

2010-2011 Annual Report



More. Better. For Less.

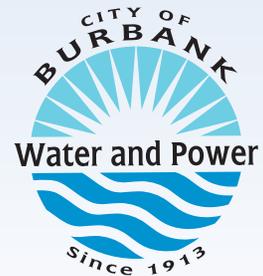


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*From left to right:
 Jordan Smith, Martin Adams,
 Lynn Kronzek, Bob Olson, Philippe Eskandar,
 Lee Dunayer, Thomas Jamentz*

2010-2011 HIGHLIGHTS

- Completed the twelfth year of an infrastructure modernization and improvement program in the water and electric systems for reliability, safety and efficiency.
- Rated as an American Public Power Association RP3 utility for outstanding electric distribution system reliability and safety.
- Continued the expedited build-out of the recycled water system to reduce potable water system demand and supply costs.
- Strong financial results and investment ratings from bond agencies for both the Water and Electric Funds.
- Helped residents and businesses with their water and energy consumption through aggressive conservation, education, assistance, and rebate programs.



*From left to right:
 Bob Liu, Jorge Somoano,
 Ron Davis, Kathleen Hillesland,
 Joanne Fletcher, Fred Fletcher,
 Jim Compton, Bill Mace*

MESSAGE FROM GENERAL MANAGER

"...more, better, for less."



Burbank Water and Power (BWP) over the past twelve years has been striving, under a continuous improvement program, to provide competitively priced water and electric services that are reliable and safe to its customers. An entity wide effort to get *"more, better, for less"* summarizes how BWP staff has planned and worked to help mitigate the rising costs of energy and water. With the Burbank City Council's support and blessing, BWP has leveraged its infrastructure to provide returns in wholesale margins and telecom revenues, reduced electric line losses by making the electric system more efficient, built and operated the very competitive Magnolia Power Project (MPP) and Lake 1 peaking unit, selectively entered into economically sound renewable energy projects, plugged water leaks, developed the capability to buy and locally store inexpensive excess water in the ground, optimized the operations of the Burbank Operable Unit, reduced Burbank's dependence on expensive potable water resources by expanding its recycled water system, pursued and been awarded significant grant funding, reduced overall staffing levels (net of the MPP), reduced workers' compensation expenses, and controlled other costs to well below inflation. Simultaneously, BWP's reliability and sustainability efforts are considered exemplary by industry professionals; and BWP is developing and building an enabling demand management infrastructure to allow customers to better manage their energy use, shift energy demand off-peak, and integrate renewable resources.

The financial results for BWP's Electric and Water Funds were strong in fiscal year 2010-2011. BWP's electric and water rates are very competitive, yet they provided sufficient funding for operations and maintenance, including covering the rising costs of procuring water and energy, while also providing funds for system reliability, capital improvements and reserves. The Electric Fund's and Water Fund's Standard & Poor's credit ratings are a very strong "AA-" and "AAA" respectively. These credit ratings are significant because they provide BWP access to capital markets as needed for modernizing and improving system efficiency, reliability and sustainability.

BWP will continue to focus its efforts on supplying Burbank residents and businesses with safe, reliable, and affordable water and electric services, while helping to build a sustainable community. Improving how efficiently BWP delivers water and energy by avoiding losses, minimizing peak energy use by shifting energy use to off-peak, and reducing potable water demand by shifting applicable demand to recycled water, will continue to be the focus of much of the utility's resources for the foreseeable future. These strategies, as well as working with our customers to conserve and use energy and water more wisely, are the key components of BWP's plan to provide its customers *"more, better, for less"*.

Sincerely,

A handwritten signature in black ink that reads "Ron Davis". The signature is written in a cursive, flowing style.

Ron Davis
General Manager

PROTECT & SUSTAIN BURBANK'S ENVIRONMENT

BWP is helping to protect and sustain Burbank's environment on several fronts, including:

- Burbank is well on its way to meeting a Renewable Portfolio Standard of 33% by 2020 and reducing its dependence on coal as an energy resource.
- Burbank has interests in several developing renewable wind, solar and hydro projects.
- BWP is implementing the Council approved Recycled Water Master Plan to reduce potable water demand.
- BWP encourages its customers to take advantage of programs it offers to encourage conservation of water and energy.



...more. better. for less.

