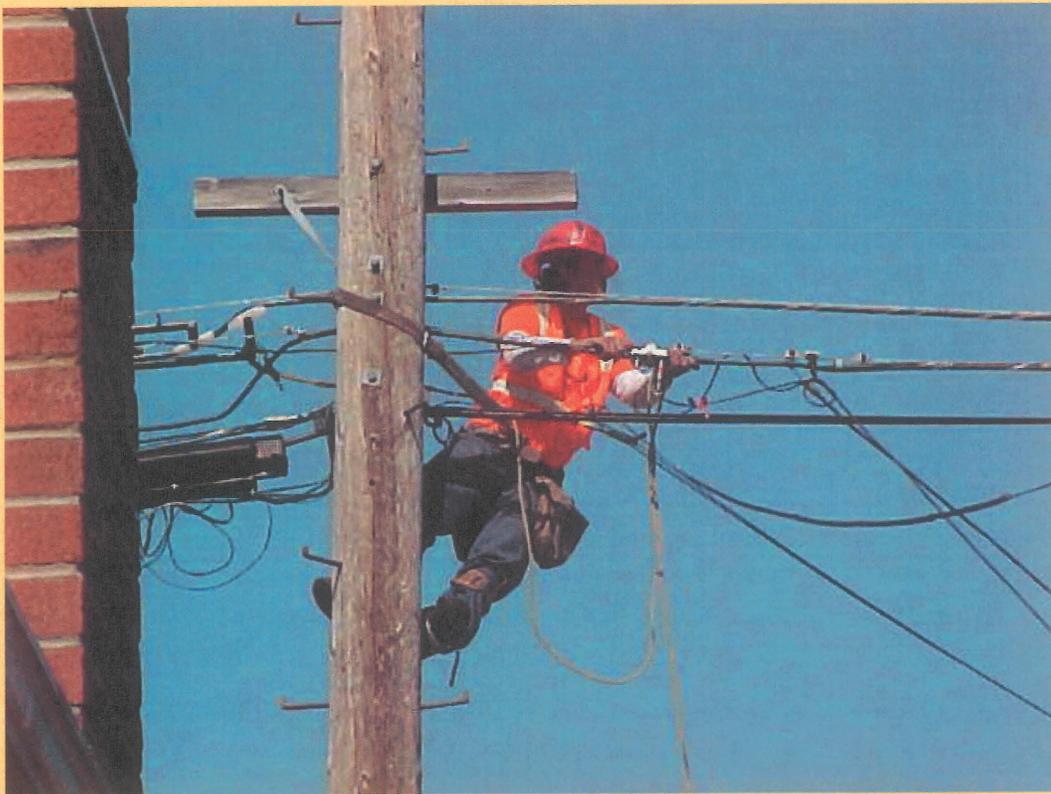


ALAMEDA POWER & TELECOM

A Department of the City of Alameda

Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2007 and 2006

Alameda Power & Telecom
a Component Unit of the City of Alameda, California



On the cover:

The front line workers of Alameda Power & Telecom are a crucial component to the success of this community-owned utility. The existing Electric and Telecommunication Systems are a mixture of 35% aerial plant with the remainder being underground plant. The linemen and cable-technicians that service the Electric and Telecommunications Systems are qualified to perform work on both aerial and underground installations. Shown on the cover, a cable-technician works an aerial customer-drop location to provide telecommunication service to one of the approximately 11,000 households that receive cable television or internet service.

**ALAMEDA POWER & TELECOM
A COMPONENT UNIT OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

**PREPARED BY THE
ADMINISTRATIVE SERVICES DIVISION**

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**ALAMEDA POWER & TELECOM
A COMPONENT UNIT OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

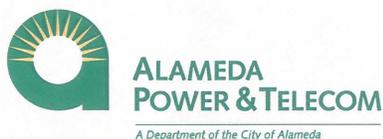
TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents.....	i
Letter of Transmittal	iii
Principal Officers	xi
Organizational Chart	xii
Location Map	xiii
GFOA Award	xiv
FINANCIAL SECTION	
Independent Auditor’s Report on Component Unit Basic Financial Statements ..	1
Management’s Discussion and Analysis	3
Basic Component Unit Financial Statements:	
Statements of Net Assets	15
Statements of Revenues, Expenses and Changes in Net Assets	16
Statements of Cash Flows	17
Notes to Basic Component Unit Financial Statements	19

**ALAMEDA POWER & TELECOM
A COMPONENT UNIT OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<div style="border: 1px solid black; padding: 5px; display: inline-block;">STATISTICAL SECTION</div>	
Net Assets by Component.....	45
Changes in Earned Surplus of Consolidated Operations.....	46
Changes in Earned Surplus of Electric and Telecommunication Operations.....	47
Electric Operating Revenues by Source.....	48
Telecommunication Operating Revenue by Source.....	49
Customer Accounts.....	50
Pricing Changes.....	51
Ratio of Outstanding Debt by Type.....	52
Certificates of Participation Coverage – Electric Operations.....	53
Certificates of Participation Coverage – Telecommunication Operations.....	54
Demographic and Economics Statistics.....	55
Top Ten Customers.....	56
Operating Expenses by Function – Electric Operations.....	57
Operating Expenses by Function – Telecommunications Operations.....	58
Capital Asset Statistics by Function / Program.....	59
Operation Indicators.....	60
Operation Indicators - Continued.....	61



December 17, 2007

To the Public Utilities Board and Our Customers:

We are pleased to transmit the Comprehensive Annual Financial Report of Alameda Power & Telecom, a component unit of the City of Alameda, California for the fiscal year ended June 30, 2007. In accordance with standards established by the Governmental Accounting Standards Board's Statement No. 14, the Financial Reporting Entity, Alameda P&T meets the definition of a component unit of the City of Alameda. We encourage readers to review all sections of this report and especially request that they refer to Management's Discussion and Analysis located in the Financial Section of this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Alameda Power & Telecom (Alameda P&T). Alameda P&T believes that the data presented here is accurate in all material respects, that the data is presented in a manner designed to set forth fairly the financial position of the organization and that all disclosures necessary to gain an understanding of Alameda P&T's financial activity are included in this report.

Profile

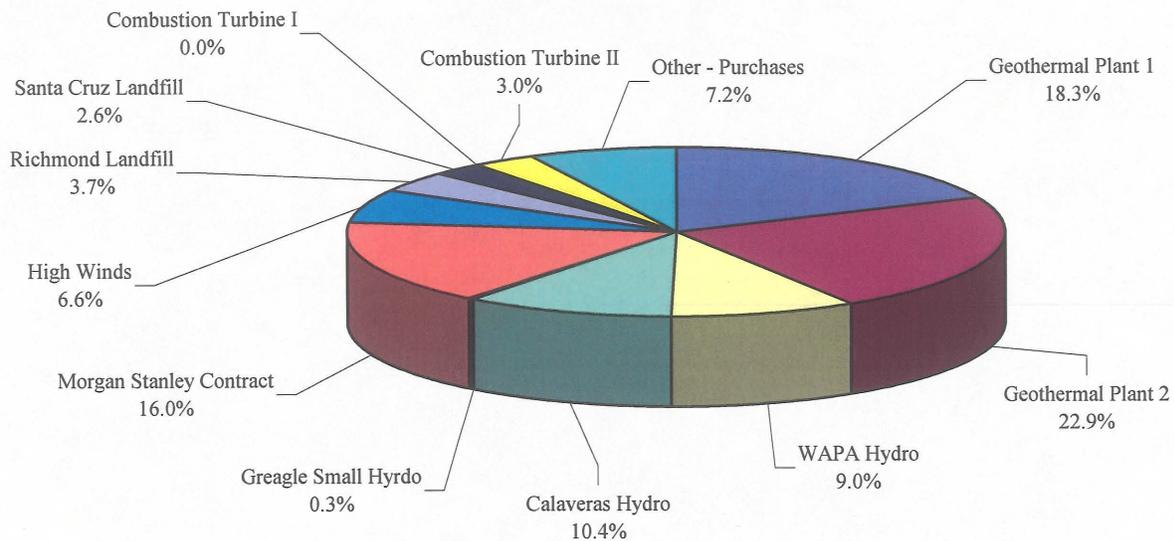
Alameda P&T is a customer-owned municipal utility that provides competitively priced, reliable electric-energy and telecommunications services. Alameda P&T has provided electric-energy services since its founding in 1887, and since 2001 its telecommunications system has provided cable television programming and Internet access. Alameda P&T is the oldest municipal utility in California and is amongst the oldest utilities in the nation, either public or private. Alameda P&T is governed by a Public Utilities Board (Board) that establishes policy, approves major purchases, and provides for local control of Alameda P&T, one of Alameda's largest businesses.

In accordance with the City Charter, the Board is comprised of four commissioners (appointed by the Mayor with concurrence from the City Council) and the City Manager (as an ex-officio member). At the end of fiscal year 2007, Vice-President Charles Bangert retired from the Board and Commissioner Peter Holmes was elected as Board Vice-President. Also, Mr. Gregory Hamm joined the Board in August 2007 as a new Commissioner serving with President Ann McCormick, Vice-President Peter Holmes, Commissioner John McCahan and City Manager Debra Kurita.

Alameda P&T's rates and fees are intended to cover the actual cost of providing service to each customer, remain competitive with those providing similar services in surrounding communities, and provide a return to the City. In addition to providing quality services, Alameda P&T has transferred over \$25 million to the City's General Fund during the past 10 years, effectively reducing the tax burden and improving the quality of life in Alameda.

Alameda P&T continues to implement a successful program to plan for and acquire electric generation sources that are economical, provide stable costs over the long-term, and are environmentally benign. Managed mainly through the Northern California Power Agency (NCPA), a joint-powers agency composed of Alameda P&T and 17 other Northern California public entities, Alameda P&T has investments in geothermal, combustion turbine, hydroelectric, wind, and landfill-gas generating facilities. Renewable resources are used to generate over 80% of the electricity Alamedans use. The figure below illustrates Alameda’s energy purchases during fiscal year 2007.

PURCHASED ENERGY SOURCES Fiscal Year 2007



In its continuing commitment to provide the most reliable power for Alameda, and in support of community development goals, Alameda P&T continues to convert 12-kilovolt overhead distribution feeders to underground installations. Noticeable underground conversion activity has been completed in the vicinity of the new Main Library and opposite the Robert W. Crown State Beach, Underground Districts 29 and 16. In addition to the conversion construction activity, Alameda P&T began detailed design for its newest project, Underground District 30, a project to replace overhead distribution in a residential area.

Alameda P&T began a transitional process for improved telecommunications operations when the trunk and main distribution system were completed last year. Several system enhancements were initiated to improve reliability, improve viewing choices, and allow for increased customer package-selection flexibility. Telecommunication system enhancements most noticeable by customers include the improved high-definition television selections and digital boxes. Additionally, Internet infrastructure received technical enhancements to help ensure reliability and high-speed performance for each user. During this year, an operation efficiency audit was conducted and feasible recommendations are being implemented.

During this seventh year of receiving operating revenue for the telecommunications line of business, Alameda P&T lost 608 cable television customers and gained 203 new Internet customers. In those nodes available for service greater than 90 days, an average 35% penetration rate was accomplished with a monthly average churn rate of 2.8% (turnover of customers during a billing cycle).

Mission Statement

We guarantee the highest-value electricity and telecommunications service.

Vision Statement

Your partner, first in electricity and telecommunications.

Key Result Areas

- Customer Satisfaction – Earn trust and commitment by guaranteeing customer focus.
- Financial Accountability – Maximize the financial performance and value of Alameda P&T to the community of Alameda.
- Employee Development – Assure that our employees have the skills and knowledge necessary to achieve superior business performance.
- Competitive Success – Profitably market and deliver competitive quality products and services to our customers.

Economic Conditions and Outlook

The City of Alameda is an island community with residential neighborhoods and commercial areas. There are breath-taking views of Oakland, San Francisco, and other areas of the Bay shoreline. According to the California Department of Finance, there are 75,254 people living in Alameda. Nearly half the homes in Alameda are owner occupied. The City has highway and rail links to the City of Oakland to the north and east, and offers ferry services to San Francisco from two locations. In 1997, the Naval Air Station-Alameda closed. The City is continuing the process of converting the former Naval facilities to other uses. The first stage, construction of 485 single-family homes, started in late 2003 and is nearly complete. Planning has begun for other redevelopment at this portion of the island. Alameda commercial enterprises range from high-tech businesses such as software, programming, computer peripherals manufacturing, and biotechnology companies to winemaking facilities. Residential properties include low-, moderate-, and high-income housing in a variety of styles.

The population count has remained relatively constant during the past few years, although it increased slightly last year. The population for Alameda will increase slightly as new homes are constructed and occupied at Alameda Point and elsewhere in the City. Commercial development continues as new facilities are added and existing facilities are renovated.

With the development of new area housing, it is likely that Alameda's demographics will gradually transition to more mid-to-high income families that can afford the mostly market-rate homes. According to the 2000 Census, there are 41,148 (57%) European-American residents, 18,894 (26%) Asian-American residents, 4,488 (6%) African-American residents, 484 (0.7%) Native-American residents, 434 (0.6%) Native-Hawaiian (and other Pacific Islander) residents, 2,380 (3.3%) "Other Race" residents and 4,431 (6%) "Two or More Races" residents.

The adult population between the ages of 25 to 54 years in Alameda is above the national average and comprises almost 50% of all Alameda residents. This implies that quality family services, parks, schools, and retail are in high demand. The percentage of adults over 60 has increased slightly from 1990 indicating that there is a continued need for quality senior services and health care. The biggest change in population and spending patterns is due to the redevelopment of the former Naval Air Station-Alameda, continued development at the business park on Harbor Bay Island, the redevelopment of shopping areas and new power requirements for the Coast Guard.

Following are some major new developments in the City of Alameda:

- Former Navy Fleet Industrial Supply Center (FISC)

The redevelopment includes homes, retail space, business properties, a community park, a new elementary school, and a dramatic waterfront promenade. Development of this property continues with substantial portions of the phase-1 housing completed, planning for retail, phase-2 homes and various business areas continuing, the park and elementary school completed and planning is occurring for redevelopment of the waterfront areas. This redevelopment effort will continue for the next several years.

- Bridgeside Shopping Center

A redevelopment project has been constructed on the waterfront in northwest Alameda that consists of a 108,000 square-foot community shopping center with a grocery store anchor. The project is complete and tenants occupy the space.

- Alameda Towne Centre (former South Shore Center) Revitalization

The renovation of this existing retail center continued during the fiscal year and will continue through fiscal year 2008.

- Alameda Main Library

The construction of a new state-of-the art Main Library in downtown Alameda is complete and opened to the public in November 2006.

- Harbor Island Business Park - North Loop

Development is occurring at the Harbor Island Business Park and several new businesses including Pete's coffee and Venture Commerce have recently completed their facilities. Additional development is underway as new businesses move into this waterfront setting.

- Electric system conversions

There was ongoing work to modernize certain portions of the electric system. This included installation of new electric cabling along Park Street, installation of new electric cabling at underground districts 16 & 29, demolition of unused circuits as new underground circuits were completed and design for fiscal year 2008 work.

Overall, the outlook for the City of Alameda is positive in terms of its local economy. Investors continue to demonstrate their faith in the strengths of the community by making major capital improvements and by expanding the quality of life for all Alameda residents.

