McGladrey

Independent Auditor's Report

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

We have audited the accompanying statements of net assets of the Electric Enterprise Fund of the City of Glendale, California (the City), as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Electric Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012 and 2011, the changes in its financial position and, where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Enterprise Fund of the City as of June 30, 2012 and 2011, and the changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. GAAP.

U.S. GAAP requires that the Management Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Electric Enterprise Fund's financial statements. The introductory section and operating statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

Los Angeles, CA
February 28, 2013

MANAGEMENT DISCUSSION AND ANALYSIS – ELECTRIC UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Electric Enterprise Fund (Electric Utility) financial statements a narrative overview and analysis of the financial activities of the Electric Enterprise for the fiscal years ended June 30, 2012 and June 30, 2011. We encourage our readers to consider the information presented here in conjunction with the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2012, the Electric Utility's retail operating revenues increased $3,927 or 3% from the prior year level. The increase in retail revenues was attributable to a 4% increase in retail sales volume. The increase in operating revenues offset increases in production and distribution expenses which resulted in a net retail operating loss of $3,372 on revenues of $177,180 less $180,552 in expenses. The wholesale sector experienced lower net revenues of $3,153 on revenues of $18,827 less $15,674 in expenses. The total net assets decreased by $16,117 after adding net non-operating revenues of $5,209 and subtracting $21,107 in Transfers to the City.

During fiscal year 2011, the Electric Utility's retail operating revenues decreased by $16,257 or 10% from prior year level. The decrease in retail revenues was attributable to a 5% reduction in the average rates charged to customers and a 5% decrease in retail sales volume. The decrease in operating revenues along with increases in the production and depreciation expenses resulted in net retail operating revenues of $2,595 on revenues of $167,641 less $165,046 in expenses. The wholesale sector experienced higher net revenues of $5,438 on revenues of $20,160 less $14,722 in expenses. The total net assets increased by $118 after adding net non-operating revenues of $11,192 and subtracting $19,107 in Transfers to the City.

The assets of the Electric Utility exceeded its liabilities at the close of fiscal years 2012 and 2011 by $337,337 and $353,454 respectively. Of these amounts, $100,958 and $116,193 respectively was unrestricted and may be used to meet the Fund's ongoing obligations to creditors and customers. These unrestricted net assets represented 51% and 65% of annual operating expenses for fiscal years 2012 and 2011 respectively.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Electric Utility financial statements. The Electric Utility is a business-type activity of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the City of Glendale Electric Utility and provide comparative information for the last two fiscal years. Information on citywide financial results is available in the City of Glendale's Comprehensive Annual Financial Report.

The City of Glendale Electric Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide our readers additional information about the Electric Utility including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Electric Utility's financial health.

The ***Statement of Net Assets*** presents information on assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Assets*** presents information showing how the Electric Utility's net assets changed during the most recent two fiscal years. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The ***Statement of Cash Flows*** presents the flows of cash and cash equivalents during the last two fiscal years including certain restricted amounts.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 15 to 34 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Electric Utility's financial position. In the case of the Electric Utility, assets exceeded liabilities by $337,337 and $353,454 as of June 30, 2012 and 2011, respectively. A portion of the Utility's net assets (68% and 63% as of June 30, 2012 and 2011, respectively) reflects its investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets. The Electric Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities.

An additional portion of the Electric Utility's net assets (2% and 4% as of June 30, 2012 and 2011 respectively) represents resources that are subject to external restrictions on how they may be used. This line item historically included net assets restricted for debt repayment. As of fiscal year ending June 30, 2012, net assets restricted for debt repayment is included in the long-term debt portion of the financial statements.

The unrestricted portion of the Utility's net assets (30% and 33% as of June 30, 2012 and 2011 respectively) may be used to meet the Electric Utility's ongoing obligations to creditors and customers.

Net Assets – Electric Utility

The Electric Utility's net assets as of June 30, 2012, 2011, 2010 are as follows:

	2012	2011	2010
Current and noncurrent assets	$ 117,175	$ 143,333	$ 179,901
Capital assets	348,478	343,811	308,926
Total assets	465,653	487,144	488,827
Current liabilities	12,722	16,375	16,296
Long-term debt	115,594	117,315	119,195
Total liabilities	128,316	133,690	135,491
Net assets:			
Invested in capital assets, net of related debt	230,710	224,097	187,285
Restricted	5,669	13,164	10,379
Unrestricted	100,958	116,193	155,672
Total net assets	$ 337,337	$ 353,454	$ 353,336

Net assets decreased by $16,117 (or 5%) and increased by $118 (or 0%) during fiscal years 2012 and 2011, respectively. In fiscal year 2012, the decrease in net assets was primarily the result of increases in operating expenses and Transfers to the City. In fiscal year 2011, the increase in net assets was primarily the result of a Federal Smart Grid Investment Grant from the U.S. Department of Energy under the American Recovery and Reinvestment Act as well as an increase in net wholesale revenue due to a refund of wholesale marketing revenue from sales into the CAISO market in fiscal year 2001.

Changes Net Assets – Electric Utility

The Electric Utility's changes in net assets for the year ended June 30, 2012, 2011, 2010 are as follows:

	2012	2011	2010
Revenues:			
Retail sales, net	$ 154,131	$ 150,204	$ 166,461
Wholesale sales	18,827	20,160	3,500
Sale to other utilities	23,049	17,437	6,942
Interest income	811	973	2,729
Other revenues and grants	8,067	14,544	7,413
Capital contributions	830	1,677	1,351
Total revenues	205,715	204,995	188,396
Expenses:			
Production	140,440	129,809	113,560
Transmission and distribution	25,288	22,297	21,783
Customer accounting and sales	7,073	7,008	7,159
Depreciation	22,226	19,962	18,130
Gas depletion	1,199	692	285
Interest on Bonds	4,499	6,002	4,971
Total expenses	200,725	185,770	165,888
Transfers to the City's General Fund	21,107	19,107	19,107
Total expenses and transfers	221,832	204,877	184,995
Changes in net assets	(16,117)	118	3,401
Total net assets, beginning of year	353,454	353,336	349,935
Total net assets, end of year	$ 337,337	$ 353,454	$ 353,336