ENSURE BURBANK'S FINANCIAL STRENGTH

BWP helps ensure Burbank's financial strength by having:

- Highly competitive utility rates compared to other Southern California water and power providers; while boasting very high reliability with minimal deferred maintenance on utility systems.
- High Bond Ratings, driven by BWP's and the City of Burbank's fiscal policies and reserves. This provides BWP access to very competitive pricing for renewable and sustainable energy and water projects.
- City Council's support of BWP Management's mind set of continuous improvement is summed up in this phrase common to BWP staff – *"...more, better, for less."*



...more. better. for less.

A BALANCED, VIBRANT BURBANK ECONOMY

One way BWP is helping Burbank's economy is through its new ONE Burbank business.

- Since January 2011, BWP's ONE Burbank has offered Burbank businesses fiber optic services, including:
 - Dedicated Internet Access (DIA) – Internet access 2 to 300 times faster than the fastest residential service.
 - Virtual Private LAN Service (VPLS) – Private network services to tie multiple locations and business partners together.
 - Wave Division Multiplexing (WDM) Lambda – Exceptionally large bandwidth fiber connections to fiber carriers in downtown Los Angeles for national and international fiber connections.
- Interesting ONE Burbank notes:
 - ONE Burbank fiber optic services, such as the ability to digitally stream live high resolution images at very high speeds, assisted in the decision by several companies to relocate to or open offices in the City of Burbank.
 - The ONE Burbank fiber network is used by virtually all City of Burbank facilities for data transport, internet access and telephone service.



...more. better. for less.



The Honorable Mayor and City Council
City of Burbank, California

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 black ink that reads "McGladrey & Pullen, LLP".

Irvine, California
November 24, 2010

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 Electric and Water 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 presents 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 fiscal 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.

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

	2011	2010	Incr. (Decr.)
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	17,507	20,776	(3,269)
Nonoperating income (expenses):			
Interest income	2,167	1,765	402
Intergovernmental	-	140	(140)
Other income (expenses), net	1,913	155	1,758
Interest expenses	(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	<u>6,538</u>	<u>9,980</u>	<u>(3,442)</u>
Net assets, beginning of year	<u>236,742</u>	<u>226,762</u>	<u>9,980</u>
Net assets, end of year	<u>\$ 243,280</u>	<u>236,742</u>	<u>6,538</u>

Retail (sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 97.1% 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 \$1,742, or 35.6% higher than the prior fiscal year. This year's miscellaneous revenues included a \$1.4 million 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. The decrease in wholesale trading is primarily attributed to cooler weather, lower energy prices, a weak economy, and less available excess transmission capacity. 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 22.5%, 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.

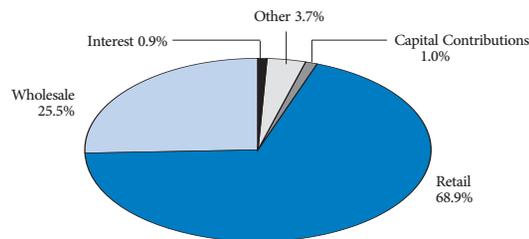
Other operating expenses were \$1,429, or 7.5%, lower compared

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.

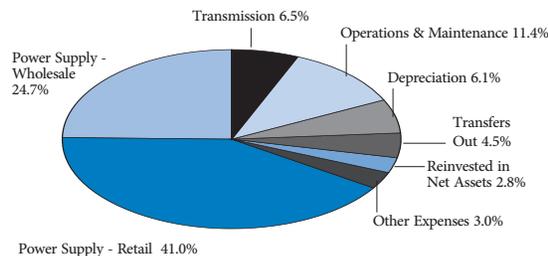
Depreciation expense was \$3,111, or 28.2%, higher compared to the prior fiscal year. The increase was primarily the result of new capital asset additions, such as the Burbank Substation and the Service Center Warehouse Building. In addition to that, assets' useful life revaluations resulted in higher depreciation during the year. The new useful lives are based on FERC accounting guidelines which 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 1.5% 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.

Sources of Revenues



Uses of Revenues



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

	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	6,538

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, \$173,500 or 71.3%, 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 \$60,339, or 24.8%, 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 an advanced meter infrastructure with Smart Meters, a meter data management system and a 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 provide 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. 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 Wi-Fi Network, Project Management)	\$ 11,424
Replacement of the Service Center/Warehouse	6,135
Convert Feeders to 12kV	4,930
Upgrade/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	\$ 28,626

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.

