CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

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KPMG LLP
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20 Pacifica
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Independent Auditors' Report

The Honorable City Council
City of Anaheim, California:

We have audited the accompanying financial statements of the Electric Utility Fund (Electric Utility) of the City of Anaheim, California (the City) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

As discussed in note 1 to the financial statements, the financial statements present only the Electric Utility Fund of the City of Anaheim, California, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Utility Fund of the City of Anaheim, California as of June 30, 2012 and 2011, and the changes in its financial position, and its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

KPMG LLP

Orange County, California
December 12, 2012

As management of Anaheim Public Utilities, a department of the City of Anaheim (City), we offer the readers of the City of Anaheim Electric Utility Fund (Electric Utility) financial statements a narrative overview and analysis of the financial statements for the fiscal years ended June 30, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

Financial Highlights

The assets of the Electric Utility exceeded its liabilities at the close of the most recent two fiscal years by $335,709 and $331,298, respectively. Of these amounts, $60,699 and $61,456, respectively, may be used to meet the Electric Utility's ongoing obligations to creditors and customers (unrestricted fund net assets). The Electric Utility's total fund net assets increased by $4,411 and $8,147 for the fiscal years ended June 30, 2012 and 2011, respectively. Unrestricted fund net assets represented 17.2% and 18.0% of annual operating expenses for fiscal years 2012 and 2011, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Electric Utility's financial statements. Because the Electric Utility is a business-type activity of the City, an enterprise fund is used to account for its operations. These financial statements include only the activities of the Electric Utility and provide comparative information for the last two fiscal years. Information on citywide financial results is available in the City's Comprehensive Annual Financial Report as of June 30, 2012.

The Electric Utility's financial statements comprise two components: (1) financial statements and (2) notes to financial statements. Included as part of the financial statements are the balance sheets, statements of revenues, expenses, and changes in fund net assets, and statements of cash flows.

The *balance sheets* present information on assets and liabilities with the difference between the two reported as fund net assets. Over time, increases or decreases in fund net assets may serve as a useful indicator of whether the financial condition of the Electric Utility is improving or deteriorating.

The *statements of revenues, expenses, and changes in fund net assets* present information showing how the Electric Utility's fund net assets changed during the most recent two fiscal years. Results of operations are recorded using 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, such as accounts receivable and accounts payable. The accrual basis of accounting is more fully described in the accompanying notes to financial statements.

The *statements of cash flows* present the flows of cash and cash equivalents during the last two fiscal years, including certain restricted amounts.

The *notes to financial statements* provide additional information that is essential to the full understanding of the data provided in the financial statements.

(Continued)

(In thousands)

Financial Analysis

As noted earlier, fund 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 $335,709 and $331,298 at June 30, 2012 and 2011, respectively.

A portion of the Electric Utility’s fund net assets (71.1% and 71.3% as of June 30, 2012 and 2011, respectively) reflects its investment in capital assets, such as production, transmission, distribution facilities, and general plant, less any related debt that remains outstanding 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 on the balance sheets must come from other sources such as operations.

An additional portion of the Electric Utility’s fund net assets (10.8% and 10.1% as of June 30, 2012 and 2011, respectively) represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the Electric Utility’s fund net assets (18.1% and 18.6% as of June 30, 2012 and 2011, respectively) may be used to meet the Electric Utility’s ongoing obligations to creditors and customers.

The Electric Utility’s condensed balance sheets at June 30 are as follows:

Condensed Balance Sheets

		2012	2011	2010
Current and other assets	$	444,737	440,439	381,887
Net utility plant		821,462	817,727	793,040
Total assets		1,266,199	1,258,166	1,174,927
Long-term liabilities, net of current portion		818,615	834,363	756,066
Current liabilities		111,875	92,505	95,710
Total liabilities		930,490	926,868	851,776
Invested in capital assets, net of related debt		238,623	236,228	214,858
Restricted		36,387	33,614	31,010
Unrestricted		60,699	61,456	77,283
Total fund net assets	$	335,709	331,298	323,151

(Continued)

As of June 30, 2012

Assets

Total assets as of June 30, 2012 and 2011 were $1,266,199 and $1,258,166, respectively. The $8,033 increase in total assets was due to a $3,735 increase in net utility plant and a $4,298 increase in current, restricted, and other assets. Net utility plant increased 0.5% due to current year's net capital asset additions of $42,730 related to production, distribution, and general utility plant, which was offset by depreciation expense of $38,995. Current, restricted, and other assets increased 1.0% primarily due to an increase of $10,561 in cash and investments (see statements of cash flows for additional information regarding changes in cash and cash equivalents), offset by a decrease of $6,724 in prepaid purchase power resulting from less true-up of prepaid power costs as estimated billings approximate actual amount from Intermountain Power Agency.

Liabilities

Total liabilities as of June 30, 2012 and 2011 were $930,490 and $926,868, respectively. The $3,622 increase in total liabilities was due to a $19,370 increase in current liabilities offset by a $15,748 decrease in long-term liabilities. Current liabilities increased 20.9% primarily due to an increase of $13,087 in regulatory credits (see note 1 of the notes to financial statements for additional information regarding regulatory credits), and an increase of $4,931 in accounts payable and accrued expenses resulting from increased purchased power costs. Long-term liabilities decreased 1.9% primarily due to current year's principal payments of $18,175 offset by an increase of $3,598 in the provision for decommissioning costs.

Fund Net Assets

Total fund net assets as of June 30, 2012 and 2011 were $335,709 and $331,298, respectively. Total fund net assets increased by $4,411 primarily due to an increase in amounts invested in capital assets, net of related debt of $2,395, and an increase in restricted assets of $2,773. Invested in capital assets, net of related debt increased 1.0% primarily due to an increase of $3,735 in net capital assets during fiscal year 2012. Restricted net assets increased 8.2% primarily due to an increase of $2,348 restricted for public benefit during this fiscal year.

As of June 30, 2011

Assets

Total assets as of June 30, 2011 and 2010 were $1,258,166 and $1,174,927, respectively. The $83,239 (7.1%) increase in total assets was due to a $24,687 increase in net utility plant and a $58,552 increase in current, restricted, and other assets. Net utility plant increased 3.1% due to current year's net capital asset additions of $62,459 related to production, distribution, and general utility plant, which was offset by depreciation expense of $37,772. Current, restricted, and other assets increased 15.3% primarily due to an increase of $36,779 in cash and investments (see statements of cash flows for additional information regarding changes in cash and cash equivalents), and an increase of

(Continued)

$17,629 in prepaid purchase power mainly due to a lower true-up of power costs that were less than the estimated payments by $9,080 for Intermountain Power Agency and $4,988 Magnolia gas cost.

Liabilities

Total liabilities as of June 30, 2011 and 2010 were $926,868 and $851,776, respectively. The $75,092 (8.8%) increase in total liabilities was due to a $78,297 increase in long-term liabilities offset by a $3,205 decrease in current liabilities. Long-term liabilities increased 10.4% primarily due to a $90,390 new bond issue in the current year and an increase of $3,454 in the provision for decommissioning costs, which were offset by principal payments of $17,825. Current liabilities decreased 3.3% primarily due to a decrease of $3,703 in accounts payable and accrued expenses resulting from decreased fuel and generation expenditures.

Fund Net Assets

Total fund net assets as of June 30, 2011 and 2010 were $331,298 and $323,151, respectively. Total fund net assets increased by $8,147 (2.5%) primarily due to an increase in amounts invested in capital assets, net of related debt of $21,370, offset by a decrease in unrestricted amounts of $15,827. Invested in capital assets, net of related debt increased 9.9% primarily due to an increase of $24,687 in net capital assets during fiscal year 2011. Unrestricted net assets decreased 20.5% primarily due to the above investment in capital assets.

(Continued)

(In thousands)

The Electric Utility's statements of revenues, expenses, and changes in fund net assets for the years ended June 30 are summarized as follows:

Revenues, Expenses, and Changes in Fund Net Assets

	2012	2011	2010
Revenues:			
Retail sales, net	$ 313,921	300,522	282,967
Wholesale sales	19,506	21,039	35,409
Rate Stabilization Account revenues	24,000	22,500	31,200
Surplus natural gas sales	2,767	9,096	2,496
Transmission revenues	33,923	24,590	22,532
Other revenues	6,008	6,033	3,434
Interest income	7,662	7,438	12,326
Capital contributions	3,533	7,349	4,351
Total revenues	411,320	398,567	394,715
Expenses:			
Purchased power	245,442	239,339	236,208
Fuel and generation	21,884	21,921	26,981
Operations, maintenance, and administration	46,905	42,707	45,923
Depreciation	38,995	37,772	35,926
Interest expense	32,899	30,079	29,243
Total expenses	386,125	371,818	374,281
Transfers:			
Transfer to the General Fund of the City	(15,067)	(16,042)	(14,122)
Transfer of right-of-way fee to the City	(4,845)	(4,713)	(4,555)
Transfers (to) from other funds of the City	(872)	2,153	1,276
Total transfers	(20,784)	(18,602)	(17,401)
Changes in fund net assets	4,411	8,147	3,033
Fund net assets at beginning of year	331,298	323,151	320,118
Fund net assets at end of year	$ 335,709	331,298	323,151

Revenues

Year ended June 30, 2012

Total revenues for the year ended June 30, 2012 were $411,320 as compared with $398,567 in the prior year, an increase in total revenues of $12,753 (3.2%). This increase was primarily due to an increase of $13,399 in retail sales, and an increase of $9,333 in transmission revenues, which were offset by a decrease of $6,329 in surplus natural gas sales and a decrease of $3,816 in capital contributions.