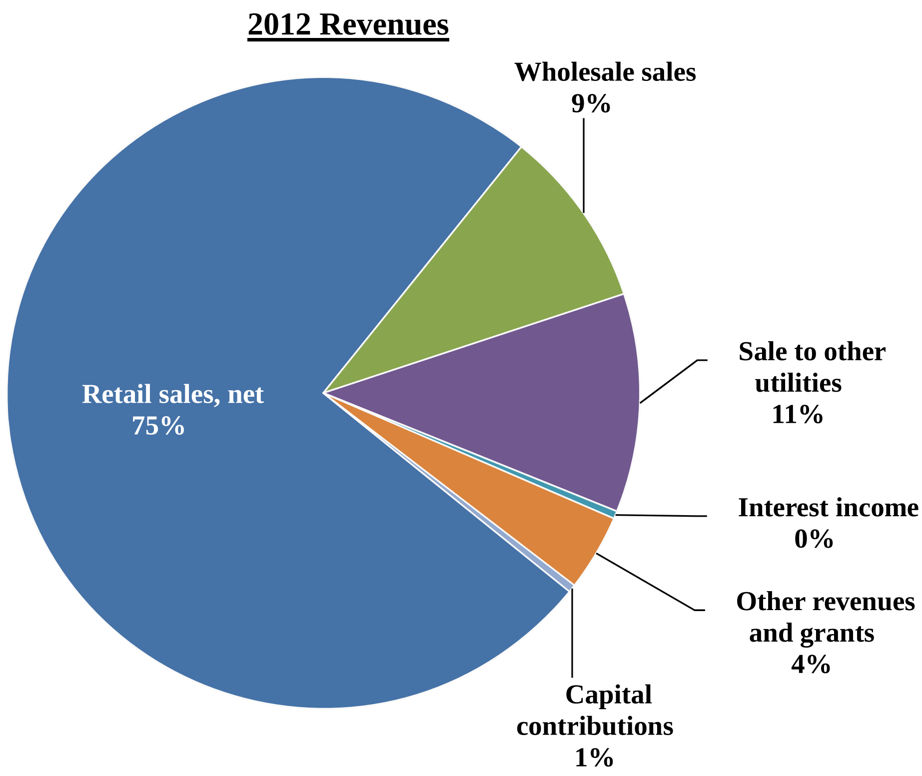
Revenue by Source – Electric Utility

Year ended June 30, 2012

Retail sales (residential, commercial, industrial and other sales) continued to be the primary revenue source for the Electric Utility, making up 75% of total revenue. Retail sales showed an increase of 3% from the prior year reflecting a 4% increase in retail sales volume. Sales to other utilities accounts for the receipts from disposing of excess retail energy supply. This account was established to differentiate such sales from the wholesale operation. Sales to other utilities increased 32% from the prior year largely due to an increase in receipts from the disposal of excess energy. The Electric Utility's participation in wholesale transactions was on par with the prior year despite a 7% decrease in wholesale sales. The decrease was fully attributable to a non-recurring prior year refund of $4,979 for wholesale marketing revenue from sales into the CAISO market in fiscal year 2001.

Interest income decreased 17% from the prior year. The decrease was attributed to a combination of lower cash reserves and lower yields for the Electric Utility's investment portfolio.

Capital contributions decreased 51% from the prior year. The decrease reflects a decreased level of construction projects funded primarily by retail customers.



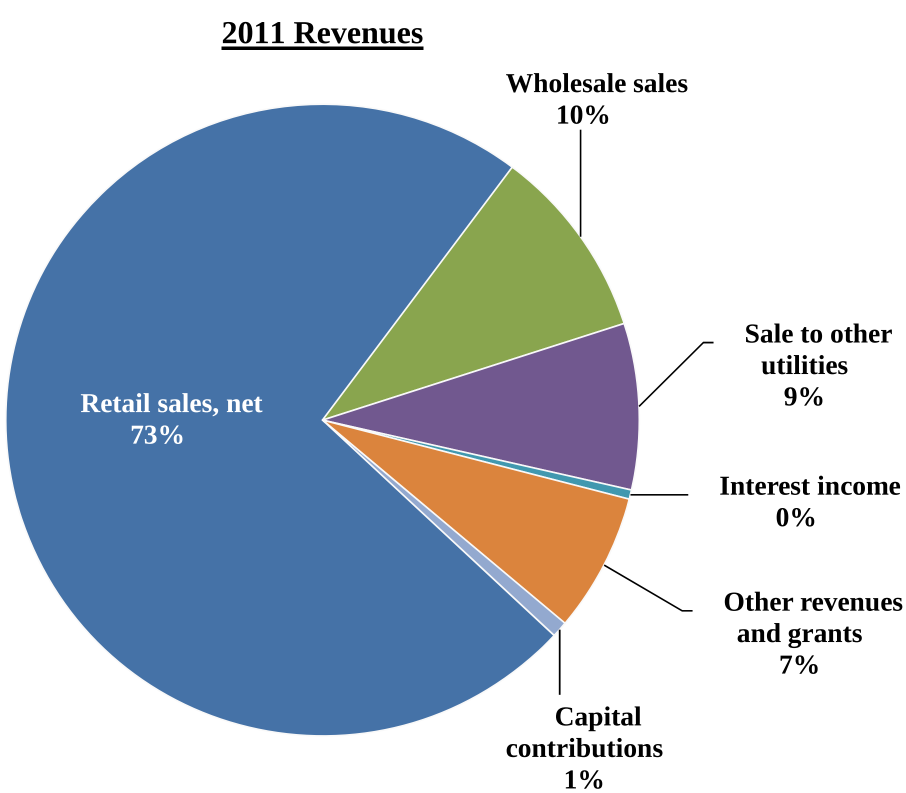
Revenue by Source – Electric Utility

Year ended June 30, 2011

Retail sales (residential, commercial, industrial and other sales) continued to be the primary revenue source for the Electric Utility, making up 73% of total revenue. Retail sales showed a decrease of 10% from the prior year reflecting an average 5% rate decrease from the prior year and a 5% decrease in retail sales volume. Sales to other utilities accounts for the receipts from disposing of excess retail energy supply. This account was established to differentiate such sales from the wholesale operation. Sales to other utilities increased 151% largely due to an increase in receipts from the disposal of excess energy. Wholesale sales increased 476% from the prior year. The increase was primarily the result of the Electric Utility's increased participation in wholesale transactions due to favorable market conditions that meet the City's risk criteria as well as a refund of $4,979 for wholesale marketing revenue from sales into the CAISO market in the fiscal year 2001.

Interest income decreased 64% from the prior year. The decrease was attributed to a combination of lower cash reserves and lower yields for the Electric Utility's investment portfolio.

Capital contributions increased 24% from the prior year. The increase reflects an increased level of construction projects funded by others, primarily retail customers.



