell Telephone Company also serve Burbank.

Fiscal Operation

The City uses the modified accrual basis of accounting for all funds except proprietary funds (such as the electric utility enterprise fund) which use the accrual basis of accounting. The City's financial statements are prepared in conformity with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Copies of the City's financial statements are on file in the City's Financial Services Department.

The City adopts an annual budget and utilizes an "encumbrance system." Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as restrictions of fund balance through a reserve account. Generally, City staff begins preparation of the budget in January of the prior fiscal year, and the City Council adopts the budget in June of the prior fiscal year after holding public hearings. The 2011-12 fiscal year budget was adopted on June 14, 2011.

General Fund Obligations and Revenue Bond Indebtedness

As of June 30, 2011 the City had outstanding \$16,915,000 of Pension Obligation Bonds, \$15,560,000 of Wastewater Treatment Revenue Bonds, \$8,310,000 of Waste Disposal Revenue Bonds, \$105,875,000 of Burbank Water and Power Electric Revenue Bonds and \$36,330,000 of Burbank Water and Power Water Revenue Bonds. The Redevelopment Agency had \$210,335,000 of outstanding Tax Allocation Bonds.

Employment

Set forth below is labor force and employment data for the City, the County of Los Angeles, the State of California and the United States of America for the last five calendar years. The City is part of the Los Angeles County. The civilian labor force for the City remained constant between 2010 and 2011, while decreasing slightly in Los Angeles County from an average of 4,879,500 in 2010 to 4,865,300 in 2011. Increases in unemployment rates in recent years reflect the effects of the ongoing economic recession.

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LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Calendar Years 2007-2011⁽¹⁾

<u>Year</u>	<u>Area</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2007	City of Burbank	60,600	58,100	2,500	4.1%
	L.A. County	4,874,600	4,626,900	247,600	5.1
	California	17,928,700	16,970,200	958,500	5.3
	United States	153,124,000	146,047,000	7,078,000	4.6
2008	City of Burbank	61,000	57,300	3,700	6.0
	L.A. County	4,930,900	4,563,200	367,600	7.5
	California	18,191,000	16,883,400	1,307,600	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8
2009	City of Burbank	60,100	54,500	5,600	9.3
	L.A. County	4,900,100	4,336,600	563,500	11.5
	California	18,204,200	16,141,500	2,062,700	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	City of Burbank	59,700	53,600	6,200	10.3
	L.A. County	4,879,500	4,262,300	617,200	12.6
	California	18,176,200	15,916,300	2,259,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	City of Burbank	59,700	54,000	5,600	9.4
	L.A. County	4,865,300	4,301,600	563,700	11.6
	California	18,103,800	15,974,800	2,129,000	11.8
	United States	153,617,000	139,869,000	13,747,000	8.9

⁽¹⁾ Not seasonally adjusted.

Source: State of California, Employment Development Department and U.S. Bureau of Labor Statistics.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



FISCAL YEAR END

JUNE 30, 2011

AUDITED

FINANCIAL STATEMENTS



Independent Auditor's Report

The Honorable Members of the City Council
City of Burbank, CA

We have audited the accompanying statements of net assets of the Electric and Water Utility Enterprise Funds of the City of Burbank, California (the City), as of June 30, 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Electric and Water Utility Enterprise Funds 2010 financial statements that were audited by another auditor. Accordingly, we express no opinion on that information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Electric and Water Utility Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2011, the changes in its financial position and, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric and Water Utility Enterprise Funds of the City as of June 30, 2011, and the changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Electric and Water Utility Enterprise Funds financial statements. The introductory section and supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "McGladrey & Pullen, LLP".

Los Angeles, CA
December 22, 2011

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS
Management Discussion and Analysis
Year ended June 30, 2011

The management of the City of Burbank's (City) Electric and Water Utility Enterprise Funds (Management) offers the following financial highlights and overview of factors that had a material effect on the financial condition and results of operations for the fiscal year ended June 30, 2011 (the fiscal year). Management encourages readers to utilize the information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements and notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Basic Financial Statements

The MD&A is intended to serve as an introduction to the Electric and Water Utility Funds' basic financial statements and to provide an objective and easily understood analysis of the financial activities based on currently known facts, decisions and conditions. For comparative purposes, this analysis includes the financial statements of the Water and Electric Utility Enterprise Funds for the two most recent fiscal years.

Management has elected to provide highlights to the basic financial statements as well as vital statistics and other relevant information concerning the Electric and Water Utility Funds. Included as part of the financial statements are three separate statements and notes:

The Statement of Net Assets presents information on the Electric and Water Utility Funds' assets and liabilities, with the difference between the two reported as net assets.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets present information showing how the Electric and Water Utility Funds' net assets changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net assets are reported as soon as the underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items may affect cash flows in future fiscal periods (examples include billed but uncollected revenues and employee earned but unused vacation leave).

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash from operations, non-capital financing, capital and related financing, and investing activities.

The Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in these financial statements.

Electric Utility Fund

During the year ended June 30, 2011, the Electric Utility Fund's significant financial highlights are as follows:

- Electric sales were lower by 17,074 megawatt hours (MWh), or 1.5%, compared to the prior fiscal year, primarily due to a cooler than average summer and a weak economy.
- Net assets increased by \$6,538, or 2.8%, due to favorable operating results during the fiscal year. This increase was used to fund capital assets and improvements.
- The Electric Utility Fund invested \$25,409 in capital assets funded by cash reserves and the 2010 bond proceeds. The Electric Utility's pro-active capital investments are reflected in the system-wide reliability statistics. The average customer experienced a service outage only once every 2.9 years compared to an industry average of once every 10 months.

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Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Assets (*\$ in thousands*)

	<u>2011</u>	<u>2010</u>	<u>Incr.(Decr.)</u>
Retail sales (in MWh)	1,118,708	1,135,782	(17,074)
Operating revenues:			
Retail	\$ 160,059	\$ 154,174	\$ 5,885
Wholesale	59,200	75,946	(16,746)
Miscellaneous/Other revenues	6,642	4,900	1,742
Total operating revenues	<u>225,901</u>	<u>235,020</u>	<u>(9,119)</u>
Operating expenses:			
Power supply and fuel – retail	95,476	89,225	6,251
Purchased power and fuel – wholesale	57,261	73,331	(16,070)
Transmission expense	15,015	12,262	2,753
Distribution expense	8,903	9,369	(466)
Other operating expenses	17,610	19,039	(1,429)
Depreciation	14,129	11,018	3,111
Total operating expenses	<u>208,394</u>	<u>214,244</u>	<u>(5,850)</u>
Operating income	<u>17,507</u>	<u>20,776</u>	<u>(3,269)</u>
Nonoperating income (expense):			
Interest income	2,167	1,765	402
Intergovernmental	0	140	(140)
Other income (expense), net	1,913	155	1,758
Interest expense	(6,988)	(3,962)	(3,026)
Total nonoperating expenses	<u>(2,908)</u>	<u>(1,902)</u>	<u>(1,006)</u>
Income before contributions and transfers	14,599	18,874	(4,275)
Contributions and transfers:			
Capital contributions	2,275	1,634	641
Transfers out	(10,336)	(10,528)	192
Change in net assets	6,538	9,980	(3,442)
Net assets, beginning of year	236,742	226,762	9,980
Net assets, end of year	<u>\$ 243,280</u>	<u>\$ 236,742</u>	<u>\$ 6,538</u>

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Retail (sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 97.0% of the Electric Utility's operating revenues. Retail energy sales decreased by 17,074 MWh, or 1.5%, due to a cooler than average summer and weak economy. Retail revenues were higher by \$5,885, or 3.8%, due to the last two mid-year rate increases.

Miscellaneous/other revenues were \$1,765, or 36.0% higher than the prior fiscal year. This year's miscellaneous revenues included a \$1.4 million of payment associated with the restructuring of the Prepaid Natural Gas Project.

Wholesale margins of \$1,939 contributed to the Electric Utility's financial performance by reducing the Utility's overall power supply expenses for the fiscal year. Decrease in wholesale trading is primarily attributed to cooler weather, lower energy prices, a weak economy, and less excess transmission capacity available. When energy prices are low, there is less market volatility and accordingly, the wholesale opportunities are diminished. Lower demand for electricity from the cooler weather and a weak economy also lowered the City's wholesale trading opportunities.

Retail power supply expenses were \$6,251, or 7.0%, higher than the prior fiscal year as a result of adding more renewable energy resources. Renewable energy made up 8.4% of the total energy supply this fiscal year, compared to 4.4% in the prior fiscal year. The Milford Wind and Tieton Hydro projects supplied a full year of energy compared to only a partial-year of energy in the prior fiscal year.

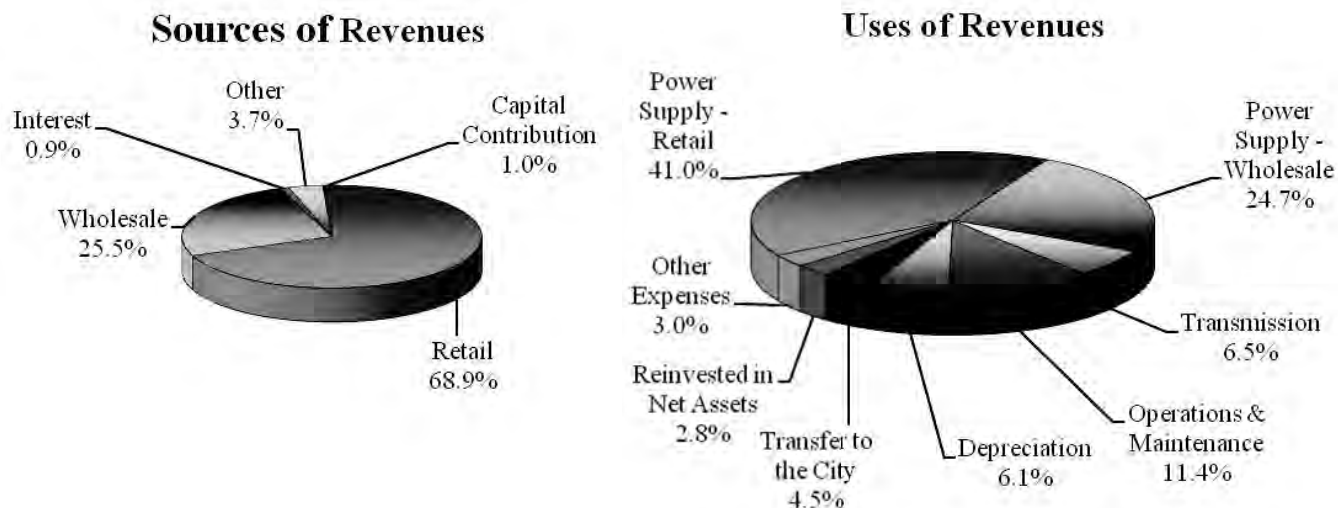
Transmission expenses were \$2,753, or 22.4%, higher than the prior fiscal year. Higher cost was associated with the Southern Transmission System (STS) Project improvements and upgrade of its two converter stations' capacity from the present rating of 1,920 MW to a new rating of 2,400 MW because of the Intermountain Power Project upgrade and an increasing demand for transmission capacity for wind energy from Utah.

Other operating expenses were \$1,429, or 7.5%, lower compared to the prior fiscal year primarily due to a revised allocation methodology for shared administrative costs and services to major operational units under Federal Energy Regulatory Commission (FERC) Accounting Standards. FERC accounting practices provide a better basis for financial reporting and benchmarking against other utilities.

Depreciation expense was \$3,111, or 28.2%, higher compared to the prior fiscal year. The increase was primarily the result of new capital asset additions, such as the Burbank Substation and the Service Center Warehouse Building. In addition to that, assets' useful life revaluations resulted in higher depreciation during the year. The new useful lives are based on FERC accounting guidelines provide a better basis for financial reporting and benchmarking against other utilities.

The Electric Utility transferred \$10,336 to the City's General Fund in the form of an in-lieu tax of 5.0% and a street lighting transfer of 1.50% of electric retail revenues. Retail customers also contributed \$10,543, or 7.0%, of the electric retail revenues to the City's General Fund in the form of the Utility User Tax. In addition, the Electric Utility set aside \$4,359, or 2.85 %, of the retail revenues for Public Benefit programs.

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The Electric Utility Fund's net assets at June 30, 2011 and June 30, 2010 are as follows:

Schedule of Net Assets (\$ in thousands)

	2011	2010	Incr. (Decr.)
Assets			
Current assets	\$ 85,073	\$ 75,380	\$ 9,693
Non-current assets	32,028	51,164	(19,136)
Capital assets, net of retirement and accumulated depreciation	261,239	249,816	11,423
Total assets	378,340	376,360	1,980
Liabilities			
Current liabilities	25,051	26,130	(1,079)
Non-current liabilities	110,009	113,488	(3,479)
Total liabilities	135,060	139,618	(4,558)
Net assets			
Invested in capital assets, net of related debt	173,500	176,974	(3,474)
Restricted net assets	9,441	8,778	663
Unrestricted net assets	60,339	50,990	9,349
Total net assets	\$ 243,280	\$ 236,742	\$ 6,537

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Changes in net assets may serve as useful indicators of the Electric Utility Fund's financial strength over time. Total assets were higher by \$1,980 compared to the prior fiscal year. The largest change was an \$11,423 increase in capital assets, net of retirements and accumulated depreciation, due to investment in the Electric Utility's facility and system upgrades funded with the 2010 Revenue Bonds and cash reserves. Total net assets increased by \$6,538 during the fiscal year due to favorable operating results.

Total inventories were higher than the prior fiscal year by \$1,417, primarily due to materials purchased for the scheduled deployment of Smart Grid meters throughout the City during the first half of the next fiscal year.

Total liabilities were lower than the prior fiscal year by \$4,558 primarily due to scheduled principal payments of outstanding debt and reduced deposits resulting from project billings.

A significant portion, \$152,127 or 62.5%, of the Electric Utility net assets was invested in capital assets, net of related debt. The restricted net assets of \$9,441, or 3.9%, were debt reserve requirements related to the Electric Revenue bonds. The unrestricted net assets of \$81,712, or 33.6%, were funds available for future investments in capital assets and maintenance activities.

Capital Assets

As of June 30, 2011, the largest portion, \$261,239, or 69.0%, of the Electric Utility Fund's total assets was invested in capital assets. Capital expenditures during the year were \$35,318, with \$34,047 spent on infrastructure and improvements. The capital investments have focused on system replacement and additions for generation, transmission, distribution, and general plant and facilities upgrade, which have yielded higher energy efficiency and reliability, and economic replacements of retired facilities.

On October 27, 2009, the City was awarded a grant of up to \$20 million for Smart Grid projects through the American Recovery and Reinvestment Act. This grant is being used to modernize the electric grid and move toward an intelligent infrastructure. During the fiscal year, the Electric Utility invested in advanced meter infrastructure with Smart Meters, a meter data management system and secured Wi-Fi communication network to provide a foundation for the Smart Grid projects. These initial investments will facilitate information collection from a secured two-way communication, and a system to store, validate, and organize the granular consumption data under time-based rates for billing, and allowance for convenient access. The Smart Grid programs include implementing customer smart choice, energy storage and electric vehicle charging programs, as well as automated devices to monitor the miles of electric wires, equipment and software programs that allow the system to operate with greater efficiency. The Electric Utility will also reap the benefits of quicker detection of outages and more efficient use of resources. Lastly, the programs will facilitate an increased use of renewable energy and prepare the Electric Utility for the growing use of electric vehicles to meet environmental and economic sustainability goals.

Other major capital investments included the new Service Center and Warehouse, the conversion of 4kV (kilovolts) to 12kV, and the upgrade and rebuild of the electrical distribution lines. The Service Center and Warehouse project is composed of a LEED (Leadership in Energy and Environmental Design) platinum facility with an efficient layout that maximizes storage capacity for storing parts as well as other improvements to increase overall productivity and efficiency, a photovoltaic system as canopies for passenger vehicle parking to demonstrate and encourage sustainable energy development, and to demonstrate water capture infrastructure that is practical and aesthetically pleasing. The conversion from 4kV lines to 12kV lines will increase capacity, improve reliability, and reduce distribution losses.

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This conversion will also allow for the eventual retirement of several older 4kV substations with one new 12kV substation.

Some of the major capital investments during the year were as follows:

(\$ in thousands)

Smart Grid (Meter Data Management System, AMI meters, Secured WIFI network, Project	\$ 11,424
Replacement of the Service Center/Warehouse	6,135
Convert Feeders to 12kV	4,930
Upgrade and Rebuild Overhead Electric Substructure	1,266
Rebuild Underground Electric Substructure	1,227
Facilities Upgrades	1,183
Replace Miscellaneous Equipment at Major Stations	741
Enterprise Resource Planning Software	680
Upgrade/Replace 69kV and 34.5kV	536
ONE Burbank	504
Total	\$ 28,625

The system-wide reliability statistics reflect the Electric Utility's commitment to operate a highly reliable electric distribution system. The average customer experienced a service outage only once every 2.9 years compared to an industry average of once every 10 months.

On March 21, 2011, Burbank Water and Power received American Public Power Association's (APPA) Reliable Public Power Provider (RP₃) platinum designation award. This award recognizes the highest work force standard and the excellent services that utilities provide to the consumers and community. RP₃ award is given out to utilities that demonstrate proficiency in the four areas of reliability, safety, workforce development and system improvement with sound business practices and utility-wide commitment to safe and reliable delivery of electricity. Out of the nation's more than 2,000 public power utilities, only 82 utilities won the RP₃ designation, and Burbank Water and Power is the only utility in Southern California to receive the Platinum designation.

