

Your Trusted Community Utility



Annual Report

Working Together to Serve Our Customers.

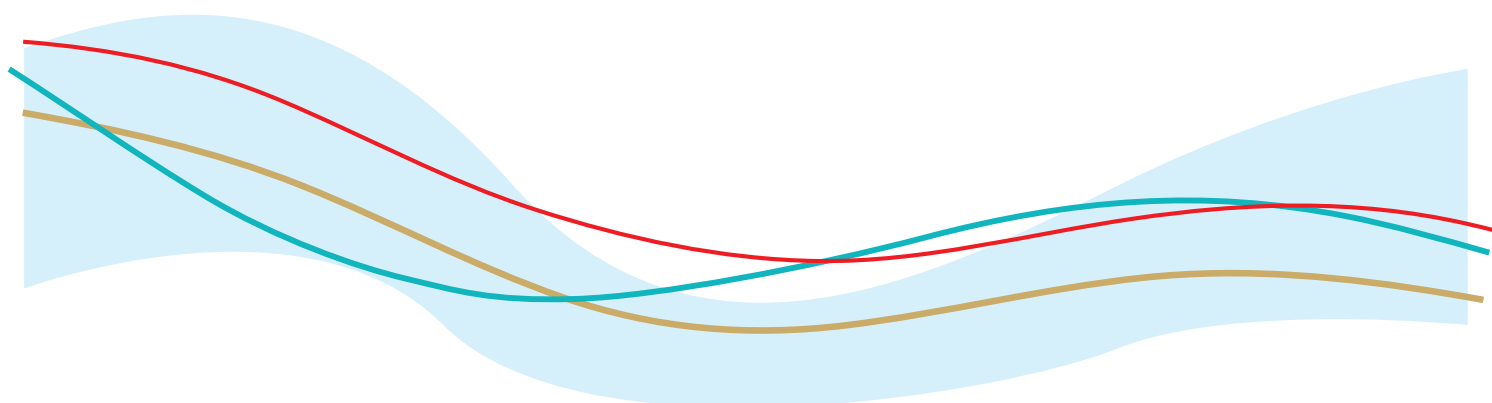
2011-2012

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Across Glendale Water & Power -- from the front desk to our customers' front yards -- we work together to offer service that is safe, reliable and efficient. We are committed to strengthening our ability to meet customer demand. At the same time, we challenge our customers and ourselves to conserve energy and water and use more energy from renewable sources. Ultimately, we will help our customers save on their bills as we work together to conserve scarce resources and protect the environment.



Glendale Water & Power has emerged from a challenging transitional period – leaner, more efficient, and better positioned for the future.

During this time we undertook an introspective and unflinching look at how to structure and organize our

operating divisions for maximum efficiency. It was not an easy process, but the men and women of this department have risen to each and every challenge.

As we undertake fiscally responsible programs that ensure the reliability of water and power services to our customers, we recognize that our employees are among our greatest resources. In the coming years we will have the right people in the right positions to do this work – and I could not be more proud of them.

GWP, a valuable asset of the City of Glendale, is at a critical juncture and we must regain a sound footing. It's important that we have sufficient revenues to keep pace with the necessary investments in our infrastructure. This is a time that calls for austerity and fiscally conservative yet prudent and forward thinking measures.

We have successfully addressed some of the issues related to our water services. We now have in place a multi-year water rate structure that reflects the needs and usage of our customer base, while encouraging conservation. The new, tiered rate structure for water is cost-based and will allow us to fund GWP expenses, while at the same time it encourages user conservation.

In addition the city's decision to issue \$35 million in water bonds will allow us to undertake significant capital projects to upgrade our water distribution system. It was essential and will enable us to continue to make the investments in our water infrastructure that are necessary to ensure its reliability.

In the coming months we will turn our attention to the power side of GWP by applying a similar cost analysis in order to propose a restructuring of electric rates. Our rate structure must cover our fixed charges as well as our commodity charges. Finally, we will be proposing a multi-year rate plan that will ensure the highest level of service and reliability within our electrical and power

management operations.

With approximately 20 percent of our energy requirements met by renewable resources, we are on schedule to meet the initial state mandates for our Renewable Portfolio Standard. However, as we envision an energy future that relies less on fossil fuels including coal, we must put in place a rate structure that reflects the higher costs of renewable energies and allows us to make necessary investments in upgrading our equipment.

