



Reliability Supply & Service

Our focus as we prepare for tomorrow

Glendale Water & Power
2007 - 2008 Annual Report



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General Manager's Message



The ongoing challenge facing utilities is ensuring reliability for customers today while planning ahead to ensure sufficient supply for customers tomorrow. When I became general manager of Glendale Water & Power in February, after more than 38 years in the energy business, I was impressed by how well GWP is positioned to meet both of these obligations. This is a well-run organization operating as part of a well-run city.

GWP is already a recognized leader among California's cities for our conservation and energy management programs. We began to build a balanced supply portfolio for electricity and water decades ago. We have made a strong commitment to using renewable sources, which already represent 16.2% of our total energy mix. And we have maintained a responsible schedule of upgrading our infrastructure to ensure reliable delivery of power and water. GWP has reduced the number of electrical outages since 2005 by 67%.

Like all utilities, however, GWP faces serious issues with supply. Where will we get enough water and power in the future? At first glance, the answer seems beyond our control. California officially entered a drought in June. Although water demand in Glendale is relatively stable, the demands upon our diminishing regional water supplies are multiplying. On the electrical side, we face regulations requiring us to reduce green house gas emissions that contribute to global warming. Alternatives to carbon-emitting coal and natural gas will be costly-costs that we must balance against our desire to maintain reasonable rates.

We have strategies in place to help us solve the riddle of supply. We have begun reducing demand through conservation and load management. GWP offers outstanding, innovative programs to encourage conservation. Our customers have responded to these programs and have reduced water consumption by nearly 10%.

We will continue to increase our supply of renewable energy resources such as wind and solar power. A recent contract with an Oregon wind farm will provide another 4% of our electricity needs in 2009 – which will bring us to 20% renewable energy.

Green is the color of the future. As a utility, we are obligated to be a leader helping to color Glendale green. Here are some highlights of GWP projects to do this:

- GWP now owns and operates the City's largest solar electric project at Glendale Community College.
- GWP is working with the City to develop a program to support environmentally conscious construction projects.
- GWP has expanded our Solar Solutions program to produce clean energy and lower electricity use. So far, 51 homeowners are participating.
- GWP's customers can now calculate their own "carbon footprint" through GWP's new Green house Gas Analyzer on our website.

Utilities and customers will partner even more in the future. Using technology, we will provide instant access to information and services through high-speed communication networks. We plan to replace the humble utility meter with the Advanced Metering Infrastructure (AMI). Using this, GWP and our customers will receive real-time information regarding electric and water usage. This will improve our reliability and allow customers to instantly monitor their utility usage and conservation efforts.

These are the types of initiatives that give us confidence to face the future. Even as we look ahead, we recognize that on a daily basis we must serve our City well. Customer service remains a priority as we strive to ensure that reliability, efficiency and courtesy are never in short supply.

Sincerely,

Glenn O. Steiger
General Manager of Glendale Water & Power

Reliability

Keeping the lights on

GWP has spent more than \$45 million in capital projects since 2005, and the payoff has been greater service reliability. This investment correlates with 67% fewer outages. Duration of outages are shorter. Currently, GWP's performance far exceeds national standards and as we make more capital improvements, performance will continue to improve. Customers may not notice infrastructure improvements, but they do notice the reliability they bring.

Capital projects include:

- Putting into service a 69kV sub-transmission line at Montrose-BelAire to improve service to the northern and eastern parts of the city. A new 69kV line between Kellogg and Rossmore was completed to improve power delivery.
- Reconstruction underway in preparation for complete replacement of the 4kV Glorietta Substation with a new 12kV substation.
- Replacing four deteriorating underground electrical vaults.

On our grid...

- 83,300 electric customers
- 550 miles of electrical wires and cables
- 2 receiving stations
- 12 large electrical distribution substations
- 111 distribution feeders



Flowing through the tap

GWP has identified all capital projects necessary to improve Glendale's water distribution system over the next 20 years, and we are working our way through this list. The total estimated capital budget of \$220 million will be supported for three years by \$50 million in bonds, issued in February 2008 at a very favorable rate.