Debt Administration

As of June 30, 2011, the Electric Utility Fund had \$105,875 in outstanding revenue bonds, of which \$3,535 will be due within a year. The Electric Utility repaid \$3,805 toward outstanding bonds during this fiscal year.

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The Electric Utility Fund’s revenue bonds were rated at “AA-” by Standard & Poor’s and an “A1” by Moody’s Investors Service. These ratings reflected the rating agency’s view of the Electric Utility’s track record of consistently strong financial performance resulting from conservative financial and risk policies, power cost management, reserve levels and a relatively strong local economy.

Environmental and Economic Factors

In accordance with the City’s Renewable Portfolio Standard (RPS) Policy, 33% of the Electric Utility’s energy supply is required to come from eligible renewable resources by 2020. For the fiscal year, renewable energy resources made up 8.4% of the Electric Utility’s total energy supply and are expected to grow to approximately 18% of the total energy supply by the end of the next fiscal year. During this fiscal year, the Electric Utility received renewable energy from Iberdrola Wind in Wyoming, Pebble Springs Wind in Oregon, Tieton Hydropower in Washington, Milford Wind in Utah, Ameresco Chiquita Landfill in California, and Burbank Water and Power’s (BWP) Landfill Microturbines and Valley Pumping Station.

During the fiscal year, the Electric Utility also engaged in discussions and ultimately contracted for biogas to displace some of the natural gas required to operate local generations to meet the RPS goal. Biogas is a clean and easily controlled source of renewable energy from the biological breakdown of organic matter materials such as manure, sewage, green waste, and plant materials. While combustion of biogas, like natural gas, produces carbon dioxide (CO₂), a greenhouse gas, the carbon in biogas is generally considered to be carbon-neutral and does not add to greenhouse gas emissions because CO₂ is returned to the atmosphere at approximately the same rate it is taken up during photosynthesis in the growth of organic matter. In addition, the replacement of fossil fuels with biogas will also lower CO₂ emissions.

With the current renewable projects and some in the pipeline, the City will meet its RPS goal by 2020.

The Electric Utility’s renewable projects are as follows:

Projects	Source of Energy	County, State	In-service Date	Capacity MW	Burbank’s Capacity MW	Energy Received in MWh FY 10-11	% Total Energy Supply
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	12,807	1.0638%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	25,662	2.1316%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	30,097	2.5000%
Milford Wind	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	22,807	1.8944%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	8.000	1.333	4,836	0.4017%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	4	0.0003%
Landfill Micro-Turbines	Landfill Gas	Los Angeles County, California	2001/2005	0.550	0.550	1,213	0.1008%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	636	0.0528%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	2,803	0.2328%
Total						100,865	8.3782%

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Water Utility Fund

During the year ended June 30, 2011, the Water Utility Fund's significant financial highlights are as follows:

- In November 2010, the Water Utility issued \$37.9 million in revenue bonds to fund capital improvement projects and to refund the 1998 Water Revenue Bonds. The 2010 Revenue Bonds were rated "AAA" by Standard & Poor's and Fitch Ratings with a stable outlook.
- Water sales were lower by 415,493 hundred cubic feet (CCF), or 5.2%, compared to the prior fiscal year primarily due to water conservation, a cooler than average summer and a weak economy.
- Net assets increased by \$2,299, or 4.4%, due to favorable operating results. This increase was used to fund capital assets and improvements.
- The Water Utility Fund invested an additional \$17,379 in capital assets and improvements during the fiscal year. The Water Utility is committed to and focused on serving its customers with safe drinking water at competitive rates, and promoting sustainability and drought proofing a portion of the water supply by investing in the recycled water system. The water production facilities and systems were very reliable with only 0.9% of unaccounted for water, including losses, compared to a national average of approximately 7.2%.

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Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Assets (*\$ in thousands*)

	2011	2010	Incr.(Decr.)
Potable water (in CCF)	7,583,977	7,999,469	(415,493)
Recycled water (in CCF)	763,087	959,129	(196,041)
Operating revenues:			
Potable water sales	\$ 21,048	\$ 19,798	\$ 1,250
Recycled water sales	1,608	1,674	(66)
Miscellaneous/Other revenues	625	646	(21)
Total operating revenues	<u>23,281</u>	<u>22,118</u>	<u>1,163</u>
Operating expenses:			
Water supply expenses	10,046	8,586	1,460
Operations, maintenance and administration	6,340	5,664	676
Other operating expenses	2,328	2,456	(128)
Depreciation	2,608	2,569	39
Total operating expenses	<u>21,322</u>	<u>19,275</u>	<u>2,047</u>
Operating income	1,959	2,843	(884)
Nonoperating income (expense):			
Interest income	317	347	(30)
Other income (expense), net	327	(252)	579
Interest expense	(1,131)	(238)	(893)
Total nonoperating expenses	<u>(487)</u>	<u>(143)</u>	<u>(344)</u>
Income before contributions and transfers	1,472	2,700	(1,228)
Contribution and transfers:			
Capital contributions	1,845	1,025	820
Transfers out	(1,018)	(1,119)	101
Change in net assets	<u>2,299</u>	<u>2,606</u>	<u>(307)</u>
Net assets, beginning balance	52,453	49,847	2,606
Net assets, ending balance	<u><u>\$ 54,752</u></u>	<u><u>\$ 52,453</u></u>	<u><u>\$ 2,299</u></u>

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Potable water sales were the primary source of revenue for the Water Utility Fund. Potable water revenue made up 90.3% of the total Water Utility operating revenues. Sales volume of potable water decreased by 415,493 CCF, or 5.2%, due to conservation, cooler weather and a weak economy. Potable water revenue was higher by \$1,250, or 6.3%, from the prior year due to a 13.5% rate increase that went into effect on July 1, 2010.

Recycled water revenue made up 6.9% of the total Water Utility operating revenues. Sales volume decreased by 196,041, or 20.4%, due to an unplanned outage and an economic shutdown of the Magnolia Power Plant. Recycled water revenue decreased by 4.0%, a much smaller decrease in proportion to the decrease in sales volume due to a rate increase of 13.5% that went into effect on July 1, 2010.

Water supply expenses were higher by \$1,460, or 17.0%, compared to the prior fiscal year primarily due to higher imported water rates, resulting from the drought and water crisis in California. The Metropolitan Water District (MWD) treated water rate increased by an average of 7.0% for the fiscal year because water availability was better than normal, as winter precipitation in the Sierra Mountain during 2011 was one of the higher precipitation years on record. During the water crisis, MWD drew down its regional water storage by 60% from its March 2007 levels and raised rates by 21.1% in 2009. Higher MWD water cost continues to be mitigated by higher production at the Burbank Operable Unit (BOU) and the displacement of potable water by recycled water.

The BOU ran at 72.4% of operating capacity for the fiscal year compared to the prior fiscal year's capacity of 68.8%. It supplied approximately 58.5% of the City's potable water supply compared to 46.9% in the prior fiscal year. The average cost of groundwater produced at the BOU was \$290 per acre foot (AF), compared to the average cost of MWD's treated water at \$769/AF and replenishment water at \$422/AF.

Operating, maintenance, and administration expenses were \$676 or 11.9%, higher than the prior fiscal year. The increase was primarily the result of higher allocated costs for shared services for general administration, customer service, information technology and support, etc.

Capital contributions were \$820, or 80.0%, higher than the prior fiscal year. The increase was primarily the result of contributed capital cost from the City of Los Angeles related to the recycled water system expansion.

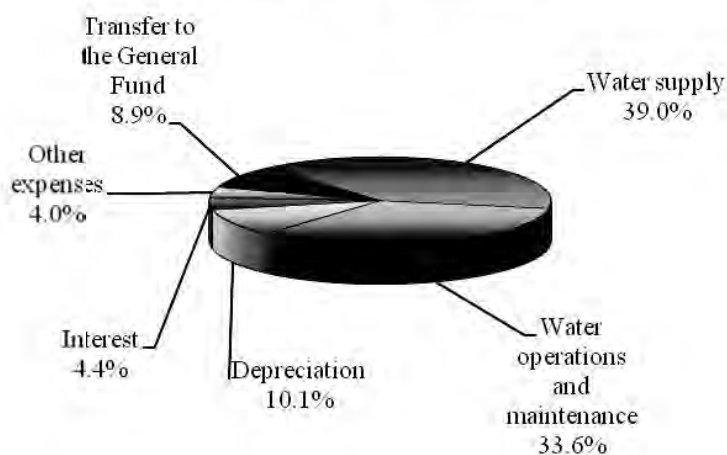
The Water Utility transferred 5.0% of its water revenues, or \$1,018, to the City's General Fund in the form of an in-lieu tax.

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Sources of Revenues



Uses of Revenues



The Water Utility Fund's net assets at June 30, 2011 and June 30, 2010 are as follows:

Schedule of Net Assets (*\$ in thousands*)

	2011	2010	Incr.(Decr.)
Assets			
Current assets	\$ 14,034	\$ 13,273	\$ 761
Non-current assets	15,905	967	14,938
Capital assets, net of retirement and accumulated depreciation	71,381	56,786	14,595
Total assets	101,319	71,026	30,294
Liabilities			
Current liabilities	8,787	6,279	2,508
Non-current liabilities	37,780	12,294	25,486
Total liabilities	46,567	18,573	27,994
Net assets			
Invested in capital assets, net of related debt	49,013	53,562	(4,549)
Restricted net assets	153	490	(337)
Unrestricted net assets	5,586	(1,599)	7,185
Total net assets	\$ 54,752	\$ 52,453	\$ 2,299

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Changes in net assets may serve as useful indicators of the Water Utility Fund's financial strength over time. Net assets increased by \$2,299 reflecting the Water Utility's favorable operating results. Total assets increased by \$30,293 over the prior fiscal year primarily due to the 2010 bond proceeds and capital investments. Capital assets, net of retirements and accumulated depreciation, increased by \$14,595 due to the modernization of the Water System.

Total receivables were higher than the prior fiscal year by \$392 due to a \$496 aid-in-construction billing in June 2011 to Los Angeles Department of Water and Power for a recycled water main extension to Los Angeles.

Total inventories were lower than the prior fiscal year by \$312. At June 30, 2011, the Water Utility's average cost of groundwater inventory was \$290.32/AF, compared to \$203.87/AF at June 30, 2010.

Total liabilities were higher than the prior fiscal year by \$27,994 primarily due to the 2010 revenue bond issuance (See Debt Administration).

A significant portion, \$33,599 or 61.4%, of the Water Utility's net assets was invested in capital assets, net of related debt. The change in capital assets, net of related debt and unrestricted net assets, were primarily due to the bond issuance. The unrestricted net assets of \$21,000, or 38.4%, are funds for future investments in capital assets and maintenance activities.

Capital Assets

As of June 30, 2011, the majority of the Water Utility Fund's total assets of \$71,381, or 70.5%, were invested in capital assets. Capital assets included potable and recycled water system improvements and expansions, system and plant replacements, aid-in-construction projects, and other capital expenditures, such as operating equipment.

For the fiscal year, \$17,381 was spent on capital improvement projects. The two major areas of spending were for the expansion of the recycled water system, and the conversion to Smart Meters. Capital improvement programs are designed to upgrade, replace and expand the water system infrastructure, ensure reliability, and provide safe drinking water and accurately measured services. The ongoing and pro-active investments are a reflection of the Water Utility's goal to deliver safe drinking water with reliable production and distribution facilities to the City at competitive rates.

During the fiscal year, the City Council adopted the 2010 Recycled Water Master Plan to expand the scope of the recycled water program to include five additional projects for system expansion, including one major pipeline extension. Continued evaluation of the recycled water system since the 2007 Recycled Water Master Plan has identified these projects to be economically viable and forward thinking. Expansion of the recycled water system has shifted some outdoor irrigation to recycled water for users such as golf courses, parks, businesses and schools. This shift reduced the amount of potable water purchased from MWD, and will contribute to sustaining and drought proofing a portion of the City's water supply.

The recycled water system expansion will also enable the City to supply some recycled water to the City of Los Angeles. An exchange agreement was executed in January 2011 with the City of Los Angeles for the exchange of recycled water for groundwater credits on a one-to-one ratio. This exchange will reduce the number of groundwater credits that the Water Utility must purchase to augment its supply of groundwater for the BOU, since the right to pump water from the local wells is limited by its stored groundwater credits. Each year, the Water Utility receives groundwater credits equal to 20% of total water delivered (potable and recycled) that can be "spent" as pumped and

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Year ended June 30, 2011

produced water, or banked for future use. Any excess pumping beyond the 20% of total water delivered for the year must be purchased from MWD and/or the City of Los Angeles, and/or taken from the City's stored groundwater banked credits.

Smart Meters will enable remote read functionality for the Water Utility. This functionality will promote operational efficiencies, accurately measure and optimize delivery of water, and improving customer service by keeping the Water Utility updated on how the system is performing. With the new or converted meters, the Water Utility can make more informed decisions to better manage the water system, respond more quickly to problems at individual addresses and alert customers regarding consumption related issues, such as potential water leaks and/or unusual water consumption.

Some of the major investments during the year were as follows:

(\$ in thousands)

Recycled Water System Expansion	\$	6,996
Meter Replacements		3,586
Water's Share of the Replacement of the Service Center/Warehouse Project		1,878
Recycled Water - Boosters		1,284
Water Tanks and Reservoir Repair		1,240
Recycled Water - Transmission Mains		667
Fire Hydrants		308
Total	\$	15,959

Debt Administration

In November 2010, the Water Utility issued \$37.9 million in revenue bonds for the first time in more than 12 years to fund capital projects and to refund the 1998 water revenue bonds. A portion of the revenue bonds qualify under the federal program as "Build America Bonds". The Water Utility will receive a cash subsidy from the United States Treasury equal to 35.0% of the interest payable on these bonds. These revenue bonds are rated "AAA", the highest quality rating, from Standard & Poor's and Fitch Ratings, reflecting the rating agencies' view of the Water Utility's strong financial positions, limited external capital needs, adequate water supply, and a relatively strong local economy.

As of June 30, 2011, the Water Utility had \$36,330 in outstanding revenue bonds. The proceeds are to fund capital improvement projects for the replacement of a reservoir, expansion of the recycled water system, upgrade the water distribution system, and for the general plant. In addition to the revenue bonds, the Water Utility also has an outstanding State Water Resources Control Loan of \$634, of which \$194 is due within a year. This loan was issued in 1994 for improvements to the Reclaimed Water Distribution System (now known as the Recycled Water System). The Water Utility repaid a total of \$10,132 toward outstanding debts, including \$9,000 of temporary advances from the City, taken in anticipation of the long-term revenue bond issuance.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS
Management Discussion and Analysis
Year ended June 30, 2011

Environmental, Supply and Economic Factors

On March 30, 2011, Governor Edmund G. Brown Jr. officially declared an end to the drought in California and rescinded Executive Order S-06-08 that proclaimed a statewide drought, and ended the States of Emergency issued on June 12, 2008 and on February 27, 2009, after a significant 2011 winter precipitation. This unusual wet winter, coupled with conservation campaigns, resulted in an increase of water storage by State Water Resources and MWD. On April 12, 2011, MWD voted to restore full imported water deliveries to the public agencies for the first time in nearly two years, and lifted allocation restrictions to allow the replenishment of groundwater storage without financial penalty. Although the short term water conditions have improved, conservation and wise water use continue to be necessary to maintain an adequate water reserve level in preparation of any future water crises. The City lifted its restrictions to limit landscape irrigation to no more than three days per week for no more than 15 minutes per day per irrigation as a part of Stage II of the Sustainable Water Use Ordinance on June 28, 2011. The City is now on Stage I of the Sustainable Water Use Ordinance, which promotes practical and prudent use of water. The City was able to meet the 20% reduction required by state law for the fiscal year ended June 2011. Actual water usage was 149 gallons per capita per day (gpcd), compared to the state goal of 155 gpcd. This was achieved by customers' conservation efforts and the displacement of potable water use by recycled water.

A state judicial intervention placed pumping restrictions on the Sacramento-San Joaquin River Delta (Delta). About 30% of Southern California's water supply moves across the Delta to the aqueduct system of the State Water Project. Solutions are needed to improve the Delta's declining ecosystem and water delivery system. An \$11 billion state bond measure will be on the November 2012 ballot to improve the Delta's water delivery system.

Since chromium VI contamination in groundwater is deemed to be carcinogenic when ingested, the California Department of Health Services (CDPH) is developing a new guideline and standard. The current regulatory maximum contaminant limits (MCL) for total chromium are 100 parts per billion (ppb) and 50 ppb for Federal and State respectively. On July 27, 2011, the California Office of Environmental Health Hazard Assessment (OEHHA) released its final Public Health Goal (PHG) for chromium VI to be 0.02 ppb, much lower than the drafted PHG of 0.06 ppb released on August 20, 2009. This change is due to consideration of early-in-life exposures for cancer potency. With the final PHG available, the CDPH is proceeding to set a MCL since the PHG is not an enforceable state standard but a guideline for the CDPH to use in developing the MCL. The development of the MCL will take into consideration the protection of public health and feasibility factors such as reliable detection limits, removal levels possible with existing validated technology, and a reasonable cost and/or economic impact on communities. Currently, the City's drinking water does not exceed 5 ppb. If the Water Utility is required to provide water with chromium VI levels below 5 ppb, there could be a significant financial impact if the City cannot find an economically feasible chromium VI solution to apply to the local groundwater supply. If a solution is not found, this will increase the City's reliance on more expensive imported water from MWD. The City is working on a feasibility study to understand the possible impact of the CDPH's MCL with the United State's Environmental Protection Agency and Lockheed-Martin Corporation March 25, 1992 Consent Decree, where Lockheed Martin Corporation agreed to clean-up and remove groundwater contaminants.