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 Milford 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%

WATER UTILITY FUND

During the fiscal 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%.

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	(196,042)
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	23,281	22,118	1,163
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	21,322	19,275	2,047
Operating income	1,959	2,843	(884)
Nonoperating income (expenses):			
Interest income	317	347	(30)
Other income (expenses), net	327	(252)	579
Interest expenses	(1,131)	(238)	(893)
Total nonoperating expenses	(487)	(143)	(344)
Income before contributions and transfers	1,472	2,700	(1,228)
Contributions and transfers:			
Capital contributions	1,845	1,025	820
Transfers out	(1,018)	(1,119)	101
Change in net assets	2,299	2,606	(307)
Net assets, beginning of year	52,453	49,847	2,606
Net assets, end of year	<u>\$ 54,752</u>	<u>52,453</u>	<u>2,299</u>

Potable water sales were the primary source of revenue for the Water Utility Fund. Potable water revenue made up 90.4% 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 196,042, or 20.4%, due to an unplanned outage and an economic shutdown of the Magnolia Power Plant. Recycled water revenue decreased by 3.9%, 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.

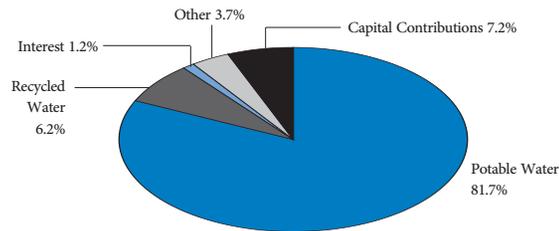
The BOU ran at 72.4% of operating capacity for the fiscal year compared to the prior fiscal year's capacity of 68.8%. It supplied approximately 58.5% of the City's potable water supply compared to 46.9% in the prior fiscal year. The average cost of groundwater produced at the BOU was \$290 per acre foot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

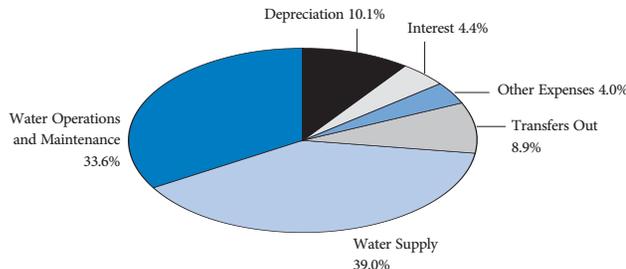
Capital contributions were \$820, or 80.0%, higher than the prior fiscal year. The increase was primarily the result of contributed capital cost from the City of Los Angeles related to the recycled water system expansion.

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.

Sources of Revenues



Uses of Revenues



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

	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	481	(328)
Unrestricted net assets	5,586	(1,590)	7,176
Total net assets	\$ 54,752	52,453	2,299

May not foot due to rounding

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 \$30,294 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 \$449 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, \$49,013 or 89.5%, 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 \$5,586, or 10.2%, 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 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 improve 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.

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.

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.

FINANCIAL STATEMENTS
Statement of Net Assets - June 30, 2011

With comparative financial information for the year ended June 30, 2010 • \$ in thousands

Assets	Electric		Water	
	2011	2010	2011	2010
Current assets:				
Cash and cash equivalents (note 2):				
General operating	\$ 27,727	22,170	4,086	4,221
Capital reserve	10,000	10,000	2,220	2,220
General plant reserve	800	800	-	-
Fleet replacement reserve	2,210	2,210	-	-
Water cost adjustment charge (WCAC)	-	-	1,894	1,633
Distribution main reserve	-	-	1,100	1,100
Total cash and cash equivalents	40,737	35,180	9,300	9,174
Accounts receivable, 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	14,033	13,273
Non-current assets:				
Restricted non-pooled 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 non-current 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

Liabilities	Electric		Water	
	2011	2010	2011	2010
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)	3,535	3,805	480	955
Total current liabilities	25,051	26,130	8,787	6,279
Non-current 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 non-current liabilities	110,009	113,488	37,780	12,294
Total liabilities	135,060	139,618	46,567	18,573
Net Assets				
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)	60,339	50,990	5,586	(1,590)
Total net assets	\$ 243,280	236,742	54,752	52,453

See accompanying notes to basic financial statements
May not foot due to rounding