The increase of 4.5% in retail sales revenue was in response to the increasing power costs, for which a 5.0% base rate increase was effective on December 1, 2011.

The increase of 38.0% in transmission revenues was mainly due to a higher transmission rate applied since July 2011. Transmission revenues are based upon the Electric Utility providing use of its transmission entitlements to the California Independent System Operator (CAISO) as a participating transmission owner. These revenues are based upon the transmission rates charged by CAISO and the demand in the participants market.

The decrease of 69.6% in surplus natural gas sales was mainly due to less natural gas available for resale in the spot market, when more purchased gas was used for Magnolia, Canyon, and Kraemer Combustion Turbine plants in this fiscal year.

The decrease of 51.9% in capital contributions was due to a onetime capital asset contribution of $3,499 (Colony Park Underground project) from the City in the prior fiscal year.

Year ended June 30, 2011

Total revenues for the year ended June 30, 2011 were $398,567 as compared with $394,715 in the prior year, an increase in total revenues of $3,852 (1.0%). This increase was primarily due to an increase of $17,555 in retail sales, an increase of $6,600 in surplus natural gas sales, and an increase of $2,058 in transmission revenues, which were offset by a decrease of $14,370 in wholesale sales and a decrease of $8,700 in Rate Stabilization Account (RSA) revenues.

The increase of 6.2% in retail sales revenue was in response to the increasing power costs, for which a 5.0% base rate increase was approved on December 1, 2010.

The increase of 264% in surplus natural gas sales was mainly due to more natural gas available for resale in the spot market. When Magnolia and Combustion Turbine plants experienced unplanned outages, less purchased gas was used for both plants in this fiscal year.

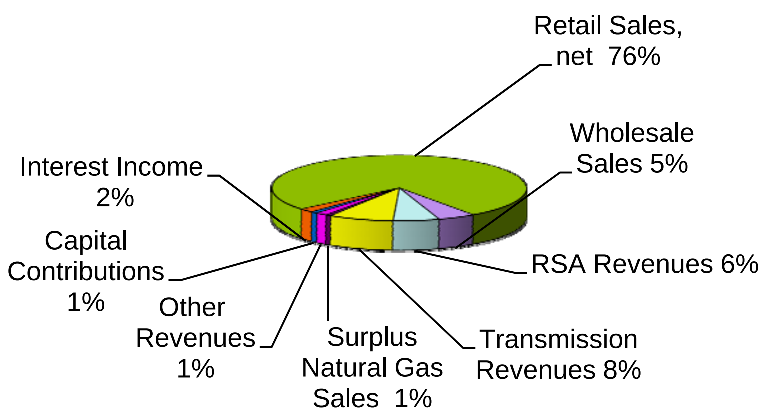
The increase of 9.1% in transmission revenues was mainly due to the increased congestion transmission revenues. Transmission revenues are based upon the Electric Utility providing use of its transmission entitlements to the California Independent System Operator (CAISO) as a participating transmission owner. These revenues are based upon the transmission rates charged by CAISO and the demand in the participants market.

The decrease of 40.6% in wholesale sales revenue was the combination of a wholesale sales volume decline of 32% and wholesale average price drop of 12% in the market.

RSA revenues of $22,500 were recognized in this fiscal year in order to maintain a debt service coverage ratio of 1.6. This coverage ratio is needed to retain the Electric Utility bond ratings. The decrease in the recognition of RSA revenues of 27.9% was mainly due to higher retail sales and surplus natural gas sales to reduce RSA revenues needed in this fiscal year. Additional information on the RSA can be found in the Regulatory Credits section of note 1 of the notes to the financial statements on page 24 of this report.

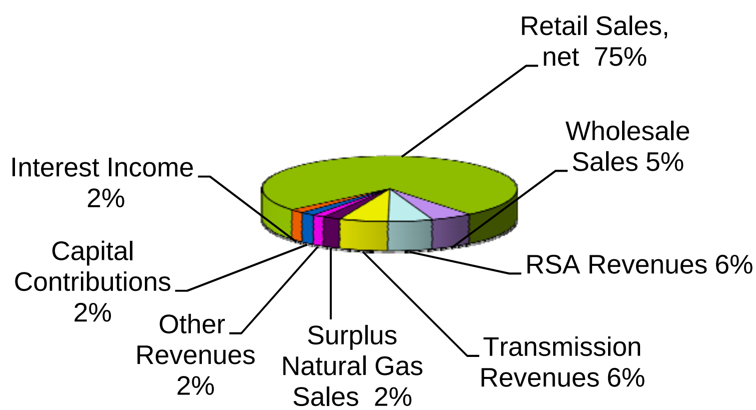
Revenues by Source

Year ended June 30, 2012



Revenues by Source

Year ended June 30, 2011



Expenses

Year ended June 30, 2012

Total expenses for the year ended June 30, 2012 were $386,125 as compared with $371,818 in the prior year. This $14,307 (3.8%) increase in total expenses was mainly the result of an increase in purchased power costs of $6,103, an increase in operations, maintenance, and administration of $4,198, an increase in interest expenses of $2,820, and an increase in depreciation of $1,223.

The 2.5% increase in purchased power costs was due primarily to the new Canyon power costs of $14,494, offset by a decrease in natural gas costs of $7,755 when more purchased gas was used for Magnolia and Combustion Turbine plant in this fiscal year.

The 9.8% increase in operations, maintenance, and administrative expenses, which was mainly caused by $6,073 less overhead from operations, maintenance, and administration, applied to capital assets as less capital construction was performed during the year, offset by decrease in maintenance expenses of $1,935 due to certain delayed maintenance projects. The reduction of overhead costs eligible for capitalization is the primary reason for the increase in operation and maintenance costs.

The 9.4% increase in interest expense was mainly due to a full year interest expense of $4,599 for the 2011 Electric Revenue Bonds issued in May 2011.

The 3.2% increase in depreciation expense was due to a total of $31,381 of assets, which included the two underground projects, upgrading Hannum and Lewis substations, and improvement of the existing distribution system and automation equipment that were placed in service during this fiscal year.

Year ended June 30, 2011

Total expenses for the year ended June 30, 2011 were $371,818 as compared with $374,281 in the prior year. This $2,463 (0.7%) decrease in total expenses was mainly the result of a $5,060 decrease in fuel and generation offset by an increase in purchased power costs of $3,131.

The 18.8% decrease in fuel and generation expense was mainly due to the combination of a decrease of $3,354 in decommissioning expenses for San Onofre Nuclear Generation Station unit 2 and 3 operations (SONGS) and $1,957 in operation and maintenance expenses for the Combustion Turbine. The decrease in decommissioning expenses is due to less interest income available that is required to be contributed to the decommissioning reserve fund in the trustee account. Additional information on the decommissioning expenses can be found in the Decommissioning Costs of note 1 of the notes to the financial statement on page 25 of this report. The decrease in operation and maintenance expenses for the Combustion Turbine plant is due to less natural gas expenses due to unplanned outage in this fiscal year.

The 1.3% increase in purchased power costs was due primarily to the combination of increases of transmission and renewable costs, as the City Council has committed to increase the amount of renewable energy in the resource mix to 20.0% by 2015.

Transfers

Year ended June 30, 2012

Transfers to the City's General Fund, as defined by City Charter, are equal to a maximum of 4% of total operating revenues. The transfer to the City's General Fund was $15,067 for fiscal year 2012, which is based on the current year's total operating revenues and true-up adjustments on prior year's total operating revenues. A decrease of $975 was mainly due to a reduced true-up adjustment in the fiscal year 2012.

The transfer of the right-of-way fee to the City is equal to 1.5% of retail electric revenues of the prior fiscal year. The right-of-way fee transferred to the City was $4,845 for fiscal year 2012. There were no significant changes in the amount of right-of-way fee transferred to the City during fiscal year 2012 when compared with fiscal year 2011.

Transfers to other funds of the City in fiscal year 2012 were $872 as compared with transfers from other funds of $2,153 in the prior fiscal year. Capital assets of facility lighting enhancement and Arena Box Office Green Roof construction were transferred to the Convention Center, offset by the $67 of cash transfer in from Water Utilities for capital purposes in this fiscal year. The $2,153 was a cash transfer from the City for capital improvements in the Platinum Triangle area in the prior year.