Expenses by Source – Electric Utility

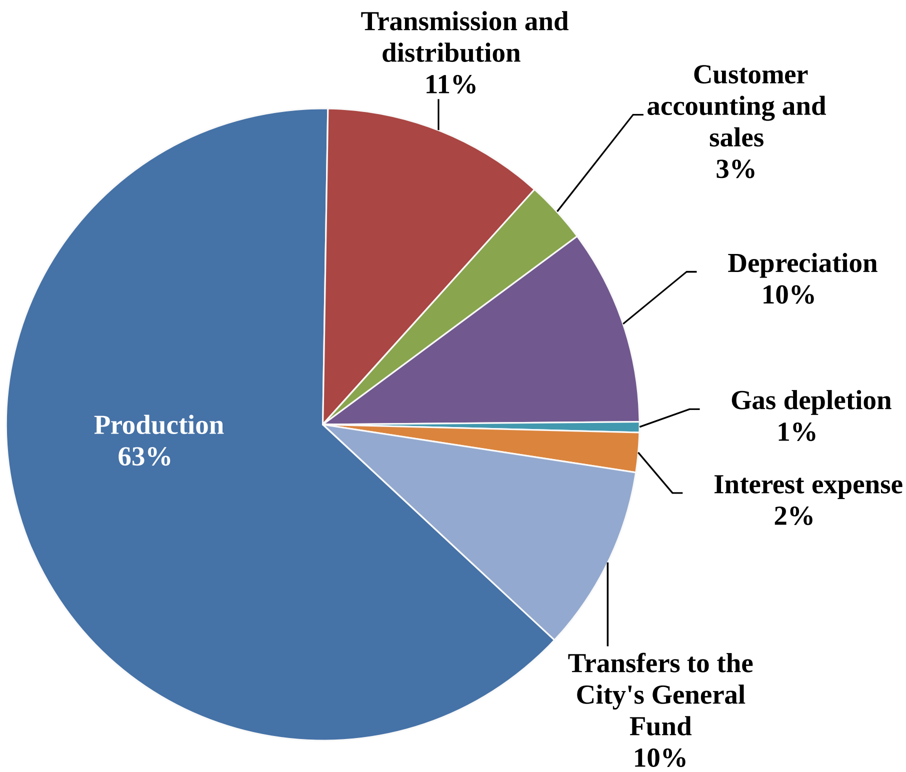
Year ended June 30, 2012

Total expenses for the Electric Utility increased $14,955 (or 8%) from the prior year level. Production expenses increased 8% from prior year. This increase was primarily attributable to an increase in the average cost of energy and an increase in the volume of purchased natural gas offsetting a reduction in the average cost of natural gas. Transmission and distribution expenses increased 13% from the prior year as a result of non-recurring implementation costs of the Advanced Metering Infrastructure (AMI) as well as the retirement of old meters. Customer accounting and sales expenses were on par with the prior year level. Depreciation expenses increased 11% primarily from increased investments in capital assets. The depletion of gas increased 73% due to an increase in drilling. The Gas Depletion account was established to record the usage of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds decreased 25% from the prior year due to interest being capitalized to capital projects paid for with the Electric Revenue Bonds, Series 2008.

The City Charter provides at the end of each Fiscal Year, 25% of the operating revenues of the Department for such Fiscal Year, excluding receipts from water or power supplied to other cities or utilities at wholesale rates, shall be transferred from the Public Services Surplus Fund to the City's general reserve fund of the general fund; provided, however, that the City Council, on an annual basis, may reduce or eliminate the amount to be transferred if the City Council determines that such reduction or elimination is necessary to assure the sound financial position of the Department. Transfers to the City's General Fund increased 11% from the prior year.

2012 Expenses



Expenses by Source – Electric Utility

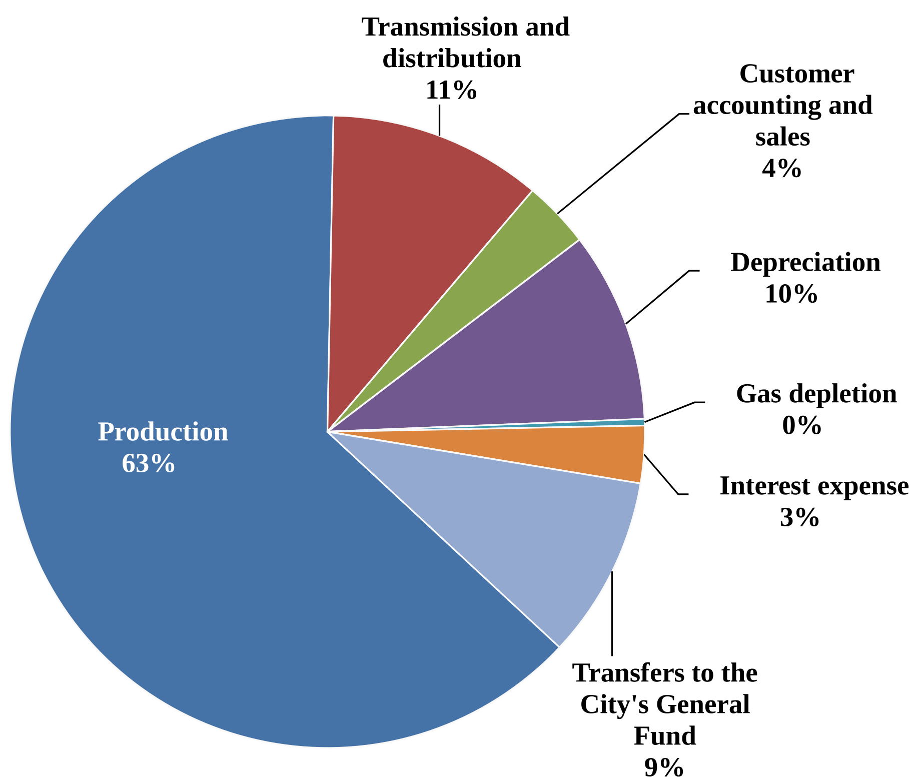
Year ended June 30, 2011

Total expenses for the Electric Utility increased $19,882 (or 12%) from the prior year level. Production expenses increased 14% from prior year levels as a result of an increase in wholesale activity. Transmission and distribution expenses as well as customer accounting and sales expenses were on par with the prior year level. Depreciation expenses increased 10% primarily from increased investments in capital assets. The depletion of gas increased 143% due to an increase in drilling. The Gas Depletion account was established to record the usage of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds increased 21% from the prior year due to interest no longer being capitalized to capital projects paid for with the Electric Revenue Bonds, Series 2008.

Transfers to the City's General Fund are based on a fixed amount that is unchanged from the prior year level.

2011 Expenses



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in capital assets as of June 30, 2012 and 2011 was $348,478 and $343,811 respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as in general items such as office equipment, furniture, etc. Capital assets showed a 1% and 11% increase as of June 30, 2012 and 2011, respectively, over the prior years as the department completed and capitalized the construction of generation, transmission and distribution projects that had previously been accounted for as construction in progress.