In September 2010 and May 2011, the State Water Resources Control Board approved up to \$10.3 million in loans to the Water Utility for multiple recycled water projects. The loans have 20-year repayment terms at an interest rate of 2.6%. The loans are for the design and construction of four recycled water projects, including the improvement of a pumping station to increase distribution capacity and three pipeline extensions to the Valhalla Cemetery, Studio District and Northern Burbank. The Water Utility has not received any proceeds from the approved loans as of June 30, 2011. Loan proceeds are anticipated in fiscal years 2011-2012 and 2012-2013.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS
Management Discussion and Analysis
Year ended June 30, 2011

Requests for Information

This financial report is designed to provide a general overview of the Electric and Water Utility Enterprise Funds. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to Bob Liu, Chief Financial Officer, Burbank Water and Power, 164 W. Magnolia Blvd., Burbank, CA 91502.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF NET ASSETS

June 30, 2011

(With comparative financial information as of June 30, 2010)

(In Thousands)

Assets	Electric		Water	
	2011	2010	2011	2010
Current assets:				
Cash and investments (note 2):				
General operating	\$ 27,727	22,170	4,086	4,221
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
WCAC	-	-	1,894	1,633
Distribution mains	-	-	1,100	1,100
Total cash and investments	40,737	35,180	9,300	9,174
Accounts receivables, net (note 3)	12,871	12,727	2,626	2,177
Inventories (note 4)	6,212	4,795	1,586	1,898
Deposits and prepaid expenses (note 5)	25,111	22,496	460	-
Interest receivable	142	182	61	24
Total current assets	85,073	75,380	14,034	13,273
Noncurrent assets:				
Restricted nonpooled investments (note 2)	9,441	11,302	153	688
Restricted bond proceeds for capital improvements	21,373	38,055	15,414	-
Advances receivable	1,018	1,593	153	240
Deferred bond issuance and acquisition costs	196	214	184	39
Total noncurrent assets	32,028	51,164	15,905	967
Capital assets (note 6):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and equipment	384,314	326,125	99,426	80,789
Construction in progress	43,811	76,591	15,520	16,777
Total utility plant and equipment	432,194	406,785	115,256	97,875
Less accumulated depreciation	(170,955)	(156,969)	(43,874)	(41,089)
Total capital assets, net	261,239	249,816	71,381	56,786
Total assets	\$ 378,340	376,360	101,319	71,026

See accompanying notes to basic financial statements

Liabilities	Electric		Water	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current liabilities:				
Accounts payable and accrued expenses (note 7)	\$ 10,830	7,296	6,962	3,512
Current portion of loan payable (note 8)	-	-	194	189
Current portion of compensated absences (note 8)	217	818	37	29
Accrued payroll	-	12	-	1
Bond interest payable	795	795	90	9
Interfund payable	445	-	51	-
Due to the City of Burbank	-	463	-	48
Customer deposits (note 10)	9,229	12,941	973	1,536
Current portion of revenue bonds payable, net (note 8)	<u>3,535</u>	<u>3,805</u>	<u>480</u>	<u>955</u>
Total current liabilities	<u>25,051</u>	<u>26,130</u>	<u>8,787</u>	<u>6,279</u>
Noncurrent liabilities:				
Revenue bonds payable, net (note 8)	105,577	109,250	36,668	1,879
Loan payable (note 8)	-	-	440	682
Compensated absences (note 8)	4,432	4,238	672	733
Advances payable (note 9)	-	-	-	9,000
Total noncurrent liabilities	<u>110,009</u>	<u>113,488</u>	<u>37,780</u>	<u>12,294</u>
Total liabilities	<u>135,060</u>	<u>139,618</u>	<u>46,567</u>	<u>18,573</u>
Net Assets				
Invested in capital assets, net of related debt	173,500	176,974	49,013	53,562
Restricted for debt service	9,441	8,778	153	481
Unrestricted (deficit)	<u>60,339</u>	<u>50,990</u>	<u>5,586</u>	<u>(1,590)</u>
Total net assets	\$ <u>243,280</u>	<u>236,742</u>	<u>54,752</u>	<u>52,453</u>

See accompanying notes to basic financial statements

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year ended June 30, 2011
(With comparative financial information for the year ended June 30, 2010)

(In Thousands)

	Electric		Water	
	2011	2010	2011	2010
Operating revenues:				
Sale of power-retail	\$ 160,059	154,174	-	-
Sale of power and fuel-wholesale (note 13)	59,200	75,946	-	-
Sale of water	-	-	22,656	21,472
Other revenues	6,642	4,900	625	646
Total operating revenues	225,901	235,020	23,281	22,118
Operating expenses:				
Power supply expenses-retail (note 12)	95,476	89,225	-	-
Purchased power and fuel expenses-wholesale (note 13)	57,261	73,331	-	-
Water supply expenses (note 1)	-	-	10,046	8,586
Water maintenance and operation expenses	-	-	6,340	4,613
Transmission expenses	15,015	12,262	-	-
Distribution expenses	8,903	9,369	-	-
Other operating expenses (note 1)	17,610	19,039	2,328	3,507
Depreciation	14,129	11,018	2,608	2,569
Total operating expenses	208,394	214,244	21,322	19,275
Operating income	17,507	20,776	1,960	2,843
Nonoperating income (expenses):				
Interest income	2,167	1,765	317	347
Intergovernmental	-	140	-	17
Interest expense	(6,988)	(3,962)	(1,131)	(238)
Other income (expenses), net (note 14)	1,913	155	327	(269)
Total nonoperating income (expenses)	(2,908)	(1,902)	(487)	(143)
Income before contributions and transfers	14,599	18,874	1,472	2,700
Capital contributions	2,275	1,634	1,845	1,025
Transfers out (note 11)	(10,336)	(10,528)	(1,018)	(1,119)
Change in net assets	6,538	9,980	2,299	2,606
Net assets, July 1	236,742	226,762	52,453	49,847
Net assets, June 30	\$ 243,280	236,742	54,752	52,453

See accompanying notes to basic financial statements

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS
Year ended June 30, 2011
(With comparative financial information for the year ended June 30, 2010)

(In Thousands)

	Electric		Water	
	2011	2010	2011	2010
Cash flows from operating activities:				
Cash received from customers	\$ 225,757	230,603	22,832	22,520
Cash paid to suppliers	(171,424)	(172,741)	(14,097)	(13,837)
Cash paid to employees	(27,034)	(27,556)	(4,003)	(4,092)
Cash received for miscellaneous purposes	-	140	-	10
Net cash provided by operating activities	<u>27,299</u>	<u>30,446</u>	<u>4,732</u>	<u>4,601</u>
Cash flow from noncapital financing activities:				
Proceeds from other governmental agencies	9,052	-	-	-
Advances receivable	-	574	-	86
Due to City of Burbank	-	52	-	9
Other proceeds	1,371	-	327	-
Loan proceeds from general fund	-	-	-	9,000
Transfers to City	(10,336)	(10,528)	(1,018)	(1,119)
Net cash provided by (used in) noncapital financing activities	<u>87</u>	<u>(9,902)</u>	<u>(691)</u>	<u>7,976</u>
Cash flows from capital and related activities:				
Proceeds from sale of capital assets	542	739	-	2
Proceeds from issuance of debt	-	92,638	36,740	-
Principal payments - bond	(3,805)	(49,904)	(410)	(910)
Interest payments	(6,988)	(3,071)	(1,050)	(238)
Capital contributions	2,275	1,634	1,845	1,025
Acquisition and construction of capital assets	(34,603)	(29,838)	(17,203)	(12,415)
Payments on loans and advances	-	-	(9,237)	(136)
Net cash provided by (used in) capital and related activities	<u>(42,579)</u>	<u>12,198</u>	<u>10,685</u>	<u>(12,672)</u>
Cash flows from investing activities:				
Interest received	2,207	1,901	280	399
Sale/(purchase) of restricted investment	1,861	(1,053)	535	(34)
Net cash provided by investing activities	<u>4,068</u>	<u>848</u>	<u>815</u>	<u>365</u>
Net increase (decrease) in cash and cash equivalents	<u>(11,125)</u>	<u>33,590</u>	<u>15,541</u>	<u>270</u>
Cash and cash equivalents, beginning of year	73,235	39,645	9,174	8,904
Cash and cash equivalents, end of year	\$ 62,110	73,235	24,715	9,174

See accompanying notes to basic financial statements

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

Year ended June 30, 2011

(With comparative financial information for the year ended June 30, 2010)

(In Thousands)

	Electric		Water	
	2011	2010	2011	2010
Cash flows from operating activities:				
Operating income	\$ 17,507	20,776	1,959	2,843
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	14,129	11,018	2,608	2,569
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(144)	902	(449)	(28)
Increase (decrease) in due to/from the City of Burbank	(463)	-	(48)	
(Increase) decrease in inventories	(1,417)	949	312	(561)
(Increase) decrease in deposits and prepaid expenses	(2,615)	(1,069)	(460)	6
(Increase) decrease in advances receivable	575	-	87	-
(Increase) decrease in interfund payable	445	-	51	-
(Increase) decrease in deferred bond issuance cost	(120)	-	(2,161)	
Increase (decrease) in accounts payable and accrued expenses	3,534	(949)	3,450	427
Increase (decrease) in accrued payroll	(12)	-	(1)	-
Increase (decrease) in compensated absences	(407)	178	(53)	79
Increase (decrease) in customer deposits	(3,712)	(1,499)	(563)	(744)
Total adjustments	9,792	9,670	2,773	1,758
Net cash provided by operating activities	\$ 27,299	30,446	4,732	4,601
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair market value of investments	\$ 53	153	(249)	(122)

See accompanying notes to basic financial statements

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

NOTE 1: Summary of Significant Accounting Policies

(A) Accounting Methods

The reporting model includes financial statements prepared using full accrual accounting for the Electric and Water Utility Funds' activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets, as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

The basic financial statements include the following:

Statement of Net Assets – The statement of net assets is designed to display the financial position of the reporting entity. The net assets of the Electric and Water Utility Funds are separated into three categories – 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

- Net assets invested in capital assets, net of related debt, consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets represent net assets whose use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of entities with jurisdiction, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Statement of Revenues, Expenses and Changes in Fund Net Assets – The statement of revenues, expenses and changes in fund net assets reports revenues by major source and distinguishes between operating and non-operating revenues and expenses.

Statement of Cash Flows – For the purposes of the statement of cash flows, the Electric and Water Utility Funds include their portion of the City's pooled cash and investments and restricted investments with an original maturity of three months or less as cash equivalents. The Electric and Water Utility Funds consider the pooled cash and investments to be a demand deposit account whereby monies may be withdrawn or deposited at any time without prior notice or penalty.

(B) Basis of Presentation

The Electric and Water Utility Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be recovered primarily through user charges or (b) where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital expenditures, public policy, management control, accountability and other purposes.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

(C) Reporting Entity

The Electric and Water Utility Funds' operations were established by the City in 1913. Burbank Water and Power (BWP) manages the generation, purchase, transmission, distribution, and sale of water and electric energy. The activities of BWP are overseen by the City Council.

The Electric and Water Utility Enterprise Funds are used to account for the operation, maintenance, and construction of the City owned water and electric utility. The City considers the Electric and Water Utility Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America. As an integral part of the City's overall operations, the Electric and Water Utility Funds' operations are also included in the City's Comprehensive Annual Financial Report.

In accordance with GASB Statement No. 20; for proprietary fund accounting, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure (CAP).

(D) Self-Insurance

The Electric and Water Utility Funds are part of the City's self-insurance programs, which provide coverage for general liability and workers' compensation claims. See note 16, Self-Insurance, for additional information on the City's self-insurance programs.

(E) Capital Assets

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. The threshold for capitalizing assets is \$5 or greater, except for betterments which could be less. When items are sold or retired, related gains or losses are included in non-operating income (expenses). Maintenance and repairs that don't add to the value of the asset or materially extend the useful life of the asset are charged to expense as incurred. Improvements to plant and equipment are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

	Estimated useful life
Buildings and Improvements	20 to 40 years
Machinery and Equipment (except vehicles)	20 years
Production Plant	30 years
Boiler Plant	20 years
Transmission Structures	40 years
Transmission Equipment	20 to 40 years
Poles, Towers, & Fixtures	20 to 40 years
Distribution Stations	30 to 40 years
Transformers	20 to 40 years
Electric Meters	20 years
Water Meters	15 to 20 years
Water Services	40 years
Vehicles	5 to 10 years

(F) *Accounts Receivable and Allowance for Uncollectible Accounts*

Accounts receivable includes billed and unbilled utility customer accounts, wholesale power sales, and miscellaneous charges unpaid as of June 30, 2011, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables balances.

(G) *Inventories*

Inventories consist of groundwater, materials and supplies held for future consumption and are priced at average cost.

(H) *Deposits and Prepaid Expenses*

The Electric and Water Funds, in the normal course of operations, place deposits and reserves with other governmental agencies, power providers and vendors, and record them as such. The Electric and Water Funds also prepay certain expenses, recording them as prepaid, which are then recognized as expense as benefits are received.

(I) *Restricted Non-pooled Investments*

The Electric and Water Funds have restricted non-pooled investments, in the form of debt service and parity reserves, to comply with the covenants contained in the various debt indentures requiring the establishment of certain specific accounts.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

(J) Compensated Absences

The cost of employees' vested vacation and sick pay benefits are accrued as they are earned by the employees.

(K) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(L) Revenue Recognition

Revenues are recorded in the period in which they are earned. The Electric and Water Utility Funds accrue estimated unbilled revenue for water and energy sold but not billed at the end of the fiscal period. All residential and commercial accounts are billed monthly. Operating revenues consist of sales of potable and recycled water, retail and wholesale sales of electricity, and charges for water and electric related work performed for customers, such as service connection and relocation fees. The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been deferred (see note 7).

(M) Operating Expenses

Purchased power and fuel expenses include all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy production costs, and the costs of entitlements for energy and transmission as discussed in note 12.

Water supply expenses include purchased water, electricity used to pump water, and chemicals used in water treatment.

Other operating expenses include all costs associated with the Electric and Water Utility Funds' administration, customer service, telecom services, public benefits programs, and transfers to the City for cost allocations.

(N) Reclassifications

Certain items in the 2010 financial statements have been reclassified to reflect the classifications used in the financial statements as of and for the year ended June 30, 2011. These reclassifications had no impact on changes in net assets or net assets.

(O) Bond Premiums, Discounts and Debt Issuance Costs

Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Debt issuance costs are deferred and amortized over the lives of the related bond issues on the straight-line method, which approximates the effective interest method. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, and deferred amounts on refunding are included in interest expense.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

(P) Bond Refunding Costs

Bond refunding costs are deferred and amortized over the lives of the related bond issues on the effective interest method. Bond refunding costs are recorded as a reduction of the long-term debt obligation on the accompanying basic financial statements.

(Q) 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Electric and Water Utility Funds' prior year financial statements, from which this selected data was derived.

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Pooled cash and investments	\$ 40,722	9,300	50,022
Restricted non-pooled cash and cash equivalents	15	-	15
Restricted investments	30,814	15,568	46,382
	<hr/>		
Total	\$ 71,551	24,868	96,419
	<hr/>		
Cash on hand	\$ 15	-	15
Investments	71,536	24,868	96,404
	<hr/>		
Total	\$ 71,551	24,868	96,419
	<hr/>		

The City combines the cash and investments of all funds into two pools (the City pool, and the Housing Authority pool), except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's portion of the pooled cash and investments are displayed on the statement of net assets. Cash and investments restricted for a specific purpose by either bond resolution, funding agency or an outside third party are classified as restricted assets.

Interest earned on pooled cash and investments is allocated monthly to the various funds based on average daily balances. Interest income from cash and investments with fiscal agents and in the deferred compensation plan is credited directly to the related funds. The City manages its pooled idle cash and investments under a formal investment policy that is reviewed and adopted annually by the City Council and that follow the guidelines of the State of California Government Code. The City's investment policy specifically authorizes the City to invest in treasury bills, treasury notes, federal agency securities, bankers' acceptances, negotiable and nonnegotiable certificates of deposit, commercial paper, the California Local Agency Investment Fund (LAIF), the Los Angeles County Pooled Investment Fund, and money market mutual funds.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

The City's investments are reported at fair value. LAIF operates in accordance with the state laws and regulation of California. The reported value of the pool is the same as the fair value of the pool shares.

Investments Authorized by the California Government Code and the City's Investment Policy

The following table identifies the **investment types** that are authorized for the City by the California Government Code (Code) (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the Code (or the City's investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the Code or the City's investment policy.