Year ended June 30, 2011

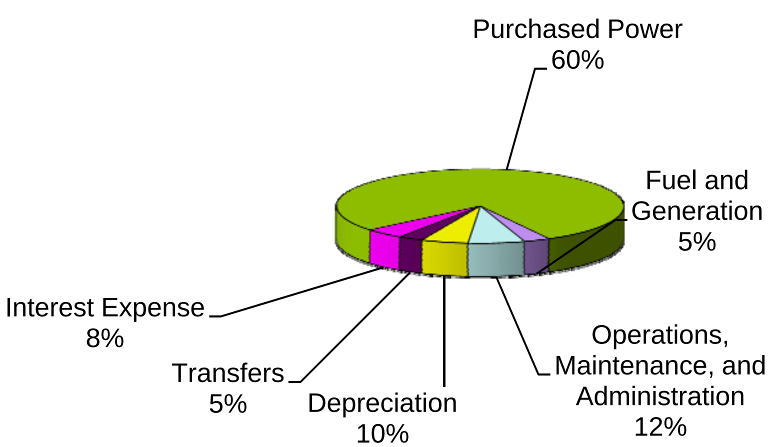
Transfers to the City's General Fund, as defined by City Charter, are equal to a maximum of 4% of total operating revenues. The transfer to the City's General Fund was $16,042 for fiscal year 2011, which is based on the current year's total operating revenues. An increase of $1,920 was mainly due to increased total operating revenues in the fiscal year 2011.

The transfer of the right-of-way fee to the City is equal to 1.5% of retail electric revenues of the prior fiscal year. The right-of-way fee transferred to the City was $4,713 for fiscal year 2011. There were no significant changes in the amount of right-of-way fee transferred to the City during fiscal year 2011 when compared with fiscal year 2010.

Transfers from other funds in fiscal year 2011 were $2,153 as compared with $1,276 in the prior fiscal year. The increase of $877 was mainly due to cash transfer from the City for certain capital improvements in the Platinum Triangle area.

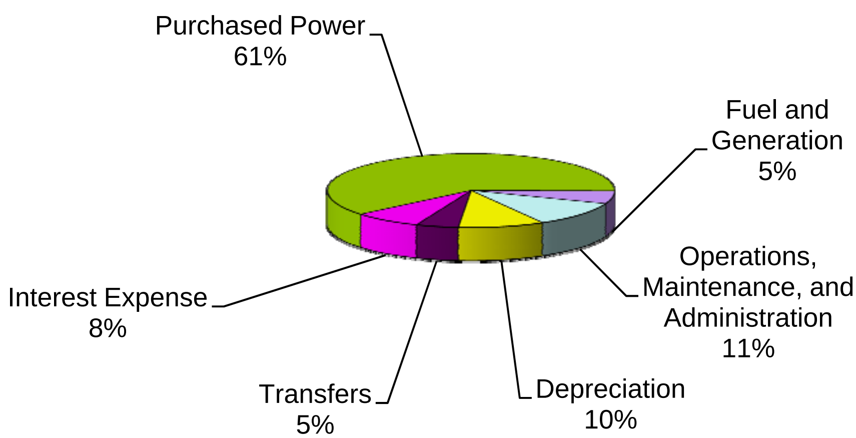
Expenses and Transfers

Year ended June 30, 2012



Expenses and Transfers

Year ended June 30, 2011



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in net utility plant as of June 30, 2012 and 2011 was $821,462 and $817,727, respectively, net of accumulated depreciation. This includes investments in production, transmission, and distribution-related facilities as well as general plant capital assets. The Electric Utility's investment, before depreciation, in total utility plant at June 30, 2012 was $1,208,294, an increase of $40,084 (3.4%) over the prior fiscal year.

(In thousands)

The Electric Utility's capital assets as of June 30 are as follows:

		2012	2011	2010
Production	$	119,144	117,978	115,477
Transmission		92,229	91,022	89,895
Distribution		805,703	780,122	725,878
General plant		109,346	107,919	104,714
Land		35,671	35,671	35,671
Construction in progress		46,201	35,498	40,508
Total utility plant		1,208,294	1,168,210	1,112,143
Less accumulated depreciation		(386,832)	(350,483)	(319,103)
Net utility plant	$	821,462	817,727	793,040

As of June 30, 2012

The Electric Utility experienced an increase in gross utility plant this fiscal year of $40,084 (3.4%), which includes the expansion or improvement of existing substations, transmission and distribution systems improvements, the replacement of aging overhead electrical lines with state-of-the-art underground facilities, and upgrading equipment for San Juan and Combustion Turbine plants.

Accumulated depreciation increased $36,349 (10.4%) mainly due to current year depreciation expense of $38,995.

As of June 30, 2011

The Electric Utility experienced an increase in gross utility plant this fiscal year of $56,067 (5.0%), which includes the expansion or improvement of existing substations, transmission and distribution systems improvements, the replacement of aging overhead electrical lines with state-of-the-art underground facilities, and upgrading equipment for San Juan and Combustion Turbine plants.

Accumulated depreciation increased $31,380 (9.8%) mainly due to current year depreciation expense of $37,772.

Long-Term Debt

As of June 30, 2012 and 2011, the Electric Utility had total long-term debt outstanding of $701,755 and $719,930, respectively.

(In thousands)

The Electric Utility's outstanding long-term debt as of June 30 is as follows:

		2012	2011	2010
Revenue bonds	$	701,755	719,930	647,365
Less:				
Current portion		(18,995)	(18,175)	(17,825)
Unamortized bond premium		9,009	9,875	7,781
Unamortized refunding costs		(4,099)	(4,614)	(5,148)
Total noncurrent long-term debt outstanding	$	687,670	707,016	632,173

As of June 30, 2012, the credit rating of the Electric Utility was AA- by Fitch Ratings, A1 by Moody's Investors Service, and AA- by Standard & Poor's Corporation. Additional information on the Electric Utility's long-term liabilities can be found in note 6 of the notes to financial statements.

As of June 30, 2012

Total long-term debt outstanding decreased $18,175 (2.5%) due to current year principal payments of $18,175 on outstanding debts. The revenues of the Electric Utility have been pledged to pay the outstanding long-term debt.

As of June 30, 2011

Total long-term debt outstanding increased $72,565 (11.2%) due to a new debt issue of $90,390 offset by current year principal payments of $17,825 on outstanding debts. The new debt was issued to finance additional distribution system assets to improve overall system reliability, public safety, and to provide sufficient capacity for anticipated electric load growth. The revenues of the Electric Utility have been pledged to pay the outstanding long-term debt.

Economic Factors and Rates

California Senate Bill 1X 2 signed into law in April 2011 mandated that all California utilities are required to reach 20% renewable power in their power portfolios by 2013, and 33% by 2020. The higher renewable power costs will raise future power supply costs in fiscal year 2013.

There are no budgeted rate increases in fiscal year 2013.

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 Assistant General Manager – Finance and Administration, Anaheim Public Utilities, 201 South Anaheim Boulevard, Suite 1101, Anaheim, California 92805.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Balance Sheets

June 30, 2012 and 2011

(In thousands)

Assets		**2012**	**2011**
Utility plant:			
Production	$	119,144	117,978
Transmission		92,229	91,022
Distribution		805,703	780,122
General plant		109,346	107,919
Total depreciable utility plant		1,126,422	1,097,041
Less accumulated depreciation		(386,832)	(350,483)
Net depreciable utility plant		739,590	746,558
Land		35,671	35,671
Construction in progress		46,201	35,498
Net utility plant		821,462	817,727
Restricted assets:			
Cash and cash equivalents		47,807	56,644
Investments		222,388	227,178
Total restricted assets		270,195	283,822
Other assets:			
Prepaid purchased power		51,072	50,823
Unamortized debt issuance costs		6,084	6,569
Total other assets		57,156	57,392
Total noncurrent assets		1,148,813	1,158,941
Current assets:			
Cash and cash equivalents		12,999	5,433
Investments		20,794	7,636
Restricted cash and cash equivalents		11,007	12,189
Restricted investments		15,298	10,652
Accounts receivable, net		42,269	39,918
Accrued interest receivable		1,343	1,527
Materials and supplies inventory		8,305	9,775
Prepaid purchased power		5,371	12,095
Total current assets		117,386	99,225
Total assets	$	1,266,199	1,258,166

(Continued)

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Balance Sheets

June 30, 2012 and 2011

(In thousands)

Fund Net Assets and Liabilities		2012	2011
Fund net assets:			
Invested in capital assets, net of related debt	$	238,623	236,228
Restricted for:			
Debt service		13,633	13,067
Renewal and replacement		15,503	15,644
Other purposes		7,251	4,903
Unrestricted		60,699	61,456
Total fund net assets		335,709	331,298
Long-term liabilities:			
Long-term debt obligation, less current portion		687,670	707,016
Provision for decommissioning costs		130,945	127,347
Total long-term liabilities		818,615	834,363
Current liabilities (payable from restricted assets):			
Current portion of long-term debt		14,246	13,631
Accounts payable		3,199	386
Wages payable		103	50
Arbitrage rebate liabilities		206	529
Accrued interest payable		8,551	8,245
Total current liabilities (payable from restricted assets)		26,305	22,841
Current liabilities (payable from unrestricted current assets):			
Current portion of long-term debt		4,749	4,544
Accounts payable and accrued expenses		16,918	14,800
Wages payable		406	885
Regulatory credits		59,392	46,305
Deposits		4,105	3,130
Total current liabilities (payable from unrestricted current assets)		85,570	69,664
Total liabilities		930,490	926,868
Total fund net assets and liabilities	$	1,266,199	1,258,166