Major Initiatives

Community Involvement

Through public service and participation in local events, programs, and agencies, Alameda P&T maintains a strong presence in the community. Alameda P&T joined with the Alameda Police Department for *National Night Out*, joined other City departments to sponsor a celebration of Earth Day 2007, and worked with the City's Recreation and Park Department on the Fourth of July activities. In January 2007, Alameda P&T hosted two "town hall" meetings to report on the status of development of its telecommunications business line to the community. Both meetings were well attended and evidenced Alameda P&T's commitment to full disclosure and transparency. Through public relations mechanisms and its external customer newsletter, Alameda P&T continues its aggressive safety education initiatives.

Alternative Fuel Vehicles

Alameda P&T has a fleet of alternative-fuel vehicles, including both all-electric and hybrid electric/gasoline vehicles. While they serve business purposes, they also remind the community of Alameda P&T's commitment to a cleaner environment.

Economic Development

The City of Alameda's Development Services Department and Alameda P&T continue to encourage the siting of new businesses and the expansion of existing businesses in the City. As utility costs are often a significant factor in establishing a new business, Alameda P&T continues to offer an Economic Development Incentive Discount to attract businesses to locate or expand in Alameda. During Fiscal year 2007, the special discount incentive was available to businesses that added an annual demand of at least 50 kilowatts, the typical demand for 10,000 square feet of office space.

Alameda is an excellent choice for energy-sensitive businesses. While having one of the best records of reliability, customers enjoy electrical rates significantly lower than those of nearby cities served by other utilities.

Customer Service

Alameda P&T's customers have several bill payment options when paying either their electric or telecommunications bills. There are no additional fees for any of these options, and some are available around the clock, any day of the week.

- *Automatic Payment Service for Electric*

Electric bills may be paid directly through a draft on checking or savings accounts.

- *Automatic Payment for Telecommunications*

Telecommunications bills may be paid directly through a recurring credit card payment.

- *Electronic Bill Presentment/Payment (EBPP) for Electric Service*

Alameda P&T customers can view and pay their electric bill at any of over 300 web sites including www.AlamedaPT.com.

- *On-line Credit Card Payment for Electric*

Customers receive their electric bill via the U.S. Postal Service and elect to pay it over the Internet using any major credit card or bank debit card.

- *Credit Card Payments by Phone for Electric and Telecommunications*

Bills may be paid by telephone using a MasterCard or Visa credit card.

- *U.S. Mail for Electric and Telecommunications*

Customers receive and pay their bills the traditional way, by U. S. mail.

- *In-Person Payments for Electric and Telecommunications*

Payments by check may be made left in a drop box at Alameda P&T's Service Center. Special payments may be made in person at the front desk of the Service Center with a Visa card, MasterCard, money order, cash, ATM card, or personnel check.

- *Pay Stations for Electric and Telecommunications*

For customer convenience, there are three additional pay stations in Alameda that will accept electric and telecommunications payments.

Cable Television and Internet Services Growth

Since launching cable television service in July 2001 and Internet services in February 2002, Alameda P&T has increased its subscriber base to 9,577 video and 6,624 Internet customers for a total of 16,201 customers; a decrease of 405 customer subscriptions this year. The cable television and Internet services plant is designed to support 64 nodes on the Main Island and 13 nodes on Bay Farm Island. Each node is designed to serve 500 customers. As of the end of the fiscal year 2007, customer penetration rates averaged over 35% in nodes that had been activated for over 90 days.

Rates for Cable Television and Internet Services

Alameda P&T is proud to be able to announce that rates for cable television and Internet services continue to be lower than rates offered by its primary competitor.

Telephone System

Alameda P&T took over the operation of the telephone plant on Alameda Point, July 1, 2000 and converted the operation to a self-sustaining portion of the utility. Prior to that time, the Alameda City's Information Technology Department operated the telephone system as a caretaker using U.S. Navy funding. Installation and monthly recurring fees provide for the recovery of maintenance expenses. Capital plant investment for the Alameda Point telephone system is minimized because the cable plant was transferred to Alameda P&T at no cost. This existing cable plant provides telephone cable pairs to extend telephone services from the AT&T (formerly SBC) Minimum Point of Entry (MPOE) to tenants leasing space and housing on Alameda Point.

Until Alameda Point's redevelopment plans are implemented, the Alameda Point telephone system will continue to support residents, and business and economic development by providing access to the public dial telephone network. In the future, it is expected that a state-certified communications carrier will construct telephone facilities on Alameda Point as part of the overall development plan.

Management's Statement of Responsibility

Alameda P&T's management is responsible for the integrity and objectivity of all financial data included in this annual report. The statements have been prepared in accordance with accounting principles generally accepted in the United States. The financial data includes amounts that are based on the best estimates and judgments of management.

Alameda P&T's management takes seriously its responsibility to establish and maintain an effective internal control system. It employs a variety of administrative and accounting processes that form its internal control system. The controls reasonably assure the integrity of Alameda P&T's records and reports, and assure that Alameda P&T's assets are used appropriately and business is carried-out as authorized.

The controls provide reasonable assurance that the financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. Management periodically reviews the internal control system. Actions are taken to correct deficiencies as they are identified. Alameda P&T maintains high standards in selecting, training, and developing personnel to assure that its operations are conducted in conformity with applicable laws and is committed to maintaining programs to encourage and assess compliance with the highest standards of personal and business conduct.

The City Auditor selected Maze & Associates (Maze), a certified public accounting firm, to independently audit the financial information of Alameda P&T. Maze was provided access to all information and documentation necessary for the audit. In the normal course of work, the independent auditor may recommend changes in control procedures and Alameda P&T's management will take appropriate action on such recommendations.

Risk Management

Alameda P&T purchases excess liability coverage annually. The self-insured retention amount is \$1,000,000 per claim. The coverage is \$35,000,000 per claim. All other coverage, beyond the City's self-insured retention level, is provided through the City's participation in public entity risk pools.

Independent Audit

California State statutes and the City of Alameda's charter require an annual audit of Alameda P&T's financial records and transactions. Alameda P&T contracted with Maze to perform the independent audit, and includes its report and opinion in the Financial Section that follows.

Award

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Alameda P&T for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the eleventh consecutive year that Alameda P&T has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of 1 year only. Alameda P&T believes that its current Comprehensive Annual Financial Report will continue to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

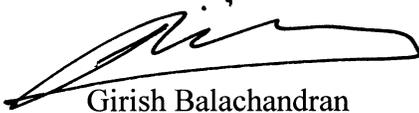
Acknowledgments

This report is the culmination of the hard work and dedication of many Alameda P&T employees and the independent auditor, Maze & Associates.

Special acknowledgment for the materials provided is due to the Administrative Services, Operations, Marketing and Customer Service, Engineering and Planning, and Power Resources divisions of Alameda P&T.

Finally, Alameda Power & Telecom staff would like to acknowledge the support of the Board for its continuing interest in the development of Alameda P&T.

Respectfully submitted,



Girish Balachandran
General Manager

Principal Officers

(As of June 30, 2007)

Public Utilities Board

Ann L. McCormick, President

A. Charles Bangert, Vice-President

John McCahan, Commissioner

Peter W. Holmes, Commissioner

Debra Kurita, Commissioner and City Manager

General Manager and Board Secretary

Girish Balachandran

Managers

Robert J. Orbeta, Administrative Services Manager

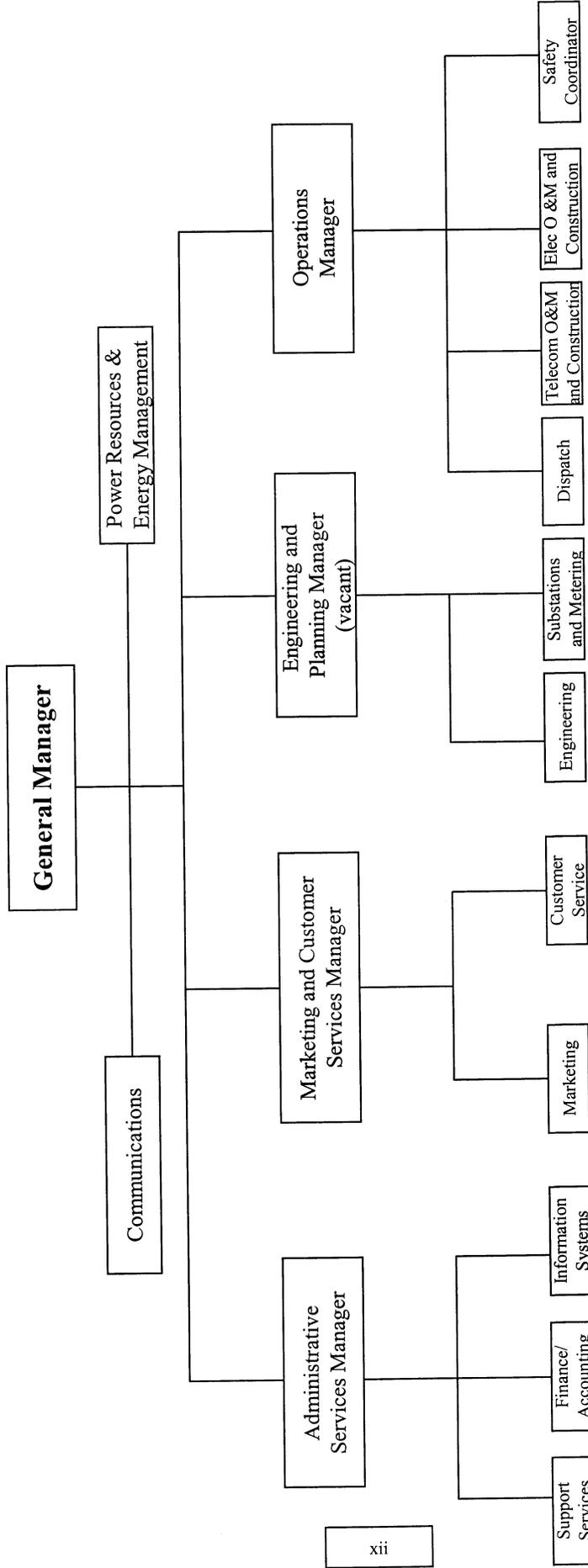
Dean E. Batchelor, Operations Manager

William C. Garvine, Marketing and Customer Services Manager

(Vacant), Engineering and Planning Manager

City of Alameda
 Alameda Power & Telecom
 Organizational Chart

June 30, 2007



131 Total
 Positions



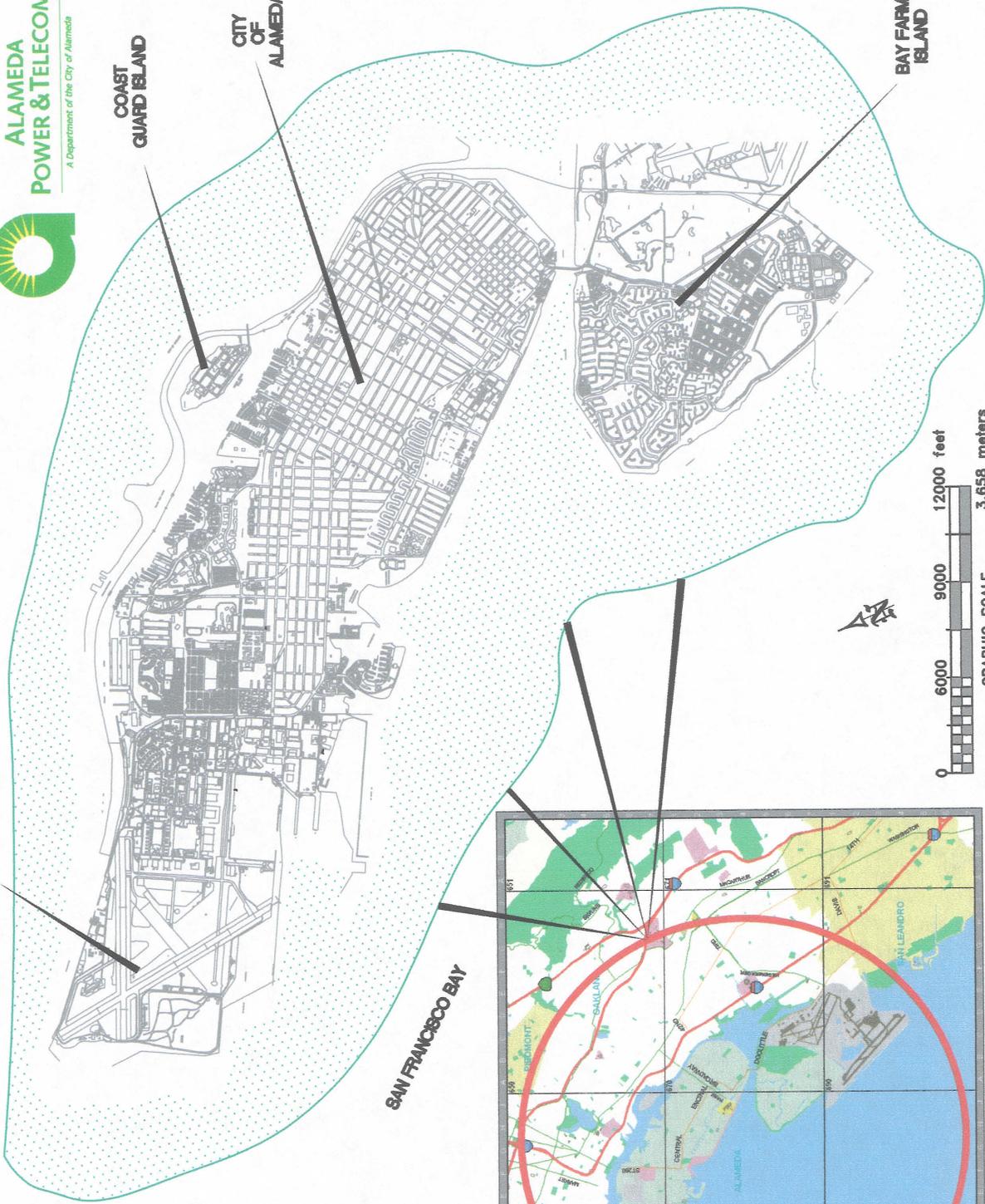
**ALAMEDA
POWER & TELECOM**
A Department of the City of Alameda

ALAMEDA POINT

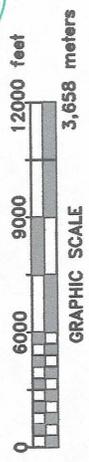
COAST
GUARD ISLAND

CITY OF
ALAMEDA

BAY FARM
ISLAND



SAN FRANCISCO BAY



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda Power & Telecom California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Haran".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enner".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Alameda Power & Telecom for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the eleventh consecutive year that Alameda Power & Telecom achieved this prestigious award.

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A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Management's Discussion and Analysis

As management of Alameda P&T, we offer readers of Alameda P&T's financial statements this narrative overview and analysis of the financial activities of Alameda P&T for the years ended June 30, 2007 and 2006. Readers are encouraged to consider the information presented here in conjunction with information contained in the preceding transmittal letter and the accompanying financial statements.

Financial Highlights

- Total net assets of Alameda P&T exceeded its liabilities for the period ended June 30, 2007 by \$64.8 million. Alameda P&T's total net assets decreased by \$0.4 million. The decrease in Net Assets is primarily due to 1) increases in operating expenses with the largest contributors being purchased power and programming costs and 2) a decrease in non-operating revenue with the sale of the generators at Alameda Point (losses from disposition) and a decrease in one-time adjustments that occurred last year with the PG&E settlement and the CATV construction work order closures.
- Alameda P&T's total debt did not increase.
- Alameda P&T's telecommunications division continues to improve operational efficiency and improved its cash flow by more than \$1.4 million. Management is committed to the goal of profitability and continues to increase revenue and decrease expense. In accordance with the terms contained in the 2002A Certificates of Participation, Alameda P&T deferred the May 2007 principal payment and accrued the interest payable.