(\$ in thousands)	Authorized by City	Maximum Maturity **	Maximum Percentage of Portfolio	Maximum Investment One Issuer
Authorized Investment Type	Policy			
Agency-U.S. Federal Agency	Yes	5 years	90%	None
Burbank Investment Pool	Yes	N/A	None	None
Corporates-Medium Term Notes	Yes	5 years	30%	5%
LAIF-Local Agency Investment Fund	Yes	N/A	None	None
U.S. Treasury Obligations	Yes	5 years	100%	None
Banker's Acceptances	No	N/A	N/A	N/A
Commercial Paper	No	N/A	N/A	N/A
Timed Certificates of Deposit	Yes	5 years	40%	\$250
Negotiable Certificates of Deposit	Yes	5 years	20%	\$250
Money Market Mutual Funds	Yes	90 days	15%	None
State and Local Agency Obligations	Yes	5 years	15%	5%
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A

** No single investment shall be purchased with a term to maturity at the date of purchase that exceeds five years, without the approval of the City Financial Services Director, with the maximum allowed not to exceed 5% of the portfolio from over five years to ten year maturities. Also, the City has investments with fiscal agents outside the normal investment policy.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment One Issuer
Investment Agreements	N/A	None	None
LAIF-Local Agency Investment Fund	N/A	None	None
Money Market	N/A	None	None
Pledge Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One way that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months	
Burbank Investment Pool	\$ 42,599	-	-	-	42,599
LAIF-Local Agency Investment Fund	44,211	-	-	-	44,211
Held by Bond Trustee:					
Investment Agreements	-	-	-	5,853	5,853
Money Market	3,549	-	-	-	3,549
U.S. Treasury Obligations	192	-	-	-	192
Total	\$ 90,551	-	-	5,853	96,404

Note: The table above excludes cash on hand of \$15 (see pg. 26).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table shows the minimum rating required by (where applicable) the Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "Exempt from Disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

		<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>
Burbank Investment Pool	\$ 42,599	N/A	N/A
LAIF-Local Agency Investment Fund Held by Bond Trustee:	44,211	N/A	N/A
Investment Agreements	5,853	A	N/A
Money Market	3,549	Aaa	N/A
U.S. Treasury Obligations	<u>192</u>	<u>Aaa</u>	<u>N/A</u>
 Total	 <u>\$ 96,404</u>		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code, Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Equity in the Cash and Investment Pool of the City of Burbank

BWP has no separate bank accounts or investments other than investments held by bond trustee and BWP's equity in the cash and investment pool managed by the City. BWP is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council. BWP has not adopted a formal investment policy separate from that of the City; however, BWP is permitted to invest in LAIF and U.S. Federal Agency notes. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon BWP's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

accounting records maintained by the City, which are recorded on an original cost basis. The pool is treated as a demand deposit, meaning that funds can be withdrawn with no advance notice.

NOTE 3: Accounts Receivable

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2011 and June 30, 2010 are:

		Electric		Water	
		2011	2010	2011	2010
Accounts receivable-billed	\$	6,333	4,286	1,555	1,153
Accounts receivable-unbilled		6,853	8,915	1,124	1,067
Allowance		(315)	(474)	(53)	(43)
Total	\$	6,018	3,812	1,502	1,110

NOTE 4: Inventories

Inventories for the Electric and Water Utility Funds as of June 30, 2011 and June 30, 2010 are:

		Electric		Water	
		2011	2010	2011	2010
Materials and supplies inventory	\$	6,212	4,795	487	531
Groundwater purchases inventory		-	-	1,099	1,367
Total	\$	6,212	4,795	1,586	1,898

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of \$25,111 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes an \$8,718 deposit with SCPPA for future use in projects, a \$5,087 prepayment to SCPPA Natural Gas Reserve for future gas deliveries, a \$3,708 prefunded Other Post-Employment Benefits (OPEB) obligation (see note 15), a \$3,004 prepaid unfunded CALPERS liability obligation, a \$2,615 deposit with the SCPPA as a fuel reserve for the Magnolia Power Project (MPP), a \$585 prepayment to Powerex for future energy deliveries, a \$200 prepayment for renewable energy, and a \$186 prepayment for electric power purchases. In addition, in June 2000, the City prepaid a lease payment of \$1,500 for the use of land to locate a new switching station. The twenty-year lease began in January 2002. For the fiscal year ended June 30, 2011, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$788.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

NOTE 6: Capital Assets

Capital assets include the following as of June 30, 2011 and 2010:

Electric	Balance as of June 30, 2009	Additions	Deletions	Balance as of June 30, 2010	Additions	Deletions	Balance as of June 30, 2011
Capital assets not being depreciated:							
Land	\$ 2,734	-	-	2,734	-	-	2,734
Construction in progress	52,174	48,911	(24,494)	76,591	29,005	(61,785)	43,811
Total capital assets not being depreciated	54,908	48,911	(24,494)	79,325	29,005	(61,785)	46,545
Capital assets being depreciated:							
Land improvements	2,282		(2,282)	-	-	-	-
Accumulated depreciation	(409)	(76)	485	-	-	-	-
Rights to purchase power	1,335		-	1,335	-		1,335
Accumulated depreciation	(412)	(43)	-	(455)		(43)	(498)
Buildings and improvements	300,564	473,797	(476,747)	297,614	58,529	(4,926)	351,217
Accumulated depreciation	(134,155)	(164,341)	159,652	(138,844)	(10,556)	60	(149,340)
Machinery and equipment	25,967	37,001	(34,457)	28,511	6,952	(2,366)	33,097
Accumulated depreciation	(18,500)	(38,061)	38,891	(17,670)	(3,572)	125	(21,117)
Total capital assets being depreciated, net	176,672	308,277	(314,458)	170,491	51,353	(7,150)	214,694
Total net capital assets	\$ 231,580	357,188	(338,952)	249,816	80,358	(68,935)	261,239

Water	Balance as of June 30, 2009	Additions	Deletions	Balance as of June 30, 2010	Additions	Deletions	Balance as of June 30, 2011
Capital assets not being depreciated:							
Land	\$ 309	-	-	309	-	-	309
Construction in progress	7,890	20,175	(11,288)	16,777	14,964	(16,221)	15,520
Total capital assets not being depreciated	8,199	20,175	(11,288)	17,086	14,964	(16,221)	15,829
Capital assets being depreciated:							
Buildings and improvements	71,047	81,647	(75,922)	76,772	17,930	-	94,702
Accumulated depreciation	(33,586)	(52,182)	47,243	(38,525)	(2,295)	-	(40,820)
Machinery and equipment	5,840	4,825	(6,648)	4,017	736	(29)	4,724
Accumulated depreciation	(4,296)	(3,999)	5,731	(2,564)	(490)	-	(3,054)
Total capital assets being depreciated, net	39,005	30,291	(29,596)	39,700	15,881	(29)	55,552
Total net capital assets	\$ 47,204	50,466	(40,884)	56,786	30,845	(16,250)	71,381

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

During the fiscal year ended June 30, 2010, a study was conducted on the Electric and Water Funds' utility capital assets. The purpose of the study was to improve the accuracy and ongoing usefulness of the utility capital asset records for both Utility Funds. As a result of the study, a considerable portion of the Electric and Water Funds' capital assets were reclassified into new utility mass asset capital and accumulated depreciation accounts. Utility mass asset capital accounting improves the accuracy of utility capital asset records and provides a better basis for financial reporting and comparison to other utilities. Additionally, assets identified as no longer in service by the study were retired. The adjustments related to the reclassifications and retirements of utility capital assets were immaterial in total and were included in the Electric and Water Funds' non-operating income on the financial statements for the fiscal year ended June 30, 2010.

Pacific DC Intertie

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale, and the City of Pasadena for an unrestricted 3.846% interest in the Pacific DC Intertie. As of June 30, 2011, the Electric Utility Fund has recorded its share of the Intertie of approximately \$14,634 within its plant and equipment assets, less accumulated depreciation approximating \$10,544, for a net asset value of \$4,090. Such asset is being depreciated using the straight-line method over a useful life of 40 years. The City's voting right in the project is directly in proportion to its percentage interest.

NOTE 7: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses for the Electric and Water Utility Funds as of June 30, 2011 and June 30, 2010 are:

		Electric		Water	
		2011	2010	2011	2010
Accounts Payable & Accrued Expenses	\$	10,830	7,296	5,068	2,308
WCAC		-	-	1,894	1,204
Total	\$	10,830	7,296	6,962	3,512

The Electric Utility Fund's accounts payable and accrued expenses are higher compared to last fiscal year due to electric power purchases and capital purchases.

The Water Utility Fund's accounts payable and accrued expenses are higher compared to last fiscal year due to groundwater purchases made at favorable pricing and capital purchases.

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been deferred to a water cost adjustment deferred revenue account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. The deferred WCAC balances were \$1,894 and \$1,204 at June 30, 2011 and 2010, respectively.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

NOTE 8: Loan Payable and Revenue Bonds Payable

(A) Loan Payable

	Water	
	2011	2010
This State Water Resources Control Loan was issued for the purpose of construction improvement to the Reclaimed Water Distribution System (now known as the Recycled Water System). Funds are disbursed on either a reimbursement basis or at such time as they are due and payable by the City. The interest rate is 2.7%, with the principal to be repaid no later than April 2014, 20 years from the loan date.	\$ 634	823
Less current portion	<u>(194)</u>	<u>(189)</u>
Long-term intergovernmental loan payment	<u>\$ 440</u>	<u>634</u>

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2011 is as follows:

	Water		
	Principal	Interest	Total
2012	\$ 194	17	211
2013	199	12	211
2014	<u>241</u>	<u>7</u>	<u>248</u>
	<u>\$ 634</u>	<u>36</u>	<u>670</u>

(B) Revenue Bonds Payable

All the revenue bonds issued by the Electric or Water Utility Funds are secured by a pledge of a lien upon the net revenues of the Electric or Water Utility Funds, depending on the purpose of the debt, as well as all amounts on deposit in the funds and accounts established under the indenture, including the reserve account. Net reserves include all revenues received by the Electric or Water Utility Funds, less amounts required for payment of operating expenses.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

	Electric	
	2011	2010
2002 Series Bonds:		
<p>\$25,000 Burbank Water and Power Electric Revenue Bonds, Series of 2002, were issued for retrofitting Olive 1 and Olive 2 steam generators to meet new air quality emission limits, other electric improvements and refund certain electric revenue bonds. Payments are in installments ranging from \$990 to 2,000. Interest rates range from 3.00% to 5.375%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022.</p>	\$ 17,385	18,585
Less:		
Current portion	(1,245)	(1,200)
Original issue discount/premium	153	167
	<u>16,293</u>	<u>17,552</u>
Long-term Bonds Series of 2002		

	Electric	
	2011	2010
2010A Series Bonds:		
<p>\$35,825 Electric Revenue/Refunding Bonds, Series of 2010A, were issued to partially refund the 1998 Bonds and the 2001 Bonds and to pay the costs of issuance of the Series 2010A Bonds. Payments are in installments ranging from \$2,290 to \$3,530. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023.</p>	\$ 35,825	35,825
Less:		
Current portion	(2,290)	-
Original issue (discount)/premium	4,008	3,866
	<u>37,543</u>	<u>39,691</u>
Long-term 2010A Series Bonds	\$ 37,543	39,691

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

	Electric	
	2011	2010
2010B Series Bonds:		
\$52,665 Electric Revenue/Refunding Bonds, Series of 2010B, were issued to finance a portion of the costs of certain improvements to the Electric Distribution System, including the conversion of certain residential and commercial distribution circuits to 12 kV, implementation of distribution automation projects and other projects for the generation, transmission and distribution of electricity. Payments are in installments ranging from \$2,210 to \$4,195. Interest rates range from 6.1% to 6.3%. Payments are made semiannually on June 1 and December 1, with interest only payments through June 1, 2023 and principal and interest payments thereafter to June 1, 2040.	\$ 52,665	52,665
Less:		
Current portion	-	-
Original issue (discount)/premium	(924)	(658)
Long-term 2010B Series Bonds	51,741	52,007
Total long-term revenue bonds payable	105,577	109,250

	Water	
	2011	2010
2010A Series Bonds:		
\$8,795 Water Revenue/Refunding Bonds 2010 Series A, were issued to finance the costs of certain improvements to the City's water system and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from \$480 to \$970. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023.	\$ 8,385	-
Less:		
Current portion	(480)	-
Original issue (discount)/premium	818	-
Long-term 2010A Series Bonds	8,723	-

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

	Water	
	2011	2010
2010B Series Bonds:		
\$27,945 Water Revenue Bonds 2010 Series B (Taxable Build America Bonds), were issued to finance the costs of the 2010 Water Project and to pay the costs of issuance of the Series 2010B Bonds. Payable in installments ranging from \$850 to \$2,275. Interest rates range from 4.89% to 5.79%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040.	\$ 27,945	-
Less:		
Current portion	-	-
Original issue (discount)/premium	-	-
	27,945	-
Long-term 2010B Series Bonds	27,945	-
Total long-term revenue bonds payable	36,668	1,879

The Electric and Water Funds are in compliance with the covenants contained in the various debt indentures, which require the establishment of certain specific accounts for the revenue and revenue/refunding bonds.

The Water Utility Fund issued \$36,740 of revenue bonds in fiscal year ended June 30, 2011, of which \$27,945 will be used to fund various capital projects. The remaining proceeds were used to refund the existing 1998 revenue bonds.

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2011 is as follows:

		Electric		Water		Total
		Principal	Interest	Principal	Interest	
2012	\$	3,535	5,841	480	337	10,193
2013		3,785	5,722	490	322	10,319
2014		3,945	5,567	470	308	10,290
2015		4,115	5,400	735	290	10,540
2016		4,315	5,203	765	260	10,543
2017 – 2021		24,625	22,537	4,310	816	52,288
2022 – 2026		15,785	16,686	5,240	6,056	43,767
2027 - 2031		13,475	12,780	6,240	6,118	38,613
2032 - 2036		16,485	8,209	8,980	4,076	37,750
2037 - 2040		15,810	2,550	8,620	1,274	28,254
Total	\$	105,875	90,495	36,330	19,857	252,557

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

(C) Utility Funds' Long-Term Liabilities

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2011:

<u>June 30, 2010</u>	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due within 1 Year</u>
Revenue Bond Payable:					
2001 Series A Bonds	2,605	-	(2,605)	-	-
2002 Series A Bonds	18,585	-	(1,200)	17,385	1,245
2010 Series A Bonds	35,825	-	-	35,825	2,290
2010 Series B Bonds	52,665	-	-	52,665	-
Compensated Absences	5,056	3,831	(4,238)	4,649	217
\$	<u>114,736</u>	<u>3,831</u>	<u>(8,043)</u>	<u>110,524</u>	<u>3,752</u>
Less current portion	(4,623)			(3,752)	
Less unamortized bond	<u>(773)</u>			<u>3,237</u>	
Total	<u>\$ 109,340</u>			<u>110,009</u>	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2011:

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

<u>June 30, 2011</u>	<u>July 1, 2010</u>	Additions	Retirements	<u>June 30, 2011</u>	Due within 1 Year
Intergovernmental Loan Payable	\$ 823	-	(194)	634	194
Revenue Bond Payable:					
1998 Series A Bonds	2,900	-	(2,900)	-	-
2010 Series A Bonds	-	8,795	(410)	8,385	480
2010 Series B Bonds	-	27,945	-	27,945	-
Compensated Absences	762	680	(733)	709	37
	<u>\$ 4,485</u>	<u>37,420</u>	<u>(4,237)</u>	<u>37,673</u>	<u>711</u>
Less current portion	(1,173)			(711)	
Less unamortized bond	<u>(68)</u>			<u>818</u>	
Total	\$ <u>3,244</u>			<u>37,780</u>	

NOTE 9: Advances Payable

During fiscal year 2009-2010 the City advanced \$9,000 to the Water Fund. The advance was paid in full during fiscal year 2010-2011 with the 2010 Water Revenue Bond proceeds.

NOTE 10: Customer Deposits

California AB 1890 requires the Electric Utility to spend 2.85% of its electric revenues for Public Benefits (PB) purposes. The entire unspent portion of the PB obligation for the Electric Utility has been recorded in the Electric Utility Fund's liabilities included in customer deposit liabilities. The amount of the PB obligation is part of customer deposits, but reported as the PB liability. The unspent portion of the PB obligation as of June 30, 2011 and June 30, 2010 is \$7,790 and \$9,177, respectively.

NOTE 11: Related Party Transactions

The City assesses a 5% in-lieu of taxes on Electric and Water Utility Funds' revenues. In addition, an assessment of 1.5% is made on electric revenues to maintain and operate the City's street lighting system. These charges are reflected in the accompanying statements of revenues, expenses and changes in fund net assets for the years ended June 30, 2011 and 2010 as follows:

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

	Electric		Water	
	2011	2010	2011	2010
In-lieu of taxes	\$ 8,045	7,667	1,018	1,040
Street lighting	2,291	2,216	-	-
Total payment in-lieu of taxes	<u>\$ 10,336</u>	<u>9,883</u>	<u>1,018</u>	<u>1,040</u>

The City also allocates certain administrative and overhead costs to the Electric and Water Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2011 and 2010 were as follows:

	Electric		Water	
	2011	2010	2011	2010
Administrative and overhead costs	\$ 4104	3859	740	796
Total	<u>\$ 4,104</u>	<u>3,859</u>	<u>740</u>	<u>796</u>

In addition, the City receives a 7% Utility User Tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements. This tax for the year ended June 30, 2011 and 2010 was as follows:

	Electric	
	2011	2010
Utility User Tax	\$ 10,543	10,184
Total	<u>\$ 10,543</u>	<u>10,184</u>

NOTE 12: Power Supply and Fuel Expenses - Retail

A) Retail Energy Supply

BWP receives electricity through firm contracts, local generation and market purchases. The majority of electricity is delivered through firm contracts, which include "take or pay" and term purchases. Local generation and market purchases supplement firm contracts to meet the City's retail load requirements.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

B) “Take or Pay” Contracts

The City, through its Electric Utility Fund, has entered into “take or pay” contracts to meet the electric needs of its customers. These contracts are not considered joint ventures since the City has no interest in the assets, liabilities, or equity associated with any of the projects to which these take or pay contracts refer. The City is obligated to pay its share of the indebtedness regardless of the ability of the contracting agency to provide electricity or the City’s need for the electricity. However, in the opinion of management, the City does not have a financial responsibility for purposes of GASB Statement No. 14 because the Southern California Public Power Authority (SCPPA) and the Intermountain Power Agency (IPA) do not depend on revenue from the City to continue in existence. Obligation for this indebtedness is through participation in two joint power agencies, SCPPA and IPA.