The necessary projects include water main cleaning and re-lining to preserve adequate flow, main replacements, pump station improvements and reservoir repairs. This year we replaced or restored more than eight miles of old pipe.

GWP is also replacing the 90 year old Chevy Chase Reservoir and pump station-our single biggest replacement project. Demolition began Jan. 10, 2008, on the 14 million gallon reservoir and is proceeding on schedule. We expect to complete the project by the end of 2009.

Water quality is the highest priority. GWP meets or exceeds all standards to ensure our water is safe to drink. Glendale's water now contains fluoride through water we receive from the Metropolitan Water District.

To improve water quality, this year GWP:

- Completed a three-year effort to receive approval and funding to build the country's first treatment facility to remove the contaminant Chromium 6 from our water.
- Completed the Chlorite Ion study to explore ways to use less chlorine for treating our water while still maintaining the same standards of quality. This promising study, in coordination with the California Department of Health Services, found a new way to control bacteria in the water and was awarded a Grand Prize in research from the Academy of Environmental Engineers.
- Installed automatic flushing devices to prevent stagnation and reduce water waste when we flush water from pipelines. This eliminates the need for flushing through fire hydrants, saving water and time.

Sources Of Our Supply

Electricity

GWP is committed to increasing its supply of renewable energy sources. GWP owns and operates the largest solar electric project in Glendale. With the help of Glendale Community College and Chevron Energy Solutions, GWP built a solar panel structure on top of Glendale Community College's new parking facility. This solar project will generate about 400 megawatt hours of energy each year to serve 10% of the campus' energy needs or enough to power about 125 homes for a year.

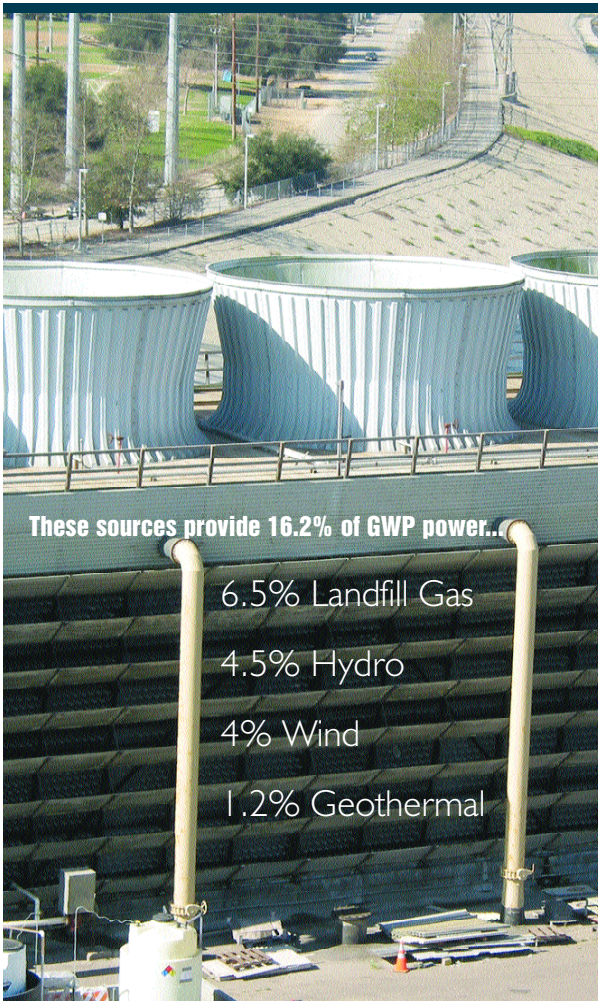
GWP is committed to a future using clean, renewable power. By 2017, our goal is to provide 23% of our power from cost-effective renewable sources.

Water

Local sources supply 36% of Glendale water; 64% is purchased from the Metropolitan Water District. Glendale has one water system for drinking and another for treated, recycled water. Recycled water for irrigation, street cleaning and toilets meets nearly 5% of total annual water use. This year GWP added two new customers to its Recycled Water system, bringing us closer to our goal of 8%.