Analysis of Combined Net Assets

Alameda P&T's Combined Net Assets

(Dollars in thousands)	2007	2006
Capital Assets, net depreciation	\$ 85,590	\$ 86,815
Other Non-current Assets	\$ 92,927	\$ 98,557
Current Assets	<u>32,184</u>	<u>22,744</u>
Total Assets	\$ 210,701	\$ 208,116
Current Liabilities	\$ 23,101	\$ 20,565
Long-Term Liabilities Outstanding	<u>122,804</u>	<u>122,350</u>
Total Liabilities	145,905	\$ 142,915
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 26,916	\$ 33,977
Unrestricted	<u>37,879</u>	<u>31,224</u>
Total Net Assets	<u>\$ 64,795</u>	<u>\$ 65,201</u>

Net Assets may serve, over time, as a useful indicator of an entity's financial position. In the case of Alameda P&T, assets exceeded liabilities by \$64.8 million at the close of the most recent fiscal year. Compared to the previous fiscal year, Alameda P&T's Total Net Assets decreased by \$0.4 million or 0.6% of Total Net Assets. The decrease in Total Net Assets is due to 1) a decrease in Capital Assets, 2) a decrease in Non-current Assets, 3) an increase in Current Assets, 4) an increase in Current Liabilities, and 5) an increase in Long-term Liabilities.

The largest portion of Alameda P&T's Net Assets reflects investment in capital assets (e.g., land, utility plant, buildings, vehicles and equipment), less any related debt used to acquire those assets still outstanding. These assets are used to provide electric and telecommunications services to Alameda's citizens; consequently, these assets are not available for future spending. Although Alameda P&T's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There was a 2% increase to Total Assets with a 2% increase to Total Liabilities resulting in Total Net Assets remaining similar to last year. Total Assets increased approximately \$2.6 million with Total Liabilities increasing almost \$3.0 million resulting in Total Net Assets decreasing by \$0.4 million.

Analysis of Change in Net Assets

Alameda P&T continues to endure the volatility and conditions in the California energy markets. While difficult market conditions have moderated substantially, volatility in energy prices in California may return due to a variety of factors that affect both the supply and demand for electric energy in the Western United States. These factors include but are not limited to, insufficient generation resources, fuel costs and availability, weather, transmission congestion and levels of hydroelectric generation within the region. Even though the State, as a whole, is uncertain that manageable energy prices and supplies will continue, Alameda P&T continues to have sufficient power supplies and is able to offer periodic surpluses to the market to help mitigate statewide supply shortages. Through its affiliation with NCPA, Alameda P&T has procured power sufficient to meet the needs of its customers.

Alameda P&T has reduced development of new telecommunications service areas. Cable television and Internet services were launched in July 2001 and February 2002, respectively and enhancements to these services remain the primary focus. The promotional campaigns that were used during "system launch" are being curtailed and refocused. Revenues continue to increase and operating expenses continue to decrease reflecting the attributes of a start-up business.

Combined Statement of Changes in Net Assets

(Dollars in thousands)	2007	2006
Operating Revenues		
Electric Sales	\$ 48,929	\$ 46,695
Telecommunication Sales	7,824	7,041
Other Services Revenue	<u>636</u>	<u>458</u>
Total Operating Revenues	57,389	54,194

(Dollars in thousands)	2007	2006
Operating Expenses		
Purchased Power	29,699	27,045
Programming	3,808	3,238
Operations and Maintenance	4,879	5,520
Customer Accounts	2,360	2,112
Administrative and General	7,856	8,680
Depreciation	5,497	5,032
Other Operating Expenses	<u>1,945</u>	<u>2,691</u>
Total Operating Expenses	56,043	54,318
Operating Income		
Electric	4,313	4,345
Telecommunications	<u>(2,967)</u>	<u>(4,469)</u>
Total Operating Income	1,346	(124)
Non-operating Revenue (Expense)		
Return on Restricted Investments	1,302	1,532
Debt Related Charges	(3,732)	(3,718)
Increase in Value of NCPA Projects and Reserves	2,227	2,984
Miscellaneous Non-operating Income	101	3,955
Transfer to City of Alameda P&T	(2,500)	(2,500)
Other Non-Operating Revenue (Expense)	<u>850</u>	<u>862</u>
Total Non-Operating Expenses	(1,752)	3,115
Change In Net Assets		
Electric	3,767	6,924
Telecommunications	<u>(4,173)</u>	<u>(3,933)</u>
Total Change In Net Assets	\$ (406)	\$ 2,991

Alameda P&T's operating revenue increased \$3.2 million due to a \$2.23 million increase in the electric division revenue and a \$0.97 million increase in telecommunications division revenue.

Operating income results for the electric division remained essentially unchanged from last year with increased purchased power costs being offset by cost reductions in administration, payment-in-lieu-of taxes, depreciation, and sales expense. Non-operating revenues decreased due to the lower contributions from the 2000AT Certificate of Participation (COPs) that were paid directly to the Northern California Power Agency (NCPA) for payment of Alameda P&T's portion of certain NCPA long-term debt included in purchased power bills and as a result of one-time settlement amounts that are lower than that which occurred last year.

Operating income results for the telecommunications division improved by \$1.5 million from last year. Although Sales increased by \$0.78 million as customer acquisition and rate changes occurred, higher cable television and internet programming costs required 77% of this money. Depreciation expense also negatively affected the operating income results. Improvement to operating income is due to substantial reductions in operations-maintenance, customer accounts, administration, and sales expense resulting from new management programs.

Alameda P&T's Net Assets decreased by \$0.4 million for the fiscal year ended June 30, 2007 compared to a \$3.0 million increase in fiscal year 2006. In fiscal year 2008, management anticipates slow growth to the revenue for the electric division (1-2%) and only moderate growth to telecommunications revenue (2-5%). Additionally, it is anticipated that operating expenses for both divisions will remain constant.

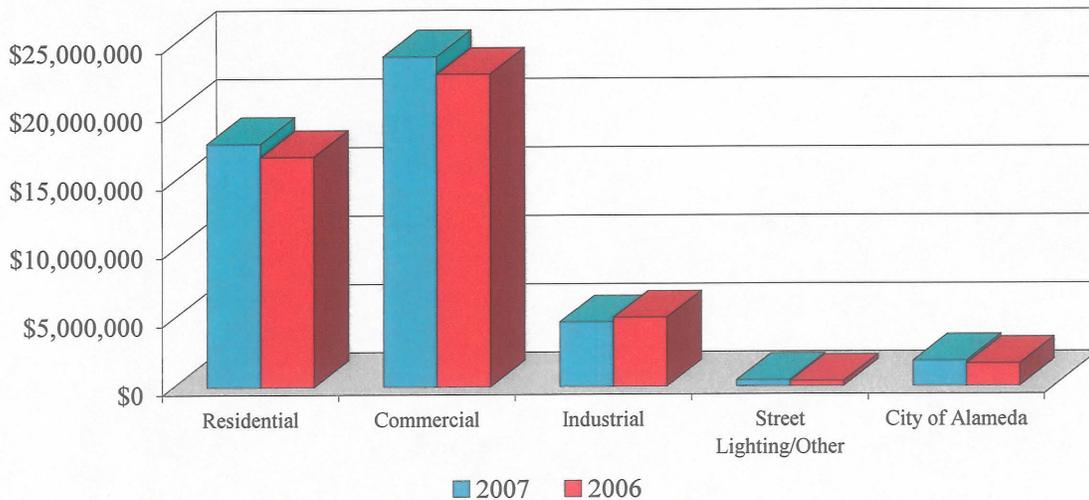
Electric Statement of Changes in Net Assets

(Dollars in thousands)	2007	2006
Operating Revenues	\$ 49,069	\$ 46,840
Operating Expenses	<u>44,757</u>	<u>42,495</u>
Operating Income	4,312	4,345
Non-operating Revenues	5,322	7,900
Non-operating (Expenses)	<u>(5,868)</u>	<u>(5,320)</u>
Non-Operating Income	(546)	2,580
Change In Net Assets	\$ <u>3,766</u>	\$ <u>6,925</u>

Electric Operating Revenues

Electric division operating revenues increased approximately 5% in 2007 compared to 2006 primarily due to a 3% increased kilowatt usage for residential, commercial and City electric energy sales. Sales revenue is 99.7% of all electric revenues.

Electric Sales Revenues for FY2007 = \$48,928,815

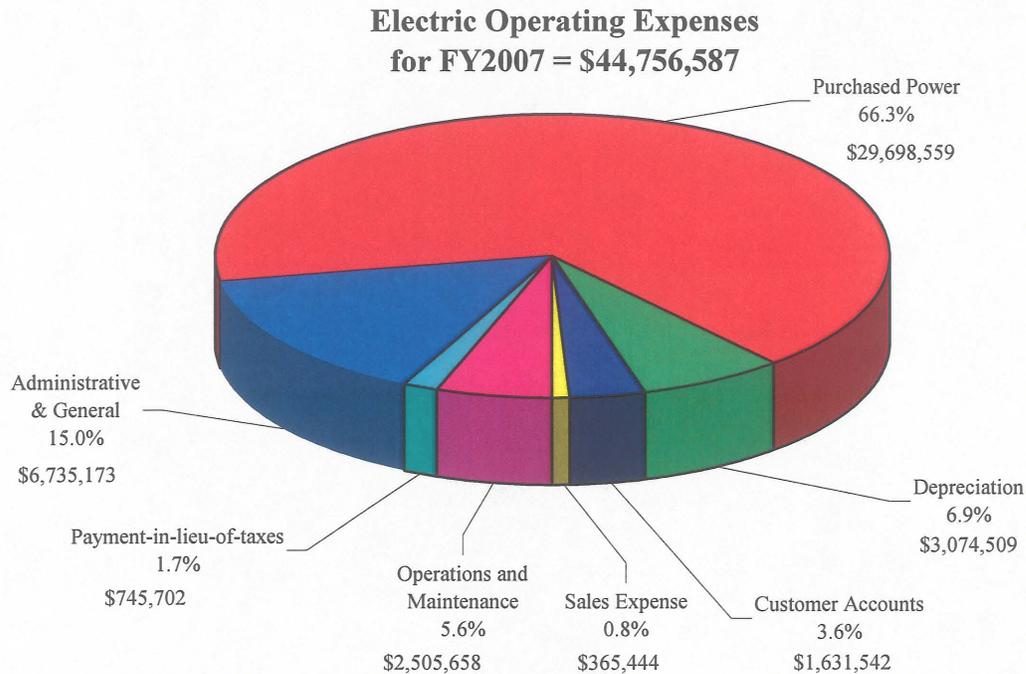


Sources Of Electric Revenue

Alameda P&T's operating revenues are based on rate schedules authorized by the Board. Such rates are designed to recover Alameda P&T's cost of service and still be competitive with those in surrounding areas. Rates also provide a contribution to the City of Alameda, the level of which is defined by the Board and by the City's charter.

Electric Operating Expenses

Overall operating expenses increased approximately 5% in 2007 primarily due to an increase in purchased power costs, operations-maintenance for substations, street lighting, transformers and the SCADA communication system, and increased expenses to maintain customer accounts.



Electric Non-Operating Revenues (Expenses)

Expenses exceeded revenues in Non-Operating Revenues and Expenses resulting from a combination of factors. Improved return on investments and jobbing sales were offset by a reduced return on restricted investments. The disposition of the generators at Alameda Point produced a book loss and the increase in value to NCPA projects was lower. In addition, there was a large reduction to Miscellaneous Non-operating Income because a refund of \$1.6 million from PG&E received in fiscal year 2006 was a one-time event. Debt related charges reflect interest costs for the Series 2000A and the Series 2000AT Certificates of Participation. The \$2.5 million transfer to the City was the same amount as was transferred during the previous fiscal year.

Electric Change in Net Assets

Fiscal year 2007's contribution to electric net assets is only 54% of the amount from the previous year, primarily due to the large one-time contribution last year in Miscellaneous Non-operating Income. Additionally, the increased cost of purchased power and the value of certain NCPA projects and reserves have lowered results from last year.

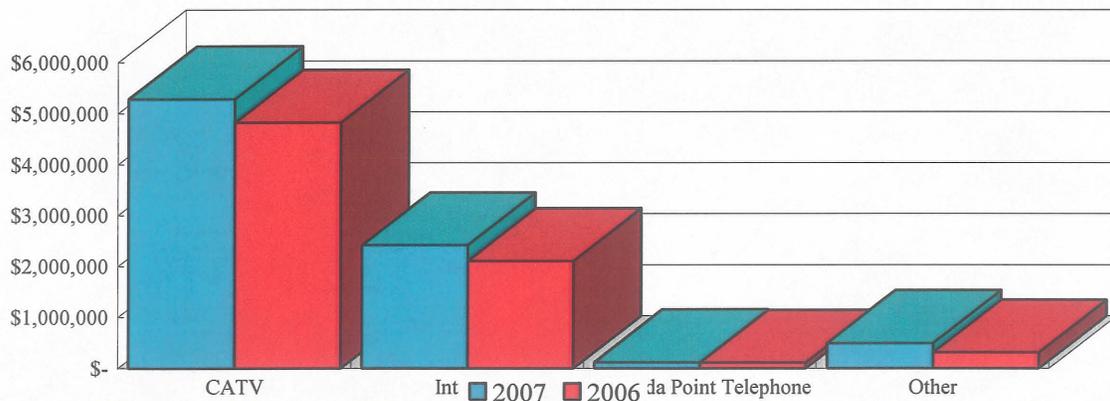
Telecommunications Statement of Change in Net Assets

(Dollars in thousands)	2007	2006
Operating Revenues	\$ 8,320	\$ 7,353
Operating Expenses	<u>11,287</u>	<u>11,823</u>
Operating Income	(2,967)	(4,469)
Non-operating Revenues/Expenses	<u>(1,206)</u>	<u>536</u>
Change In Net Assets	\$ <u>(4,173)</u>	\$ <u>(3,933)</u>

Telecommunications Operating Revenues

Fiscal year 2007 is the seventh year of revenue generation from the telecommunications system. Telecommunications operating revenue increased \$966,210 even though customer counts decreased by 405 accounts during the year. The increase in operating revenue is attributed to the increased level of service for cable and internet customers and the rate adjustment that went into effect on January 7, 2007. The number of customers changed from 16,606 customers at the end of fiscal year 2006 to 16,201 customers at the end of fiscal year 2007. Approximately 68% of revenues were generated from cable television services versus 65% last year. Internet services generated 28% of revenues. With the increase to cable television and Internet revenues, telephone transport services provided at Alameda Point and other miscellaneous services generated decreased to 1% and 2% of revenues, respectively.