These contracts constitute an obligation of the Electric Utility Fund to make debt service payments from its operating revenues. The Electric Utility Fund’s share of debt service is not recorded as an obligation on the accompanying basic financial statements; however, it is included as a component of its power supply expenses.

During the fiscal years ended June 30, 2011 and 2010, respectively, the Electric Fund made payments totaling \$34,433 and \$30,596 for “Take or Pay” contracts.

(a) Southern California Public Power Authority (SCPPA)

SCPPA membership consists of eleven Southern California cities and one public irrigation district of the State of California, which serves the electric power needs of its Southern California electricity customers. SCPPA, a public entity organized under the laws of the State of California, was formed by a joint powers agreement dated November 1, 1980, pursuant to the Joint Exercise of Powers Act of the State of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

Hoover Uprating Project (HU)

On March 1, 1986, SCPPA and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to SCPPA in return for SCPPA’s agreement to make advance payments to the United States Bureau of Reclamation (USBR) on behalf of such participants. SCPPA has an 18.68% interest in the contingent capacity of the HU. All 17 “uprated” generators of the HU have commenced commercial operations. The City has a 16% (15 megawatt) ownership interest in this project.

Southern Transmission System Project (STS)

Pursuant to an agreement dated May 1, 1983 with the IPA, SCPPA made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the STS, which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (LADWP), a member of SCPPA, serves as project manager and operating agent of the Intermountain Power Project (IPP). The STS consists of a 488-mile transmission line and the associated converter station on each end. The 500kV DC bi-pole transmission lines are currently rated at 1,920 megawatts (MW). The City’s ownership share of this project is 4.5%.

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

Mead-Phoenix Project (MP)

SCPPA entered into an agreement dated December 17, 1991 to acquire an interest in the MP, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides SCPPA with an 18.31% interest in the West Wing-Mead project, a 17.76% interest in the Mead substation project component and a 22.41% interest in the Mead-Marketplace component. The project is a 256 mile, 500kV AC transmission line with a rating of 1,300 MW. The City's ownership share of MP is 15.4%.

Mead-Adelanto Project (MA)

SCPPA also entered into an agreement dated December 17, 1991 to acquire a 67.92% interest in the MA, a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer from the multiple projects fund, and commercial operations commenced in April 1996. LADWP serves as the operations manager of MA. The project is a 202 mile, 500kV AC transmission line with a rating of 1,200 MW. The City's ownership share of MA is 11.5%.

Palo Verde Project (PV)

Pursuant to an assignment agreement dated August 14, 1981 with the Salt River Project, SCPPA purchased a 5.91% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near Phoenix, Arizona and a 6.55% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the PV). Units 1, 2 and 3 of PV began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.4% (9.7 MW).

Magnolia Power Project (MPP)

In March 2003, the City entered into a power sales agreement with SCPPA for MPP. MPP commenced commercial operations in Burbank, California in September 2005. MPP is a combined-cycle natural gas-fired generation plant with a nominal rate net base capacity of 242 MW, but can boost its output to 310 MW if needed. The City is obligated for 97.6 MW or 30.992% of its output. The City is also MPP's operating agent.

Natural Gas Project (NGP)

The NGP was acquired by SCPPA in 2005 and 2006 and is being developed for the primary purpose of providing the participants with stable long-term supplies of gas for the purpose of fueling their electric generation needs.

SCPPA issued 2008 Bonds to provide monies for the refinancing of the City's share of the costs of acquisition and development of the NGP through the redemption of a portion of SCPPA's draw down bonds previously issued for the NGP.

SCPPA has sold entitlements to 100% of the production capacity of the NGP pursuant to separate gas sales agreements with the five participants. The participants are obligated to pay for such production capacity, including amounts required to pay debt service on bonds issued to finance their respective share of the

**CITY OF BURBANK
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(\$ in thousands)

NGP, on a “take or pay” basis. The City has 14.2857% of entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.2727% of entitlement shares in the Barnett, Texas Subproject (2006 purchase).

Milford I Wind Project (M1WP)

M1WP is located near Milford, Utah and began commercial operations in November 2009. The facility is a 203.5 MW nameplate capacity wind farm comprised of 97 wind turbine generators, delivered by a 90-mile transmission line, 345kV, extending from the generation site to the IPP switchyard in Delta, Utah. This plant generates enough capacity to supply electricity to power more than 60,000 homes and offset over 366,000 tons per year of carbon dioxide that would otherwise be emitted from a coal-powered plant. SCPPA (on behalf of project participants LADWP, the City and Pasadena), acquired 100% of output from this wind farm. The City’s share of this project is 5%.

Tieton Hydro Project (THP)

This facility was acquired by SCPPA in November 2009 with 100% of entitlement shares. Each of the two project participants, the City, and the City of Glendale, California, have an equal 50% entitlement share of this project. THP is a run of the reservoir hydroelectric facility, comprised of a powerhouse constructed at the base of the USBR Tieton Dam on the Tieton River in the State of Washington, on a 21-mile 115kV transmission line from the plant substation to the interconnection of the electrical grid. The powerhouse has a maximum capacity of 20 MW, with a nameplate capacity of 13.6 MW. USBR owns and operates the dam and controls the flows into the Tieton River from the Rimrock Lake reservoir, which was created by the dam. Average annual generation from this plant is approximately 48,000 megawatt hours (MWh).

(b) Intermountain Power Agency (IPA)

In 1980, the City, along with the California Cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each purchaser to purchase, on a “take or pay” basis, a percentage share of capacity and energy generated by the IPP in Utah. The City, through contract, is entitled to 60 MW or 3.371% of the 1,800 MW of generation at the plant. In addition, the City entered into an Excess Power Sales Agreement, also on a “take or pay” contract, with Utah municipal and cooperative IPP purchasers, which provides for the City to obtain up to an additional 0.797% (14 MW) when not used by the Utah municipal or cooperative IPP purchasers.

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Notes to Basic Financial Statements

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(\$ in thousands)

A summary of the City's "take or pay" contracts and related projects and its contingent liability at June 30, 2011 is as follows:

(\$ in thousands)	Bonds and notes outstanding	City of Burbank portion*	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Southern California Public Power Authority:				
Hoover Uprating	\$ 12,955	15.957%	2,067	2,512
Southern Transmission System	848,105	4.498%	38,165	53,425
Mead-Adelanto	176,950	11.534%	20,349	24,995
Mead-Phoenix	55,745	15.400%	8,585	10,489
Palo Verde	79,440	4.400%	3,495	3,812
Magnolia Power Project (Project A)	357,790	32.350%	115,746	177,652
Natural Gas Project - Pinedale	8,816	100.000%	8,816	13,133
Natural Gas Project - Barnett	27,304	100.000%	27,304	40,678
Natural Gas Prepaid Project #1	333,370	33.099%	110,341	204,813
Milford I Wind Project	237,235	5.000%	11,862	18,590
Tieton Hydropower Project	52,730	50.000%	26,365	52,025
Intermountain Power Project	2,415,133	3.371%	81,414	101,344
Total	\$ 4,605,573	9.869%	\$ 454,509	\$ 703,468

*Burbank shares in % and amounts are estimated based on weighted average.

The following schedule details the amount of principal and interest that is due and payable by the City as part of the "take or pay" contract for each project in the fiscal year indicated (year ending June 30).

**CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

(\$ in thousands)	2011/12		2012/13		2013/14	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 255	103	266	93	280	79
IPP STS	1,260	805	2,564	1,618	2,243	1,526
Mead-Adelanto	1,645	493	1,751	878	1,870	763
Mead-Phoenix	799	212	852	372	909	315
Palo Verde	455	44	469	76	483	64
Magnolia Power Project	2,958	2,092	3,080	4,061	3,220	3,925
Natural Gas Project-Pinedale	896	231	660	427	570	400
Natural Gas Project-Barnett	2,774	715	2,045	1,323	1,765	1,238
Natural Gas Prepaid Project #1	1,892	919	1,753	5,471	1,590	5,388
Milford I Wind Project	380	282	393	551	407	537
Tieton Hydropower Project	340	649	388	1,292	395	1,284
Intermountain Power Project	6,478	3,333	5,966	2,912	7,411	2,663
Total	\$ 20,132	9,878	20,186	19,073	21,145	18,182
	2014/15		2015/16		2016/21	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 293	66	308	51	665	53
IPP STS	2,302	1,477	2,372	1,419	12,407	5,680
Mead-Adelanto	1,971	639	2,069	539	11,043	1,333
Mead-Phoenix	770	255	835	216	4,420	534
Palo Verde	499	52	514	40	1,075	41
Magnolia Power Project	3,356	3,790	3,510	3,637	13,723	15,861
Natural Gas Project-Pinedale	549	375	549	349	2,228	1,326
Natural Gas Project-Barnett	1,701	1,160	1,701	1,081	6,902	4,106
Natural Gas Prepaid Project #1	1,345	5,314	1,283	5,249	8,204	25,152
Milford I Wind Project	423	521	441	503	2,527	2,191
Tieton Hydropower Project	408	1,273	420	1,259	2,390	6,009
Intermountain Power Project	7,055	2,328	8,451	2,169	35,125	6,283
Total	\$ 20,671	17,251	22,453	16,512	100,708	68,568

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

(\$ in thousands)	<u>2021/26</u>		<u>2026/31</u>		<u>2031/36</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Upgrading	\$ -	-	-	-	-	-
IPP STS	12,041	2,465	2,975	270	-	-
Mead-Adelanto	-	-	-	-	-	-
Mead-Phoenix	-	-	-	-	-	-
Palo Verde	-	-	-	-	-	-
Magnolia Power Project	16,900	12,606	21,714	9,483	26,510	5,801
Natural Gas Project-Pinedale	1,593	795	1,297	373	473	43
Natural Gas Project-Barnett	4,932	2,463	4,018	1,155	1,467	132
Natural Gas Prepaid Project #1	16,705	22,031	29,779	16,063	35,876	6,779
Milford I Wind Project	3,207	1,511	4,085	633	-	-
Tieton Hydropower Project	3,905	5,316	4,210	4,129	5,373	2,967
Intermountain Power Project	10,929	241	-	-	-	-
Total	\$ 70,212	47,428	68,078	32,106	69,699	15,722
		<u>2036/41</u>	<u>Totals</u>			
		Principal	Interest	Principal	Interest	
SCPPA:						
Hoover Upgrading	\$ -	-	-	2,067	445	
IPP STS	-	-	-	38,164	15,260	
Mead-Adelanto	-	-	-	20,349	4,645	
Mead-Phoenix	-	-	-	8,585	1,904	
Palo Verde	-	-	-	3,495	317	
Magnolia Power Project	20,775	650	115,746	61,906		
Natural Gas Project-Pinedale	-	-	-	8,815	4,319	
Natural Gas Project-Barnett	-	-	-	27,305	13,373	
Natural Gas Prepaid Project #1	11,916	2,105	110,343	94,471		
Milford I Wind Project	-	-	-	11,863	6,729	
Tieton Hydropower Project	8,538	1,483	26,367	25,661		
Intermountain Power Project	-	-	-	81,415	19,929	
Total	\$ 41,228	4,237	454,514	248,959		

Hedge Policies and Outstanding Hedge Contracts

The Electric Utility Fund utilizes natural gas hedging as outlined in the Energy Risk Management Policy. The purpose of hedging is to protect against fluctuating prices and deliver stable and competitive rates to its retail customers. Currently, the Electric Utility Fund (Buyer) has natural gas swap agreements with a few low risk counterparties (Seller) in place. The Buyer pays the agreed or fixed price and the Seller pays the floating market price. Depending on the price at the delivery month, Buyer will make payments or receive payments based on the price differentials. The financial settlements will either offset or add to the actual price of natural gas purchased at the spot market. These contracts are not included within the scope of GASB Statement No. 53 because they are entered into for the purpose of gas/electricity use in the normal course of operations.

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ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

NOTE 13: Purchased Power and Fuel Expenses - Wholesale

The Electric Utility Fund has been involved in the wholesale market for many years. Since 2000, the Electric Utility Fund's strategy has been one of primarily optimizing revenues from temporarily underutilized electric assets to develop wholesale net margins that reduce its power supply expenses.

		<u>2011</u>	<u>2010</u>
Wholesale Revenues	\$	59,200	75,946
Wholesale Costs		<u>57,261</u>	<u>73,331</u>
Wholesale Margin	\$	<u>1,939</u>	<u>2,615</u>

Wholesale revenues and costs decreased by 22.0% due to cooler weather, lower energy prices, and a weak economy, resulting in a reduced wholesale margin of 26%.

NOTE 14: Department of Energy (DOE) Grants

On October 27, 2009 the Electric Utility was awarded a \$20 million grant from the DOE under the American Recovery and Reinvestment Act of 2009. During the fiscal year the DOE began reimbursing the Electric Utility for covered expenditures (retroactive to August 6, 2009) related to various Smart Grid capital projects. As of June 30, 2011 the DOE has reimbursed the Utility Fund \$7,708.

NOTE 15: Defined Benefit Pension Plan and Post-Retirement Health Care Benefits

The Electric and Water Utility Funds' employees participate with other City employees in the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Effective July 1, 2008, the Electric and Water Utility Funds increased this contribution to 8%. The Electric and Water Utility Funds are required to contribute at an actuarially determined rate. In fiscal year 2010-11, the Electric and Water Utility Funds, as employer, were required to contribute 10.493%. The contribution requirements of plan members and the City are established, and may be amended, by PERS.

PERS does not provide data to participating organizations in such a manner as to facilitate separate disclosure for the Electric and Water Utility Funds of the actuarially computed pension benefit obligation and the plans' net assets available for benefits.

Electric and Water Utility Funds' annual pension costs are as follows:

**CITY OF BURBANK
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Notes to Basic Financial Statements

Year ended June 30, 2011

(\$ in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)		APC %
	Electric	Water	
6/30/2009	3,945	696	100%
6/30/2010	3,645	875	100%
6/30/2011	3,675	766	100%

Additional information regarding the defined benefit pension plan can be found in the City's Comprehensive Annual Financial Report.

In addition to providing pension benefits, the Electric and Water Utility Funds, as part of the City, provide certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BERMT) was established in April 2003 by the City to provide post-retirement medical benefits to all non-safety employees, including elected and appointed officials. Plan provisions and contribution requirements are established by and may be amended by the City Council. Eligibility for benefits require that members have reached age 58 with a minimum of 5 years of contributions into the plan. However, no benefits will be paid prior to April 2009. Additional information regarding the health care benefits for retired employees can be found in the City's Comprehensive Annual Financial Report.

Other Post Employment Benefits

The Electric and Water Utility Funds, as part of the City, also make contributions for other post employment benefits (OPEB). The Electric and Water Utility Funds assume their share of OPEB costs based upon the results of actuarial studies. No separate obligations are calculated for the Water and Electric Utility Funds for the BERMT and the CalPERS Healthcare (PEMHCA); and accordingly, no obligation is presented herein.

In addition, the City entered into an agreement to provide certain OPEB to the International Brotherhood of Electrical Workers (IBEW) employees on July 22, 2008. The agreement is for IBEW members and 7 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is \$600/month for the first 2 years, including payments from BERMT, PEMHCA minimum and IBEW Retiree Medical Trust Fund. The Electric Fund's current prepaid unfunded portion of the IBEW OPEB is \$3,708. Further information regarding the City's participation in PERS and OPEB may be found in the City's Comprehensive Annual Financial Report.

NOTE 16: Self-Insurance

The Electric and Water Funds are in the City's self-insurance program as part of its policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The City has chosen to self-insure its liability exposure for the first \$1,000 of any loss. Additional coverage of \$4,000 is purchased through ACCEL, the Authority for California Cities Excess Liability. The City then purchased additional coverage from commercial market for total coverage of \$40,000.

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The workers' compensation coverage is purchased through a pooling agreement. The City self-insures the first \$2,000 of each loss and then the pool covers all losses to statutory limits. The City charges the Electric and Water Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history.

Additional information regarding all the City's self-insurance programs can be found in the City's Comprehensive Annual Financial Report.

NOTE 17: Contingencies

Potential Litigation

The City is presently involved in certain other matters of litigation that have arisen in the normal course of conducting its water and electric operations. City management believes, based upon consultation with the City attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact to the City over and above the amounts recorded as claims liability. Additionally, City management believes that the claims liability recorded within the City's internal self-insurance fund is sufficient to cover any potential losses, should an unfavorable outcome result.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

The Fourth Supplemental Indenture, dated as of March 1, 2010 (the “Fourth Supplemental Indenture”), by and between the City and the Trustee, included a number of amendments to the Indenture which will become effective upon the date of issuance of the Series 2012A Bonds as a result of all of the City’s electric revenue bonds issued under the Indenture previous to the Series 2010A Bonds (being the 1998 Bonds, the 2001 Bonds and the 2002 Bonds) being paid or discharged in accordance with their terms as of such date and no longer Outstanding for purposes of the Indenture, which date constitutes the Transition Date pursuant to the Indenture amendments. The terms of the Indenture as summarized herein reflect such terms as to be effective on such Transition Date.