Storing our supplies

- 30 water storage tanks and reservoirs
- 185 million gallon capacity



Greening Glendale



Environmentally sound practices are not just a passing fad. They need to become a permanent, widespread practice. GWP has several programs to help:

GWP is working with the city and builders to consider environmental impacts during the planning for construction, renovation, operation, and maintenance of buildings. This Green Building Program offers training opportunities, design review, and technical support to help create energy-smart buildings from the ground up.

GWP has been teaching teachers through The Solar Schoolhouse program that brings engaging, hands-on solar electric lessons into Glendale classrooms. Each participating teacher receives a \$1,500 coupon to purchase solar school lab materials. To further bring the lesson home, GWP will fund installation of solar systems at two Glendale schools.

Conservation

A direct way to increase water supply is to decrease usage. Conservation is even more critical during times of drought. On July 1, 2007, GWP launched Phase One of our City's water conservation plan, asking each customer to voluntarily reduce consumption by 10%. To raise customer awareness, GWP launched its first campaign: "Glendale, It's Time to Save Water."

Conservation is a way of life. GWP always reminds customers to conserve by providing them with energy efficiency and water conservation tips to help them reduce their consumption and keep their bills down.

How low can we go?

Conservation efforts are beginning to pay off as customers follow easy, every-day tips from GWP:

- Water use has declined 8.2%
- Electric efficiency improvements saved 13,547,000 kWh this year, enough to power 2,000 homes for a year

Benefits to the Public: save a little... help a lot

Using Public Benefit Funds, GWP offers a variety of programs to make energy and water conservation easier. These programs are funded through a state-mandated charge on electric bills. The various programs provide energy assistance to low-income households, offer direct installations to residential and small business customers, and encourage wise energy use.

Since 1998, GWP has seen exceptional results with its Public Benefit Programs. The California Municipal Utilities Association has honored GWP for its programs four consecutive years. This year through 22 Public Benefit Programs, GWP distributed \$4,696,947 to help customers reduce bills, and conserve water and energy. Benefits included:

- Provided bill payment assistance to over 7,000 low-income customers
- Exchanging 511 old and inefficient refrigerators
- Provided incentives to replace 235 tons of energy inefficient residential air conditioning units, saving 125,000kWh a year reducing peak energy use by 99kW
- Provided 1,443 smart home surveys of energy and water use
- Paid rebates for 4,676 energy-efficient appliances and home improvements

Bright ideas

Fluorescent light bulbs use one-fifth the energy of incandescent light bulbs. Replacing one light bulb reduces over 100 pounds of CO₂ emissions. GWP delivered over 73,000 free compact fluorescent light bulbs to customers.

Through its Tree Power Program, GWP has planted 1,486 shade trees in four years. Each tree cleans 330 lbs of carbon dioxide from the air - the same amount released by a typical car driving 500 miles.



Service

Customer Service

Customers have questions, and we've got answers more quickly and more efficiently than ever before. Our new North Star customer information system improves how we manage information. We've gone green as well, joining with other city departments to store documents electronically. We've also increased customer payment options and now receive 28% of all payments electronically.

GWP serves customers better by:

- Answering 100,000 calls - 82% within 30 seconds
- Answering 100% of web inquiries within 24 hours
- Serving more than 88,000 customers in person
- Celebrating Customer Service Week with lobby displays and providing customers with information on conservation



Support Services

The GWP fleet, warehouse, and facilities are maintained by Support Services. Its leadership has joined customers in answering the call for conservation, using alternative fuels to power the fleet, and aggressively recycling to reduce waste. We haven't turned old filters and batteries into gold, but we have helped reduce GWP's carbon footprint.

More Power to our Fleet of

255 vehicles:

- 11 gasoline/electric hybrids
- 13 retrofitted with filters to reduce emissions 95%
- 90 vehicles use emission reduction technology
- 12 electric or propane powered
- 64 vehicles using biodiesel