See accompanying notes to financial statements.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Operating revenues:			
Retail sales of electricity, net	$	313,921	300,522
Wholesale sales of electricity		19,506	21,039
Rate Stabilization Account revenues		24,000	22,500
Surplus natural gas sales		2,767	9,096
Transmission revenues		33,923	24,590
Other operating revenues		3,814	3,749
Total operating revenues		397,931	381,496
Operating expenses:			
Purchased power		245,442	239,339
Fuel and generation		21,884	21,921
Operations, maintenance, and administration		46,905	42,707
Depreciation		38,995	37,772
Total operating expenses		353,226	341,739
Operating income		44,705	39,757
Nonoperating revenues (expenses):			
Interest income		7,662	7,438
Interest expense		(32,899)	(30,079)
Grants		2,194	2,284
Total nonoperating expenses, net		(23,043)	(20,357)
Income before capital contributions and transfers		21,662	19,400
Capital contributions		3,533	7,349
Transfer to the General Fund of the City		(15,067)	(16,042)
Transfer of right-of-way fee to the City		(4,845)	(4,713)
Transfers (to) from other funds of the City		(872)	2,153
Change in fund net assets		4,411	8,147
Fund net assets at beginning of year		331,298	323,151
Fund net assets at end of year	$	335,709	331,298

See accompanying notes to financial statements.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from operating activities:			
Receipts from customers and users	$	408,260	377,492
Receipts from services provided to other funds of the City		1,590	1,047
Payments to suppliers		(254,277)	(278,419)
Payments to employees		(35,808)	(35,956)
Payments for services provided by other funds of the City		(8,098)	(9,193)
Net cash provided by operating activities		111,667	54,971
Cash flows from noncapital financing activities:			
Transfers to the General Fund and other funds of the City		(19,912)	(20,755)
Grant receipts		—	2,284
Net cash used for noncapital financing activities		(19,912)	(18,471)
Cash flows from capital and related financing activities:			
Proceeds from borrowings, net of premium		—	93,262
Principal payments on long-term debt		(18,175)	(17,825)
Capital purchases		(40,781)	(55,333)
Interest paid, net of amounts capitalized		(34,684)	(30,906)
Issuance costs		—	(754)
Transfers from other funds of the City for capital purposes		39	2,146
Capital grant receipts		1,986	—
Capital contributions		2,575	1,905
Net cash used for capital and related financing activities		(89,040)	(7,505)
Cash flows from investing activities:			
Purchases of investment securities		(100,745)	(108,176)
Proceeds from sale and maturity of investment securities		87,745	101,642
Interest income received		7,832	8,173
Net cash (used for) provided by investing activities		(5,168)	1,639
(Decrease) increase in cash and cash equivalents		(2,453)	30,634
Cash and cash equivalents at beginning of year		74,266	43,632
Cash and cash equivalents at end of year	$	71,813	74,266

(Continued)

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	44,705	39,757
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		38,995	37,772
Increase in provision for decommissioning costs		3,598	3,454
Changes in assets and liabilities:			
Accounts receivable, net		(2,143)	(4,138)
Materials and supplies inventory		1,470	(67)
Prepaid purchased power		6,475	(17,629)
Accounts payable and accrued expenses		4,931	(5,366)
Wages payable		(426)	7
Regulatory credits		13,087	1,375
Deposits		975	(194)
Total adjustments		66,962	15,214
Net cash provided by operating activities	$	111,667	54,971
Schedule of noncash investing, capital, and financing activities:			
Capital contributions	$	958	5,444
Transfers (to) from other funds of the City		(911)	7
Increase (decrease) in fair value of investments		14	(389)
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents	$	12,999	5,433
Restricted cash and cash equivalents, current portion		11,007	12,189
Restricted cash and cash equivalents, noncurrent portion		47,807	56,644
Total cash and cash equivalents	$	71,813	74,266

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Electric Utility Fund (Electric Utility) of the City of Anaheim, California (City) was established on June 30, 1971, at which time the portion of the City's General Fund net assets related to electric system operations was transferred to the Electric Utility. The financial statements of the Electric Utility, an enterprise fund, are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC). The Electric Utility is not subject to the regulations of the FERC. Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Electric Utility has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

(b) New Accounting Pronouncements

On July 1, 2011, the Electric Utility adopted the GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. It also sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement has no material effects on amounts reported in the Electric Utility's financial statements for the fiscal year ended June 30, 2012.

The Electric Utility is currently reviewing its accounting practices to determine the potential impacts on the financial statements for the following GASB Statements:

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Issued in December 2010, this Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance from all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This Statement is effective for financial statements for periods beginning after December 15, 2011.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred* Inflows of *Resources, and Net Position.* Issued in June 2011, this Statement provides guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period and the acquisition of net assets by the government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in a statement of financial position. This Statement is effective for financial statements for periods beginning after December 15, 2011.

(In thousands)

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for financial statements for period beginning after December 15, 2012.

- GASB Statement No. 68, this Statement provides guidance for employers offering defined benefit pensions through plans administered as trusts or equivalent arrangements. It replaces certain requirements related to plan trusts in Statement No. 27 Accounting for Pension by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for periods beginning after June 15, 2014.

(c) Electric Utility Plant and Depreciation

The costs of additions to the Electric Utility plant in service and replacement of property units are capitalized. The Electric Utility plant is recorded at cost, including capitalized interest, or in the case of contributed plant, at fair market value at the date of the contribution. Cost includes labor, materials, allocated indirect charges such as engineering, supervision, construction, and transportation equipment, retirement plan contributions and other fringe benefits, and certain administrative and general expenses. The cost of minor replacements is included in maintenance expense. The net book value of assets retired or disposed of, related salvage value, and cost of removal are recorded in accumulated depreciation.

Depreciation of Electric Utility plant is provided by the straight-line method based on the following estimated service lives of the properties:

Production	30 years
Transmission and distribution	20 to 75 years
General plant	5 to 50 years

(d) Pooled Cash and Investments

The City pools available cash from all funds for the purpose of enhancing investment income through investment activities. Investments in U.S. Treasury obligations, U.S. agency securities, and corporate notes are carried at fair value based on quoted market prices. Participating guaranteed investment contracts and flexible repurchase agreements are carried at fair value. Money market mutual funds are carried at fair value based on the fund's share price. The City's investment in the State of California Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. LAIF is authorized by California Government Code (Government Code) Section 16429 under the oversight of the Treasurer of the State of California. Commercial paper, nonparticipating guaranteed investment contracts, and negotiable certificates of deposit are carried at amortized cost (which approximates fair value). Interest income, which includes changes in fair value, on investments is allocated to all funds on the basis of average daily cash and investment balances. The Electric Utility's cash and investments pooled with the City Treasurer (Treasurer) are carried at fair value based on the value of each participating dollar. Additional information pertinent to the value of these investments is provided in note 2.

For the purpose of the statements of cash flows, the Electric Utility considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Cash and cash equivalents are included in the City's cash and investments pool and in accounts held by fiscal agents.

(e) Restricted Assets

Certain proceeds of the Electric Utility bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Additionally, resources set aside by the Electric Utility for future decommissioning of its former ownership share of the San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS) and the San Juan Generating Station, Unit 4 (SJ) are classified as restricted on the balance sheet. Generally, the Electric Utility would first apply restricted resources when expenses incurred for which both restricted and unrestricted resources are available.

(f) Operating Revenues

Operating revenues are revenues generally derived from activities that are billable in accordance with the Electric Utility's Rate, Rules, and Regulations.

Revenue is recorded in the period earned. The Electric Utility accrues estimated unbilled revenues for energy sold but not billed at the end of a fiscal period. Most residential and some smaller commercial accounts are billed bimonthly, and all other customers are billed monthly.

(Continued)

Unbilled electric service charges are included in accounts receivable at year-end. Unbilled accounts receivable totaled $18,517 and $18,981 at June 30, 2012 and 2011, respectively.

Revenues are reported net of uncollectible amounts. Total uncollectible amounts written off are $581 and $653 for the years ended June 30, 2012 and 2011, respectively. The applicable allowances for uncollectible accounts are $424 and $497 at June 30, 2012 and 2011, respectively. See note 6 for discussion of pledged revenue.

(g) Operating Expenses

Purchased power includes all open market purchases of energy, firm contracts for the purchase of energy, and the costs of entitlements for energy and transmission, as discussed in note 10.

Fuel and generation include all costs associated with the City's ownership interest in SJ, the Combustion Turbine located in Anaheim, and the City's portion of SONGS spent fuel storage costs and insurance premiums after the sale of SONGS on December 29, 2006. This includes the amortization of decommissioning costs for SONGS and SJ.

Operations, maintenance, and administration expenses include all costs associated with the distribution of energy, administration, operating and maintaining the local facilities, customer service, and public benefit programs.