During this transition we have made progress on the following significant projects:

- ✓ We completed the upgrade to the Diederich Reservoir improving our water storage and distribution for a great many customers.
- ✓ We received further federal and state grant to continue our innovative study of new technologies to remove chromium 6 from local groundwater sources using two new testing and treatment facilities. We will complete our final report to the state of California this year.
- ✓ Our Grid Modernization Effort to increase efficiency in order to lower costs through computer technology continues to move forward and we have now fully implemented our automated meter reading and automated customer billing system.

These are just a few examples of our continuing efforts to bring quality to our customers through a sound and reliable infrastructure and exemplary customer service.

We are taking the necessary steps towards putting GWP in a positive and prominent position once again. Fortunately, we start with a strong record of superior service. For the second consecutive two year review period, GWP has earned the Reliable Public Power Provider designation from the American Public Power Association. We are proud to be one of only 176 out of 2,000 nationwide to receive this honor.

We have become a smaller, but more efficient workforce and we are continuing to restructure GWP to best meet our future challenges and the needs of our customers. Through all of the challenges in the past several months, we never lost sight of our responsibility to provide customers with safe and reliable water and power now -- and into the future.

Maintaining The System To Be Reliable And Ready

WATER: Supplies to Meet Demand

GWP supplies nearly 34,000 customers with water, more than three-quarters of it for residential use. We purchase 57% of our water from the Metropolitan Water District and obtain 38% from local ground water. Recycled water is the other 5%.

Operational efficiency reduces our reliance on imported water, and we take pride in continuously operating the water system with greater than 99.99% reliability.

To ensure reliability and safeguard our water supply we:

Implemented a four-year revenue increase through an improved, 5-tiered rate structure that rewards conservation while reflecting the costs of an increasingly scarce water supply.

Supported the City in issuing \$35 million in water bonds to enable us to upgrade an aging infrastructure and ensure service reliability. Each year GWP cleans and relines over 40,000 linear feet of pipes to minimize leaks, increase water pressure, and improve water quality. Other pipes – many as old as 50 years -- we must replace altogether.

To expand our groundwater supplies and become less reliant on purchased water we:

Completed drilling of the Rockhaven Well.

Designed, obtained permits, and constructed a treatment process for the Glorietta wells.

Completed upgrades to the Foothill Well enabling it to pump an average of 200 gallons per minute of local groundwater.

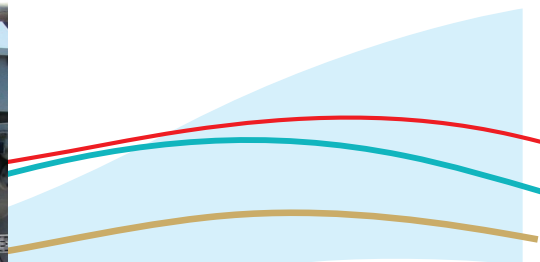
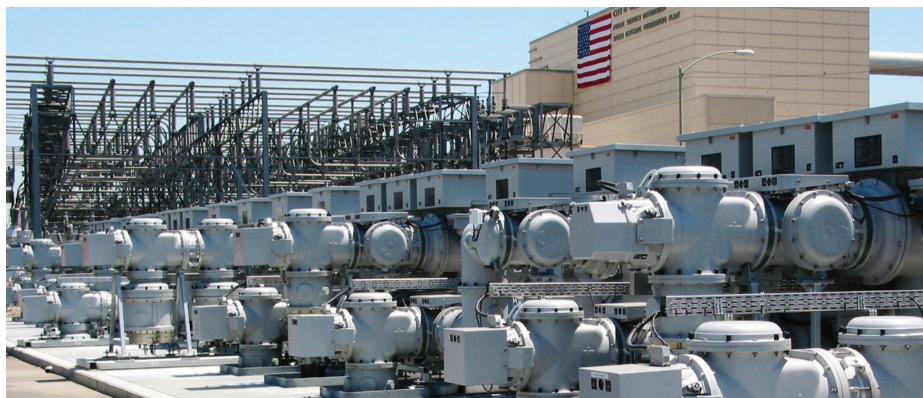
We upgraded the Diederich Reservoir to improve our water storage and delivery capacity.

WATER QUALITY: Safe from the tap

Each year we supply customers with about 8.4 billion gallons of drinking water. To ensure the safety of this supply, we continuously monitor our water to ensure it meets all state and regulatory standards. We added four new sample stations to increase water quality monitoring.