The Electric Utility's capital assets as of June 30, 2012, 2011, 2010 are as follows:

	2012	2011	2010
Production	$ 118,188	$ 115,564	$ 112,016
Transmission and distribution	426,227	415,580	373,921
Natural Gas Reserve	21,824	17,993	15,633
General	63,916	60,161	57,595
Less: accumulated depreciation	(281,677)	(265,487)	(250,239)
Total	$ 348,478	$ 343,811	$ 308,926

Long-Term Debt

As of June 30, 2012 and 2011, the Electric Utility had outstanding long-term debt of $115,594 and $117,315 respectively.

The Electric Utility's outstanding debt as of June 30, 2012, 2011, 2010 is as follows:

	2012	2011	2010
Electric Revenue Bonds	$ 117,280	$ 119,245	$ 121,150
Less: current portion	(2,046)	(2,304)	(2,345)
Unamortized bond premium	1,783	1,940	2,082
Unamortized accrued interest	-	-	-
Deferred amount on refunding	(1,423)	(1,566)	(1,712)
Abitrage rebate	-	-	20
Total long-term debt	$ 115,594	$ 117,315	$ 119,195

During fiscal year 2012, the Electric Utility maintained an "AA-" credit rating from Standard & Poor's, "A+" credit rating from Fitch, Inc., and "Aa3" credit rating from Moody's Investors Service for its revenue bonds. Additional information on the Electric Utility's long-term debt can be found in Note 4 on pages 24 to 27 of this report.

Economic Factors and Rates

In 2012, the City continued its effort to minimize exposure to market spikes in power and natural gas by contracting for advisory services related to risk management of the utility's exposure to natural gas prices and energy portfolio management. As a result, the Electric Utility has continued to define and expand its comprehensive energy risk management program in an effort to stabilize rates amid significant market volatility.

The Electric Utility advanced its commitment to environmental improvement by soliciting long-term renewable resources through SCPPA, and by evaluating opportunities for short-term and local renewable energy resources, as well as energy storage.

In late 2011, the City Council adopted a Renewable Portfolio Standard (RPS) Enforcement Plan that puts GWP on track to meet state mandates through 2020. The Enforcement Plan will be followed by a Procurement Plan, which will initially aim at compliance through 2013 but will be modified over time depending on market conditions. The current RPS target is 20 percent renewable resources through 2015, 25 percent in 2016 through 2019, and 33 percent in 2020. GWP boasts a diversified energy portfolio, which currently includes about 20 percent renewables (excluding large hydroelectric power from Hoover Dam) and is well situated to meet near-term state mandates for renewable energy. In addition to investigating long-term remote renewable resources, GWP is considering alternatives plans for the Scholl Canyon landfill gas available within the City of Glendale.

Requests for Information

This financial report is designed to provide a general overview of the Electric Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.

CITY OF GLENDALE
ELECTRIC FUND
Statements of Net Assets
June 30, 2012 and 2011 (in thousands)

	2012	2011
Assets		
Current assets:		
Pooled cash and invested cash	$ 28,013	$ 39,024
Impress cash	3	3
Cash with fiscal agent	4,705	4,704
Interest receivable	250	380
Restricted Investment	2,908	3,675
Accounts receivable, net	10,053	17,343
Unbilled receivable	13,217	11,874
Due from other agencies	475	2,038
Due from other funds of the City	1,331	12,174
Inventories	5,850	5,583
Prepaid items and other	5,670	5,976
Total current assets	72,475	102,774
Noncurrent assets:		
Pooled designated & invested cash	36,326	27,176
Deferred charges	8,374	13,383
Total noncurrent assets	44,700	40,559
Capital assets:		
Land	6,239	6,141
Natural Gas Reserve	21,824	17,993
Buildings and improvements	62,937	61,145
Machinery and equipment	519,594	446,297
Building & improvements accumulated depreciation	(277,649)	(262,658)
Gas depletion	(4,028)	(2,829)
Construction in progress	19,561	77,722
Total capital assets	348,478	343,811
Total assets	465,653	487,144

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Net Assets (Continued)
June 30, 2012 and 2011 (in thousands)

	2012	2011
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	3,725	6,011
Contracts-retained amount due	1,740	2,792
Interest payable	2,848	2,848
Bonds payable, due in one year	2,046	2,304
Deposits	2,363	2,420
Total current liabilities	12,722	16,375
Noncurrent liabilities:		
Long term debt	115,594	117,315
Total noncurrent liabilities	115,594	117,315
Total liabilities	128,316	133,690
Net assets:		
Investment in capital assets, net of related debt	230,710	224,097
Restricted		
Debt service	-	7,453
SCAQMD emission controls	5,669	5,711
Unrestricted	100,958	116,193
Total net assets	$ 337,337	$ 353,454

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011 (in thousands)

	2012	**2011**
Operating revenues:		
Electric domestic sales	$ 54,932	$ 53,558
Electric commercial sale	99,195	96,642
Electric street light sales	4	4
Wholesale sales	18,827	20,160
Sale to other utilities	23,049	17,437
Miscellaneous revenues	3,455	3,352
Total operating revenues	199,462	191,153
Operating expenses:		
Production	140,440	129,809
Transmission	25,288	22,297
Customer accounting and sales	7,073	7,008
Depreciation	22,226	19,962
Gas depletion	1,199	692
Total operating expenses	196,226	179,768
Operating income	3,236	11,385
Non operating revenues (expenses):		
Interest revenue	811	973
Sales of property	584	161
Grant revenue	4,028	11,031
Interest on Bonds	(4,499)	(6,002)
Total non operating revenues, net	924	6,163
Income before transfers	4,160	17,548
Contribution in aid	830	1,677
Transfer out:		
Transfer-General Fund	(21,107)	(19,107)
Change in net assets	(16,117)	118
Total net assets, July 1	353,454	353,336
Total net assets, June 30	$ 337,337	$ 353,454

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Cash Flows
Years ended June 30, 2012 and 2011 (in thousands)