(h) Regulatory Credits

The Electric Utility's Rates, Rules, and Regulations provide for the Rate Stabilization Account (RSA), which contains two components: the Power Cost Adjustment (PCA) that was adopted by City Council on April 1, 2001, and the Environmental Mitigation Adjustment (EMA) that was adopted by the City Council on January 13, 2009. The PCA has mitigated variations in the power supply or fuel costs. The EMA will allow the recovery of environmental mitigation costs, such as greenhouse gas emissions costs, the marginal cost differential between renewable power and traditional fossil-fuel-based power, and environmental mitigation costs. The RSA provides the City with operational and billing flexibility to mitigate material fluctuations in the cost of energy, loss of revenues or unplanned costs including unexpected long-term loss of a generating facility, unplanned limits on the ability to transmit energy to the City, or major disasters. The RSA funded by PCA and EMA collections is billed to customers through standard rates. As permitted by FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, and approved by the City Council, amounts collected for the RSA are deferred and recorded as regulatory credits in the balance sheets.

Since inception, the Electric Utility has collected $164,658 in regulatory credits related to PCA. As of August 5, 2011 and March 15, 2012, the PCA rates were changed from $0.0050 to $0.0100 and $0.0190 per kWh for all domestic retail customers, excluding residential lifeline customers, and from $0.0050 to $0.0100 and $0.0145 per kWh for all commercial, industrial, and municipal customers. As of June 30, 2012 and 2011, the Electric Utility recorded a liability for regulatory credits of $56,996 and $43,767, respectively. During fiscal years 2012 and 2011, $9,076 and $3,885, respectively, was recognized as RSA revenues to mitigate the impact of energy costs and operation costs.

Since inception, the Electric Utility has collected $35,225 in regulatory credits related to EMA. As of April 20, 2010, the EMA rate was changed from $0.0050 to $0.0100 per kWh for all domestic customers and $0.0050 per kWh for all other customers. As of June 30, 2012 and 2011, the Electric Utility recorded a liability for regulatory credits of $2,396 and $2,538, respectively. During fiscal years 2012 and 2011, $14,924 and $18,615, respectively, was recognized as RSA revenues to mitigate the impact of environmental mitigation costs.

(i) Provision for Decommissioning Costs

Federal regulations require the Electric Utility to provide for the future decommissioning costs of its former ownership share of SONGS. The Electric Utility has established a provision for decommissioning costs of SONGS and restoration of the beachfront at San Onofre. The Electric Utility funded the reserve and recognized this expense over the useful life of the generating plant. A separate irrevocable trust account was established for amounts funded, and these amounts are classified as restricted assets in the accompanying balance sheets. As of June 30, 2012 and 2011, the Electric Utility has recorded a provision for decommissioning costs for SONGS of $127,425 and $124,267, respectively. For the years ended June 30, 2012 and 2011, the Electric Utility has recorded decommissioning costs incurred for SONGS of $3,158 and $3,014, respectively, which are included in the fuel and generation component in operating expenses.

The California Public Utilities Commission approved a cost estimate by Southern California Edison (SCE) for the decommissioning costs of SONGS. At June 30, 2012, SCE's future cost estimate for the Electric Utility's share of decommissioning costs is $114,840. The Electric Utility currently has $127,425 in irrevocable trust for the decommissioning costs. Based on an assumed 2.5% rate of return, it is estimated that the Electric Utility's current reserve of $127,425 will grow to $163,116 by 2022, which exceeds SCE's future cost estimate of $147,170. Based on these estimates, the Electric Utility does not expect that it will need to further fund the provision for decommissioning with cash contributions for SONGS.

The Electric Utility has a 10.04% ownership interest of SJ. The Electric Utility is providing for the future demolition and reclamation costs of its ownership share of SJ. As of June 30, 2012 and 2011, the Electric Utility has recorded a provision for decommissioning costs for SJ of $3,520 and $3,080, respectively. For the years ended June 30, 2012 and 2011, the Electric Utility has recorded decommissioning costs incurred for SJ of $440 and $440, respectively, which are included in the fuel and generation component of operating

(Continued)

expenses. Based on cost projections, it is estimated that $440 will be required per year until 2027 to fund this obligation.

(j) Debt Issuance Costs

Debt issuance costs are deferred and amortized over the lives of the related bond issues on a basis that approximates the effective-interest method.

(k) Bond Refunding Costs

Bond refunding costs are deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter, on a basis that approximates the effective-interest method. Bond refunding costs are recorded as a reduction of the long-term debt obligation on the accompanying financial statements.

(l) Vacation and Sick Pay

Vacation and sick pay for all City employees are paid by the General Benefits and Insurance Fund of the City. The General Benefits and Insurance Fund is reimbursed through payroll charges to the Electric Utility based on estimates of benefits to be earned during the year. Vested vacation and sick pay benefits are accrued in the General Benefits and Insurance Fund, and amounted to $1,738 and $1,824 for the Electric Utility at June 30, 2012 and 2011, respectively.

(m) Transfers (to) from Other Funds of the City

The City Charter provides that transfers to the General Fund of the City shall not exceed 4% of total operating revenues. Such transfers are not in lieu of taxes, and amounted to $15,067 and $16,042 for the years ended June 30, 2012 and 2011, respectively.

The transfer of right-of-way fees to the City represents the City Council approved transfer of 1.5% of retail electric revenues of the prior fiscal year to the General Fund of the City. Bond disclosure requirements designate that this transfer must be recognized as an expense in the calculation of bond coverage. The transfer of right-of-way fee to the City amounted to $4,845 and $4,713 for the years ended June 30, 2012 and 2011, respectively.

Other transfers to or from other funds of the City are either cash transfers or capital asset transfers between City funds. The net amount of transfers to was $872 and transfers from was $2,153 for the years ended June 30, 2012 and 2011, respectively.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, actual results could differ from those estimates.

(In thousands)

(2) Deposits and Investments

The City maintains a cash and investment pool, which includes the cash balances of all funds, and is invested by the City Treasurer to enhance interest earnings. The pooled interest earned, net of administrative fees, is reallocated to each fund based on their respective average daily cash balances.

The City's pooled investment fund has been reviewed by Standard and Poor's Corporation (S&P) and received a credit rating of AAf in July 2011.

The City's investment policy further limits the permitted investments in Government Code Sections 53600 et al, 16429.1 and 53684 to the following: obligations of the U.S. government, federal agencies, and government-sponsored enterprises; medium-term corporate notes; certificates of deposit; bankers' acceptances; commercial paper; LAIF; repurchase agreements; reverse repurchase agreements; and money market mutual funds.

The Electric Utility maintains cash equivalents and investments at June 30 with the following carrying amounts:

		2012	2011
Cash equivalents and investments pooled with the Treasurer	$	143,805	138,560
Investments held with trustee		186,488	181,172
	$	330,293	319,732

At June 30, the Electric Utility's cash equivalents and investments are recorded as follows:

		2012	2011
Restricted assets – cash equivalents and investments	$	296,500	306,663
Unrestricted assets – cash equivalents and investments		33,793	13,069
	$	330,293	319,732

(a) Investments

The Treasurer prepares an investment policy statement annually, which is presented to the Budget, Investment and Technology Commission for review and the City Council for approval. The approved investment policy statement is submitted to the California Debt and Investment Advisory Committee in accordance with Government Code.

(In thousands)

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal and to meet daily cash flow needs while providing a return. All investments are made in accordance with the Government Code and, in general, the City Treasurer's policy is more restrictive than Government Code.

(b) Investments Authorized by the Government Code and the City's Investment Policy

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

Authorized investment type	Maximum maturity	Maximum percentage of portfolio*	Maximum investment in one issuer	Minimum rating (S&P/ Moody's/ Fitch)
U.S. Treasury obligations	5 years	100%	100%	None
U.S. agency securities	5 years	100%	40%	None
Bankers' acceptances	180 days	40%	5%	None
Commercial paper	270 days	25%	5%	A-1/P-1/F-1
Negotiable certificates of deposit	360 days	25%	5%	None
Repurchase agreements	360 days	30%	None	None
Reverse repurchase agreements	90 days	20%	None	None
Medium-term corporate notes	5 years	30%	5%	A/A/A
Money market mutual funds	N/A	20%	10%	None
LAIF	N/A	$50 million per account	None	None
Time certificates of deposit (TCD)	1 year	20%	5%	None

* Excluding amounts held by bond trustees that are not subject to Government Code restrictions.

The City's pooled investments comply with the requirements of the investment policy. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of the total investment. At June 30, 2012, the City exceeded 5% concentration in the following U.S. agency securities: Federal Farm Credit Bank $57,844 (14%), Federal Home Loan Bank $36,398 (9%), Federal Home Loan Mortgage Corporation $38,637 (9%), Federal National Mortgage Association $65,178 (15%), and LAIF $83,849 (20%).

(In thousands)

At June 30, 2011, the City exceeded 5% concentration in the following U.S. agency securities: Federal Farm Credit Bank $57,549 (13%), Federal Home Loan Bank $50,787 (11%), and Federal National Mortgage Association $76,347 (17%).