We continue our innovative study of how to remove chromium 6 from local groundwater sources. GWP secured a second \$400,000 federal grant to support our two chromium 6 testing and treatment facilities constructed in 2009. The total cost of this research effort is about \$9 million, funded primarily by the state, and matching funds from our research partners.

We are nearing the end of this effort to evaluate the feasibility and cost of two chromium 6 treatment technologies. The result of the project will be provided to the California Department of Public Health to aid them in setting the minimum contaminant level (MCL) for chromium 6. Other utilities will benefit from this research for effective removal of chromium 6.



ELECTRICAL SERVICE: Safe and Reliable

Glendale Water & Power was recognized for the second consecutive year for providing the highest degree of safe and reliable electric service to our customers. GWP was one of 176 public utilities out of 2,000 nationwide to earn the Reliable Public Power Provider (RP3) designation from the American Public Power Association.

Distribution: Always Improving

We continue to make improvements to our distribution system to improve reliability and efficiency:

- Completed 50% installation of field devices to implement distribution automation application which will improve our ability to restore power more quickly following an outage with four planned automatic re-closers
- Converting all Grandview feeders from 4kV to 12kV to increase power line capacity



GREATER EFFICIENCY: The benefits of modernization

We completed the exchange of all GWP electric and water meters to digital meters and improved our internal operations to support and use the AMI (Automated Meter Reading Infrastructure) system. We also upgraded AMI Operations, as well as installed and commissioned electronic and water read collectors. These improved communication, efficiency and reliability.

The modernization project has improved Customer Service. We began using the system to bill customers for their use of power and water. The new remote connect and disconnect features within the automated meters allowed us to complete 60% of our service requests from the office, avoiding over 17,000 truck rolls.

With the AMI water meter installations, we implemented a new Leak Detection Program to notify customers of potential water leaks on their property. We identified and resolved over 130 large customer side leaks, eliminating a combined water loss of almost 8,000 gallons per hour.

Supply: Long Term Planning to Look Ahead

Currently, about 20 percent of our energy portfolio derives from renewable sources such as hydro, wind and landfill gas. To decrease our reliance on coal and increase our reliance on cleaner, renewable energies we are planning ahead. This past year we:

- Developed long-term plans to divest the City from its share of the San Juan coal-fired generation facility in New Mexico
- Developed plans to convert the Intermountain Power Project in Utah from coal to renewable energy and natural gas in the long run, and achieved agreement to increase flexibility in operations at the project in the short term.

We continue working with state lawmakers and staff to meet renewable and greenhouse gas emissions mandates, while preserving the flexibility necessary to minimize rate impacts on our customers as a publicly-owned utility.



CONSERVATION: Using Resources Wisely

At more than 20 community events, GWP has discussed our utility modernization plans and explained our programs and services. Thanks to digital meters, customers now receive hourly and daily information to monitor and manage their utility usage – and make more informed choices.

Digital meters will allow customers to monitor their usage using in-home displays and our secure internet portal. They will have a choice of pricing plans that will be based on customized individual utility data. GWP will be able to read meters remotely, pinpointing outages and service problems more quickly.

GWP is one of three U.S. utilities offering customers a first-of-its kind application in partnership among Opower, Facebook and the Natural Resources Defense Council. Customers can engage in friendly competition by use social media to raise consumer awareness about energy consumption:

- Benchmarking their energy use against a comparable national average
- Comparing their energy use with friends
- Posting information to enter energy-saving competitions

Through voluntary conservation, we asked customers to reduce daily water use by 10% -- to save 20 gallons of water per day. To encourage wise water and energy use:

- We offered 10 free landscaping classes and gave away over 250 shade trees.
- We offered over 500 free in-home utility surveys, installed 1200 low-flow shower heads, distributed over 1,000 shower timers and provided \$8,500 in rebates for new, energy efficient appliances.



CUSTOMER SERVICES: Delivering Satisfaction

Our goal is to serve all customers with speed, accuracy and understanding.

We upgraded our NorthStar Customer Information System in order to automate many of our previously manual businesses processes.

To help customers in financial need, GWP granted more than 23,000 payment extensions.

We serve customers with the convenience they expect:

- Customer Services assisted 12,670 customers at the front counter and over 90,000 customers at the payment counter.
- We answered 112,621 telephone calls -- 79% of the time within 30 seconds.
- We handled an additional 79,145 contacts through the Interactive Voice Response system.
- We received 3,314 customer inquiries and service requests online -- completing 100% of these the same-day.
- Over 43% of all customer payments were paid electronically through the website, automated telephone system, ACH, or home banking programs.