	2012	2011
Cash flows from operating activities:		
Cash from customers	$ 206,972	$ 188,280
Cash paid to employees	(42,543)	(41,000)
Cash paid to suppliers	(128,605)	(112,836)
Net cash provided by operating activities	35,824	34,444
Cash flows from noncapital financing activities:		
Amounts paid to other funds	10,843	(10,842)
Operating transfers out	(21,107)	(19,107)
Investment - gas/electric commodity	767	(1,267)
Operating grant received	4,028	11,031
Net cash used in noncapital financing activities	(5,469)	(20,185)
Cash flows from capital and related financing activities:		
Interest on long term debt	(4,513)	(5,574)
Bond principal and capital lease payments	(1,965)	(1,926)
Contribution in aid	830	1,677
Acquisition of property, plant, and equipment	(28,092)	(55,540)
Net cash used in capital and related financing activities	(33,740)	(61,363)
Cash provided by investing activities - interest received	1,525	1,316
Net (decrease) in cash and cash equivalents	(1,860)	(45,788)
Cash and cash equivalents at beginning of year	70,907	116,695
Cash and cash equivalents at end of year	69,047	70,907
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	3,236	11,385
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,226	19,962
Gas depletion	1,199	692
(Increase)Decrease Accounts receivable net	5,947	(16,958)
Decrease Unbilled Services	-	13,733
Decrease Due from other agencies	1,563	353
(Increase)Decrease Inventories	(267)	655
Decrease prepaid expenses	306	15,558
(Increase)Decrease Deferred charges	5,009	(10,634)
(Decrease) Accounts payable	(2,286)	(2,104)
Increase(Decrease) Contracts - retention	(1,052)	1,945
(Decrease) Deposits	(57)	(143)
Total adjustments	32,588	23,059
Net cash provided by operating activities	$ 35,824	$ 34,444
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	189	236

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Electric Enterprise Fund. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The basic accounting and reporting entity of the City is a “fund.” A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and net assets that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City’s Electric Enterprise Fund (the Fund) is used to account for the construction, operation and maintenance of the City-owned electric utility. The Fund is considered to be an enterprise fund, proprietary fund type, and uses flow of economic resources measurement focus to determine net income and financial position, as defined under accounting principles generally accepted in the United States of America. Accordingly, the accrual basis of accounting is followed by the Fund, where revenues are recorded when earned and expenses are recorded when incurred. In accordance with Government Accounting Standards Board (GASB) statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the Fund has elected to apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The Fund is included in the City’s Comprehensive Annual Financial Report (CAFR), and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flow thereof of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pooled Cash and Invested Cash

The Fund pools its cash with the City. The City values its cash and investments in accordance with the provisions of Government Accounting Standard Board (GASB) Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investments Pools* (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and that follow the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs. Funds must request large outlays in advance in order that the City Treasurer will have the funding available.

Interest income from the investment of pooled cash is allocated to all funds, except Capital Improvement Funds on a monthly basis based upon the prior month end cash balance of the fund as a percent of the month end total pooled cash balance. The City normally holds the investment to term; therefore no realized gain/loss is recorded.

All cash and investments are held in the City's cash management pool. Therefore, for purposes of the statement of cash flows for the Fund, the Fund considers all cash, investments, imprest cash and cash with fiscal agents to be cash and cash equivalents.

Restricted investments represent the City's implementation of a program to purchase and sell options (calls and puts) in natural gas futures contracts at strike prices. These transactions allow the City to stabilize the ultimate purchase price of natural gas for the City's power plant. They, and other transactions, also give the City the ability to manage its overall exposure to fluctuations in the purchase price of natural gas. The options are carried at fair market value.

Pooled Designated Cash and Investments

A Cash Reserve Policy for the Electric Fund was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for the fiscal year ending June 30, 2012, established a target of $66,400 of designated cash in the following categories: $40,400 for contingency reserve; $10,000 for rate stabilization reserve; and $16,000 for Reserve for Gas Reserve Project. As of June 30, 2012 and 2011, $36,326 and $27,176 was designated, respectively.

Capital Assets

The Fund's capital assets include land, building, improvements and equipments that are reported in the Fund's financial statements. The Fund follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of $5 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the City by independent contractors, are recorded at estimated fair market value at the date of donation. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. Interest incurred during the construction phase of the capital assets is included as part of the capitalized value of the assets constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. For fiscal year ended June 30, 2012, the total interest capitalized is $976.

A summary of the useful lives of the capital assets of the Fund is as follows:

Assets	Years
Building and Improvements	10-50
General Structure & Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	6-10
Passenger Cars, Pickup	6
Cargo Vans	7
Dump/Tractor/Trailer Trucks	10

Inventories

Inventories, consisting primarily of construction and maintenance materials and tools for the production and distribution system of the Electric utility are stated at cost, using the weighted average cost method or disposal value.

Long-Term Debt

The long-term debt and other obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt.

Compensated Absences

The Fund records and funds a liability for its employees' earned but unused accumulated vacation and overtime.

The Fund also provides sick leave conversion benefits through the Retiree Health Saving Plan (RHSP). Unused sick leave is converted to a dollar amount and deposited in the employee's RHSP account at retirement. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying the healthcare premiums from personal funds. The Fund records an expense as the benefit is earned and probable of being paid out.

For additional details on the Compensated Absences, please refer to the City of Glendale Comprehensive Annual Report.

Post-Employment Benefits

The Fund participates in the City's Retiree Healthcare Plan which is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established by and may be amended by the City. The City does not have a separate audited GAAP-basis postemployment benefit plan report for this defined benefit plan. No separate obligations are calculated for the Fund, and no obligation is presented herein. The City's contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due. Based on the most recent actuarial valuation, the City contributed $2,545 in benefit payments for fiscal year 2011-12 and a percentage of this expense is allocated to the Fund based on payroll.

For additional details on the Post-Employment Benefit, please refer to the City of Glendale Comprehensive Annual Report.

Accounts Receivable

The Fund records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities & government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is based on a review of the customer's account and the customer's ability to pay obligations. As of June 30, 2012 and 2011, the Fund's allowance for doubtful accounts were $209 and $245, respectively.

Unbilled Receivable

The Fund records revenues for utility services delivered to customers but not billed. As of June 30, 2012 and 2011, the Fund's unbilled receivable was $13,217 and $11,874, respectively.

Due to/from Other Funds

These accounts are used when a fund has a temporary cash overdraft. It is also used to record receivables for advances made to other funds of the City. As of June 30, 2012 and 2011, the Fund's due from other funds were $1,331 and $12,174, respectively.

Deposits

The Fund requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Fund to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Fund.

Contracts - Retained Amount Due

The Fund withholds 10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor.

Transfers to the City

The City's charter provides for certain percentages of operating revenues in the Electric Fund to be transferred to the City's General Fund and have been reflected in the financial statements as transfers out.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fund first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Revenue Recognition

Revenues are recognized for services and energy provided to customers, and customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

The Electric Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric Utility's budget in June each year via a resolution.