**Telecommunications Operating Revenue
for FY2007 = \$ 8,319,641**



Sources Of Telecommunications Revenue

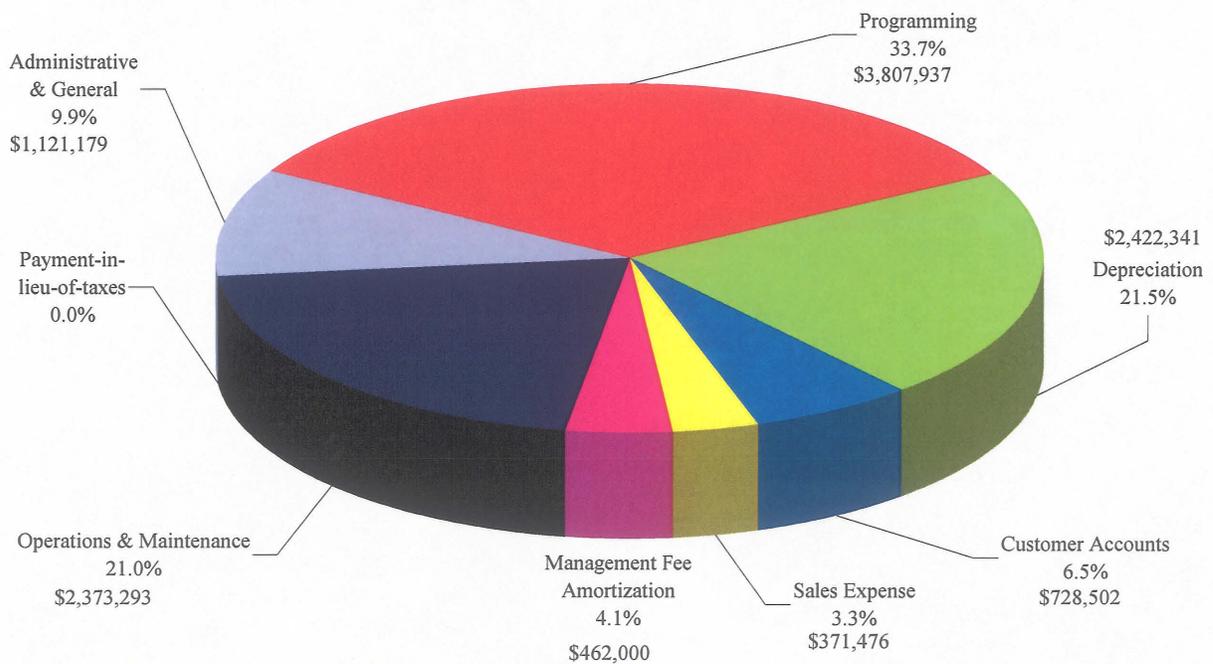
Similar to electric utility operations, Alameda P&T's telecommunications operating revenues are based on rate schedules authorized by the Board. Such rates are designed to recover Alameda P&T's cost of service and still be competitive with those providing similar services in Alameda.

Telecommunications Operating Expenses

Overall operating expenses decreased 5% to \$11.3 million in 2007 from \$11.8 million in 2006. Generally, the change is attributed to an 18% additional expense from last year's programming, and a 10% increase in depreciation expenses. These increases were offset some by a 28% reduction in maintenance expense and a 10% reduction in customer account/administrative costs.

The cost of programming continues to increase. During the fiscal year, customer counts decreased by 405 accounts and programming increased by 18%, compared to last year. The increase can be attributed to customer selection of more advanced packages, increased programming content and pricing adjustments from the suppliers. Depreciation expense increases are attributed to the addition of headend equipment, distribution and service drop plant and to providing service to the customer base. Excluding depreciation and increases to programming, operating expense has significantly decreased as management continues to implement various efficiency programs.

Telecommunications Operating Expenses for FY2007 = \$ 11,286,728



Telecommunications Non-Operating Revenues (Expenses)

The netting of non-operating revenues and expenses resulted in a net expense of \$1.21 million.

Telecommunications Change in Net Assets

Fiscal year 2007 reflects a reduction in telecommunications net assets primarily due to increasing programming costs, increased depreciation expense and on-going expense for debt-related charges. Operating expenses, excluding programming and depreciation, greatly reduced from last year. It is anticipated that there will continue to be reductions in these categories. Although capital expenditures will be reduced due to the completion of the communications system, management anticipates further reductions in net assets for next fiscal year.

Combined Financial Condition, Liquidity and Capital Resources

<i>(Dollars in thousands)</i>	2007	2006
Operating Activities	\$ 9,102	8,088
Investing Activities	10,003	11,753
Capital and Related Financing Activities	(7,874)	(11,035)
Non-capital and Related Financing Activities	(2,500)	(2,500)
Change in Cash and Equivalents	\$ 8,731	6,307

Total capital structure defined as the sum of long-term liabilities and net assets was \$187.6 million at June 30, 2007 reflecting 35% net assets and 65% debt. Net assets include \$18.4 million of equity in a joint venture with NCPA. Alameda P&T generates cash from its electric operations sufficient to meet its electric operating needs including the PILOT/ROI, and the transfer to the City’s General Fund. The revenue from telecommunication operations has been sufficient to meet most of the cash requirements for operating needs.

Cash Flows from Operating Activities

In fiscal year 2007, cash provided by operating activities was \$9.1 million versus \$8.1 million in fiscal year 2006. The change in cash flows from operations in fiscal year 2007 compared to fiscal year 2006 is primarily the result of increased receipts, increases in supplier payments, increases in depreciation expense, increases in accounts receivable, increases in stored materials, increases in accrued accounts payable, increases to the balancing account and decreases to miscellaneous non-operating income.

Cash Flows from Investing Activities

In fiscal year 2007, cash provided by investing activities was \$10.0 million. In fiscal year 2006, cash provided by investing activities was \$11.8 million. The major change from fiscal year 2006 was primarily due to reduced use of funds from restricted investments from the 2004 Revenue Bond Anticipation Notes (construction, equipping and improvement of the telecommunications system and capitalized interest on the Notes) and the 2000AT Certificates of Participation (NCPA debt obligation).

Cash Flows from Capital and Related Financing Activities

During fiscal year 2007, Alameda P&T did not issue any new debt.

Cash used in capital investing activities provides for expanding, replacing, and enhancing facilities to improve their efficiency and reliability, to extend their useful life, to comply with environmental laws and regulations and to meet the increasing demands on the electric and telecommunications systems.

During fiscal year 2007, Alameda P&T's construction expenditures for the electric system were \$3.6 million which was used for converting portions of the electric overhead system to underground, improving reliability with the installation of the new 12kv feeder to Bay Farm Island, expanding the electric system with the addition of facilities for the new library, the Towne Centre and Bridgeport shopping districts and the Webster Street improvement projects. The construction expenditures for the telecommunications system included \$2.0 million used for converting portions of the overhead system to underground, system reliability enhancements and for connecting new customers. Alameda P&T expects that internally generated funds in combination with existing external financing, will provide for foreseeable capital expenditures.

Cash Flows from Non-Capital and Related Financing Activities

In fiscal year 2007, the transfer to the City's General Fund remained \$2.5 million. This amount is the same as the previous 6 years.

Capital Assets and Capital Improvements Program

Alameda P&T's investment in capital assets for its electric and telecommunications operations amounts to \$85.6 million, net of accumulated depreciation, versus \$86.8 million last year. The investment in capital assets includes land, electric and telecommunications utility plant, machinery and equipment, transportation and computer equipment. The total decrease in Alameda P&T's investment in capital assets for the current year was 1.4%. Readers desiring more detailed information on capital asset activity should see Note 2-Capital Assets in the "Notes to Financial Statement" and the information in the "Statistical Section" of the report.

Alameda Power & Telecom Capital Assets June 30, 2007

<u>(Dollars in thousands)</u>	<u>Electric</u>	<u>Telecom</u>	<u>Total</u>
Utility Plant	\$ 61,680	\$ 47,617	\$ 109,297
Service Center Building	\$ 7,844		\$ 7,844
Land and Rights	\$ 154	605	\$ 759
Machinery & Equipment	\$ 8,492	\$ 212	\$ 8,704
Transportation Equipment	\$ 1,923	\$ 254	\$ 2,177
Computer Equipment	\$ 2,638	\$ 494	\$ 3,132
Furniture & Fixtures	\$ 599	\$ 1	\$ 600
<u>(Dollars in thousands)</u>	<u>Electric</u>	<u>Telecom</u>	<u>Total</u>
Construction In Progress	\$ 3,799	\$ 659	\$ 4,458
Less Accumulated Depreciation	\$ <u>(43,834)</u>	\$ <u>(7,547)</u>	\$ <u>(51,381)</u>
 Total Net Assets	 <u>\$ 43,295</u>	 <u>\$ 42,295</u>	 <u>\$ 85,590</u>

Long-Term Debt

At the end of fiscal year 2007, Alameda P&T had \$80.5 million in debt including amounts from Certificates of Participation, Revenue Bond Anticipation Notes and a loan from the City. There is no increase to this long-term debt.

The most recent bond rating received by Alameda P&T, dated December 21, 2005, from Standard & Poor's, is an underlying rating of A- and a "stable outlook". This rating is without giving preference to the third-party financial guarantees. The 2004 Revenue Bond Anticipation Notes and the 2002A Certificates of Participation Series have not been rated.

Over the past seven years, Interfund advances from electric operations to telecommunications operations have totaled \$43.6 million. There was a 1.2% increase, \$0.5 million, to last year's Interfund advance balance. These advances provide telecommunications with working capital for equipment purchases, materials for construction, and for general technical improvements of the telecommunications system.

More detailed information about Interfund advances and long-term debt are presented in Notes 5 and 6 to the Basic Financial Statements

Economic Factors and Next Year's Budget

The adopted budget for the fiscal year 2007-2008 reflects the local economy of low growth in the electric business division and moderate growth in the telecommunications division. The City continues to transition from an economy that was once dominated by the military to one that combines high technology, biotechnology, telecommunications, retail sales, services, manufacturing, entertainment, and other industries. However, the City is not wholly dependent on any one of these industries. A major part of this transition continues to be the conversion of the military facilities of the former Alameda Naval Air Station and Fleet Industrial Supply center into residential, recreational and commercial uses.

Combined operating revenues are expected to be \$57.9 million with Electric operations contributing \$49.4 million or 85% of this amount. Telecommunication operation contributes \$8.5 million or 15% of the overall revenue.

The combined operating and non-operating expenses, excluding netted amounts received from reserves and non-cash items, for fiscal year 2007-2008 are budgeted at \$53.7 million or \$2.0 million less than the previous year. The operating budget decreased primarily due to reduced purchased power costs and reduced expenditure for telecommunications capital projects. General system additions and converting overhead facilities to underground facilities account for \$4.7 million of the budgeted capital expenditures for the electric system and \$0.7 million of the budgeted capital expenditures for the telecommunications system. Purchased power expenditures, excluding netted amounts received from reserves and non-cash items, account for \$26.9 million or 59.5% of budgeted electric operating expenses. Programming expenditures, excluding netted amounts received from reserves and non-cash items, account for \$4.4 million or 51.3% of budgeted telecommunications operating expenses. Included in projected operating

expenditures are cost-of-living increases for all employees based upon existing labor agreements, the decrease in budgeted staff from 131 to 119, projected increased costs for employee health and retirement benefits, and projected increased costs for workers' compensation insurance. The budget provides \$3.4 million of budgeted expenditures for a \$2.5 million transfer to the City and a \$0.9 million PILOT/ROI.

The budget also assumes that no additional long-term debt will be needed. More detailed information about Alameda P&T's long-term debt is presented in Note 6 to the Basic Financial Statements.

The budget anticipates that operating revenues, in conjunction with the existing reserves (See Notes 3 to the Basic Financial Statements) and available working capital, will provide for projected expenditures. Restricted reserves provided by the 2000A Certificates of Participation have been used for electric operations capital projects and construction funds are no longer being withdrawn. Special reserves for the underground special fund will provide funds for these capital expenditures. Restricted reserves provided by the 2000AT will provide funds for our obligations to NCPA. There are restricted reserves provided by the 2004 Revenue Bond Anticipation Notes that will be used for payment of this debt service. Working capital will provide by electric to the telecommunications system for budgeted expenditures exceeding revenue and additional incomes.

Market Risk

Alameda P&T's primary risk exposure arises from fluctuations in both energy prices and interest rates. Alameda P&T manages energy price risks through its involvement with NCPA. NCPA has, in place, energy commodity risk management policies, processes and procedures to help mitigate fluctuations in energy prices. NCPA also monitors and manages credit risk with its trading counter parties. Alameda P&T's portion of risk exposure with NCPA trading counter parties is estimated to be approximately 2% of annual purchased power costs at present, and will decline as new resources come on line.

Alameda P&T is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used for liquidity purposes and to fund business operations as well as finance capital expenditures. In 2002, a variable interest rate applicable to approximately two-thirds of the long-term debt was replaced by a swap agreement fixing the interest. All debt is now calculated using fixed interest rates.

Alameda P&T's cash and investments are recorded at a fair market value of \$47.3 million. Alameda P&T's investment policy limits investments to financial instruments that maximize the safety of principal (See Note 3 to the Basic Financial Statements).

Requests for Information

This financial report is designed to provide the Board, Alameda citizens, taxpayers, creditors and investors with a general overview of Alameda P&T's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Alameda Power & Telecom; Administrative Services Manager; 2000 Grand Street; Alameda, California 94501.

CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007			2006		
	Electric Services	Telecommunications Services	Combined	Electric Services	Telecommunications Services	Combined
ASSETS						
Noncurrent Assets:						
Capital Assets (Note 2)	\$87,128,692	\$49,841,999	\$136,970,691	\$85,348,492	\$47,828,914	\$133,177,406
Accumulated Depreciation (Note 2)	(43,833,510)	(7,546,718)	(51,380,228)	(41,237,791)	(5,124,376)	(46,362,167)
Capital Assets, net (Note 2)	43,295,182	42,295,281	85,590,463	44,110,701	42,704,538	86,815,239
Restricted Investments (Note 3)	15,606,810	4,064,494	19,671,304	20,512,499	6,282,613	26,795,112
Investments designated for special purposes (Note 3)	3,863,216		3,863,216	4,297,215		4,297,215
Share of certain NCPA projects and reserve (Note 9)	18,424,997		18,424,997	16,198,069		16,198,069
Long-term portion of notes receivable (Note 4)	206,527		206,527	265,559		265,559
Interfund advances (Note 5)	43,616,313		43,616,313	43,093,640		43,093,640
Certificates of Participation issue costs, net of amortization	1,024,241	474,498	1,498,739	1,068,773	727,262	1,796,035
Prepaid leases	101,500		101,500	105,000		105,000
Management fee buyout (Note 6)		5,544,000	5,544,000		6,006,000	6,006,000
Total Noncurrent Assets	126,138,786	52,378,273	178,517,059	129,651,456	55,720,413	185,371,869
Current Assets:						
Cash and equivalents (Note 3)	23,794,913	600	23,795,513	15,063,822	600	15,064,422
Interest receivable	189,000		189,000	166,312		166,312
Accounts receivable	3,928,539	713,158	4,641,697	3,522,371	638,873	4,161,244
Notes receivable, net of long-term portion above (Note 4)	59,033		59,033	58,729		58,729
Materials and supplies	1,843,335	1,638,823	3,482,158	1,480,282	1,780,457	3,260,739
Prepaid power costs and other	16,399		16,399	20,633	12,186	32,819
Total Current Assets	29,831,219	2,352,581	32,183,800	20,312,149	2,432,116	22,744,265
Total Assets	155,970,005	54,730,854	210,700,859	149,963,605	58,152,529	208,116,134
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued payroll	1,175,407	587,863	1,763,270	984,505	728,086	1,712,591
Interest payable	264,732	1,633,379	1,898,111	264,732	1,255,599	1,520,331
Purchased power balancing account	15,345,618		15,345,618	13,376,200		13,376,200
Certificates of Participation and BANS (Note 6)		1,357,509	1,357,509		1,288,673	1,288,673
Deposits	569,790	50	569,840	493,399	450	493,849
Other accrued liabilities	1,335,230	203,960	1,539,190	1,429,746	212,774	1,642,520
Compensated absences (Note 1C)	628,121		628,121	530,715		530,715
Total Current Liabilities	19,318,898	3,782,761	23,101,659	17,079,297	3,485,582	20,564,879
Long-term Liabilities:						
Certificates of Participation and BANS (Note 6)	39,045,000	37,942,491	76,987,491	39,045,000	38,011,327	77,056,327
Loan from City of Alameda (Note 6)		2,200,000	2,200,000		2,200,000	2,200,000
Interfund advance (Note 5)		43,616,313	43,616,313		43,093,640	43,093,640
Total Long-term Liabilities	39,045,000	83,758,804	122,803,804	39,045,000	83,304,967	122,349,967
Total Liabilities	58,363,898	87,541,565	145,905,463	56,124,297	86,790,549	142,914,846
Net Assets (Note 12):						
Invested in Capital Assets, net of related debt	19,856,992	7,059,775	26,916,767	24,289,527	9,687,151	33,976,678
Unrestricted	77,749,115	(39,870,486)	37,878,629	69,549,781	(38,325,171)	31,224,610
Total Net Assets	\$97,606,107	(\$32,810,711)	\$64,795,396	\$93,839,308	(\$28,638,020)	\$65,201,288