Definitions

“**Accreted Value**” means, with respect to any Capital Appreciation Indebtedness, the principal amount thereof plus the interest accrued thereon, compounded at the interest rate thereon on each date as specified therein.

“**Accrued Aggregate Debt Service**” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of Bonds, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Outstanding Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) principal due and unpaid and that portion of the principal for such Series next due which would have accrued if deemed to accrue to the end of such calendar month if such principal were deemed to accrue daily in equal amounts from the next preceding principal payment date for such Series (or, if there shall be no such preceding principal payment date, from a date one (1) year preceding the due date of such principal installment or from the date of issuance of the Bonds of such Series, whichever period is shorter).

“**Adjusted Electric Net Revenues**” means the Electric Net Revenues plus, for purposes of determining compliance with the rate covenant contained in the Indenture only, other lawfully available funds of the City budgeted by the City for the payment of Electric Operating Expenses or Debt Service on the Bonds and/or any Parity Debt during such Fiscal Year.

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

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

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

“Bond Obligation” means, as of any given date of calculation, (1) with respect to any Outstanding Bond which is Current Interest Indebtedness, the principal amount thereof, and (2) with respect to any Outstanding Bond which is Capital Appreciation Indebtedness, the Accreted Value thereof.

“Bonds” means the Burbank Water and Power Electric Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

“Business Day” means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a letter of credit, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the letter of credit are to be presented are authorized or obligated by law or executive order to be closed.

“Capital Appreciation Indebtedness” means Bonds and Parity Debt on which interest is compounded and paid less frequently than annually.

“Certificate,” “Statement,” “Request,” “Requisition” or **“Order”** of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by its City Manager or any other person authorized by the City Manager to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Indenture, certificates and opinions will include the statements provided for in the Indenture.

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

“City” means the City of Burbank, California.

“City Code” means the Municipal Code of the City, as amended from time to time.

“Code” means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, as amended from time to time.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancement costs, and any other cost, charge or fee in connection with the delivery of Bonds.

“**Council**” means the City Council of the City.

“**Coverage Requirement**” means, for any Fiscal Year, an amount of Adjusted Electric Net Revenues equal to at least 1.20 times the amount of the Annual Debt Service for such Fiscal Year.

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

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

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

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

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

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

(e) if any interest rate swap agreement is in effect with respect to, and is payable on a parity with, the Bonds or Parity Debt to which it relates, no amounts payable under such interest rate swap agreement will be included in the calculation of Debt Service unless the sum of (i) interest payable on such Bonds or Parity Debt, plus (ii) amounts payable by the City under such interest rate swap agreement, less (iii) amounts receivable by the City under such interest rate swap agreement are greater than the interest payable on the Bonds or Parity Debt to which it relates, then, in such instance, the amount of such payments to be made that exceed the interest to be paid on the Bonds or Parity Debt will be included in such calculation. For such purposes, the variable amount under any such interest rate swap agreement will be assumed to be equal to the assumed RBI-based rate;

(f) if any Bonds or Parity Debt include an option or an obligation to tender all or a portion of such Bonds or Parity Debt to the City, the Trustee or another fiduciary or agent and require that such Bonds or Parity Debt or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due, the options or obligations to tender will be treated as a principal maturity occurring on the first date on which holders or

owners thereof may or are required to tender, except that any such option or obligation to tender will be ignored and not treated as a principal maturity, if (1) such Bonds or Parity Debt are rated in one of the two highest long-term Rating Categories by Moody's and by Standard & Poor's or such Bonds or Parity Debt are rated in the highest short-term note or commercial paper Rating Categories by Moody's and by Standard & Poor's and (2) funds for the purchase price are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the City with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds or Parity Debt, will be subordinated to the obligation of the City on the Bonds and Parity Debt; and

(g) if interest on any Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code, or any future similar program (a "Federal Subsidy"), then interest payments with respect to such Bonds or Parity Debt may be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America at the election of the City.

"Defeasance Securities" means any of the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i) including, but not limited to, REFCORP interest strips; or

(iii) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate, and (d) which have been rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

"Department" means the Burbank Water and Power of the City of Burbank.

“**Electric Net Revenues**” means the amount of Electric Revenues of the Electric System remaining after payment therefrom of the Electric Operating Expenses.

“**Electric Operating Expenses**” means the amount required to pay the expenses of management, repair and other costs necessary to operate, maintain and preserve the Electric System in good repair and working order, including but not limited to, the cost of supply and transmission of electric energy under long-term contracts or otherwise and the expenses of conducting the Electric System, but excluding depreciation. “Electric Operating Expenses” will include all amounts required to be paid by the City under contract with a joint powers agency for purchase of capacity, energy, transmission capability or any other commodities or services in connection with the foregoing, which contract requires payments by the City to be made under the Indenture to be treated as Electric Operating Expenses.

“**Electric Revenues**” means all revenues (as defined in Section 54315 of the Government Code, which include all charges received for and all other income and receipts derived by the Department from the operation of the Electric System or arising from the Electric System) received by the Department from the services, facilities, energy and distribution of electric energy by the Department, including income from investments, but excepting therefrom (a) all reimbursement charges and deposits to secure service, (b) any charges collected by any person to amortize, or otherwise relating to the payment of, the uneconomic portion of costs associated with assets and obligations (“stranded costs”) of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds or any Parity Debt then outstanding, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such “stranded costs” of the City or of any such joint powers agency to the extent such “stranded costs” are attributable to, or the responsibility of, the City, and (c) any Federal Subsidy, if elected by the City; provided, that such subsidy is not excluded from the definition of Debt Service pursuant to paragraph (g) of that definition.

“**Electric System**” means the entire system and facilities of the City for the generation, transmission and distribution of electric energy as said system now exists and including all additions, extensions and improvements thereto later constructed or acquired.

“**Enterprise**” means the Electric System and the Water System.

“**Event of Default**” means any of the events specified as such in the Indenture.

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

“**Fiscal Year**” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the City which designation will be provided to the Trustee in a certificate of the City.

“**Future Bonds**” means all Bonds issued after the Transition Date.

“**Generally Accepted Accounting Principles Applicable to Governments**” means generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board or its successor.

“**Indenture**” means the Burbank Water and Power Electric Revenue Bond Indenture, dated as of October 1, 1998, by and between the City and the Trustee, as originally executed and as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

“**Investment Securities**” means the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation;

(iv) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated not lower than their respective ratings on the Bonds by Moody’s (if Moody’s is then rating the Bonds) and Standard & Poor’s (if Standard & Poor’s is then rating the Bonds);

(v) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i), (ii) or (iii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i), (ii) or (iii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (v) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (v), as appropriate, and (d) which have been rated not lower than their respective ratings on the Bonds by Moody’s (if Moody’s is then rating the Bonds) and Standard & Poor’s (if Standard & Poor’s is then rating the Bonds);

(vi) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by Moody’s (if Moody’s is then rating the Bonds) and Standard & Poor’s (if Standard & Poor’s is then rating the Bonds) in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated not lower than their respective ratings on the Bonds by Moody’s (if

Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit will be purchased directly from such a bank, trust company or national banking association and will be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (iv), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(viii) taxable commercial paper or tax-exempt commercial paper, rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(ix) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation provided that the variable rate obligations themselves are rated in their respective highest Rating Categories for its short-term rating, if any, and not lower than their respective ratings on the Bonds for its long-term rating, if any, by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds), and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(x) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short-term debt rated by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) in their respective four highest short-term rating categories or with government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii) or (iii) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as

valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(xi) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (x) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (x) of this definition of Investment Securities and which money market fund is rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds); provided that as used in this clause (xi) and clause (xii) investments will be deemed to satisfy the requirements of clause (x) if they meet the requirements set forth in clause (x) ending with the words "clauses (i), (ii) or (iii) above" and without regard to the remainder of such clause (x);

(xii) investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by Standard & Poor's and "Aa" by Moody's; provided that the terms of the investment agreement shall be approved in writing by each insurer of the Bonds, if any;

(xiii) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xii) of this definition of Investment Securities and which companies are rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) or have an investment advisor registered with the Securities and Exchange Commission with not less than 5 years experience investing in such securities and obligations and with assets under management in excess of \$500,000,000; and

(xiv) any investment approved by the Council.

"Maximum Annual Debt Service" means the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year using the principles and assumptions set forth under the definition of Debt Service.

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

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to certain provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or

in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

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

“**Participating Bonds**” means all Bonds Outstanding as of the Transition Date and all Future Bonds other than Future Bonds which are designated by the City as Bonds that will not constitute Participating Bonds in accordance with the provisions of the Indenture.

“**Parity Debt**” means, any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or interest rate swap agreement having an equal lien and charge upon the Electric Net Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

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

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

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

“**Reserve Fund Requirement**” means, as of any date of calculation, (i) with respect to the Parity Reserve Fund, an amount equal to one-half of the greatest amount of principal and interest becoming due and payable on all Outstanding Participating Bonds in the then current or any future Fiscal Year, net of any expected Federal Subsidy, and (ii) with respect to any Series Reserve Fund for a Series of Future Bonds that do not constitute Participating Bonds, the reserve fund requirement (which reserve fund requirement may be zero (\$0)), specified for such Series of Future Bonds in a Supplemental Indenture setting forth the terms of such Future Bonds, all as computed and determined by the City and specified in writing to the Trustee.

“**Serial Bonds**” means Bonds, maturing in specified years, for which no mandatory sinking fund payments are provided.

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

“**Series Reserve Fund**” means a Series Reserve Fund established for a Series of Future Bonds that do not constitute Participating Bonds as specified in a Supplemental Indenture setting forth the terms of such Series of Future Bonds.

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

“**State**” means the State of California.

“**Supplemental Indenture**” means any indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“**Term Bonds**” means Bonds payable at or before their specified maturity date or dates from mandatory sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“**Transition Date**” means the first date on which the 1998 Bonds, the 2001 Bonds and the 2002 Bonds have been paid or discharged in accordance with their terms and are no longer Outstanding for purposes of the Indenture.

“**Treasurer**” means the Treasurer of the City.

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

“**1998 Bonds**” mean the \$45,160,000 City of Burbank, California Burbank Water and Power Electric Revenue Bonds, Series of 1998.

“**2001 Bonds**” mean the \$54,745,000 City of Burbank, California Burbank Water and Power Electric Revenue Bonds, Series of 2001.

“**2002 Bonds**” mean the \$25,000,000 City of Burbank, California Burbank Water and Power Electric Revenue Bonds, Series of 2002.

Issuance of Bonds

General. The City may by Supplemental Indenture establish one or more Series of Bonds payable from Electric Net Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the City may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the City, but only, with respect to each Series of Bonds, upon compliance by the City with the provisions of the Indenture and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds:

- (a) no Event of Default shall have occurred and then be continuing;
- (b) the aggregate principal amount of Bonds issued shall not exceed any limitation imposed by law or otherwise;

(c) with respect to any additional Series of Bonds which are Participating Bonds, there shall be deposited in the Parity Reserve Fund, an amount of money so as to increase the amount on deposit therein to the Reserve Fund Requirement, and with respect to any additional Series of Bonds which do not constitute Participating Bonds, there shall be deposited in the Series Reserve Fund for such Series of Bonds, an amount of money equal to the Reserve Fund Requirement for such Series of Bonds; and

(d) the City shall have placed on file with the Trustee a Certificate of the City certifying that the sum of: (1) the Electric Net Revenues, plus (2) 90 percent (90%) of the amount by which the City projects Electric Net Revenues for any period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date on which any additional Bonds or Parity Debt will become Outstanding would have been increased had increases in rates, fees and charges during such period of twelve (12) months been in effect throughout such period of twelve (12) months; plus (3) 75 percent (75%) of the amount by which the City projects Electric Net Revenues will increase during the period of twelve (12) months commencing on the date of issuance of such additional Bonds or Parity Debt due to improvements to the Electric System under construction (financed from any source) or to be financed with the proceeds of such additional Series of Bonds or Parity Debt, shall (4) have been at least equal to 1.20 times the amount of Maximum Annual Debt Service on all Bonds and Parity Debt then outstanding and the additional Bonds or Parity Debt then proposed to be issued.

In the event additional assets or revenues are included within the definition of “Electric Net Revenues” by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations in subsection (d) above, as appropriate, as if such additional assets or revenues had always been included in Electric Net Revenues.

Proceedings for Issuance of Additional Series of Bonds. Whenever the City shall determine to issue a Series of Bonds pursuant to the Indenture, the City shall authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the form or forms of Bonds of such additional Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of the Indenture.

On and after the Transition Date, each additional Series of Bonds which are Future Bonds shall constitute Participating Bonds unless the Supplemental Indenture authorizing such Series of Future Bonds provides that such Series of Future Bonds shall not be Participating Bonds and, if such Series of Future Bonds shall not be Participating Bonds, provides for the establishment of a Series Reserve Fund for such Series of Future Bonds, provides for the pledge of amounts on deposit in such Series Reserve Fund to the payment of such Series of Future Bonds secured thereby, and establishes the Reserve Fund Requirement for such Series Reserve Fund.

Before such additional Series of Bonds shall be issued and delivered, the City shall file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied):

- (a) an executed copy of the Supplemental Indenture authorizing such Series;
- (b) a Certificate of the City stating that no Event of Default has occurred and is then continuing;

(c) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the City in accordance with the Indenture; that such Series, when duly executed by the City and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the City, and that upon the delivery of such Series the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or otherwise;

(d) the Certificate of the City described in clause (d) under “– *General*” above; and

(e) a Certificate of the City or of an independent certified public accountant that upon delivery of such Bonds, the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted under the Indenture.

Issuance of Refunding Bonds. Notwithstanding any provisions in the Indenture, there shall be no limitation on the ability of the City to issue any Bonds at any time to refund any outstanding Bonds or Parity Debt issued pursuant to the Indenture; provided, however, that the Maximum Annual Debt Service with respect to any such refunding Bonds shall not exceed 1.10 times the Maximum Annual Debt Service with respect to the Bonds or Parity Debt being refunded.

Limitations on the Issuance of Obligations. The City will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Electric Net Revenues, except the following:

(a) Bonds of any Series authorized pursuant to the provisions described under “– *General*” and “– *Proceedings for Issuance of Additional Series of Bonds*” above;

(b) refunding Bonds authorized pursuant to the provisions described under “– *Issuance of Refunding Bonds*” above;

(c) Parity Debt payable on a parity with the Bonds and which will have, when issued, an equal lien and charge upon the Electric Net Revenues, provided that the following conditions to the issuance of such Parity Debt are satisfied:

(1) such Parity Debt has been duly and legally authorized for any lawful purpose;

(2) no Event of Default shall have occurred and then be continuing, as evidenced in a Certificate of the City filed with the Trustee;

(3) unless such Parity Debt is for the refunding purposes described under “*Issuance of Refunding Bonds*” above, the City shall have obtained and placed on file with the Trustee a Certificate of the City that (on the basis of calculations as of the date of delivery of such Parity Debt) the requirements described in clause (d) under “*General*” above with respect to additional Bonds have been met with respect to such Parity Debt;

(4) the City shall have filed with the Trustee an Opinion of Bond Counsel to the effect that such Parity Debt has been duly authorized in accordance with law and constitutes a valid and binding obligation of the City payable from Electric Net Revenues on a parity with the Bonds; and

(5) the Trustee shall be designated as paying agent or trustee for such Parity Debt and the City shall deliver to the Trustee a transcript of the proceedings providing for the

issuance of such Parity Debt (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Debt); or

(d) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Electric Net Revenues, after the prior payment of all amounts then required to be paid hereunder from Electric Net Revenues, for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture.

Pledge of Electric Net Revenues; Electric Revenue Fund

The Bonds are revenue obligations of the City and are payable as to both principal and interest, and any premium upon redemption thereof exclusively, from Electric Net Revenues and from the other funds pledged under the Indenture. All Electric Net Revenues are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds and any Parity Debt in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. There are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Said pledge will constitute a first lien on the Electric Net Revenues and amounts in such funds and will be valid and binding from and after delivery by the Trustee of the Bonds or Parity Debt, without any physical delivery thereof or further act.

The Electric Net Revenues are pledged to the payment of Bonds and Parity Debt without priority or distinction of one over the other and the Electric Net Revenues constitute a trust fund for the security and payment of the Bonds and Parity Debt; but nevertheless out of Electric Net Revenues, certain amounts may be applied for other purposes as provided in the Indenture.

Out of Electric Net Revenues, there will be applied, as set forth in the Indenture, all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Debt, together with any mandatory sinking fund payments of Bonds and Parity Debt and reserve fund requirements with respect thereto. All remaining Electric Net Revenues, after making the foregoing allocation, will be available to the City for all lawful City purposes. The pledge of Electric Net Revenues made in the Indenture will be irrevocable until all of the Bonds and all Parity Debt are no longer outstanding.