Pronouncements Issued but Not yet Adopted

GASB issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Fund:

- Governmental Accounting Standards Board Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements.*

- Governmental Accounting Standards Board Statement No. 61 – *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34.*

- Governmental Accounting Standards Board Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

- Governmental Accounting Standards Board Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

- Governmental Accounting Standards Board Statement No. 65 – *Items Previously Reported as Assets and Liabilities.*

- Governmental Accounting Standards Board Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*
- Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*

Reclassifications

Certain reclassifications have been made to the 2011 financial information in order to conform to the 2012 presentation. These reclassifications had no impact on net income or the Fund's net assets.

2. Pooled Cash and Investments

Cash resources of the Fund are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Fund on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Of this total, $71,955 and $74,582 pertains to the Fund for fiscal year 2012 and 2011, respectively. Invested cash is stated at the fair value.

Cash and investments pooled and unpooled at fiscal year end consist of the following:

	2012	2011
Pooled cash and invested cash	$ 28,016	$ 39,027
Cash with fiscal agents	4,705	4,704
Restricted investment	2,908	3,675
Pooled designated cash and invested cash	36,326	27,176
Total	$ 71,955	$ 74,582

For additional details on the City investment pool including disclosure relating to Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Investment in State Investment Pool, please refer to the City of Glendale Comprehensive Annual Report

Cash with Fiscal Agent

The Fund has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances are generally more restrictive than the City's general investment policy.

As of June 30, 2012, the Fund had $4,705 on deposit with fiscal agent as required by the bond documents; the Fund had the following underlying investments:

Investments	Fair Value	Maturity	Rating as of Year End
Guaranteed Investment Contracts	2,398	More than 5 yr	Aa2
Treasury Notes	2,241	Less than 1 yr	AAA
Money Market	66	Less than 1 yr	AAA
	4,705		

As of June 30, 2011, the Fund had $4,704 on deposit with fiscal agent as required by the bond documents; the Fund had the following underlying investments:

Investments	Fair Value	Maturity	Rating as of Year End
Guaranteed Investment Contracts	2,398	More than 5 yr	Aa2
Money Market	2,306	Less than 1 yr	AAA
	4,704		

3. Capital Assets

Natural Gas Project

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005 with the total cost to the participants at $306.1 million. The City's share in the project is $13.1 million or 4.2553%, with estimated peak daily volume between 1,600 to 1,800 MMBtu. As of June 30, 2012, the net balance for Natural Gas Reserve Project was $17,796.

A summary of the changes in Electric Fund 2011 - 2012 Capital Assets is as follows:

	Balance at June 30, 2011	Increases	Decreases	Reclass	Balance at June 30, 2012
Capital assets not being depreciated/depleted:					
Land	$ 6,141	-	-	98	6,239
Construction in progress	77,722	4,523	(725)	(61,959)	19,561
Total assets not being depreciated/depleted	83,863	4,523	(725)	(61,861)	25,800
Depreciable capital assets:					
Building and improvements	61,145	2,937	-	(1,145)	62,937
Machinery and equipment	446,297	19,799	(9,508)	63,006	519,594
Total other capital assets at cost	507,442	22,736	(9,508)	61,861	582,531
Depletable capital assets:					
Natural Gas Reserve	17,993	3,831	-	-	21,824
Less accumulated depreciation:					
Building and improvements	31,832	1,744	-	-	33,576
Machinery and equipment	230,826	20,484	(7,237)	-	244,073
Total accumulated depreciation	262,658	22,228	(7,237)	-	277,649
Less allowance for gas depletion					
Natural Gas Reserve	2,829	1,199	-	-	4,028
Total assets being depreciated	259,948	3,140	(2,271)	61,861	322,678
Electric Fund capital assets, net	$ 343,811	7,663	(2,996)	-	348,478

A summary of the changes in Electric Fund 2010 - 2011 Capital Assets is as follows:

	Balance at June 30, 2010	Increases	Decreases (Reclass & Retirements)	Balance at June 30, 2011
Capital assets not being depreciated/depleted:				
Land	$ 6,141	-	-	6,141
Construction in progress	50,096	27,626		77,722
Total assets not being depreciated/depleted	56,237	27,626	-	83,863
Depreciable capital assets:				
Building and improvements	58,875	2,270	-	61,145
Machinery and equipment	428,420	23,172	5,295	446,297
Total other capital assets at cost	487,295	25,442	5,295	507,442
Depletable capital assets:				
Natural Gas Reserve	15,633	2,360	-	17,993
Less accumulated depreciation:				
Building and improvements	46,056	1,640	15,864	31,832
Machinery and equipment	202,046	18,322	(10,458)	230,826
Total accumulated depreciation	248,102	19,962	5,406	262,658
Less allowance for gas depletion				
Natural Gas Reserve	2,137	692	-	2,829
Total assets being depreciated	252,689	7,148	(111)	259,948
Electric Fund capital assets, net	$ 308,926	34,774	(111)	343,811

4. Long-Term Debt

The Electric Utility's long-term debt as of June 30, 2012 and 2011 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2012	Outstanding June 30, 2011
Electric Revenue Bonds, 2003 Series	3.25%-6.00%	$31,640	$24,485	$25,280
Electric Revenue Bonds, 2006 Refunding Series	4.00%-5.00%	$38,830	$32,795	$33,965
Electric Revenue Bonds, 2008 Series	4.00%-5.00%	$60,000	$60,000	$60,000

Electric Revenue Bonds, 2003 Series

The Electric utility of Glendale Water & Power issued $31,640 in revenue bonds in February 2003 to finance the costs of acquisition, construction and installation of a nominally rated 49 megawatts gas-fired simple cycle combustion turbine for the Electric System of the City.

The terms of the 2003 Electric Revenue Bonds' (2003 Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $1,070.

The bonds mature in regularly increasing amounts ranging from $795 to $1,865 annually from 2013 to 2032. The 2003 Bonds maturing on or prior to February 1, 2013 are not subject to redemption prior to maturity. The 2003 bonds maturing on and after February 1, 2014 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2013, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2003 Bonds to be redeemed, together with accrued interest to the redemption date.

Electric Revenue Bonds, 2006 Refunding Series

The Electric utility of Glendale Water & Power issued $38,830 in revenue bonds in April 2006 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2000 Series. The bond proceeds were deposited in an escrow account and will be used to refund the Electric Revenue Bonds, 2000 Series through a legal defeasance. The advance refunding of Electric Revenue Bonds, 2000 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. Deferred loss on refunding as of June 30, 2012 for $1,423 is recognized and reported in the financial statements as a contra account to bonds payable and is being amortized through February 1, 2030. As of June 30, 2009, $37,000 of the 2000 series bonds outstanding are considered defeased. Liabilities for defeased bonds are not included in the City's financial statements.

The terms of the Electric Revenue Bonds, 2006 Refunding Series' (2006 Refunding Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $1,327.