See accompanying notes to financial statements

CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007			2006		
	Electric Services	Telecommunications Services	Combined	Electric Services	Telecommunications Services	Combined
Operating Revenues:						
Sales	\$48,928,815	\$7,823,920	\$56,752,735	\$46,695,203	\$7,040,613	\$53,735,816
Miscellaneous service	140,531	495,721	636,252	145,097	312,818	457,915
Total Operating Revenues	49,069,346	8,319,641	57,388,987	46,840,300	7,353,431	54,193,731
Operating Expenses:						
Purchased power	29,698,559		29,698,559	27,045,097		27,045,097
Programming		3,807,937	3,807,937		3,238,430	3,238,430
Operations and maintenance	2,505,658	2,373,293	4,878,951	2,230,339	3,290,105	5,520,444
Customer accounts	1,631,542	728,502	2,360,044	1,269,025	843,269	2,112,294
Administrative and general	6,735,173	1,121,179	7,856,352	7,469,094	1,211,438	8,680,532
Payment in-lieu of taxes	745,702		745,702	1,178,333		1,178,333
Depreciation (Note 2)	3,074,509	2,422,341	5,496,850	2,859,085	2,172,506	5,031,591
Management fee amortization (Note 6)		462,000	462,000		462,000	462,000
Sales expense	365,444	371,476	736,920	444,103	605,021	1,049,124
Total Operating Expenses	44,756,587	11,286,728	56,043,315	42,495,076	11,822,769	54,317,845
Operating Income	4,312,759	(2,967,087)	1,345,672	4,345,224	(4,469,338)	(124,114)
Nonoperating Revenues (Expenses):						
Return on investments	1,006,842		1,006,842	508,585		508,585
Return on restricted investments	1,209,936	91,880	1,301,816	1,448,578	83,412	1,531,990
Debt related charges	(2,401,292)	(1,330,544)	(3,731,836)	(2,405,764)	(1,312,555)	(3,718,319)
Losses from disposition	(444,518)		(444,518)			
Plant leased to others	72,060	28,506	100,566	65,568	28,212	93,780
Other deductions	(521,751)	(25,811)	(547,562)	(414,701)	(36,189)	(450,890)
Increase in value of certain NCPA projects and reserves	2,226,928		2,226,928	2,984,288		2,984,288
Jobbing sales	709,065	25,365	734,430	686,427	24,530	710,957
Miscellaneous non-operating income	96,770	5,000	101,770	2,206,336	1,748,461	3,954,797
Transfers to City of Alameda (Note 7)	(2,500,000)		(2,500,000)	(2,500,000)		(2,500,000)
Net Nonoperating Revenue (Expense)	(545,960)	(1,205,604)	(1,751,564)	2,579,317	535,871	3,115,188
Change in Net Assets	3,766,799	(4,172,691)	(405,892)	6,924,541	(3,933,467)	2,991,074
Net assets (deficit), beginning of year	93,839,308	(28,638,020)	65,201,288	86,914,767	(24,704,553)	62,210,214
Net assets (deficit), end of year	\$97,606,107	(\$32,810,711)	\$64,795,396	\$93,839,308	(\$28,638,020)	\$65,201,288

See accompanying notes to financial statements

CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007			2006		
	Electric Services	Telecommunications Services	Combined	Electric Services	Telecommunications Services	Combined
Cash Flows from Operating Activities						
Receipts from customers	\$48,663,178	\$8,245,356	\$56,908,534	\$46,697,771	\$6,842,925	\$53,540,696
Payments to suppliers	(32,775,590)	(7,272,271)	(40,047,861)	(29,529,564)	(7,227,696)	(36,757,260)
Payments to employees	(6,637,767)	(1,121,179)	(7,758,946)	(7,483,739)	(1,211,438)	(8,695,177)
Cash Flows from Operating Activities	9,249,821	(148,094)	9,101,727	9,684,468	(1,596,209)	8,088,259
Cash Flows from Investing Activities						
Interest receipts	2,194,090	91,880	2,285,970	1,870,013	83,412	1,953,425
Loans receivable	58,728		58,728	82,436		82,436
Plant leased to others	72,060	28,506	100,566	65,568	28,212	93,780
Investments reserved for special purposes	433,999		433,999	(665,887)		(665,887)
Restricted investments	4,905,689	2,218,119	7,123,808	8,060,500	2,228,959	10,289,459
Cash Flows from Investing Activities	7,664,566	2,338,505	10,003,071	9,412,630	2,340,583	11,753,213
Cash Flows from Capital and Related Financing Activities						
Capital asset additions, net	(3,644,393)	(2,013,084)	(5,657,477)	(3,921,799)	(4,051,771)	(7,973,507)
Proceeds from sale of capital assets	840,530		840,530			
Debt related charges	(2,356,760)	(700,000)	(3,056,760)	(2,361,047)	(700,000)	(3,061,047)
Cash Flows from Capital and Related Financing Activities	(5,160,623)	(2,713,084)	(7,873,707)	(6,282,846)	(4,751,771)	(11,034,617)
Cash Flows from Noncapital and Related Financing Activities						
Interfund cash inflow		522,673	522,673		4,007,397	4,007,397
Interfund cash outflow	(522,673)		(522,673)	(4,007,397)		(4,007,397)
Transfers to General Fund	(2,500,000)		(2,500,000)	(2,500,000)		(2,500,000)
Cash Flows from Noncapital and Related Financing Activities	(3,022,673)	522,673	(2,500,000)	(6,507,397)	4,007,397	(2,500,000)
Net Cash Flows	8,731,091		8,731,091	6,306,855		6,306,855
Cash and equivalents at beginning of year	15,063,822	600	15,064,422	8,756,967	600	8,757,567
Cash and equivalents at end of year	\$23,794,913	\$600	\$23,795,513	\$15,063,822	\$600	\$15,064,422
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation and amortization	3,074,509	2,884,341	5,958,850	2,859,085	2,634,506	5,493,591
Decrease (increase) in accounts receivable	(406,168)	(74,285)	(480,453)	(142,529)	(510,506)	(653,035)
Decrease (increase) in materials and supplies	(363,053)	141,634	(221,419)	464,217	126,032	590,249
Decrease (increase) in prepaids	7,734	12,186	19,920	(17,133)	(12,186)	(29,319)
Increase (decrease) in accounts payable and accrued payroll	190,902	(140,223)	50,679	(1,658,530)	(1,129,284)	(2,787,814)
Increase (decrease) in balancing account	1,969,418		1,969,418	1,226,870		1,226,870
Increase (decrease) in other accrued liabilities	(94,516)	(8,814)	(103,330)	50,004	27,765	77,769
Increase (decrease) in refundable deposits	76,391	(400)	75,991	93,843		93,843
Increase (decrease) in compensated absences	97,406		97,406	(14,645)		(14,645)
Miscellaneous non-operating income	805,835	30,365	836,200	2,892,763	1,772,991	4,665,754
Miscellaneous non-operating expenses	(421,396)	(25,811)	(447,207)	(414,701)	(36,189)	(450,890)
Cash Flows from Operating Activities	\$9,249,821	(\$148,094)	\$9,101,727	\$9,684,468	(\$1,596,209)	\$8,088,259

See accompanying notes to financial statements

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CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

Alameda Power & Telecom (Alameda P&T) is a department of the City of Alameda (the City) that owns and operates the electric and telecommunication systems and provides these services to the businesses and residents of the City, Alameda Point (former Alameda Naval Air Station) and Coast Guard Island. Alameda P&T is under the policy control of the Public Utilities Board, (Board) as set forth in the City Charter. The Board consists of five members appointed by the City Council, one of who must be the City Manager, who may hold no office on the Board. The accompanying financial statements only reflect the activity of Alameda P&T as it does not have any component units. Alameda P&T is an integral part of the City and its financial statements are included in the basic financial statements of the City. In addition, Alameda P&T provides a financial benefit to the City as the City Charter provides that Alameda P&T transfer to the City's General Fund certain excess earnings as defined in the City Charter.

B. Basis of Presentation

Alameda P&T's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S.A.). The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

C. Basis of Accounting

Alameda P&T is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Alameda P&T follows those Financial Accounting Standard Board Statements issued on or before November 30, 1989 unless they conflict with the Governmental Accounting Standards Board Statements.

Joint Powers Authorities - Alameda P&T records its equity in the general operating reserve of the Northern California Power Agency (NCPA), and its net equity in those projects in which it participates, as discussed in Note 9. Alameda P&T's share of individual project obligations has been netted against its share of the related project assets, as reported by NCPA, because Alameda P&T does not actively manage these projects and does not expect to become directly liable for any of the obligations of these projects. Amounts paid to the Transmission Agency of Northern California (TANC) are expensed currently because Alameda P&T's estimated equity, if any, in TANC is not material, as discussed in Note 10. Amounts paid to the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 11.

Materials and Supplies are valued at average cost and are used primarily for internal purposes.

Maintenance and Repairs are charged to maintenance expense as incurred.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Participation Original Issue Premiums and Issuance Costs are capitalized and amortized over the life of the related certificates.

The Purchased Power Balancing Account is used by Alameda P&T to help stabilize earnings. Specifically, the balancing account accumulates differences between the actual cost of purchased power and the revenues designated for recovery of such costs. Deferred amounts are refunded to or recovered from customers through authorized rate adjustments. The effect of using the balancing account is that unanticipated changes in sales levels and purchased power costs do not immediately affect Alameda P&T's earnings because they are included in operating expenses as they are matched by revenues.

Deposits from Customers are required by Alameda P&T from commercial customers when they establish their account. Deposits from residential customers are not required unless they abuse their credit privileges. Significant customer deposits may be held in the form of certificates of deposit, in Alameda P&T's name with the interest paid to the customer.

Compensated Absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Changes in compensated absences payable consist of the following:

Balance at beginning of fiscal year	\$530,715
Compensated absences earned	272,326
Compensated absences taken	<u>(174,920)</u>
Balance at end of fiscal year	<u><u>\$628,121</u></u>

Sales Revenues - Sales of electricity are recorded based on customer meter readings that are performed on a cycle basis throughout the month. Billings to customers are included in revenue in the period in which the meters are read. Unbilled amounts were not material at the fiscal year end. Sales of telecommunications services are recorded monthly in advance of services received.

D. Budgets and Budgetary Accounting

Alameda P&T follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The General Manager submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Ratepayer comments are solicited during regular Public Utilities Board meetings.
3. The budget is legally enacted through passage of a resolution.
4. The General Manager is authorized to transfer budgeted amounts between divisions; however, any revisions that increase the total expenditures must be approved by the Board. Expenditures may not legally exceed budgeted appropriations at the fund level without Board approval. Unexpended appropriations lapse at year-end and must be reappropriated in the following year.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles, except that Alameda P&T budgets capital asset outlays as current year expenditures.

E. *Deferred Compensation Plan*

Alameda P&T's employees may defer a portion of their compensation under an Alameda P&T sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plan.

Alameda P&T's administrative agreements require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not Alameda P&T's property and are not subject to claims by general creditors of Alameda P&T, they have been excluded from these financial statements.

F. *Classification of Revenues*

Operating revenues consist mainly of electric and telecommunication services sales. Operating revenues are used to finance the cost of operations, including the cost of delivering and providing services, maintenance and recurring capital replacement. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. *Accumulated Deficit*

The Telecommunications Fund had an accumulated deficit of \$32,810,711 at June 30, 2007, which will be eliminated in subsequent years from operations.

NOTE 2 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Alameda P&T capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Alameda P&T has assigned the useful lives listed below to capital assets:

Plant and Buildings	30-50 years
Machinery and Equipment	10-40 years
Transportation Equipment	5-10 years
Computer Equipment	5 years
Furniture and Fixtures	25 years

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 2 – CAPITAL ASSETS (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

A. Capital Asset Additions and Retirements

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2007
Capital assets not being depreciated:					
Land and Rights	\$758,676				\$758,676
Construction Work in Progress	4,788,904	\$5,657,483		(\$5,987,744)	4,458,643
Total capital assets not being depreciated	<u>5,547,580</u>	<u>5,657,483</u>		<u>(5,987,744)</u>	<u>5,217,319</u>
Capital assets being depreciated:					
Utility Plant	105,225,635		(1,740,709)	5,812,069	109,296,995
Service Center Building	7,843,584				7,843,584
Machinery and Equipment	8,691,076			12,945	8,704,021
Transportation Equipment	2,300,566		(123,489)		2,177,077
Computer Equipment	2,969,120			162,730	3,131,850
Furniture and Fixtures	599,845				599,845
Total capital assets being depreciated	<u>127,629,826</u>		<u>(1,864,198)</u>	<u>5,987,744</u>	<u>131,753,372</u>
Less accumulated depreciation for:					
Utility Plant	35,393,475	4,578,838	(464,188)		39,508,125
Service Center Building	2,199,526	186,249			2,385,775
Machinery and Equipment	4,047,891	583,404			4,631,295
Transportation Equipment	1,573,627	117,675	(123,489)		1,567,813
Computer Equipment	2,839,022	115,534			2,954,556
Furniture and Fixtures	308,626	24,038			332,664
Total accumulated depreciation	<u>46,362,167</u>	<u>5,605,738</u>	<u>(587,677)</u>		<u>51,380,228</u>
Total depreciable assets	<u>81,267,659</u>	<u>(5,605,738)</u>	<u>(1,276,521)</u>	<u>5,987,744</u>	<u>80,373,144</u>
Business activity capital assets, net	<u>\$86,815,239</u>	<u>\$51,745</u>	<u>(\$1,276,521)</u>		<u>\$85,590,463</u>

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 2 – CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. Contributions are accounted for as revenues at the time the capital assets are contributed.

NOTE 3 - CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of Alameda P&T's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in Alameda P&T's name and places Alameda P&T ahead of general creditors of the institution.

Alameda P&T and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the Alameda P&T's fiscal agents as required under its debt issues.

Alameda P&T's investments are carried at fair value, as required by generally accepted accounting principles. Alameda P&T adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

For purposes of the statements of cash flows, Alameda P&T defines cash and equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Alameda P&T debt instruments.

Cash and investments as of June 30, 2007 are as follows:

	<u>2007</u>	<u>2006</u>
Restricted investments	\$19,671,304	\$26,795,113
Investments designated for special purposes	3,863,216	4,297,215
Cash and equivalents	<u>23,795,513</u>	<u>15,064,422</u>
Total cash and investments	<u>\$47,330,033</u>	<u>\$46,156,750</u>

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and Alameda P&T's Investment Policy

Alameda P&T's investment policy and the California Government Code allow Alameda P&T to invest in the following, provided the credit ratings of the issuers are acceptable to Alameda P&T, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Alameda P&T's Investment Policy where Alameda P&T's Investment Policy is more restrictive, that addresses 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 Alameda P&T, rather than the general provisions of the California Government Code or Alameda P&T's investment policy.