FINANCIAL STATEMENTS
Statement of Revenues, Expenses & Changes in Fund Net Assets - 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	<u>225,901</u>	<u>235,020</u>	<u>23,281</u>	<u>22,118</u>
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 expense (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	<u>208,394</u>	<u>214,244</u>	<u>21,322</u>	<u>19,275</u>
Operating income	<u>17,507</u>	<u>20,776</u>	<u>1,959</u>	<u>2,843</u>
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)	<u>(2,908)</u>	<u>(1,902)</u>	<u>(487)</u>	<u>(143)</u>
Income before contributions and transfers	<u>14,599</u>	<u>18,874</u>	<u>1,472</u>	<u>2,700</u>
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	<u>6,538</u>	<u>9,980</u>	<u>2,299</u>	<u>2,606</u>
Net assets, July 1	<u>236,742</u>	<u>226,762</u>	<u>52,453</u>	<u>49,847</u>
Net assets, June 30	<u>\$ 243,280</u>	<u>236,742</u>	<u>54,752</u>	<u>52,453</u>

See accompanying notes to basic financial statements
 May not foot due to rounding

FINANCIAL STATEMENTS
Statement of Cash Flows - 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	27,299	30,446	4,732	4,601
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	87	(9,902)	(691)	7,976
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 & related activities	(42,579)	12,198	10,685	(12,672)
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	4,068	848	815	365
Net increase (decrease) in cash and cash equivalents	(11,125)	33,590	15,541	270
Cash and cash equivalents, beginning of year	73,235	39,645	9,174	8,904
Cash and cash equivalents, end of year	\$ <u>62,110</u>	<u>73,235</u>	<u>24,715</u>	<u>9,174</u>

	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
Other nonoperating revenue and expenses net of sales proceeds of capital assets	-	140	-	10
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	\$ <u>27,299</u>	<u>30,446</u>	<u>4,732</u>	<u>4,601</u>
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
May not foot due to rounding

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.

(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 PROGRAM

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:

	Estimated useful life
Building 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.

(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.

(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
Total	71,551	24,868	96,419
Cash on hand	15	-	15
Investments	71,536	24,868	96,404
Total	\$ 71,551	24,868	96,419

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.

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 Investment Type	Authorized by City Policy	Maximum Maturity**	Maximum Percentage of Portfolio	Maximum Investment One Issuer
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.

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)				
	12 Mths. or Less	13-24 Mths.	25-60 Mths.	>60 Mths.	Total
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. 17)

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.

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

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 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 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	\$ 12,871	12,727	2,626	2,177

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 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.

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	<u>54,908</u>	<u>48,911</u>	<u>(24,494)</u>	<u>79,325</u>	<u>29,005</u>	<u>(61,785)</u>	<u>46,545</u>
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	<u>176,672</u>	<u>308,277</u>	<u>(314,458)</u>	<u>170,491</u>	<u>51,353</u>	<u>(7,150)</u>	<u>214,694</u>
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	<u>8,199</u>	<u>20,175</u>	<u>(11,288)</u>	<u>17,086</u>	<u>14,964</u>	<u>(16,221)</u>	<u>15,829</u>
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	<u>39,005</u>	<u>30,291</u>	<u>(29,596)</u>	<u>39,700</u>	<u>15,881</u>	<u>(29)</u>	<u>55,552</u>
Total net capital assets	\$ 47,204	50,466	(40,884)	56,786	30,845	(16,250)	71,381

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 & 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.

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	(194)	(189)
Long-term intergovernmental loan payment	\$ 440	634

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2010 is as follows:

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

(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.

	Electric	
	2011	2010
2002 Series Bonds:		
\$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.	\$ 17,385	18,585
Less:		
Current portion	(1,245)	(1,200)
Original issue (discount)/premium	153	167
Long-term Bonds Series of 2002	\$ 16,293	17,552

	Electric	
	2011	2010
2010A Series Bonds:		
\$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.	\$ 35,825	35,825
Less:		
Current portion	(2,290)	-
Original issue (discount)/premium	4,008	3,866
Long-term 2010A Series Bonds	\$ 37,543	39,691

	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 12kV, 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, which interest only payment 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	-

	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	-	-
Long-term 2010B Series Bonds	27,945	-
Total long-term revenue bonds payable	\$ 36,668	-