The bonds mature in regularly increasing amounts ranging from $1,225 to $2,570 annually from 2013 to 2030. The 2006 Refunding Bonds maturing on or prior to February 1, 2016 are not subject to redemption prior to maturity. The 2006 Refunding Bonds maturing on and after February 1, 2017 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2016, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2006 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

Electric Revenue Bonds, 2008 Series

The Electric utility of Glendale Water & Power issued $60,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The terms of the 2008 Electric Revenue Bonds' (2008 Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $2,241.

The bonds mature in regularly increasing amounts ranging from $1,880 to $4,195 annually from 2018 to 2038. The 2008 Bonds maturing on or prior to February 1, 2018 are not subject to redemption prior to maturity. The 2008 bonds maturing on and after February 1, 2019 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2018, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2008 Bonds to be redeemed, together with accrued interest to the redemption date.

June 30, 2012	Amount outstanding at June 30, 2011		Additions	Retirements	Amount outstanding at June 30, 2012	Due within one year
Electric Revenue Bonds, 2003 Series	$	25,280	-	795	24,485	795
Electric Revenue Bonds, 2006 Refunding Series		33,965	-	1,170	32,795	1,225
Electric Revenue Bonds, 2008 Series		60,000	-	-	60,000	-
Bond Premium		1,940	-	157	1,783	162
Deferred Amount on Refunding		(1,566)	-	(143)	(1,423)	(136)
Total bonds payable	$	119,619	-	1,979	117,640	2,046

June 30, 2011	Amount outstanding at June 30, 2010		Additions	Retirements	Amount outstanding at June 30, 2011	Due within one year
Electric Revenue Bonds, 2003 Series	$	26,075	-	795	25,280	795
Electric Revenue Bonds, 2006 Refunding Series		35,075	-	1,110	33,965	1,170
Electric Revenue Bonds, 2008 Series		60,000	-	-	60,000	-
Accrued interest		-	-	-	-	-
Bond Premium		2,082	-	142	1,940	480
Deferred Amount on Refunding		(1,712)	-	(146)	(1,566)	(141)
Arbitrage rebate		20	-	20	-	-
Total bonds payable	$	121,540	-	1,921	119,619	2,304

The annual debt service requirements to amortize long-term bonded debt at June 30, 2012 are as follows:

	Revenue Bonds			
Fiscal year		Interest	Principal	Total
2013	$	5,398	2,020	7,418
2014		5,305	2,095	7,400
2015		5,208	2,190	7,398
2016		5,112	2,290	7,402
2017		5,018	2,380	7,398
2018-2022		22,551	23,650	46,201
2023-2027		16,918	29,125	46,043
2028-2032		9,520	30,840	40,360
2033-2037		3,687	18,495	22,182
2038-2038		210	4,195	4,405
	$	78,927	117,280	196,207

Rate Covenants

The City has covenanted in the Indenture of Trust that Net Income of the Electric System for each fiscal year will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Bonds and Parity Obligations for such fiscal year. The Fund is in compliance with this requirement.

5. Pension Plan

Full-time employees of the Fund participate with other City employees in the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Fund's contributions represent a pro rata share of the City's contribution, including the employees' contribution that is paid by the Fund, which is based on PERS's actuarial determination as of July 1 of the current fiscal year.

PERS does not provide data to participating organizations in such a manner so as to facilitate separate disclosure for the Fund's share of the actuarial computed pension benefit obligation, the plan's net assets available for benefit obligation and the plan's net assets available for benefits. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Annual Pension Cost

Glendale *Water & Power* annual pension costs are as follows:

Fiscal year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010:	$ 3,588	100%	$0
6/30/2011:	$ 3,418	100%	$0
6/30/2012:	$ 5,023	100%	$0

For additional details on the pension benefits, please refer to the City of Glendale Comprehensive Annual Report.

6. Self-Insurance Program

The Fund is covered by the City's unemployment and workers' compensation insurance. For purposes of general liability, the Fund is self-insured through the City's self-insurance program which is accounted for in the Internal Service Fund of the City. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2012-13 is as follows:

Insurance Type	Program Limits	Deductible /SIR (self insured retention)
Excess Liability Insurance	$20,000	$2,000 SIR per occurrence
D & O Employment Practices	$2,000	$250 SIR non-safety; $500 SIR safety
Excess Workers' Comp Employer's Liability Insurance	Statutory	$2,000 SIR per occurrence
Property Insurance	$250,000	Various deductibles up to $250
Employee Dishonesty – Crime Policy	$1,000	$10

The Fund is charged a premium and the Internal Service Funds recognized the corresponding revenue. Claims expenses are recorded in the Internal Service Funds. The City retains the liability risks and claims payable liability has been established in the Internal Service Funds based on estimates of incurred but not reported and litigated claims. Premiums are evaluated periodically and increases are charged to the Fund to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2012 and 2011, premium charged by the Internal Service Funds for Glendale *Water & Power* were $1,733 and $1,641, respectively.

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

7. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets are reported as unrestricted when there are no limitations imposed on their use.

Excess capital surcharge revenue designated to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal years 2012 and 2011 was $5,669 and $5,711, respectively.

8. “Take or Pay” Contracts

The City has entered into twelve “Take or Pay” contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the City’s share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric generating capacity and transmission of energy for City residents. Through these contracts, the City purchased approximately 54% of its total energy requirements during fiscal year 2011-2012. This energy will displace some of the energy that was to have been supplied by the local generating plant. The City is obligated to pay the amortized cost of indebtedness regardless of the ability of the contracting agency to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain “step-up” provisions obligating the City to pay a share of the obligations of any defaulting participant.

The Intermountain Power Project, a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah. The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts.

The City through contract is obligated for 30 megawatts or 1.704% of the generation. In addition, the City entered into an “Excess Power Sales Agreement” with the ICPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the City to an additional share of 8 megawatts or 0.501% beginning March 24, 2004. The total City’s obligation from Intermountain Power Project (IPP) is 38 megawatts.

The City joined the Southern California Public Power Authority (SCPPA) on November 1, 1980. This authority, consisting of the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District, was formed for the purpose of financing future power resources. The City has entered into eleven projects with SCPPA.

The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of three (3) units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of capacity and associated energy (approximately 5.910% of total Palo Verde output), of which the City receives 9.9 megawatts or 4.400% of SCPPA's entitlement. As of June 30, 2012, Glendale's share is 4.400% (PV).

A second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is rated at 1,920 megawatts. The City's share of the line is 2.2740% or approximately 44 megawatts. As of June 30, 2012, Glendale's share is 2.2740% (STS).