Alameda P&T's investment policy and the California Government Code allow Alameda P&T to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Municipal Bonds	5 years	N/A	No Limit	No Limit
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
State of California Obligations	5 years	N/A	No Limit	No Limit
CA Local Agency Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities (A)	5 years	N/A	No Limit	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	No Limit	No Limit
Reverse Repurchase Agreements (requires Board approval)	92 days	N/A	20 % of base value	No Limit
Medium Term Corporate Notes	5 years	Top three ratings categories	30%	No Limit
Mutual Funds	N/A	Top rating category	20%	10%
Money Market Mutual Funds	N/A	Top rating category	20%	10%
Collateralized Bank Deposits	N/A	N/A	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	Top rating category	20%	No Limit
County Pooled Investment Funds	N/A	N/A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	\$40,000,000 per account	\$40,000,000 per account

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Loan Mortgage Corporation (FHLMC).

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

Alameda P&T must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if Alameda P&T fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Alameda P&T's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	N/A	No Limit	No Limit
State Obligations	N/A	N/A	No Limit	No Limit
U.S. Agency Securities (A)	N/A	N/A	No Limit	No Limit
Commercial Paper	180 days	A	10%	No Limit
Certificates of Deposit	N/A	A-1	No Limit	No Limit
Bankers Acceptances	N/A	A-1	No Limit	No Limit
Money Market Mutual Funds	N/A	AA	No Limit	No Limit
Repurchase Agreements	30 days	A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	\$40,000,000 per account	\$40,000,000 per account
Investment Agreements	N/A	AA-	No Limit	No Limit

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that Alameda P&T manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of Alameda P&T's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of Alameda P&T's investments by maturity:

	12 Months or less
<i>Investments :</i>	
U.S. Bank Cash equivalents, mutual funds of U.S. Securities	\$3,915,665
Investment Agreement	11,700,191
U.S. Treasury Bond Stripped Principal Payment	976,414
U.S. Treasury Stripped Interest Payment	3,079,034
Money Market	483,697
Local Agency Investment Fund	18,445,807
Federal Agency Issue:	
Federal Home Loan Bank	3,447,348
Certificate of Deposits	4,537,815
Total Investments	46,585,971
<i>Cash with Banks and Petty Cash</i>	744,062
Total Cash and investments	\$47,330,033

Alameda P&T is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Alameda P&T reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2007, these investments had an average maturity of 176 days.

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2007 for all the Money Market funds are AAA and Federal Agency Issues are AAA as provided by Standard and Poor's. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2007.

Investment Type	
<i>AAA:</i>	
U.S. Bank Cash equivalents, mutual funds of U.S. Securities	\$3,915,665
Federal Agency Issue:	
Federal Home Loan Bank	3,447,348
<i>A1+:</i>	
Certificate of Deposit (U.S. Bank)	3,109,975
<i>Not rated:</i>	
Certificate of Deposits (Morgan Stanley)	1,427,840
Money Market	483,697
Investment Agreement	11,700,191
Local Agency Investment Fund	18,445,807
<i>Exempt:</i>	
U.S. Treasury Bond Stripped Principal Payme	976,414
U.S. Treasury Stripped Interest Payment	3,079,034
Total Investments	\$46,585,971

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

Alameda P&T investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the Alameda P&T is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2007, those investments consisted of (dollars in thousands):

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$3,447,348
U.S. Bank	Negotiable Certificates of Deposits	3,109,975

H. Restricted Investments

Restricted investments comprise the following:

	June 30	
	2007	2006
Restricted by Certificates of Participation Series 2000A Indenture	\$3,905,070	\$4,768,510
Restricted by Certificates of Participation Series 2000AT Indenture	11,701,740	15,743,988
Restricted by Revenue Bond Anticipation Notes Series 2004 Indenture	4,064,494	6,282,615
Total Restricted Investments	<u>\$19,671,304</u>	<u>\$26,795,113</u>

Restricted by Certificates of Participation Series 2000A Indenture represents investments held with a fiscal agent as required by the Certificates of Participation Series 2000A indenture. The funds held by the trustee are to be used for the costs of certain improvements to the electric system.

Restricted by Certificates of Participation Series 2000AT Indenture represents investments held with a fiscal agent as required by the Certificates of Participation Series 2000AT indenture. The funds held by the trustee are to be used for the defeasance of certain obligations with respect to the NCPA.

Restricted by Revenue Bond Anticipation Notes Series 2004 Indenture represents investments held with a fiscal agent as required by the Revenue Bond Anticipation 2004 indenture. The funds held by the trustee are to be used to finance and refinance the completion of the citywide hybrid fiber coaxial telecom system and to provide funds for the payment of capitalized interest on the Notes through their maturity date.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

I. Designated Investments

Investments designated for special purposes comprise the following:

	<u>2007</u>	<u>2006</u>
Insurance Reserve	\$1,200,000	\$1,200,000
Underground Special Fund	698,607	1,132,606
Major Contingency Reserve	1,000,612	1,000,612
Competitive Pricing Reserve	313,997	313,997
Operating Contingency Reserve	<u>650,000</u>	<u>650,000</u>
Total Investments Designated for Special Purposes	<u>\$3,863,216</u>	<u>\$4,297,215</u>

Insurance Reserve represents a portion of the retained risk, or deductible amount under Alameda P&T's liability insurance policy, which is purchased independent of the City's overall insurance program.

Underground Special Fund represents the amount set aside for the funding of the conversion of overhead facilities to underground facilities.

Major Contingency Reserve represents the amount set aside to cover Alameda P&T's exposure to possible failure of any element of its Transmission System or any other contingencies which would affect the economic viability of Alameda P&T.

Competitive Pricing Reserve represents the amount set aside to keep Alameda P&T rates as low as possible during changing economic conditions.

Operating Contingency Reserve represents the amount set aside for emergency operations.

J. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Alameda P&T's investments include a Federal Home Loan Bank investment of \$749,535 with a maturity date of November 14, 2007. This investment has an embedded call feature, and is callable on August 14, 2007.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 4 - NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
City of Alameda:		
Streetlight Improvement	\$225,300	\$265,300
Underground Streetlights	18,662	28,275
Historic Pole Replacement	11,098	14,963
Telecommunications	10,500	15,750
Less: Current Portion	<u>(59,033)</u>	<u>(58,729)</u>
Long-Term Portion of Notes Receivable	<u>\$206,527</u>	<u>\$265,559</u>

The City entered into a loan agreement with Alameda P&T for the replacement of deteriorated street lights. Through June 30, 2007, Alameda P&T had expended \$627,300 for street light replacement and the City had made payments of \$402,000. Annual installments of \$40,000 are scheduled until the loan is repaid. At June 30, 2007 the outstanding balance was \$225,300.

The City entered into a loan agreement with Alameda P&T for \$79,000 to underground streetlights owned by the City's Underground Districts #21 and #16 and maintained by the City's Public Works Department. The loan carries an interest rate of 2% and is to be repaid in annual installments through fiscal year 2009. At June 30, 2007 the outstanding balance was \$18,662.

In April 2003, the City reached an agreement with Alameda P&T to study the best method to replace historic streetlight poles. The original agreement was for a \$70,000 loan to be paid back over ten years. However, on August 17, 2004, the street lights were transferred to Alameda P&T after incurring study related costs of \$36,868. The loan principal was reduced by \$34,089 to reflect only the costs incurred prior to the transfer. The City agreed to pay annual payments ranging from \$3,116 to \$8,160 through July 1, 2012. Annual loan payments include interest at the rate of 2.89%. At June 30, 2007 the outstanding balance was \$11,098.

The City entered into a loan agreement with Alameda P& T in April 2005 for \$21,000 to provide the City's Recreation and Parks Department's new facility at 2226 Santa Clara Avenue with telecommunications capabilities. The loan is to be repaid over four years with equal installments of \$5,250 and has a zero percent interest rate. The second payment was made July 17, 2006. At June 30, 2007 the outstanding balance was \$10,500.

NOTE 5 – INTERFUND ADVANCES

As of June 30, 2007, the Electric Services Fund had advanced \$43,616,313 to the Telecommunications Services Fund over the past seven years to finance the expansion and operations of the telecommunication services. The advance bears simple interest at 4%. Repayment is to commence within twenty years from the recording date of each advance installment and is to be paid in ten equal annual installments. The first payment is scheduled for fiscal year 2020.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT

A. Composition and Changes

Alameda P&T generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. Alameda P&T's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the year ended June 30, 2007 is as follows:

	Original Issue Amount	Balance June 30, 2006	Balance June 30, 2007	Current Portion
Electric System Revenue Taxable COPs, Series 2000AT	\$29,500,000	\$29,500,000	\$29,500,000	
Electric System Revenue COPs, Series 2000A	9,545,000	9,545,000	9,545,000	
Telecom System Revenue Taxable COPs, Series 2002A	6,300,000	6,300,000	6,300,000	\$1,357,509
Telecom System Revenue Bond Anticipation Notes, Series 2004	33,000,000	33,000,000	33,000,000	
Loan from City of Alameda	2,200,000	2,200,000	2,200,000	
Total long-term debt		<u>\$80,545,000</u>	<u>\$80,545,000</u>	<u>\$1,357,509</u>

B. Description of Long-Term Debt Issues

Electric System Revenue Taxable Certificates of Participation, Series 2000AT -- On April 6, 2000, Alameda P&T issued \$29,500,000 of Certificates of Participation, Series 2000AT. Proceeds were used to refinance certain obligations of the Electric System with respect to NCPA. The Series 2000AT matures semi-annually through July 1, 2030 with annual principal debt service commencing on July 1, 2011. The certificates bear interest at an auction rate fluctuating around the one-month LIBOR rate. On July 24, 2001, Alameda P&T entered into a Swap agreement with UBS Warburg to establish a set interest rate of 6.23% on the certificates. Interest amounts are payable monthly. All principal and interest payments are to be made from Alameda P&T's operating revenues and are secured by a pledge of these revenues.

The continuing disclosure agreement required notification that the Crossover Date has not occurred as of December 31, 2002. Crossover Date means the date that each of the following conditions are satisfied, whereupon the 2000AT payments will no longer be secured by any pledge of Net Revenues other than Distribution System Net Revenues, but instead will be secured solely by a prior pledge of Distribution System Net Revenues:

- I. The Distribution System will have been operated as an enterprise separate and distinct from the rest of the Electric System for at least one full fiscal year, and Distribution System assets, liabilities, revenues and expenses have been determined and reported in accordance with sound accounting principles;
- II. The pro forma ratio of Distribution System Net Revenues to Maximum Annual Distribution System Service for the prior two fiscal years is not less than 1.10 to 1.00; and
- III. The Bond Insurer consents to the transfer of security from Net Revenues to Distribution System Net Revenues; provided, however, that such consent is required if and only if such transfer directly causes the then underlying rating, if any, on the 2000AT Certificates to be downgraded or withdrawn.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

Electric System Revenue Certificates of Participation, Series 2000A -- On April 1, 2000, Alameda P&T issued \$9,545,000 of Electric System Revenue Certificates of Participation, Series 2000A bearing interest at 5% to 5.75%. Proceeds were used to defease the remaining outstanding 1992 Certificates of Participation, finance certain electric system improvements, and pay cost of delivery of the 2000A Certificates. The Series 2000A Certificates of Participation mature annually through July 1, 2030. Principal amounts are payable annually July 1 commencing 2011. Interest amounts are payable semiannually on January 1 and July 1.

Alameda P&T is required to maintain amounts of cash and investments with trustees or fiscal agents under the terms of the Series 2000A Certificates of Participation, as discussed at Note 3.

The continuing disclosure agreement required notification that work related to the acquisition, construction and installation of the Electric System improvements projects provided for by this financing began in fiscal year 2001.

Telecom System Revenue Taxable Certificates of Participation, Series 2002A -- Alameda P&T purchased VECTREN Communications Services, Inc.'s (VCS) right to operate the System and to receive any Management fee for the purchase price of \$6,300,000 under an installment sale agreement in which periodic payments of principal and interest will be paid to VCS. Simple interest shall accrue at the rate of 5% per annum of the purchase price from the effective date of the agreement, which is June 28, 2002. Subject to the availability of telecommunications net system revenues, Alameda P&T will repay this obligation with five installments. The payment due on May 1, 2007 of \$1,288,673 is deferred until fiscal year 2009. Pursuant to Telecom System Revenue Bond Anticipation Notes Series 2004 trust agreements, Alameda P&T accrued \$377,780 additional interest payable in fiscal year 2007. The management fee is amortized over 15 years and the amortization expense was \$462,000 in fiscal year 2007.

Telecom System Revenue Bond Anticipation Notes, Series 2004 -- On April 8, 2004, Alameda P&T issued \$33,000,000 of Revenue Bond Anticipation Notes. Proceeds were used to pay the balance of the Certificates of Participation 2000B, to finance additional costs of the construction, equipping and improvement of the Telecom System and to establish a reserve to pay capitalized interest on the Notes through their maturity dates. The Notes mature on June 1, 2009. The Notes bear interest at 7% and interest payments are made semi-annually on December 1 and June 1 from funds provided by the capitalized interest reserve.

Loan from City of Alameda -- On December 16, 2003, at the request of the Public Utilities Board, the Alameda City Council authorized a loan of \$2,200,000 to Alameda P&T for the purpose of construction of the hybrid fiber-optic/coaxial telecom system. The loan is interest free and is due on June 1, 2009.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

C. Debt Service Requirements

Annual debt service requirements are as follows:

For the Year Ending June 30	Principal	Interest
2008	\$1,357,509	\$6,259,851
2009	40,142,491	5,774,686
2010		2,366,945
2011		2,366,945
2012	975,000	3,335,070
2013-2017	6,010,000	10,685,777
2018-2022	8,400,000	8,557,390
2023-2027	11,450,000	5,520,523
2028-2031	12,210,000	1,437,359
Total	<u>\$80,545,000</u>	<u>\$46,304,546</u>

NOTE 7 - TRANSACTIONS WITH THE CITY OF ALAMEDA

The City Charter provides that Alameda P&T transfer to the City's General Fund certain excess earnings as defined in the Charter. In accordance with these provisions, Alameda P&T contributed \$2,500,000 to the City's General Fund during the year ended June 30, 2007 and \$2,500,000 during the year ended June 30, 2006.

Billings of electricity to the City for the years ended June 30, 2007 and 2006 were \$1,974,668 and \$1,320,733, respectively. Billings to the City for other services provided by Alameda P&T for the years ended June 30, 2007 and 2006 were \$196,601 and \$132,789, respectively.

Disbursements by Alameda P&T to the City for services provided by the City for the years ended June 30, 2007 and 2006 were \$2,500,586 and \$2,838,279, respectively. Utility taxes collected by Alameda P&T and remitted to the City for the years ended June 30, 2007 and 2006 were \$3,424,373 and \$3,186,724, respectively.