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

(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:

	July 1, 2010	Additions	Retirements	June 30, 2011	Due within One Year
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)	
Unamortized bond	(773)			3,237	
Total	\$ 109,340			110,009	

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

	July 1, 2010	Additions	Retirements	June 30, 2011	Due within One Year
Intergovernmental Loan Payable	\$ 823	-	(189)	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>(4,232)</u>	<u>37,673</u>	<u>711</u>
Less:					
Current portion	(1,173)			(711)	
Unamortized bond	(68)			818	
Total	\$ 3,244			37,780	

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:

	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	\$ 10,336	9,883	1,018	1,040

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 & overhead costs	\$ 4,104	3,859	740	796
Total	\$ 4,104	3,859	740	796

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 Users Tax	\$ 10,543	10,184
Total	\$ 10,543	10,184

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.

(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 Upgrading 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%.

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 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 (MIWP)

MIWP 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.

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

	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 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.

NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2011 (\$ in thousands)

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).

	2011/12		2012/13		2013/14		2014/15		2015/16		2016/21	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Southern California Public Power Authority:												
Hoover Uprating	\$ 255	103	266	93	280	79	293	66	308	51	665	53
Southern Transmission System	1,260	805	2,564	1,618	2,243	1,526	2,302	1,477	2,372	1,419	12,407	5,680
Mead-Adelanto	1,645	493	1,751	878	1,870	763	1,971	639	2,069	539	11,043	1,333
Mead-Phoenix	799	212	852	372	909	315	770	255	835	216	4,420	534
Palo Verde	455	44	469	76	483	64	499	52	514	40	1,075	41
Magnolia Power Project A	2,958	2,092	3,080	4,061	3,220	3,925	3,356	3,790	3,510	3,637	13,723	15,861
Natural Gas Project-Pinedale	896	231	660	427	570	400	549	375	549	349	2,228	1,326
Natural Gas Project-Barnett	2,774	715	2,045	1,323	1,765	1,238	1,701	1,160	1,701	1,081	6,902	4,106
Natural Gas Prepaid Project #1	1,892	919	1,753	5,471	1,590	5,388	1,345	5,314	1,283	5,249	8,204	25,152
Milford I Wind Project	380	282	393	551	407	537	423	521	441	503	2,527	2,191
Tieton Hydropower Project	340	649	388	1,292	395	1,284	408	1,273	420	1,259	2,390	6,009
Intermountain Power Project	6,478	3,333	5,966	2,912	7,411	2,663	7,055	2,328	8,451	2,169	35,125	6,283
Total	\$ 20,132	9,878	20,187	19,074	21,143	18,182	20,672	17,250	22,453	16,512	100,709	68,569
	2021/26		2026/31		2031/36		2036/41		Totals			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
Southern California Public Power Authority:												
Hoover Uprating	\$ -	-	-	-	-	-	-	-	2,067	445		
Southern Transmission System	12,041	2,465	2,975	270	-	-	-	-	38,165	15,260		
Mead-Adelanto	-	-	-	-	-	-	-	-	20,349	4,645		
Mead-Phoenix	-	-	-	-	-	-	-	-	8,585	1,904		
Palo Verde	-	-	-	-	-	-	-	-	3,495	317		
Magnolia Power Project A	16,900	12,606	21,714	9,483	26,510	5,801	20,775	650	115,746	61,906		
Natural Gas Project-Pinedale	1,593	795	1,297	373	473	43	-	-	8,816	4,319		
Natural Gas Project-Barnett	4,932	2,463	4,018	1,155	1,467	132	-	-	27,304	13,373		
Natural Gas Prepaid Project #1	16,705	22,031	29,779	16,063	35,876	6,779	11,916	2,105	110,341	94,471		
Milford I Wind Project	3,207	1,511	4,085	633	-	-	-	-	11,862	6,729		
Tieton Hydropower Project	3,905	5,316	4,210	4,129	5,373	2,967	8,538	1,483	26,365	25,661		
Intermountain Power Project	10,929	241	-	-	-	-	-	-	81,414	19,929		
Total	\$ 70,212	47,428	68,078	32,106	69,699	15,722	41,229	4,238	454,509	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.

NOTE 13: Purchase 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.

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

Wholesale revenues and costs decreased by 22% 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:

Fiscal Year Ending	Annual Pension Cost (APC)		
	Electric	Water	APC %
June 30, 2009	3,945	696	100%
June 30, 2010	3,645	875	100%
June 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.