As long as any Bonds are Outstanding or any Parity Debt remains unpaid, the City will forthwith deposit in a fund, designated as the "Electric Revenue Fund," which fund the City will establish and maintain, all Electric Net Revenues when and as received by the City. Unless otherwise provided in the Indenture or in any Supplemental Indenture, investment income on amounts held by the City under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions are provided in a Supplemental Indenture) will also be deposited in the Electric Revenue Fund. All moneys at any time held in the Electric Revenue Fund will be held in trust for the benefit of the Owners of the Bonds and Parity Debt and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

Payments Into Other Funds

As soon as practicable in each month after the deposit of Electric Net Revenues into the Electric Revenue Fund, but in any case no later than the last Business Day of such month, the City will withdraw from the Electric Revenue Fund and pay to the Trustee for deposit in the following funds and accounts, in the following order, the amounts set forth below:

(a) in the Debt Service Fund, the amount, if any, required so that the balance in said fund, including any subaccounts therein, to the extent moneys in such subaccounts are available to pay Accrued Aggregate Debt Service shall mean as of the last day of the then current month, shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; provided, that for purposes of this paragraph (a) only, the calculation of accrued Debt Service with respect to the definition of Accrued Aggregate Debt Service shall be made without regard to paragraph (g) of the definition of Debt Service; and

(b) in the Parity Reserve Fund and in each Series Reserve Fund established pursuant to a Supplemental Indenture the amount, if any, required so that the amount credited to such Parity Reserve Fund and each such Series Reserve Fund shall, except as otherwise provided in the Indenture, be at least equal to the respective Reserve Fund Requirement as of the last day of the then current month; provided, that the deposits to the Parity Reserve Fund and each Series Reserve Fund shall be made without preference or priority between such deposits and in the event of any deficiency in Electric Net Revenues to make the deposits required by this paragraph (b), such Electric Net Revenues shall be deposited into the Parity Reserve Fund and each Series Reserve Fund ratably based on the amount required to be deposited in each such fund, without discrimination or preference;

provided, that on a parity with such deposits, the City will set aside or transfer amounts to the appropriate accounts with respect to outstanding Parity Debt as provided in the proceedings for such Parity Debt (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt).

Debt Service Fund

The Trustee will establish and maintain and hold in trust so long as any Bonds remain Outstanding, a special fund designated as the "Debt Service Fund." The Trustee will pay out of the Debt Service Fund: (i) on or before each interest payment date for any Outstanding Bonds, the amount required for the interest payable on such date; (ii) on or before each principal payment date or redemption date, the amount required for the Bond Obligation payable on such due date (including any mandatory sinking fund payment to be paid on such date); and (iii) on or before any redemption date for Outstanding Bonds, the amount required for the payment of interest on such Bonds then to be redeemed. Such amounts will be applied for such purposes by the Trustee on the due date thereof. The Trustee will also pay out of the Debt Service Fund the accrued interest included in the purchase price of any Bonds, the Debt Service of which may be paid from the moneys in such fund, purchased for retirement.

On or prior to the forty-fifth (45th) day preceding the due date of each mandatory sinking fund payment, any amounts then on deposit in the Debt Service Fund with respect to any mandatory sinking fund payment (exclusive of amounts, if any, set aside in said fund which were deposited therein from the proceeds of Bonds, but inclusive of amounts accumulated therein with respect to interest on the Bonds for which such mandatory sinking fund payment is to be paid) may, and if so directed by the City will, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such mandatory sinking fund payment was established in an amount not exceeding that necessary to complete the

retirement of the unsatisfied balance of such mandatory sinking fund payment. All purchases of any Bonds pursuant to this paragraph will be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases will be made by the Trustee as directed by the City. If directed by the City, on or prior to the forty-fifth (45th) day next preceding a mandatory sinking fund payment due date, there will be applied as a credit against such mandatory sinking fund payment, and there will be deemed to constitute part of the Debt Service Fund until such mandatory sinking fund payment due date, for the purpose of calculating the amount on deposit in such fund, the applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds of the Series and maturity for which such mandatory sinking fund payment was established, that were cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45th) day next preceding such mandatory sinking fund payment due date and that was not previously applied as a credit against a mandatory sinking fund payment, including any Bonds purchased pursuant to this paragraph and as to which the City has properly claimed a credit against the next mandatory sinking fund payment. As soon as practicable after the forty-fifth (45th) day preceding the due date of any such mandatory sinking fund payment, the Trustee will proceed to call for redemption on such date, Bonds of the Series and maturity for which such mandatory sinking fund payment was established (except in the case of Bonds maturing on a mandatory sinking fund payment due date). The Trustee will pay out of the Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amounts will be applied to such redemption (or payment).

The amount, if any, deposited in the Debt Service Fund, including any subaccount, from the proceeds of each Series of Bonds will be set aside in such fund and applied to the payment of interest on Bonds as provided in the Supplemental Indenture relating to the issuance of such Series of Bonds and will be deemed available to pay Accrued Aggregate Debt Service only to the extent so provided.

In the event of the refunding of one or more Bonds, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from the Debt Service Fund amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on the Bonds being refunded; provided that such withdrawal will not be made unless (a) immediately thereafter the Bonds being refunded will be deemed to have been paid pursuant the Indenture, and (b) the amount remaining in the Debt Service Fund after such withdrawal will not be less than the requirement of such fund pursuant to the Indenture.

Any provisions of the Indenture to the contrary notwithstanding, so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or Redemption Price, if applicable, and interest thereon), no deposits will be required to be made into the Debt Service Fund.

Parity Reserve Fund and Series Reserve Funds

The Trustee will establish and maintain and hold in trust so long as Participating Bonds remain Outstanding, a special fund designated as the "Parity Reserve Fund." Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the Participating Bonds and shall be applied only for such purposes as permitted under the Indenture. The Trustee shall establish and maintain and hold in trust so long as such Series of Future Bonds which are not Participating Bonds remains outstanding, a Series Reserve Fund for such Series of Future Bonds that are not Participating Bonds. For any Series of Future Bonds which are not Participating Bonds, amounts on deposit (if any) in each such Series Reserve Fund shall be pledged to the payment of the applicable Series of Future Bonds which are not Participating Bonds to be secured thereby and shall be applied only for such purposes as permitted under the Indenture.

The Trustee shall deposit in the Parity Reserve Fund and in each Series Reserve Fund, the amounts required to be deposited therein and such other amounts transferred to the Trustee by the City for deposit therein. No deposit need be made in the Parity Reserve Fund or any Series Reserve Fund so long as there shall be on deposit therein shall be equal to the respective Reserve Fund Requirement. Whenever the amount on deposit in the Parity Reserve Fund or any Series Reserve Fund is less than the applicable Reserve Fund Requirement, such amount will be increased to the applicable Reserve Fund Requirement as provided for in this paragraph not later than twelve months thereafter.

If on the last Business Day of any month, the amount on deposit in the Debt Service Fund shall be less than the amount required to be in such Debt Service Fund with respect to Participating Bonds, the Trustee shall apply amounts from the Parity Reserve Fund to the extent necessary to make good the deficiency with respect to the Participating Bonds; and if on the last Business Day of any month, the amount on deposit in the Debt Service Fund shall be less than the amount required to be in such Debt Service Fund with respect to any Series of Future Bonds for which a Series Reserve Fund has been established, the Trustee shall apply amounts (if any) from the applicable Series Reserve Fund to the extent necessary to make good the deficiency with respect to the Series of Future Bonds secured by such Series Reserve Fund.

Whenever the amount in the Parity Reserve Fund, together with the amount in the Debt Service Fund available for such purpose, is sufficient to pay in full all Outstanding Participating Bonds in accordance with their terms (including principal or applicable mandatory sinking fund payments and interest thereon), the funds on deposit in the Parity Reserve Fund shall be transferred to the Debt Service Fund and applied to the payment or redemption of the Participating Bonds. Whenever the amount in the Series Reserve Fund, together with the amount in the Debt Service Fund available for such purpose, is sufficient to pay in full all of the Outstanding Future Series of Bonds secured by such Series Reserve Fund in accordance with their terms (including principal or applicable mandatory sinking fund payments and interest thereon), the funds on deposit in the applicable Series Reserve Fund shall be transferred to the Debt Service Fund and applied to the payment or redemption of the Series of Future Bonds secured by such Series Reserve Fund.

In the event of the refunding of any Participating Bonds, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from the Parity Reserve Fund any amounts on deposit therein and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on the Participating Bonds being refunded; provided, that such withdrawal shall not be made unless (a) immediately thereafter any Participating Bonds being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Parity Reserve Fund after such withdrawal, taking into account any deposits to be made in the Parity Reserve Fund in connection with such refunding, shall not be less than the Reserve Fund Requirement with respect to the Parity Reserve Fund. In the event of the refunding of all or any portion of any Series of Future Bonds secured by a Series Reserve Fund, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from such Series Reserve Fund any amounts on deposit therein and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on such Series of Future Bonds secured by such Series Reserve Fund or portion thereof being refunded; provided, that such withdrawal shall not be made unless (a) immediately thereafter such Series of Future Bonds or portion thereof being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Series Reserve Fund after such withdrawal shall not be less than the Reserve Fund Requirement with respect to such Series Reserve Fund.

Except as provided in the Indenture or as otherwise provided in a Supplemental Indenture, amounts on deposit in the Parity Reserve Fund or any Series Reserve Fund in excess of the respective

Reserve Fund Requirement shall, at the written Request of the City, be withdrawn from the Parity Reserve Fund or Series Reserve Fund, as applicable, and transferred to the City and applied as permitted by Bond Counsel. Notwithstanding anything in the Indenture to the contrary amounts on deposit in the Series 2010B Bond Reserve Subaccount in excess of the amount required to be on deposit therein and all interest, profits and other income from the investment of moneys in the Series 2010B Bond Reserve Subaccount shall, at the written Request of the City, be withdrawn from the Series 2010B Bond Reserve Subaccount and transferred to the City for deposit into the Series 2010B Electric System Fund established pursuant to the Fifth Supplemental Indenture relating to the Series 2010B Bonds.

The City may provide for all or any part of the Reserve Fund Requirement for the Parity Reserve Fund or any Series Reserve Fund by delivering to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's and Standard & Poor's at the time such letter of credit is issued, securing an amount, together with moneys, Investment Securities or surety bonds or insurance policies (as described in paragraph (G) below) on deposit in the Parity Reserve Fund or such Series Reserve Fund, equal to the applicable Reserve Fund Requirement. Such letter of credit shall have an original term of no less than three (3) years or, if less, the final maturity of the Participating Bonds or the Series of Future Bonds secured thereby, as applicable, and such letter of credit shall provide by its terms that it may be drawn upon as provided in the Indenture. At least one year prior to the stated expiration of such letter of credit, the City shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Participating Bonds or the Series of Future Bonds secured thereby, as applicable, or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements of the next paragraph. Upon delivery of such replacement letter of credit, extended letter of credit, or surety bond or insurance policy, the Trustee shall deliver the then-effective letter of credit to or upon the order of the City. If the City shall fail to deposit a replacement letter of credit, extended letter of credit, surety bond or insurance policy with the Trustee, the City shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Reserve Fund Requirement will be on deposit in the Parity Reserve Fund or Series Reserve Fund, as applicable, no later than the stated expiration date of the letter of credit. If an amount equal to the Reserve Fund Requirement, as of the date following the expiration of the letter of credit, is not on deposit in the Parity Reserve Fund or Series Reserve Fund, as applicable, one week prior to the stated expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the amount of any such deficiency in the Parity Reserve Fund or Series Reserve Fund, as applicable.

The City may also provide for all or any part of the Parity Reserve Fund or any Series Reserve Fund by delivering to the Trustee a surety bond or an insurance policy securing an amount, together with moneys, Investment Securities or letters of credit on deposit in the Parity Reserve Fund or such Series Reserve Fund, as applicable, equal to the applicable Reserve Fund Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or obligations secured by such insurance company's insurance policies) are rated in one of the two highest Rating Categories of Moody's and Standard & Poor's at the time such surety bond or insurance policy is issued. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Participating Bonds or the Series of Future Bonds secured thereby, as applicable. In the event that such surety bond or insurance policy for any reason lapses or expires, the City shall immediately implement (i) or (iii) of the immediately preceding paragraph or make the required deposits to the Parity Reserve Fund or Series Reserve Fund, as applicable.

The Trustee shall ascertain the necessity for a draw or claim upon any letter of credit, surety bond or insurance policy provided and shall take such action as is necessary in accordance with the terms thereof to received payments with respect thereto (including the giving of notice as required thereunder)

on any date on which moneys will be required to be withdrawn from the Parity Reserve Fund or a Series Reserve Fund, as applicable, and applied to the payment of the principal of or interest on any Participating Bonds or Series of Future Bonds secured by such Parity Reserve Fund or Series Reserve Fund and such withdrawal cannot be met by amounts on deposit in the Parity Reserve Fund or Series Reserve Fund, as applicable. If a disbursement is made pursuant to letter of credit, surety bond or insurance policy credited to the Parity Reserve Fund or any Series Reserve Fund, the City shall be obligated either (i) to reinstate the full amount of such letter of credit, surety bond or insurance policy or (ii) to deposit into the Parity Reserve Fund or Series Reserve Fund, as applicable, funds in the amount of such disbursement or a combination of such alternatives, as shall provide that the amount in the Parity Reserve Fund or such Series Reserve Fund, as applicable, is at least equal to the applicable Reserve Fund Requirement. So long as a letter of credit, surety bond or insurance policy shall be in full force and effect for purposes of funding all or any part of the Parity Reserve Fund or any Series Reserve Fund, as applicable, any deposits required to be made in the Parity Reserve Fund or a Series Reserve Fund shall include any amounts due to the provider of the letter of credit, surety bond or insurance policy resulting from a draw or claim upon such letter of credit, surety bond or insurance policy (which amounts shall constitute a deficiency in the Reserve Fund Requirement). Any such amounts shall be paid to the provider of such letter of credit, surety bond or insurance policy as provided therein or in any related agreement.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds, accounts and subaccounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the City, solely in Investment Securities. All Investment Securities will, as directed by the City in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations as to maturities set forth in the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City. The Trustee may conclusively rely upon any investment direction from the City as a certification to the Trustee that such investment constitutes an Investment Security. If and to the extent the Trustee does not receive investment instructions from the City with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clause (xi) of the definition thereof and the Trustee will thereupon request investment instructions from the City for such moneys.

Unless otherwise provided in the Indenture or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund, will be transferred to the Electric Revenue Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund, except as provided in the Indenture. Notwithstanding anything to the contrary contained in the Indenture, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture will be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the City, may impose its customary charge therefor. The Trustee may sell or present for redemption, any Investment Securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The City may and the Trustee will, upon the Request of the City, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the City or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required under the Indenture; in which case, the entity with which the City or the Trustee may contract for an interest rate swap is limited to entities the debt securities of which are rated in their respective highest short-term debt Rating Categories by Moody's and Standard & Poor's. If the City so designates, amounts payable under the interest rate swap agreement (other than termination payments due thereunder which will be made expressly subordinate to the payment of the Bonds) will be secured by Electric Net Revenues on a parity basis with the Bonds and any Parity Debt and, in such event, the City will pay to the Trustee for deposit in the Debt Service Fund, at the times and in the manner provided by the Indenture, the amounts to be paid under such interest rate swap agreement, as if such amounts were additional interest due on the Bonds to which such interest rate swap agreement relates, and the Trustee will pay to the other party to the interest rate swap agreement, to the extent required thereunder, amounts deposited in the Debt Service Fund for the payment of interest on the Bonds with respect to which such agreement was entered.

Covenants

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

Punctual Payment. The City will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and will punctually pay or cause to be paid all mandatory sinking fund payments, but in each case only out of Electric Net Revenues, as provided in the Indenture.

Extension of Payment of Bonds. The City will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest of such Bonds or claims for interest and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture will be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of Bonds.

Waiver of Laws. The City will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the City to the extent permitted by law.

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

Against Encumbrances. The City will not create any pledge, lien or charge upon any of the Electric Net Revenues, having priority over the lien of the Bonds; provided, however, that nothing in the Indenture will be construed to limit the ability of the City to issue or incur obligations secured by charges, not constituting Electric Net Revenues, collected by any person to amortize or otherwise relating to the

payment of the “stranded costs” of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds, the payments of which charges will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such “stranded costs” of the City or of any such joint powers agency to the extent such “stranded costs” are attributable to, or the responsibility of, the City.

The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Electric System and will keep the Electric System free of any and all liens against any portion of the Electric System. In the event any such lien attaches to or is filed against any portion of the Electric System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Electric System. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment.

Accounting Records and Financial Statements. The City will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with Generally Accepted Accounting Principles Applicable to Governments, in which complete and accurate entries shall be made of all calculations relating to Electric Net Revenues. Such books of record and account shall be available for inspection by the Trustee (who shall have no duty to inspect) or the Bondowners at reasonable hours and under reasonable circumstances.

The City will furnish the Trustee, within one hundred and eighty (180) days after the end of each Fiscal Year, the financial statements of the City’s Electric and Water Enterprise Fund for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with Generally Accepted Accounting Principles Applicable to Governments and that such accountant’s examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Treasurer of the City stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the City to cure such default. Thereafter, a copy of such financial statements will be furnished to any Owner of Bonds upon written request to the City. The Trustee shall have no duty to review such financial statements.

The City shall furnish to the Trustee within thirty (30) days after approval thereof, the annual budget of the City for the City’s Electric and Water Enterprise.

Tax Covenants. The City covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the City may exclude the application of certain covenants contained in the Indenture to such Series of Bonds. The City will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the City, or take or omit to take any action that would cause the Bonds to be arbitrage bonds within the meaning of Section 148(a) of the Code. To that end, the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the City is of the opinion that for purposes of this covenant it is necessary to restrict or limit the yield

on the investment of any moneys held by the Trustee under the Indenture, the City will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the City agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The City specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement at the times and in the amounts determined under and as described in the Tax Certificate.

Notwithstanding any provision of the Indenture, if the City shall receive an Opinion of Bond Counsel to the effect that any action required under the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture will be deemed to be modified to that extent.