Alameda P&T pays the City an annual amount equal to one percent of the net book value of Alameda P&T's utility plant in service at the previous fiscal year end. Alameda P&T paid \$745,702 and \$1,178,333 in lieu of taxes to the City during the fiscal years ended June 30, 2007 and 2006.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 8 – PERS PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3.000%	2.000%
Required employee contribution rates	9.000%	7.000%
Required employer contribution rates	29.557%	12.677%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 8 - PENSION PLANS (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the most recently available past three years is set forth below at their actuarial valuation date of June 30:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$185,987,125	\$141,110,783	\$44,876,342	75.9%	\$20,549,153	218.4%
2004	198,572,604	150,663,110	47,909,494	75.9%	20,542,771	233.2%
2005	213,699,436	163,233,739	50,465,697	76.4%	21,213,749	237.9%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$133,411,431	\$120,299,862	\$13,111,569	90.2%	\$31,168,669	42.1%
2004	143,447,821	127,047,861	16,399,960	88.6%	32,848,338	49.9%
2005	154,416,758	137,051,641	17,365,117	88.8%	31,220,941	55.6%

Audited annual financial statements are available from CALPERS at PO Box 942709, Sacramento, CA 94229-2709.

PERS has reported that the value of the net assets in the Plan held for pension benefits changed as follows during the year ended June 30, 2005, the most recently available information:

Actuarially required contributions for fiscal years 2007, 2006, and 2005 were \$10,513,857, \$11,569,361, \$10,106,802. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

B. Other Retirement System

Effective September 1, 2001, the City adopted a Money Purchase Plan for a limited group of employees and appointees as a part of the City Retirement Program, which includes the Housing Authority and Alameda P&T. The employees include all department directors. The appointees include the City Clerk and the City Attorney. Under the Money Purchase Plan, the employer contributes 1% of the individual's salary and the employee contributes a mandatory 2% of his or her salary. This plan is qualified under Section 401(a) of the Internal Revenue Code. Each participant has a plan account to which contributions are made. Plan benefits are based on the total amount of money in the account at retirement. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. General

Alameda P&T participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of Alameda P&T and the other participating entities unless assumed by them.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the board.

The JPAs are discussed in this note and in Note 10.

Alameda P&T is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 18 public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

Amounts paid by Alameda P&T to NCPA during the years ended June 30, 2007 and 2006 for purchased power were \$27,729,141 and \$25,859,213, respectively. Amounts paid reflect that NCPA invoiced amounts include payments received by NCPA from the Certificates of Participation 2000AT trustee for Alameda P&T's costs.

Alameda P&T receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine Alameda P&T's equity in NCPA as a whole. NCPA reports only Alameda P&T's share of its General Operating Reserve, comprised of cash and investments, and Alameda P&T's share of those projects in which Alameda P&T is a participant. These amounts are reflected in the financial statements as share of Certain NCPA Projects and Reserve.

Effective July 1, 1998, Alameda P&T restated its Retained Earnings to include its share in NCPA projects and reserve, and its Statement of Revenues and Expenses to include the effects of changes in its share in NCPA projects and reserve. These changes are set forth below:

	Fiscal Year Ended June 30	
	2007	2006
Beginning balance	\$16,198,069	\$13,213,781
Increase in equity in NCPA projects	<u>2,226,928</u>	<u>2,984,288</u>
Ending balance	<u>\$18,424,997</u>	<u>\$16,198,069</u>

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Alameda P&T's interest in NCPA Projects and Reserve, as computed by NCPA, is set forth below.

	June 30	
	2007	2006
General Operating Reserve	\$15,915,878	\$13,838,260
Associated Member Services	285,497	285,498
Net book value of amounts contributed to fund		
Alameda P&T's share of NCPA power projects:		
Geothermal Projects/Power Line	1,255,049	1,184,385
Calaveras Hydroelectric Project	891,334	539,705
Combustion Turbine Project No. 1	7,416	61,588
Combustion Turbine Project No. 2	69,823	288,633
	\$18,424,997	\$16,198,069

The General Operating Reserve represents Alameda P&T's portion of funds which resulted from the settlement in prior years of issues with financial consequences and reconciliations of several prior years' budgets for programs. These funds are available on demand and earn interest, but Alameda P&T has left them with NCPA as a reserve against contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

B. *Projects in which Alameda P&T is a Participant*

Geothermal Projects

A purchased power agreement with NCPA obligates Alameda P&T for 17.05407% of the debt service for two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2 located in the Geysers area in Northern California. Alameda P&T is obligated to pay 16.8825% of the operating costs of both plants.

NCPA has continued to monitor the geothermal steam production wells while pursuing alternatives for improving and extending steam field reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, while meeting all electric system obligations including those to NCPA. In January 1996, NCPA issued \$167,940,000 (1996 Refunding Series B), and \$5,420,000 (1996 Taxable Series C) in variable rate revenue bonds, the proceeds of which were used to refund a portion of the 1987 Refunding Series A Revenue Bonds. In August 1998, NCPA remarketed \$121,590,000 (1996 Refunding Series A) of revenue bonds changing the interest rate from a weekly interest rate to a long-term rate. Alameda P&T is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2007, the book value of this Project's plant, equipment and other assets was \$144,795,307 while its long-term debt totaled \$76,490,554, and other liabilities totaled \$31,717,565. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to \$18,453,921 at that date.

Geothermal Public Power Line

In 1983, NCPA, Sacramento Municipal Utility District, the City of Santa Clara and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line (GPPL) which would carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners could receive it for transmission to their load centers. NCPA has an 18.5% share of this Project and Alameda P&T has a 30.359% participation in NCPA's share. In 1989, the development of the proposed Geothermal Public Power Line was discontinued because NCPA was able to contract for sufficient transmission capacity to meet its needs in the Geysers. However, because the project financing provided funding for an ownership interest in a PG&E transmission line, a central dispatch facility and a performance bond pursuant to an Interconnection Agreement with PG&E, as well as an ownership interest in the proposed GPPL, NCPA issued \$16,000,000 in long-term, fixed-rate revenue bonds in November 1989 to defease the remaining variable rate refunding bonds used to refinance this project. In December 1998, NCPA issued \$9,920,000 in fixed rate revenue bonds, the proceeds of which were used to refund outstanding transmission project revenue bonds and to pay costs of issuance of the debt. Alameda P&T is obligated to pay its 30.359% share of the related debt service, but debt service costs are covered through NCPA billing mechanisms that allocate the costs to members based on use of the facilities and services.

At June 30, 2007, the book value of this Project's plant, equipment and other assets was \$3,346,061 while its long-term debt totaled \$2,523,170, and other liabilities totaled \$822,897. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to \$1,015,832 at that date.

Calaveras Hydroelectric Project

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project, during the initial 50-year Federal Energy Regulatory Commission license period, and to finance its construction. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. In April 2002, NCPA issued \$86,620,000 (2002 Refunding Series A for \$43,310,000 and 2002 Refunding Series B for \$43,310,000) in variable rate demand bonds for the purpose of providing funds, together with available funds, to refund a portion of the bonds issued in 1992 in order to realize debt service savings. In March 2003, NCPA issued \$55,040,000 (2003 Refunding Series A for \$49,130,000 and 2003 Refunding Series B for \$5,910,000) in variable rate demand bonds for the purpose of providing funds, together with other available moneys, to refund a portion of NCPA's outstanding Hydroelectric Project Number One Revenue Bonds, 1993 Refunding Series A, in order to realize debt service savings. Under its power purchase agreement with NCPA, Alameda P&T is obligated to pay 10% of this Project's debt service and operating costs. At June 30, 2007, the book value of this Project's plant, equipment and other assets was \$508,146,517 while its long-term debt totaled \$473,191,061 and other liabilities totaled \$22,942,565. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to \$49,613,363 at that date.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Combustion Turbine Project No. 1

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities including Alameda, began full commercial operation in June 1986, providing reserve and peaking power. In December 1989, NCPA issued \$68,958,257 in fixed rate revenue bonds, the proceeds of which were used to defease the bonds then outstanding. In December 1998, NCPA issued \$43,165,000 in fixed rate revenue bonds, the proceeds of which were used to refund outstanding revenue bonds and to pay costs of issuance of the debt. Under the NCPA power purchase agreement, Alameda P&T is obligated to pay 13.092% of this Project's debt service and operating costs. At June 30, 2007, the book value of this Project's plant, equipment and other assets was \$18,212,266 while its long-term debt totaled \$11,700,893, and other liabilities totaled \$4,372,886. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to \$2,104,379 at that date.

Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

Alameda P&T is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued \$152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi system facilities. In January 1999, NCPA issued \$67,875,000 in fixed rate revenue bonds to refund a portion of outstanding Capital Facilities Bonds and to pay debt service (consisting of interest only) on the 1999 Bonds through August 1, 2002 and a portion of the interest due on the 1999 Bonds on February 1, 2003, and to pay costs of the issuance of the debt. Under the NCPA power purchase agreement, Alameda P&T is obligated to pay 19.00% of the debt service and operating costs for the Lodi unit.

Alameda P&T's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, Alameda P&T and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. Alameda P&T is obligated to pay 19.0%.

At June 30, 2007, the book value of this Project's plant, equipment and other assets was \$67,749,862 while its long-term debt totaled \$64,277,009 and other liabilities totaled \$2,881,404. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to \$12,760,098 at that date.

Graeagle Hydroelectric Project

Alameda P&T's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project. Alameda P& T receives 50% of the power from this small hydroelectric project.

Morgan Stanley Power Purchase Contract

In April 2002, Alameda P&T entered into a contract with Morgan Stanley Capital Group (MSCG) for the delivery of power. From January 1 through March 31 and from October 1 through December 31 during each of the calendar years 2005-2014 MSCG has agreed to deliver 15 megawatts of power 24-hours per day.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Highwinds Project Power Purchase

In December 2004, Alameda P&T entered into a long-term power purchase agreement with PPM Energy, Inc. for power supplied by the Highwinds Project in Solano County, California. Alameda P&T will receive 6.17% of the output of the 162 megawatt project (nameplate rating) or 10 megawatts until June 30, 2028.

Landfill Gas Projects Power Purchase

During 2004 and 2005, Alameda P&T entered into four long-term power purchase agreement for power supplied by multiple existing and proposed generating facilities. These facilities utilize combustible gaseous emissions from landfills, located in or near the San Francisco Bay area to create power. Alameda P&T began receiving nearly 4 megawatts of base-load power from the first 2 facilities in early 2006. An additional 4 megawatts of base-load output from the 2 facilities under construction is expected to begin when they become operational in early 2007.

California Electric Industry Restructuring

In September 1996, the California State legislature signed into law Assembly Bill 1890 (AB 1890) deregulating the electric power supply market and restructuring the electric power industry in California. While the majority of the legislation was directed at investor-owned utilities (IOUs), Alameda P&T and other California publicly owned utilities were greatly affected by the restructuring of markets and the ensuing wild fluctuations in prices that resulted from a deficiency in generating capacity and an immature and flawed market structure.

Because Alameda P&T has its own generating resources and is not dependent on the wholesale market to purchase power, it was not negatively impacted by these price swings.

Proposals by the California Independent System Operator to redesign the wholesale electricity market in California are now under development, and in some cases being implemented. These proposals contain their own set of risks and uncertainties for Alameda P&T and the other NCPA members.

NCPA plays an active role in protecting members' contractual rights in Federal Energy Regulatory Commission (FERC), California Public Utilities Commission (CPUC), and other legislative/regulatory proceedings. Priorities related to industry restructuring include the preservation of local control authority for publicly owned utilities, assuring open and fair access to wholesale markets and the transmission grid, and maintaining members' preference access to power from the Central Valley Project and Western Area Power Administration.

NCPA's Generation Operations and Power Management Business Units work in tandem to optimize system operations and identify market power sales/purchase opportunities.

NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 10 – TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC)

Alameda P&T is a member of a joint powers agreement with 14 other entities in TANC. TANC's purpose is to provide electrical transmission or other facilities for the use of its members. While governed by its members, none of TANC's obligations are those of its members unless expressly assumed by them. Alameda P&T is obligated to pay 1.333% of TANC's debt-service and operating costs related to the California-Oregon Transmission Project (COTP) and 1.6424% of the tax exempt portion of the commercial paper program. Alameda P&T is also obligated to pay for and receive service from a portion of the South of Tesla transmission under an agreement between TANC and Pacific Gas & Electric Company.

According to the 1985 Project Agreement with TANC for the development of the COTP and subsequent related project agreements, Alameda P&T is obligated to pay its share of the project's costs, including debt service and is entitled to the use of a percentage of the project's transmission or transfer capacity. TANC has issued Revenue Bonds for \$371,680,000 and Tax Exempt Commercial Paper notes for \$30,270,000 as of June 30, 2007. Alameda P&T's share of this debt is \$4,954,494 and \$429,332 respectively.

TANC Financial Information

TANC's financial statements can be obtained from TANC, P.O. Box 15129, Sacramento, CA 95851.

NOTE 11 - RISK MANAGEMENT

Alameda P&T, as a component unit of the City, is included in the City's risk management program. The City manages risk by participating in the public entity risk pool described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this risk pool are not Alameda P&T's or the City's responsibility.

Alameda P&T has not significantly reduced its insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 11 - RISK MANAGEMENT (Continued)

A. Risk Coverage

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to \$1,000,000 and provides additional coverage up to statutory limits. The City has a deductible or uninsured liability of up to \$250,000 per claim. During the fiscal year ended June 30, 2007, Alameda P&T contributed \$110,973 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Alameda P&T has purchased commercial insurance against general liability claims.

The following types of loss risks are covered by the above authority under the terms of their respective joint-powers agreements and through commercial insurance policies as follows:

Type of Coverage	Coverage Limits
Excess General Liability	\$35,000,000
Auto - Physical damage	Actual Cash Value
Workers' Compensation	Statutory
Boiler & Machinery	Replacement Cost
Computer Software	5,320,000
Property	300,000,000
Terrorism	35,000,000

Financial statements for the risk pool may be obtained from LAWCX, c/o Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

B. Workers' Compensation Claims Payable

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, Alameda P&T has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The change in workers' compensation claims liability, including claims incurred but not reported as estimated by the City's Risk Manager, is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	2007	2006
Beginning balance	\$1,079,088	\$1,012,716
Change in liability for current and prior fiscal year claims	284,169	253,990
Payments made on claims	(389,342)	(187,618)
Ending balance	<u>\$973,915</u>	<u>\$1,079,088</u>

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 12 - NET ASSETS

A. Net Assets

Net Assets is the excess of all Alameda P&T's assets over all its liabilities, regardless of fund. Net Assets are divided into the captions below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of Alameda P&T's capital assets, less the outstanding balance of any debt issued to finance these assets.

Invested in NCPA projects and reserve describes the portion of Net Assets which is represented by the current net book value of Alameda P&T's investment in NCPA.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which Alameda P&T cannot unilaterally alter.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Designations

Designations are imposed by the Board to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

Unrestricted net assets consists of the following at June 30:

	<u>2007</u>	<u>2006</u>
Designated for investment in NCPA projects and reserves	\$18,424,997	\$16,198,069
Designated for special purposes	3,863,216	4,297,215
Undesignated	<u>15,590,416</u>	<u>10,729,326</u>
Total Unrestricted	<u>\$37,878,629</u>	<u>\$31,224,610</u>

CITY OF ALAMEDA, ALAMEDA POWER & TELECOM
Notes to Financial Statements

NOTE 13 – COMMITMENT AND CONTINGENT LIABILITIES

A. *Take-or-Pay Agreements*

Under the terms of its NCPA and TANC joint venture agreements, Alameda P&T is liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 9. Alameda P&T's estimated share of such debt outstanding at June 30, 2007 was \$89,331,419. Under certain circumstances, Alameda P&T may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, Alameda P&T may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants. These "step up" provisions are generally capped at a 25 percent increase.

Alameda P&T is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, the outcome of these actions cannot be predicted with certainty. In the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of Alameda P&T.