(c) Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Guaranteed investment contracts	None	None	None
Collateralized investment contracts	None	None	None
Flexible repurchase agreements	None	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None
City of Anaheim Treasurer investment portfolio	None	None	None

At June 30, 2012, the City's investments controlled by bond trustees exceeded 5% concentration in the following U.S. agency securities, guaranteed investment contracts, flexible repurchase agreements, LAIF, and money market mutual funds: Federal Home Loan Bank $51,272 (13%), Federal National Mortgage Association $41,939 (11%), Federal Farm Credit Bank $29,301 (7%), Morgan Stanley $26,299 (7%), U.S. Bank money market $39,484 (10%), and LAIF $63,903 (16%). All guaranteed investment contracts have downgrade language that requires collateral should credit ratings drop below certain levels.

At June 30, 2011, the City's investments controlled by bond trustees exceeded 5% concentration in the following U.S. agency securities, guaranteed investment contracts, flexible repurchase agreements, and money market mutual funds: Federal Home Loan Bank $55,077 (15%), Federal Home Loan Mortgage Association $34,979 (9%), Federal

Farm Credit Bank $32,609 (9%), Bank of America $16,645 (5%), Credit Agricole $19,365 (5%), Morgan Stanley $29,290 (8%), Dreyfus Treasury $16,988 (5%), U.S. Bank money market $32,290 (9%), and wells Fargo 100% Treasury $19,355 (5%). All guaranteed investment contracts have downgrade language that requires collateral should credit ratings drop below certain levels.

(d) Custodial Credit Risk

Custodial credit risk for investments is the risk that the City will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the City, with the exception of LAIF and money market mutual funds, are deposited in trust for safekeeping with a custodial bank different from the City's primary bank. Securities are not held in broker accounts. Funds held by LAIF and money market mutual funds are held in the City's name.

Custodial credit risk for investments held by bond trustee is the risk that the City will not be able to recover the value of investment securities that are in the possession of an outside party. All securities held by the bond trustee are in the name of the bond issue in trust for safekeeping with the bond trustee, which is different from the City's primary bank.

(e) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City Treasurer mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The City Treasurer uses the segmented time distribution method to identify and manage interest rate risk. In accordance with the City investment policy, the City Treasurer monitors the segmented time distribution of its investment portfolio and analysis of cash flow demand.

Investments held by bond trustees are typically long-term securities, which are not adversely affected by interest rate changes. Guaranteed investment contracts for construction funds are usually limited to three years or less. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity at June 30, 2012. Information about the sensitivity of the fair values of the Electric Utility's investments (including investments held by bond trustees) to market interest rate fluctuations for the fiscal years 2012 and 2011 is provided by the following tables.

(In thousands)

The distribution of the Electric Utility's investments by maturity at June 30, 2012 and 2011 is as follows:

Investments	Credit rating (S&P/Moody's)	Fair value, June 30, 2012	12 months or less	13 to 24 months	25 to 36 months	37 to 60 months	More than 60 months
Treasurer's pooled investments:							
U.S. agency securities	AA+/Aaa	$ 67,677	12,041	19,107	20,212	16,317	—
Medium term notes	A-/A3	2,492	783	—	—	1,709	—
Medium term notes	A-/Baa2	2,860	2,860	—	—	—	—
Medium term notes	A/A2	2,138	—	—	2,138	—	—
Medium term notes	A+/A1	1,761	1,761	—	—	—	—
Medium term notes	A+/A2	3,135	2,793	—	342	—	—
Medium term notes	AA/Aa2	1,033	—	—	—	1,033	—
Medium term notes	AA+/A1	3,537	—	—	1,737	1,800	—
Medium term notes	AAA/Aaa	3,879	—	1,039	—	2,840	—
Commercial paper	A-1/P-1	17,766	17,766	—	—	—	—
Money market mutual funds	AAA/Aaa	8,875	8,875	—	—	—	—
LAIF	Unrated	28,652	28,652	—	—	—	—
Total investments controlled by City Treasurer		143,805	75,531	20,146	24,429	23,699	—
Investments controlled by bond trustees:							
U.S. agency securities	AA+/Aaa	125,822	10,175	50,431	18,715	46,501	—
Guaranteed investment contracts	Unrated	30,420	—	—	—	7,500	22,920
Collateralized investment contracts	Unrated	3,669	—	—	—	—	3,669
Flexible repurchase agreements	Unrated	10,082	—	—	10,082	—	—
Money market mutual funds	AAA/Aaa	16,495	16,495	—	—	—	—
Total investments controlled by bond trustees		186,488	26,670	50,431	28,797	54,001	26,589
Total Electric Utility investments		$ 330,293	102,201	70,577	53,226	77,700	26,589

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Notes to Financial Statements

June 30, 2012 and 2011

(In thousands)

Investments	Credit rating (S&P/Moody's)	Fair value, June 30, 2011	12 months or less	13 to 24 months	25 to 36 months	37 to 60 months	More than 60 months
Treasurer's pooled investments:							
U.S. agency securities	AAA/Aaa	$ 63,803	8,917	11,316	15,279	28,291	—
Medium-term corporate notes	AA/Aaa	3,433	—	—	942	2,491	—
Medium-term corporate notes	AA/Aa	2,533	1,619	—	—	914	—
Medium-term corporate notes	A/A	9,608	2,907	5,118	—	1,583	—
Medium-term corporate notes	A-1/P-1	2,630	—	2,630	—	—	—
Commercial paper	A-1/P-1	32,570	32,570	—	—	—	—
Money market mutual funds	AAA/Aaa	3,607	3,607	—	—	—	—
LAIF	Unrated	20,376	20,376	—	—	—	—
Total investments controlled by City Treasurer		138,560	69,996	19,064	16,221	33,279	—
Investments controlled by bond trustees:							
U.S. agency securities	AAA/Aaa	122,664	6,560	10,528	56,154	49,422	—
Guaranteed investment contracts	Unrated	30,318	—	—	—	—	30,318
Collateralized investment contracts	Unrated	3,669	—	—	—	—	3,669
Flexible repurchase agreements	Unrated	7,864	7,864	—	—	—	—
Money market mutual funds	AAA/Aaa	16,657	16,657	—	—	—	—
Total investments controlled by bond trustees		181,172	31,081	10,528	56,154	49,422	33,987
Total Electric Utility investments		$ 319,732	101,077	29,592	72,375	82,701	33,987

(Continued)

(In thousands)

(3) Electric Utility Plant

The following is a summary of changes in capital assets:

	Balance as of June 30, 2010	Additions	Deletions	Balance as of June 30, 2011	Additions	Deletions	Balance as of June 30, 2012
Production	$ 115,477	2,501	—	117,978	1,166	—	119,144
Transmission	89,895	1,130	(3)	91,022	1,240	(33)	92,229
Distribution	725,878	59,388	(5,144)	780,122	27,548	(1,967)	805,703
General plant	104,714	3,205	—	107,919	1,427	—	109,346
Depreciable utility plant	1,035,964	66,224	(5,147)	1,097,041	31,381	(2,000)	1,126,422
Less accumulated depreciation	(319,103)	(37,772)	6,392	(350,483)	(38,995)	2,646	(386,832)
Net depreciable utility plant	716,861	28,452	1,245	746,558	(7,614)	646	739,590
Land	35,671	—	—	35,671	—	—	35,671
Construction in progress	40,508	60,940	(65,950)	35,498	42,964	(32,261)	46,201
Nondepreciable utility plant	76,179	60,940	(65,950)	71,169	42,964	(32,261)	81,872
Net utility plant	$ 793,040	89,392	(64,705)	817,727	35,350	(31,615)	821,462

(4) Operating Expenses

Total operating expenses shared with the City's Water Utility Fund amounted to $26,524 and $26,684 for the years ended June 30, 2012 and 2011, respectively, of which $20,158 and $20,280, respectively, were allocated to the Electric Utility.

The shared expenses are allocated to each utility based on estimates of the benefits each utility derives from those common expenses.

(5) Jointly Owned Utility Projects

(a) SONGS

The City sold its 3.16% ownership interest of SONGS to SCE on December 29, 2006. As such, the Electric Utility ceased recording all related operating expenses, except marine mitigation costs and spent fuel storage charges, as of December 29, 2006. Based on the SONGS settlement agreement, the Electric Utility is responsible for the City's share of marine mitigation costs up to $2,300, and SCE is responsible for costs between approximately $2,300 and $7,300. The Electric Utility is responsible for spent fuel storage charges until the federal government takes possession.

(In thousands)

As a former participant in SONGS, the Electric Utility is subject to assessment of retrospective insurance premiums in the event of a nuclear incident at SONGS or any other licensed reactor in the United States of America.

(b) San Juan Generating Station (SJ)

The Electric Utility also owns a 10.04% ownership interest in the existing coal-fired SJ, Unit 4, located near Waterflow, New Mexico. Other participants include Public Service of New Mexico, 45.485%; the City of Farmington, 8.475%; the County of Los Alamos, 7.200%; and M-S-R Public Power Agency, 28.800%. The Electric Utility's original purchase cost and cumulative share of ongoing construction costs included in utility plant at June 30, 2012 and 2011 amounted to $80,139 and $78,973, respectively. There are no separate financial statements for this venture, as each participant's interest is reflected in its respective financial statements.