A third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3, located in New Mexico. SCPPA members are entitled to 208 megawatts. The City is obligated for 20 megawatts or 9.8047% of the SCPPA entitlement. As of June 30, 2012, Glendale's share is 9.8047% (SJ).

A fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The City is obligated for 90 megawatts or 11.0430% of the SCPPA entitlement. As of June 30, 2012, Glendale's share is 11.0430% (MA).

A fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The City's participation shares in the components range from 11.7647% to 22.7273%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the City's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical energy is readily available. As of June 30, 2012, Glendale's share is 14.8000% (MP).

A sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The City is obligated for 40 megawatts or 16.5289% of the project's output. As of June 30, 2012, Glendale's share is 16.5289% (MPP).

A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the City entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 5,000 MMBtu per day at a discounted price below spot market price. The delivery of natural gas started in July 2008. As of June 30, 2012, Glendale's share is 23.0000% (NGPP)

An eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. The 25 year purchase power agreement with SCPPA is for purchase of 10% (approximately 5 MW) of the capacity of the project. The city has a three year agreement to sell its output entitlement share to Los Angeles Water and Power (LADWP). LADWP is obligated to pay Glendale's share of the monthly costs for such output entitlement share under the power purchase agreement. As of June 30, 2012, Glendale's share is 10.0000% (LIN).

A ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacifiCorp's Tieton Substation. The City is obligated for approximately 6.8 megawatts or 50% of the project's output. As of June 30, 2012, Glendale's share is 50.0000 % (THP).

A tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The city has a three year agreement to sell its output entitlement share to Los Angeles Water and Power (LADWP). LADWP is obligated to pay Glendale's share of the monthly costs for such output entitlement share under the power purchase agreement. As of June 30, 2012, Glendale's share is 7.6300 % (WP).

The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard Counties, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved 20 year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.902% of the Project's output. The city has a three year agreement to sell its output entitlement share to Los Angeles Water and Power (LADWP). LADWP is obligated to pay Glendale's share of the monthly costs for such output entitlement share under the power purchase agreement. As of June 30, 2012, Glendale's share is 4.9020% (MIL2).

Take-or-Pay commitments expire upon final maturity of outstanding bonds for each project. Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.1059%
Palo Verde Project (PV)	2030	4.4000%
Southern Transmission System (STS)	2027	2.2740%
San Juan Project (SJ)	2030	9.8047%
Mead-Phoenix Project (MP)	2030	14.8000%
Mead-Adelanto Project (MA)	2030	11.0430%
Magnolia Power Project (MPP)	2036	17.2536%
Natural Gas Prepaid Project (NGPP)	2038	23.0000%
Linden Wind Energy Project (LIN)	2030	10.0000%
Tieton Hydropower Project (THP)	2029	50.0000%
Windy Point/Windy Flats Project (WP)	2030	7.6300%
Milford II Wind Project (MIL2)	2031	4.9020%

A summary of the City's "Take or Pay" contracts and related projects and its commitment at June 30, 2012 is as follows:

	IPP	SJ	PV	STS	MA	MP	MPP	NGPP	LIN	WP	THP	MIL2	TOTAL
2013	$ 4,843	1,810	547	1,833	2,529	1,177	4,666	4,651	1,015	3,132	1,679	630	28,512
2014	5,082	3,098	551	1,837	2,550	1,015	3,716	4,561	1,016	3,131	1,680	631	28,868
2015	4,575	1,614	554	1,844	2,457	979	3,717	4,562	1,015	3,132	1,679	630	26,758
2016	5,073	1,612	556	1,811	2,373	951	3,717	4,561	1,016	3,132	1,679	631	27,112
2017	3,889	1,611	560	1,790	2,377	953	2,895	4,588	1,015	3,132	1,680	630	25,120
2018-2022	23,791	3,172	-	9,085	7,135	2,856	14,210	25,390	5,078	15,658	8,402	3,153	117,930
2023-2027	3,015	-	-	5,049	-	-	16,337	30,165	5,078	15,658	9,196	3,153	87,651
2028-2032	-	-	-	-	-	-	16,862	35,737	5,061	9,395	8,338	2,522	77,915
2033-2037	-	-	-	-	-	-	21,844	16,681	2,897	-	8,338	-	49,760
2038-2042	-	-	-	-	-	-	-	-	-	-	6,686	-	6,686
2043-2047	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 50,268	12,917	2,768	23,249	19,421	7,931	87,964	130,896	23,191	56,370	49,357	11,980	476,312

In addition to debt service, the City's entitlement requires the payment for fuel costs, operation and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2011-12 are as follows:

Fiscal Year	IPP	SJ	PV	STS	MA	MP	MPP	NGPP	LIN	WP	THP	MIL2	Total
2012	$ 5,954	7,166	3,260	529	189	172	3,508	19	-	-	32	-	20,829

9. Power Purchase Agreements

The City first participated in Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50-year, expired on May 31, 1987. The plant was operated by Southern California Edison and Los Angeles Department of Water and Power under the supervision of the Bureau of Reclamation during the contract term.

Before the expiration of the contract, Hoover Power Plant Act of 1984 authorized the uprating of the 17 main generating units and provided long-term contingent capacity and firm energy to the participants in a renewal contract. The uprating program replaced all 17 original turbines in the Hoover Dam Power Plant began in 1986. When the program was finished in 1993, it increased the capacity of the plant from 1,344 megawatts to 2,079 megawatts.

In January 1987, the City renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30-year from 1987 to 2017. The Bureau of Reclamation also assumed control of operation and maintenance of the plant in 1987. Under this renewed contract, the City is entitled to 21 megawatts or 1.0251% of the capacity and 1.5874% of the firm energy.

The City’s electric operation is committed to purchase all available landfill gas generated by Scholl Canyon LFG Limited Partnership at a price based on various natural gas indices. The term of this commitment is for a period of twenty years from July 1994 to July 2014. The contract was bought out in January 2010 by the City of Glendale and the entire landfill gas delivery facility is currently being operated by the City.

In 1988, the City’s electric operation executed a 25-year power sale and exchange agreement with Portland General Electric Company (PGE). The sale portion calls for the City to receive 20 megawatts of capacity and associated energy over the Pacific Northwest Intertie at its discretion. In exchange, the City may call up to 30 megawatts during the summer months (June through September) and PGE may call for the same amount in winter months (November through February). Energy cannot exceed 1,800 megawatts per week.

In August 2003, the City entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. for the purchase of 9 megawatts of capacity from wind-powered resources in California. The City began taking delivery of the energy on September 1, 2003.

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

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

In November 2007, City Council approved a purchase power agreement with the SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility for a term of 18-year. The project began commercial operation in January 2009.