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.

SCHEDULE 1: Annual Electric Supply

Resource	MWh	Percentage
Intermountain Power Project	417,600	36.1%
Hoover Uprating	21,600	1.9%
Palo Verde Nuclear	83,600	7.2%
Magnolia Power Project	319,800	27.7%
Firm & Non-Firm Contracts	193,300	16.7%
On-Site Generation	19,100	1.7%
Renewables	100,900	8.7%
TOTAL	1,155,900	100.0%

SCHEDULE 2: Customers, Sales, Electric Revenues and Demand (\$ in thousands)

	2011	2010	2009	2008	2007
Number of Retail Customers:					
Residential	45,049	44,833	44,499	44,279	44,009
Commercial ¹	6,544	6,560	6,553	6,537	6,299
Large Commercial ¹	200	199	81	71	164
Other ^{1,2}	218	226	234	264	289
Total	52,011	51,818	51,367	51,151	50,762
Retail Kilowatt-hour Sales (millions):					
Residential	265	277	286	286	285
Commercial	288	288	309	282	257
Large Commercial	533	536	553	578	613
Other ²	35	35	37	34	33
Total	1,120	1,136	1,184	1,180	1,188
Electric Revenues:					
Retail	\$ 160,059	154,174	158,039	155,514	153,916
Wholesale	59,200	75,946	120,716	220,177	207,259
Miscellaneous ³	6,642	4,900	8,834	6,476	7,585
Total	\$ 225,901	235,020	287,589	382,167	368,760
Peak Demand (MW)	316	285	289	308	307

¹ Restructured commercial and large commercial customer classes in January 1, 2008 and January 1, 2010

² Other includes school, street lighting and miscellaneous users

³ Other miscellaneous revenues include transmission, telecommunications, etc.

SCHEDULE 3: Weighted Average Billing Price – Electric¹ (cents per kilowatt-hour)

	2011	2010	2009	2008	2007
Residential	14.10	13.51	13.27	13.07	12.93
Commercial	14.92	14.17	13.93	13.45	13.20
Large Commercial	12.93	12.19	12.22	11.86	11.98
Weighted Average Electric Rate	13.74	13.04	12.94	12.55	12.47

¹ All weighted average rates have been adjusted to exclude Public Benefit and Street Lighting

May not foot due to rounding

SCHEDULE 4: Annual Water Supply

Resource	AF	Percentage
Metropolitan Water District	7,451	41.5%
Local Production – BOU	10,513	58.5%
TOTAL	17,965	100.0%

SCHEDULE 5: Customers, Water Sales, Water Revenues (\$ in thousands)

	2011	2010	2009	2008	2007
Number of Water Customers:					
Residential	22,073	22,059	22,033	22,043	22,046
Commercial	3,070	3,095	3,100	3,100	3,073
Large Commercial	108	110	114	116	114
Other ¹	1,144	1,138	1,118	1,112	1,104
Recycled	109	101	88	82	71
Total	26,504	26,503	26,453	26,453	26,408
CCF Sales Per Year (x1,000):					
Potable					
Residential	5,483	5,748	6,556	6,942	7,381
Commercial	1,548	1,651	1,695	1,732	1,930
Large Commercial	281	308	356	364	373
Other ¹	272	289	377	409	305
Recycled	763	892	794	912	953
Total	8,347	8,887	9,778	10,359	10,942
Water Revenues:					
Retail ²	\$ 22,656	21,472	20,853	22,503	18,777
Miscellaneous ³	644	646	519	721	841
Total	\$ 23,300	22,118	21,372	23,224	19,618
Maximum Day (Million gallons)	22.6	23.9	29.0	30.8	33.0

¹ Other includes city department water, school, fire protection, and miscellaneous users

² Potable and Recycled

³ Other miscellaneous revenues include connection fees, recycled water credits, etc.

SCHEDULE 6: Weighted Average Billing Price — Water (\$ per CCF)

	2011	2010	2009	2008	2007
Residential	2.88	2.50	2.17	1.99	1.84
Commercial	2.43	2.18	1.99	1.84	1.74
Large Commercial	2.37	2.04	1.85	1.74	1.67
Weighted Average Water Rate	2.76	2.41	2.12	1.95	1.82