(6) Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

June 30, 2012	Beginning of year	Additions	Retirements	End of year	Due within one year
Anaheim Public Financing Authority Revenue Bonds	$ 719,930	—	(18,175)	701,755	18,995
Provision for decommissioning costs	127,347	3,598	—	130,945	—
	847,277	3,598	(18,175)	832,700	$ 18,995
Less current portion	(18,175)	(18,995)	18,175	(18,995)	
Add unamortized bond premium	9,875	—	(866)	9,009	
Less unamortized refunding costs	(4,614)	—	515	(4,099)	
Total long-term liabilities	$ 834,363	(15,397)	(351)	818,615	

(In thousands)

June 30, 2011		Beginning of year	Additions	Retirements	End of year		Due within one year
Anaheim Public Financing Authority Revenue Bonds	$	647,365	90,390	(17,825)	719,930		18,175
Provision for decommissioning costs		123,893	3,454	—	127,347		—
		771,258	93,844	(17,825)	847,277	$	18,175
Less current portion		(17,825)	(18,175)	17,825	(18,175)		
Add unamortized bond premium		7,781	2,872	(778)	9,875		
Less unamortized refunding costs		(5,148)	—	534	(4,614)		
Total long-term liabilities	$	756,066	78,541	(244)	834,363		

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Notes to Financial Statements

June 30, 2012 and 2011

(In thousands)

Long-term debt consists of the following at June 30:

		2012	2011
Anaheim Public Financing Authority Revenue Bonds, issue of 1998, true interest cost (TIC) 5.08%, dated May 1, 1988, sold on June 2, 1998 in the amount of $65,000, of which $49,625 was advance refunded on February 7, 2007. The final principal of $1,770 was matured on October 1, 2011.	$	—	1,770
Anaheim Public Financing Authority Revenue Bonds, issue of 1999, with an initial interest rate of 4.625%, dated September 1, 1999, sold on September 29, 1999 in the amount of $45,000. On the conversion date, October 2, 2005, the 1999 bond was remarked in the amount of $43,010. The remaining principal of $34,650 at rates ranging from 4.00% to 5.00% is maturing from October 1, 2012 through 2027 in annual principal installments ranging from $1,535 to $2,795. The total debt service is $47,166 to maturity.		34,650	36,925
Anaheim Public Financing Authority Revenue Bonds, issue of 2002, TIC 4.97%, dated February 15, 2002, sold on March 12, 2002 in the amount of $178,705. The Series 2002-A was issued in the amount of $96,210, of which (1) $3,025 was issued as serial bonds at a rate of 4.90%, maturing from October 1, 2021 to 2022 in annual principal installments ranging from $1,390 to bonds at $1,635 and (2) $93,185 was issued as term bonds at a rate of 5.00%, maturing from October 1, 2023 through 2031 in annual principal installments from $5,210 to $18,045. The Series 2002-B was issued in the amount of $82,495 as serial bonds. The remaining principal of $68,100 at rates ranging from 3.90% to 5.25% is maturing from October 1, 2012 through 2020 in principal installments ranging from $2,210 to $10,450. The total debt service is $257,515 to maturity.		164,310	168,065

(Continued)

(In thousands)

		2012	2011
Anaheim Public Financing Authority Revenue Bonds, issue of 2003, TIC 3.99%, dated April 1, 2003, sold on April 9, 2003 in the amount of $60,415. The Series 2003-A was issued in the amount of $37,735 as serial bond. The remaining principal of $29,640 at rates ranging from 4.00% to 5.00%, maturing from October 1, 2012 to 2022 in annual principal installments ranging from $1,915 to $5,600. The Series 2003-B was issued in the amount of $22,680. There is no remaining principal. The total debt service is $38,701 to maturity.	$	29,640	35,240
Anaheim Public Financing Authority Revenue Bonds, issue of 2004, TIC 4.99%, dated June 1, 2004, sold June 30, 2004 in the amount of $131,265, of which: (1) $97,060 was issued as serial bonds. The remaining principal of $79,755 at rates ranging from 4.00% to 5.25% is maturing from October 1, 2012 to 2025 in annual principal installments ranging from $2,690 to $9,595; (2) $13,325 was issued as term bonds at a rate of 5.00% maturing from October 1, 2026 through 2029 in annual principal installments from $3,085 to $3,585; and (3) $20,880 was issued as term bonds at a rate of 5.00% maturing from October 1, 2030 through 2034 in annual principal installments ranging from $3,770 to $4,605. The total debt service is $182,207 to maturity.		113,960	116,520

(In thousands)

		2012	2011
Anaheim Public Financing Authority Revenue Bonds, issue of 2007, TIC 4.49%, dated and sold on February 7, 2007 in the amount of $206,035, of which: (1) $73,000 was issued as serial bonds. The remaining principal of $68,005 at rates ranging from 4.00% to 5.00% is maturing from October 1, 2012 through 2028 in annual principal installments ranging from $2,975 to $11,530; (2) $24,410 was issued as term bonds at a rate of 4.75% maturing on October 1, 2026 and 2027 in annual principal installments from $11,685 to $12,725; (3) $36,675 was issued as term bonds at a rate of 4.50% maturing from October 1, 2029 through 2032 in annual principal installments from $7,665 to $12,550; and (4) $71,950 was issued as term bonds at a rare of 4.50% maturing from October 1, 2033 through 2037 in annual principal installments ranging from $13,125 to $15,715. The total debt service is $355,607 to maturity.	$	201,040	202,120
Anaheim Public Financing Authority Revenue Bonds, issue of 2009, TIC 4.98%, dated and sold on March 10, 2009 in the amount of $70,000, of which: (1) $37,405 was issued as serial bonds. The remaining principal of $35,170 at rates ranging from 3.00% to 5.00% is maturing from October 1, 2012 through 2030 in annual principal installments ranging from $1,185 to $2,765; (2) $12,610 was issued as term bonds at a rate of 5.25% maturing on October 1, 2031 through 2034 in annual principal installments from $2,910 to $3,405; and (3) $19,985 was issued as term bonds at a rate of 5.25% maturing from October 1, 2035 through 2039 in annual principal installments ranging from $3,590 to $4,430. The total debt service is $127,225 to maturity.		67,765	68,900

(Continued)

(In thousands)

		2012	2011
Anaheim Public Financing Authority Revenue Bonds, issue of 2011, TIC 4.91%, dated and sold on May 11, 2011 in the amount of $90,390, of which: (1) $63,005 was issued as serial bonds. The remaining principal of $63,005 at rates ranging from 3.00% to 5.25% is maturing from October 1, 2016 through 2031 in annual principal installments ranging from $1,825 to $5,880; and (2) $27,385 was issued as term bonds at a rate of 5.375% maturing on October 1, 2032 and 2036 in annual principal installments from $4,905 to $6,080. The total debt service is $166,281 to maturity.	$	90,390	90,390
Total Anaheim Public Financing Authority Revenue Bonds	$	701,755	719,930

Annual debt service requirements, excluding amounts for decommissioning costs, at June 30, 2012 to maturity are as follows:

		Principal	Interest	Total
Fiscal years ending June 30:				
2013	$	18,995	33,816	52,811
2014		19,765	32,944	52,709
2015		20,745	31,975	52,720
2016		21,725	30,969	52,694
2017		24,590	29,866	54,456
2018 – 2022		123,495	130,859	254,354
2023 – 2027		139,520	98,950	238,470
2028 – 2032		178,200	60,154	238,354
2033 – 2037		126,390	22,044	148,434
2038 – 2041		28,330	1,370	29,700
	$	701,755	472,947	1,174,702

Interest costs of $1,902 and $1,675 have been capitalized to utility plant for the years ended June 30, 2012 and 2011, respectively.

In accordance with the bond resolutions, a reserve for maximum annual debt service has been established, and a reserve for renewals and replacements is being accumulated in an amount equal to a maximum of 2% of the depreciated book value of the Electric Utility plant in service.

(Continued)

(In thousands)

The bond resolutions require the establishment of a bond service account by accumulating monthly one-sixth of the interest, which will become due and payable on the outstanding bonds within the next six months, and one-twelfth of the principal amount, which will mature and be payable on the outstanding bonds within the next 12 months. Those amounts have been recorded in net assets restricted for debt service on the accompanying balance sheets.

There are various limitations and restrictions contained in the Electric Utility's bonds. The management of the Electric Utility believes it is in compliance with all limitations and restrictions.

Electric Utility has pledged future electric revenues to repay a total of $1,174,702 and $1,226,981 outstanding long-term obligations, principal, and interest for the years ended June 30, 2012 and 2011, respectively. Proceeds from bonds provide financing for various capital improvements, primarily distribution assets. The Electric Utility's bonds are payable solely from electric net revenues and are payable through fiscal year 2040. As of June 30, 2012 and 2011, the annual principal and interest payments on the bonds are 55.9% and 55.8% of net revenues, respectively. Debt service paid and total net revenues were $52,279 and $93,556, and $48,650 and $87,251 for the years ended June 30, 2012 and 2011, respectively.