Rates and Charges. The City covenants that it will prescribe, revise and collect such charges for the services, facilities and electricity furnished by the Electric System which, after making allowances for contingencies and error in the estimates, will provide Electric Net Revenues at least sufficient to pay the following amounts in the order set forth:

- (i) The interest on, and principal and Redemption Price of, the outstanding Bonds and any Parity Debt as the same shall become due and payable;
- (ii) All payments required for compliance with the Indenture, including payments required to be made into any bond reserve fund; and
- (iii) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Electric Net Revenues;

and the charges will be fixed so that in each Fiscal Year (i) the Electric Net Revenues will be at least equal to 1.00 times the amount required to pay the items specified in clauses (a), (b) and (c) above, and (ii) the Adjusted Electric Net Revenues will be at least equal to the Coverage Requirement.

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

Sale of Electric System. The Electric System will not be sold or leased or otherwise disposed of as a whole, or substantially as a whole, unless such sale, lease or other disposition be so arranged as to provide for a continuance of timely payments sufficient in amount to permit payment therefrom of the principal of and interest on, and premiums, if any, due upon the redemption of, all Bonds and Parity Debt (including, if applicable, the imposition of any charges collected by any person to amortize or otherwise relating to the payment of "stranded costs" of the Electric System or of any joint powers agency in which

the City participates which the City has dedicated to the payment of the Bonds the imposition of which will amortize the payment in full, together with other moneys available for such purpose, of such Outstanding Bonds through the maturity thereof) payable out of Electric Net Revenues, or to provide for such payments into some other fund charged with such payments. None of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System will be sold, leased or otherwise disposed of if such sale, lease or disposition would cause the City to be unable to satisfy the requirements of the Indenture described under “– Rate Covenant” above.

Continuing Disclosure Agreement. The City will comply with and carry out all of its obligations under any Continuing Disclosure Agreement executed in connection with a Series of Bonds. Upon the failure of the City to comply with the Continuing Disclosure Agreement relating to any Series of Bonds, the Trustee (at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Owners of at least 25% in aggregate Bond Obligation of the related Series of Bonds, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation, fees and expenses of its attorneys) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, to comply with its obligations under this section. For purposes of this section, “Beneficial Owner” shall have the meaning prescribed thereto in the respective Continuing Disclosure Agreement relating to such Series of Bonds.

Events of Default; Remedies

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

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) failure by the City to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in paragraph (a) or (b) above, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee; except that, if such failure can be remedied but not within such thirty (30) day period and if the City has taken all action reasonably possible to remedy such failure within such thirty (30) day period, such failure will not become an Event of Default for so long as the City shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) default by the City under any agreement governing any Parity Debt and the continuance of such default beyond the therein stated grace period, if any, with respect to such default;

(e) the filing by the City of a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the City for the benefit of creditors, or the admission by the City in

writing to its insolvency or inability to pay debts as they mature, or the consent by the City in writing to the appointment of a trustee or receiver for itself;

(f) the entering by a court of competent jurisdiction of an order, judgment or decree declaring the City insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the City, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(g) the assumption, under the provisions of any other law for the relief or aid of debtors, by any court of competent jurisdiction of custody or control of the City or of the Electric Net Revenues and such custody or control will not be terminated within sixty (60) days from the date of assumption of such custody or control.

Application of Electric Net Revenues and Other Funds After Default; Acceleration. If an Event of Default shall occur and be continuing, the City will immediately transfer to the Trustee all Electric Net Revenues held by it and received thereafter and the Trustee will apply all Electric Net Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Debt, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Debt (upon presentation of the Bonds and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation at the rate or rates of interest borne by the respective Bonds and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Debt which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Debt at the rate borne by the respective Bonds and Parity Debt, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

In each and every such case during the continuance of such Event of Default, the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding will be entitled, upon notice in writing to the City, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, the City will pay to or will deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all matured

installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right.

Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee provided under the Indenture, that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Debt not parties to such direction.

Limitation on Bondholders' Right to Sue. No Owner of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the

Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing in the Indenture or in the Bonds contained will affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Owners of the Bonds at their respective due dates therefor or upon call for redemption, as provided in the Indenture, but only out of the Electric Net Revenues and other assets pledged in the Indenture, therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the City, the Trustee and the Bondholders, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Bondholders will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

The Trustee

Appointment; Duties, Immunities and Liabilities of Trustee. The Trustee is appointed under the Indenture and accepts the trust imposed upon it as Trustee under the Indenture and to perform all the functions and duties of the Trustee under the Indenture, subject to the terms and conditions set forth in the Indenture. The Trustee will, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any Trustee appointed under the provisions in the Indenture in succession to the Trustee will be a trust company or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in this Section.

If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties under the Indenture, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee under the Indenture will be assumed by and vest in the Treasurer of the City in trust for the benefit of the Bondowners.

Liability of Trustee. The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Indenture or of the Bonds or of any Investment Security, as to the sufficiency of the Electric Net Revenues, or the priority of the lien of the Indenture thereon, or as to the financial or technical feasibility of the Electric System and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence, willful misconduct or breach of the express terms and conditions of the Indenture.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture, but the Trustee will be answerable for the negligence or misconduct of any such attorney, agent, or receiver selected by it; provided, however, that the Trustee will not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of the Indenture, unless such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee will not be deemed to have knowledge of and will not be required to take any action with respect to, any Event of Default (other than certain Events of Default described in the Indenture) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the City or the Owners of twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds at the time Outstanding. Without limiting the generality of the foregoing, the Trustee will not be required to ascertain, monitor or inquire as to the performance or observance by the City of the terms, conditions, covenants or agreements set forth in the Indenture (including, without limitation, the covenants of the City set forth in the Indenture), other than certain covenants of the City to make payments with respect to the Bonds when due as set forth in the Indenture and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee under the Indenture.

Amendments

Amendments Permitted. The Indenture and the rights and obligations of the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding.

In lieu of satisfying certain requirements of the Indenture, the Indenture and the rights and obligations of the City and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the City and the Trustee which shall become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds will be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which will be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's or Standard & Poor's. A copy of each such Supplemental Indenture will be sent by the City to Moody's and Standard & Poor's.

No such modification or amendment will (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any mandatory sinking fund payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof exclusively, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Electric Net Revenues and

other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Electric Net Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Promptly after the execution and delivery by the Trustee and the City of any Supplemental Indenture pursuant to this paragraph, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the City, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

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

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

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

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Indebtedness or Parity Debt with such interest rate, payment, maturity and other terms as the City may deem desirable; subject to the provisions of the Indenture;

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

(6) if the City agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

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

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

Defeasance

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

- (i) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Bonds, as and when the same become due and payable;
- (ii) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or
- (iii) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

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

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

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

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

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

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

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trust created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the City) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the City and shall be deposited monthly by the Trustee into the Electric Revenue Fund.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated May 22, 2012 (the “Disclosure Agreement”), is executed and delivered by the City of Burbank, California (the “City”) and Wells Fargo Bank, National Association, as successor trustee (the “Trustee”), in connection with the issuance of \$9,810,000 aggregate principal amount of City of Burbank, California Burbank Water and Power Electric Revenue Refunding Bonds, Series of 2012A (the “Series 2012A Bonds”). The Series 2012A Bonds are being issued pursuant to a Burbank Water and Power Electric Revenue Bond Indenture, dated as of October 1, 1998 (the “Master Electric Revenue Bond Indenture”), by and between the City and the Trustee, as supplemented and amended, including by a Sixth Supplemental Burbank Water and Power Electric Revenue Bond Indenture, dated as of May 1, 2012 (the “Sixth Supplemental Indenture”), relating to the Series 2012A Bonds. The Master Electric Revenue Bond Indenture, as previously supplemented and amended, and as supplemented and amended by the Sixth Supplemental Indenture, is referred to herein collectively as the “Indenture.” The City and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the Owners and Beneficial Owners of the Series 2012A Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2012A Bonds (including persons holding Series 2012A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2012A Bonds for federal income tax purposes.

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

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

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

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

“Owner” shall mean either any registered owner of the Series 2012A Bonds, or, if the Series 2012A Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Participating Underwriter” shall mean the original underwriter of the Series 2012A Bonds required to comply with the Rule in connection with offering of the Series 2012A Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the City’s Fiscal Year, commencing with the report for the 2011-12 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the City’s Electric Utility Fund may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes for the City, the City shall give notice of such change in the manner as for a Listed Event as provided under Section 5(f) hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide its Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report of the City has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine prior to the date for providing the Annual Report for such year the electronic filing address of, and the then-current procedure for, submitting Annual Reports to the MSRB; and

(ii) file a report with the City (and if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided. The Dissemination Agent shall have no responsibility for the content of any Annual Report.

SECTION 4. Content of Annual Reports.

(a) The City’s Annual Report shall contain or include by reference the following with respect to the Series 2012A Bonds:

(i) The audited financial statements of the City’s Electric Utility Fund for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting

principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the City and by the Governmental Accounting Standards Board;

(ii) Updated information comparable to the information in the chart entitled “Annual Retail Electric Supply” as it appears on page 21 in the Official Statement, dated April 26, 2012, relating to the Series 2012A Bonds (the “Official Statement”);

(iii) Updated information comparable to the information in the chart entitled “Electric Revenues and Peak Demand” as it appears on page 35 in the Official Statement;

(iv) Updated information, to the extent deemed by the City to be not proprietary information, comparable to the information in the chart entitled “Average Number of Retail Customers” as it appears on page 35 in the Official Statement;

(v) Updated information comparable to the information in the chart entitled “Weighted Average Retail Billing Price” as it appears on page 37 in the Official Statement; and

(vi) Updated information comparable to the information in the chart entitled “Historical Net Revenues and Debt Service Coverage - Electric System” as it appears on page 41 in the Official Statement.

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

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Series 2012A Bonds, the City shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

- (i) principal or interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) modifications to the rights of the Owners of the Series 2012A Bonds, if material;
- (iv) optional, contingent or unscheduled calls, if material, and tender offers;
- (v) defeasances;
- (vi) rating changes;

(vii) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012A Bonds or other material events affecting the tax status of the Series 2012A Bonds;

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

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

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

(xi) release, substitution or sale of property securing repayment of the Series 2012A Bonds;

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

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The obligations of the City and the Trustee under this Disclosure Agreement with respect to the Series 2012A Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2012A Bonds, as the case may be.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the City which does not impose any greater duties nor any greater risk of liability on the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), Section 4 or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2012A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2012A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2012A Bonds in the same manner as provided in the Indenture with respect to amendments to the Indenture which require the consent of Owners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2012A Bonds.

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

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

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

SECTION 11. Default. In the event of a failure of the City or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of outstanding Series 2012A Bonds, shall), or any Owner or Beneficial Owner of the Series 2012A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Section 8.01 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2012A Bonds. If the Trustee performs the duties assigned to it hereunder, the Trustee shall not be responsible to any person for any failure by the City or the Dissemination Agent (if other than the Trustee) to perform duties or obligations imposed hereby.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Series 2012A Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

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

To the City: City of Burbank
 275 East Olive Avenue
 Burbank, California 91502
 Attention: City Clerk
 FAX: (818) 238-5853

with a copy to : City of Burbank
Burbank Water & Power
164 West Magnolia Boulevard
Burbank, California 90502
Attention: Chief Financial Officer
FAX: (818) 238-3727

To the Trustee: Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
MAC# E2818-176
Los Angeles, California 90017
Attention: Corporate Trust Department
FAX: (213) 614-3355

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

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

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF BURBANK

By: _____
Title: _____

APPROVED AS TO FORM:

Senior Assistant City Attorney

ATTEST:

City Clerk

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF BURBANK, CALIFORNIA
Name of Issue: \$9,810,000 CITY OF BURBANK, CALIFORNIA
BURBANK WATER AND POWER
ELECTRIC REVENUE REFUNDING BONDS, SERIES OF 2012A
Date of Issuance: May 22, 2012

NOTICE IS HEREBY GIVEN that the City of Burbank, California (the "City") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement, dated May 22, 2012, between the City and Wells Fargo Bank, National Association, as trustee. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as trustee, on behalf of
the City of Burbank

By: _____

Title: _____

cc: City of Burbank

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City of Burbank
Burbank, California

\$9,810,000
City of Burbank, California
Burbank Water and Power
Electric Revenue Refunding Bonds, Series of 2012A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Burbank, California (the “City”) of its \$9,810,000 Burbank Water and Power Electric Revenue Refunding Bonds, Series of 2012A (the “Series 2012A Bonds”). The Series 2012A Bonds are being authorized and issued pursuant to Article 12 of Chapter 4 of Title 2 (formerly Article 12 of Chapter 14) of the Burbank Municipal Code, as amended (the “Bond Law”), and a resolution adopted by the City Council of the City on April 17, 2012. The Series 2012A Bonds are also being issued pursuant to a Burbank Water and Power Electric Revenue Bond Indenture, dated as of October 1, 1998, by and between the City and U.S. Bank Trust National Association, which has been succeeded by Wells Fargo Bank, National Association, as trustee (the “Trustee”), as amended and supplemented, including by a Sixth Supplemental Burbank Water and Power Electric Revenue Bond Indenture, dated as of May 1, 2012, by and between the City and the Trustee (collectively, the “Indenture”).

As bond counsel, we have reviewed the Bond Law, the Indenture, certifications of the City, the Trustee and others, opinions of counsel to the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Series 2012A Bonds constitute valid and binding special, limited obligations of the City and are payable exclusively from and are secured by a pledge of the Electric Net Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by the City and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the City, enforceable against the City in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series 2012A Bonds, of the Electric Net Revenues and certain other amounts held by the Trustee in certain funds and accounts

established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing law, and assuming compliance with the covenants described below, interest on the Series 2012A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. We are of the further opinion that the Series 2012A Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2012A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on the Series 2012A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that the interest on the Series 2012A Bonds is exempt from personal income taxes of the State of California under present California law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2012A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issue of the Series 2012A Bonds. Pursuant to the Indenture and in the *Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the “Tax Certificate”), to be delivered by the City in connection with the issuance of the Series 2012A Bonds, the City has made representations relevant to the determination of, and has made certain additional covenants regarding or affecting, the exclusion of interest on the Series 2012A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions set forth in the preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the City with its covenants. Except as described in the preceding paragraph, we express no opinion as to any federal, state or local tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2012A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Series 2012A Bonds, or the interest thereon, if any action is taken with respect to the Series 2012A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

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

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012A Bonds.

The opinion expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Series 2012A Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. Further, the enforceability of the Series 2012A Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the

possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

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APPENDIX F

ELECTRIC SYSTEM DEBT SERVICE REQUIREMENTS ⁽¹⁾

Year Ending June 1	Series 2010A Bonds		Series 2010B Bonds		Series 2012A Bonds		Total Debt Service⁽³⁾
	Principal	Interest	Principal	Interest⁽²⁾	Principal	Interest	
2012	\$ 2,290,000	\$ 1,694,600	--	\$ 2,141,814	--	--	\$ 6,126,414
2013	2,490,000	1,625,900	--	2,141,814	\$ 970,000	\$ 374,586	7,602,300
2014	2,595,000	1,526,300	--	2,141,814	855,000	346,050	7,464,164
2015	2,700,000	1,422,500	--	2,141,814	880,000	320,400	7,464,714
2016	2,835,000	1,287,500	--	2,141,814	910,000	294,000	7,468,314
2017	2,975,000	1,145,750	--	2,141,814	945,000	257,600	7,465,164
2018	3,125,000	997,000	--	2,141,814	975,000	229,250	7,468,064
2019	3,280,000	840,750	--	2,141,814	1,000,000	200,000	7,462,564
2020	3,445,000	676,750	--	2,141,814	1,040,000	160,000	7,463,564
2021	3,200,000	504,500	--	2,141,814	1,090,000	111,750	7,048,064
2022	3,360,000	344,500	--	2,141,814	1,145,000	57,250	7,048,564
2023	3,530,000	176,500	--	2,141,814	--	--	5,848,314
2024	--	--	\$ 2,210,000	2,141,814	--	--	4,351,814
2025	--	--	2,295,000	2,053,857	--	--	4,348,857
2026	--	--	2,390,000	1,962,517	--	--	4,352,517
2027	--	--	2,485,000	1,867,396	--	--	4,352,396
2028	--	--	2,585,000	1,768,494	--	--	4,353,494
2029	--	--	2,690,000	1,665,613	--	--	4,355,613
2030	--	--	2,800,000	1,558,552	--	--	4,358,552
2031	--	--	2,915,000	1,447,113	--	--	4,362,113
2032	--	--	3,035,000	1,327,308	--	--	4,362,308
2033	--	--	3,160,000	1,202,571	--	--	4,362,571
2034	--	--	3,290,000	1,072,697	--	--	4,362,697
2035	--	--	3,430,000	937,480	--	--	4,367,480
2036	--	--	3,570,000	796,508	--	--	4,366,508
2037	--	--	3,715,000	649,783	--	--	4,364,783
2038	--	--	3,870,000	497,098	--	--	4,367,098
2039	--	--	4,030,000	338,043	--	--	4,368,043
2040	--	--	4,195,000	172,412	--	--	4,367,412
Total⁽³⁾	<u>\$35,825,000</u>	<u>\$12,242,550</u>	<u>\$52,665,000</u>	<u>\$47,161,022</u>	<u>\$9,810,000</u>	<u>\$2,350,886</u>	<u>\$160,054,458</u>

⁽¹⁾ Immediately following the issuance of the Series 2012A Bonds.

⁽²⁾ Series 2010B Bonds are Build America Bonds. Interest shown is net of the expected receipt of Federal Subsidy equal to 35% of the interest payment due.

⁽³⁾ Totals may not add due to rounding.

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