In May 2011, the Electric Utility issued revenue bonds in the principal amount of $90,390. The proceeds totaled $93,262, of which $85,004 was deposited in construction funds to finance capital electric distribution system and Customer Information System; $758 was deposited in the cost of issuance funds; and $7,500 was deposited in the required bond reserve fund. The total debt service payments over the life of the bonds until fiscal year 2037 will be $170,369.

Restricted cash and investments include reserve provisions as well as undisbursed bond proceeds, at June 30, as follows:

		2012	2011
Held by fiscal agent:			
Bond reserve fund	$	58,121	55,964
Bond service fund		1,575	1,572
Bond construction fund		61,727	81,228
Decommissioning reserve		126,792	123,636
Held by Treasurer:			
Bond service account		20,609	19,740
Renewal and replacement account		15,503	15,644
Decommissioning and fuel reserves		3,520	3,080
Public benefit program fees		8,447	5,270
Restricted rebate		206	529
	$	296,500	306,663

(In thousands)

The Electric Utility's interest and other finance charges, excluding capitalized interest, for the years ended June 30, 2012 and 2011 were $32,899 and $30,079, respectively.

(7) Advance Refundings

When conditions have warranted in prior years, the Electric Utility has sold various issues of bonds to provide for the refunding of previously issued obligations. The proceeds received from the sales of the bond issues were used to refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by the escrow agent, an amount, which, when combined with interest earnings thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon, and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Electric Utility's financial statements.

The outstanding amount of the refunded bonds totaled $0 and $725 at June 30, 2012 and 2011, respectively.

A summary of bonds defeased by the Electric Utility and outstanding as of June 30 is as follows:

Issue	2012	2011
1997 FARECal Certificates of participation	$ —	725

(8) Pension Plan

The City contributes to the State of California Public Employees' Retirement System (PERS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent for California cities that participate in this retirement plan.

For both years ended June 30, 2012 and 2011, as a condition of participation, employees are required to contribute 8% of their annual covered salary to PERS. The City pays 7% of the employees' required contributions and the employees pay the remaining 1%. For management employees hired after January 10, 2012, the entire 8% is paid by employees. The City is required to contribute the remaining amounts necessary to fund PERS, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Electric Utility is allocated its portion of the City's required contribution, as determined by PERS actuaries. This allocation is based on eligible employee wages.

The Electric Utility contributed 100% of its allocated required contributions of $6,700, $6,071, and $6,238 to PERS for the years ended June 30, 2012, 2011, and 2010, respectively.

Information is not available separately for the Electric Utility as to the cost of benefits funded, the actuarially computed present value of vested and nonvested accumulated plan benefits, the related assumed rates of return used, and the actuarially computed value of vested benefits over the related pension fund assets. Refer to the City's Comprehensive Annual Financial Report as of June 30, 2012 for further information.

(In thousands)

(9) Self-Insurance Program

The Electric Utility participates in the City's self-insured workers' compensation and general liability program. The liability for such claims, including claims incurred but not reported, is transferred to the City in consideration of self-insurance premiums paid by the Electric Utility. Premiums for workers' compensation and general liability programs are charged to the Electric Utility by the City based on various allocation methods that include actual cost, trends in claims experience, exposure base, and number of participants. Premiums charged and paid were $476 and $476 for the years ended June 30, 2012 and 2011, respectively.

At June 30, 2012, the City was fully funded for self-insured workers' compensation and general liability claims (self-insured retention levels of $750 per occurrence for workers' compensation claims and $1,000 per occurrence for general liability claims). Above these self-insured retention levels, the City's potential liability is covered through various commercial insurance and intergovernmental risk pooling programs. Settled claims have not exceeded total insurance coverage in any of the past three years, nor does management believe that there are any pending claims that will exceed total insurance coverage.

(10) Commitments and Contingencies

(a) Take-or-Pay Contracts

Intermountain Power Agency

The Electric Utility has entered into a power purchases contract with the Intermountain Power Agency (IPA) for delivery of electric power. The share of IPA power is equal to 13.225% of the generation output of IPA's two recently uprated coal-fueled generating units located in Delta, Utah (Unit 1 and 2 net output is 900 mega watts each). The Electric Utility is obligated for the following percentage of electrical facilities at IPA:

	Entitlement	Expiration
Generation:		
Intermountain Power Project	13.225%	2027

The contract constitutes an obligation of the Electric Utility to make payments from revenues and requires payment of certain minimum charges. These minimum charges include debt service requirements on the financial obligations used to construct the plant. These requirements are considered a cost of purchased power.

(In thousands)

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, it is obligated for its proportional share of the cost of the project. The Electric Utility is obligated for the following percentage of electrical facilities owned by SCPPA:

	Entitlement	Expiration
Transmission:		
Southern Transmission System (STS)	17.6%	2027
Mead-Adelanto Project (MAP)	13.5	2030
Mead-Phoenix Project (MPP)	24.2	2030
Generation:		
Hoover Dam Uprating (Hoover)	42.6%	2018
Magnolia Generating Station (Magnolia)	38.0	2037
Canyon Power Project (Canyon)	100.0	2040
Natural gas reserves project (Natural Gas):		
SCPPA Natural gas project-Pinedale, Wyoming	35.7%	2033
SCPPA Natural gas project-Barnett, Texas	45.5	2033

(Continued)

(In thousands)

Take-or-Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from the operating revenues received during the year that the payment is due. A long-term obligation has not been recorded on the accompanying financial statements as these commitments do not represent an obligation of the Electric Utility until the year the power is available to be delivered to the Electric Utility. The following schedule details the amount of debt service that is due and payable by the Electric Utility for each project and the final maturity date.

Fiscal years		IPA	STS	MAP	MPP	Hoover	Magnolia	Natural gas	Canyon	Total
2013	$	39,138	12,905	2,571	1,630	834	6,255	6,486	6,385	76,204
2014		38,913	14,222	3,090	1,925	957	10,732	7,369	12,770	89,978
2015		39,800	14,259	3,117	1,660	958	8,547	7,147	12,769	88,257
2016		33,898	14,310	3,003	1,600	957	8,549	7,091	12,770	82,178
2017		30,532	14,051	2,901	1,555	957	8,550	6,831	19,505	84,882
2018 – 2022		144,993	71,310	11,625	6,229	956	33,317	25,364	97,511	391,305
2023 – 2027		10,392	45,904	—	—	—	35,994	16,935	97,510	206,735
2028 – 2032		—	6,364	—	—	—	38,521	11,625	97,519	154,029
2033 – 2037		—	—	—	—	—	58,106	1,832	97,512	157,450
2038 – 2041		—	—	—	—	—	—	—	78,014	78,014
Total	$	337,666	193,325	26,307	14,599	5,619	208,571	90,680	532,265	1,409,032

In addition to debt service, the City's entitlement requires the payment for fuel costs, operations and maintenance costs (O&M), administration and general costs (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; however, prior experience indicates that annual costs are generally consistent from year to year. The fiscal year 2012 and 2011 billings for fuel, O&M, A&G, and other costs at these projects are as follows:

Fiscal year		IPA	STS	MAP	MPP	Hoover	Magnolia	Natural gas	Canyon	Total
2012	$	45,936	6,075	276	227	489	25,221	1,172	4,450	83,846
2011		43,270	5,046	229	290	428	20,758	1,143	—	71,164

(Continued)

(In thousands)

(b) Prepaid Purchased Power

The Electric Utility has prepaid purchased power costs for the following take-or-pay contracts as of June 30:

		2012	2011
SCPPA – Stabilization fund prepayment	$	33,699	33,918
SCPPA – Magnolia power prepayment		16,395	15,928
SCPPA – Ormat prepayment		450	450
SCPPA – Canyon prepayment		2,225	3,014
SCPPA – building fund		528	528
SJ – fuel acquisition prepayment		287	—
IPA – power prepayment		2,859	9,080
Prepaid purchased power	$	56,443	62,918

(c) Litigation

A number of claims and suits are pending against the City for alleged damages to persons and property and for other alleged capital expenditures liabilities arising out of matters usually incidental to the operation of a utility such as the electric system of the City. In the opinion of management, the exposure under these claims and suits would not materially affect the financial position of the Electric Utility as of June 30, 2012 and 2011.

(Continued)

(In thousands)

(d) Construction Commitments

At June 30, 2012, the Electric Utility had the following commitments with respect to unfinished capital projects:

Capital project		Remaining construction commitment	Expected completion date
Underground District #51/#56, Lincoln/Magnolia	$	278	2012
Underground District # 59, Brookhurst		5,157	2013
Underground District #53, La Palma		614	2013
Transformers		752	2013

At June 30, 2011, the Electric Utility has construction commitments totaling $13,294.

(11) Subsequent Event

On September 19, 2012, the Electric Utility issued 2012-A Revenue Refunding Bonds in the total amount of $92,130 at a premium of $9,254 to refund the outstanding balance of $96,210 on the 2002-A Revenue Bond. The true interest cost is 3.38% maturing serially from October 1, 2021 to 2023. Annual debt service requirements, beginning April 1, 2013, range from $2,084 to $17,456 at rates ranging from 3.125% to 5.000%. This 2012-A refunding bond will reduce its total debt service payments by $24,970 at the net present value of $17,815.