B. *Franchise Agreement*

On August 18, 2004, City of Alameda Ordinance No. 2930 granted a five-year extension of non-exclusive cable communication franchise to Alameda P&T. Alameda P&T is continuing with its construction of a cable communications system within the City of Alameda to provide cable television and other communications services to the City's residents.

C. *Lease Agreement with Alameda Reuse and Redevelopment Authority*

In June 2007, Alameda P&T entered into two lease agreements with the Alameda Reuse and Redevelopment Authority. The lease terms for each agreement are for two years beginning June 1, 2007 and expiring on May 30, 2009. Alameda P&T will occupy the premises under the terms of non-cancelable leases which call for minimum monthly payments of \$1,053 and \$10,780 respectively.

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STATISTICAL SECTION

This part of the Alameda Power & Telecom's (Alameda P&T) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Alameda P&T's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how Alameda P&T's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Earned Surplus Of Consolidated Operations
3. Changes in Earned Surplus Of Electric Operations and Telecommunication Operations

Revenue Capacity

These schedules contain information to help the reader assess Alameda P&T's revenue sources:

1. Electric Operating Revenues by Source
2. Telecommunication Operating Revenues by Source
3. Customer Accounts
4. Pricing Changes

Debt Capacity

These schedules present information to help the reader assess the affordability of Alameda P&T's current levels of outstanding debt and Alameda P&T's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Certificates of Participation Coverage – Electric Operations
3. Certificates of Participation Coverage – Telecommunication Operations

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which Alameda P&T's financial activities take place:

1. Demographic and Economic Statistics
2. Top Ten Customers

Operating Information

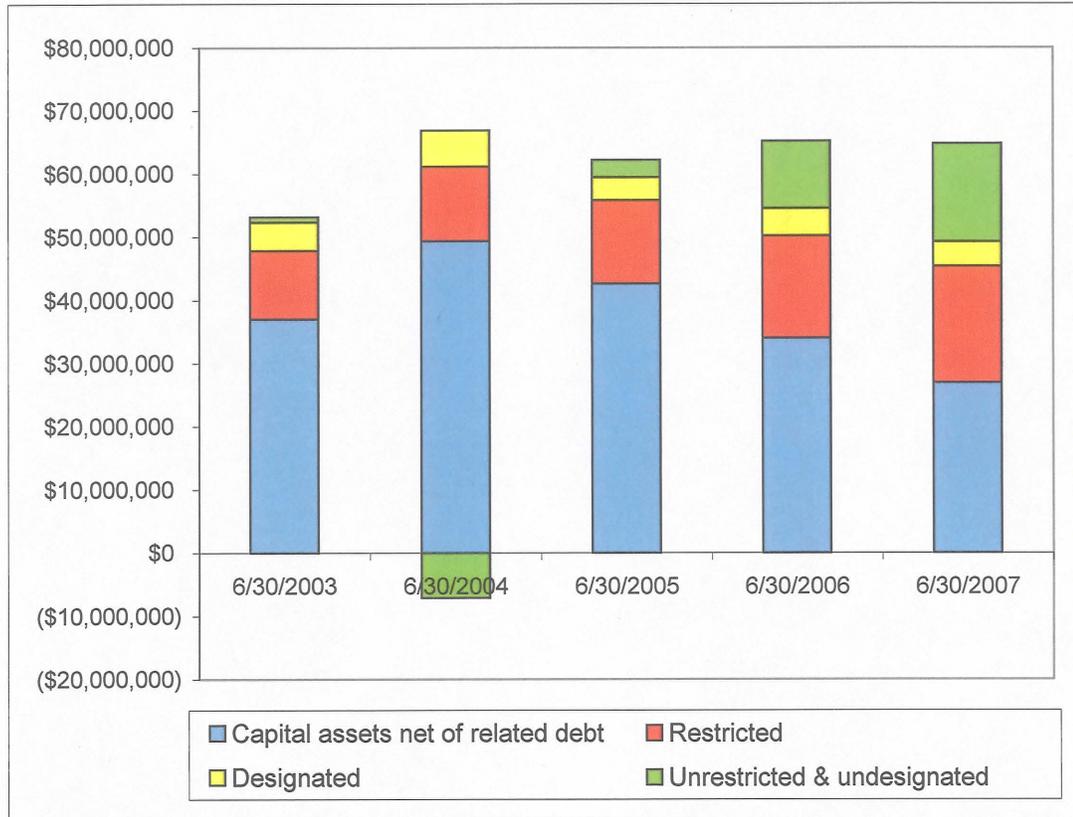
These schedules contain service and infrastructure data to help the reader understand how the information in Alameda P&T's financial report relates to the services that Alameda P&T provides and the activities it performs:

1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function – Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

Sources

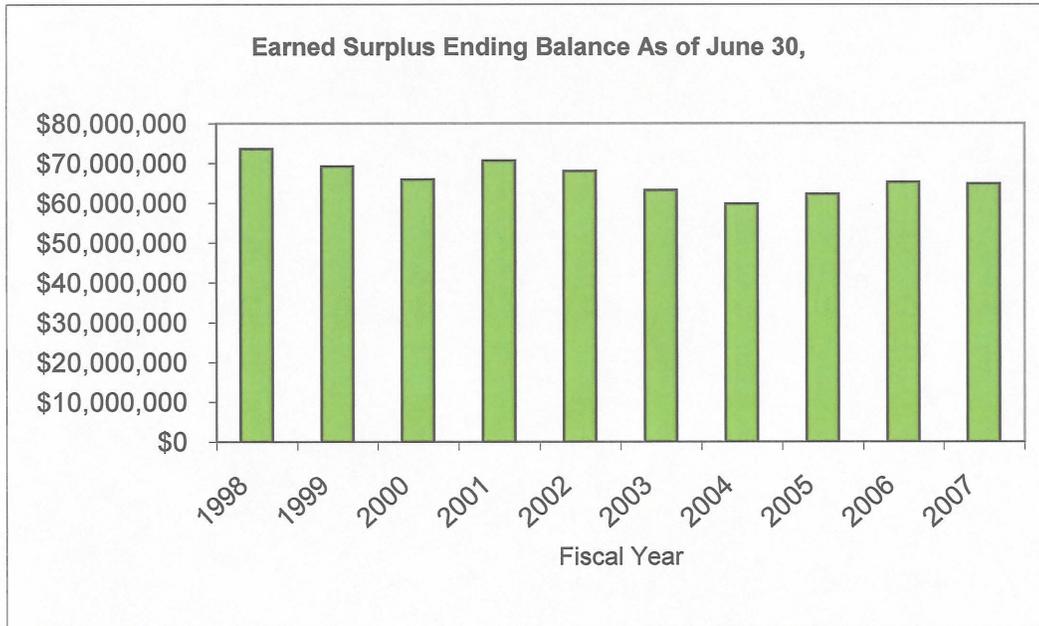
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. Alameda P&T implemented GASB Statement 34 in 2006; schedules presenting government-wide information include information beginning in that year.

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS**



	Fiscal Year Ended,				
	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007
Business-type activities					
Invested in capital assets, net of related debt	\$37,003,051	\$49,336,812	\$42,612,831	\$33,976,678	\$26,916,767
Restricted for investment in NCPA projects and reserves	\$10,864,492	\$11,805,479	\$13,213,781	\$16,198,069	\$18,424,997
Unrestricted, designated for special purposes	\$4,440,273	\$5,734,918	\$3,631,328	\$4,297,215	\$3,863,216
Unrestricted, undesignated	\$899,273	(\$7,133,921)	\$2,752,274	\$10,729,326	\$15,590,416
Total business-type activities net assets	\$53,207,089	\$59,743,288	\$62,210,214	\$65,201,288	\$64,795,396

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CHANGES IN EARNED SURPLUS OF CONSOLIDATED OPERATIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Earned Surplus	
						Beginning Balance	Ending Balance
1998	\$ 37,643,234	\$ 33,762,248	\$ 3,880,986	\$ (2,095,601)	\$ 1,785,385	\$ 71,848,977	\$ 73,634,362
1999	\$ 39,185,527	\$ 34,910,112	\$ 4,275,415	\$ (8,682,252)	\$ (4,406,837)	\$ 73,634,362	\$ 69,227,525
2000	\$ 39,329,340	\$ 38,622,254	\$ 707,086	\$ (3,974,781)	\$ (3,267,695)	\$ 69,227,525	\$ 65,959,830
2001	\$ 40,308,253	\$ 39,271,207	\$ 1,037,046	\$ 3,661,142	\$ 4,698,188	\$ 65,959,830	\$ 70,658,018
2002	\$ 39,319,787	\$ 37,189,970	\$ 2,129,817	\$ (4,823,526)	\$ (2,693,709)	\$ 70,658,018	\$ 67,964,309
2003	\$ 43,466,487	\$ 45,477,865	\$ (2,011,378)	\$ (2,745,842)	\$ (4,757,220)	\$ 67,964,309	\$ 63,207,089
2004	\$ 50,946,001	\$ 45,593,865	\$ 5,352,136	\$ (8,815,937)	\$ (3,463,801)	\$ 63,207,089	\$ 59,743,288
2005	\$ 53,356,198	\$ 49,882,237	\$ 3,473,961	\$ (1,007,035)	\$ 2,466,926	\$ 59,743,288	\$ 62,210,214
2006	\$ 54,193,731	\$ 53,139,512	\$ 1,054,219	\$ 1,936,855	\$ 2,991,074	\$ 62,210,214	\$ 65,201,288
2007	\$ 57,388,987	\$ 56,043,315	\$ 1,345,672	\$ (1,751,564)	\$ (405,892)	\$ 65,201,288	\$ 64,795,396

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CHANGES IN EARNED SURPLUS OF ELECTRIC OPERATIONS
LAST TEN FISCAL YEARS**

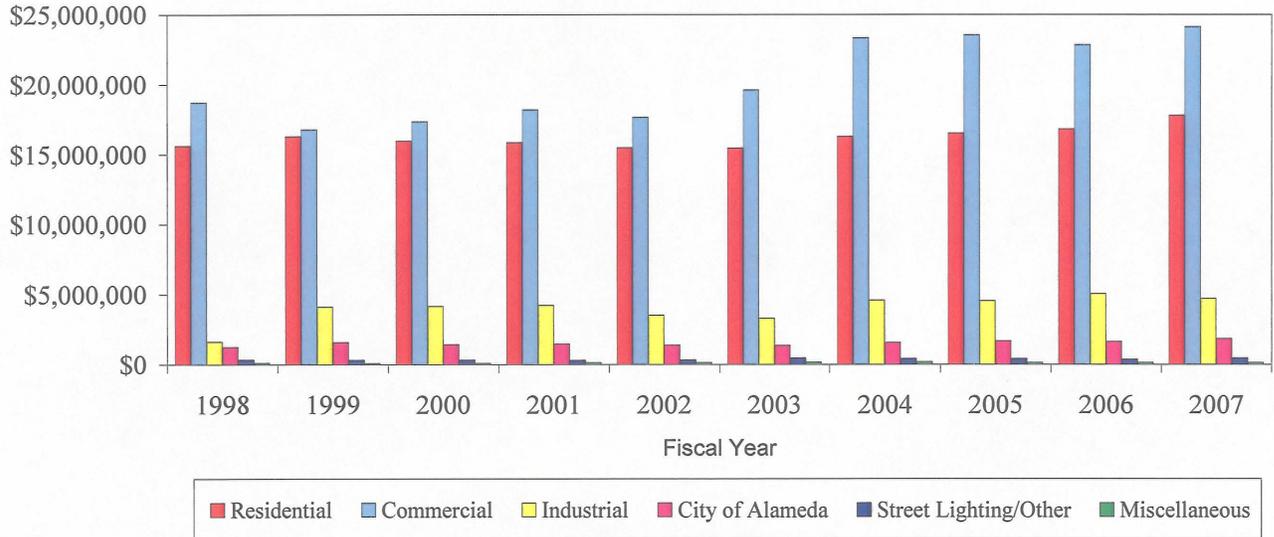
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Earned Surplus	
						Beginning Balance	Ending Balance
1998	\$ 37,643,234	\$ 33,762,248	\$ 3,880,986	\$ (2,095,601)	\$ 1,785,385	\$ 71,848,977	\$ 73,634,362
1999	\$ 39,185,527	\$ 34,910,112	\$ 4,275,415	\$ (8,682,252)	\$ (4,406,837)	\$ 73,634,362	\$ 69,227,525
2000	\$ 39,329,340	\$ 36,212,289	\$ 3,117,051	\$ (3,513,039)	\$ (395,988)	\$ 69,227,525	\$ 68,831,537
2001	\$ 40,203,399	\$ 35,124,709	\$ 5,078,690	\$ 3,828,201	\$ 8,906,891	\$ 68,831,537	\$ 77,738,428
2002	\$ 38,474,925	\$ 30,560,315	\$ 7,914,610	\$ (4,424,423)	\$ 3,490,187	\$ 77,738,428	\$ 81,228,615
2003	\$ 40,337,837	\$ 34,866,875	\$ 5,470,962	\$ (2,382,268)	\$ 3,088,694	\$ 81,228,615	\$ 84,317,309
2004	\$ 46,372,724	\$ 37,316,010	\$ 9,056,714	\$ (11,205,318)	\$ (2,148,604)	\$ 84,317,309	\$ 82,168,705
2005	\$ 46,817,578	\$ 40,864,737	\$ 5,952,841	\$ (1,206,779)	\$ 4,746,062	\$ 82,168,705	\$ 86,914,767
2006	\$ 46,840,300	\$ 41,316,743	\$ 5,523,557	\$ 1,400,984	\$ 6,924,541	\$ 86,914,767	\$ 93,839,308
2007	\$ 49,069,346	\$ 44,756,587	\$ 4,312,759	\$ (545,960)	\$ 3,766,799	\$ 93,839,308	\$ 97,606,107

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CHANGES IN EARNED SURPLUS OF TELECOMMUNICATIONS OPERATIONS
FOR THE FISCAL YEARS FROM 2000 THROUGH 2007**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Earned Surplus	
						Beginning Balance	Ending Balance
2000		\$ 2,409,965	\$ (2,409,965)	\$ (461,742)	\$ (2,871,707)	\$ -	\$ (2,871,707)
2001	\$ 104,854	\$ 4,146,498	\$ (4,041,644)	\$ (167,059)	\$ (4,208,703)	\$ (2,871,707)	\$ (7,080,410)
2002	\$ 844,862	\$ 6,629,655	\$ (5,784,793)	\$ (399,103)	\$ (6,183,896)	\$ (7,080,410)	\$ (13,264,306)
2003	\$ 3,128,650	\$ 10,610,990	\$ (7,482,340)	\$ (363,574)	\$ (7,845,914)	\$ (13,264,306)	\$ (21,110,220)
2004	\$ 4,573,277	\$ 8,277,855	\$ (3,704,578)	\$ 2,389,381	\$ (1,315,197)	\$ (21,110,220)	\$ (22,425,417)
2005	\$ 6,538,620	\$ 9,017,500	\$ (2,478,880)	\$ 199,744	\$ (2,279,136)	\$ (22,425,417)	\$ (24,704,553)
2006	\$ 7,353,431	\$ 11,822,769	\$ (4,469,338)	\$ 535,871	\$ (3,933,467)	\$ (24,704,553)	\$ (28,638,020)
2007	\$ 8,319,641	\$ 11,286,728	\$ (2,967,087)	\$ (1,205,604)	\$ (4,172,691)	\$ (28,638,020)	\$ (32,810,711)

CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
ELECTRIC OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS

ELECTRIC OPERATIONS

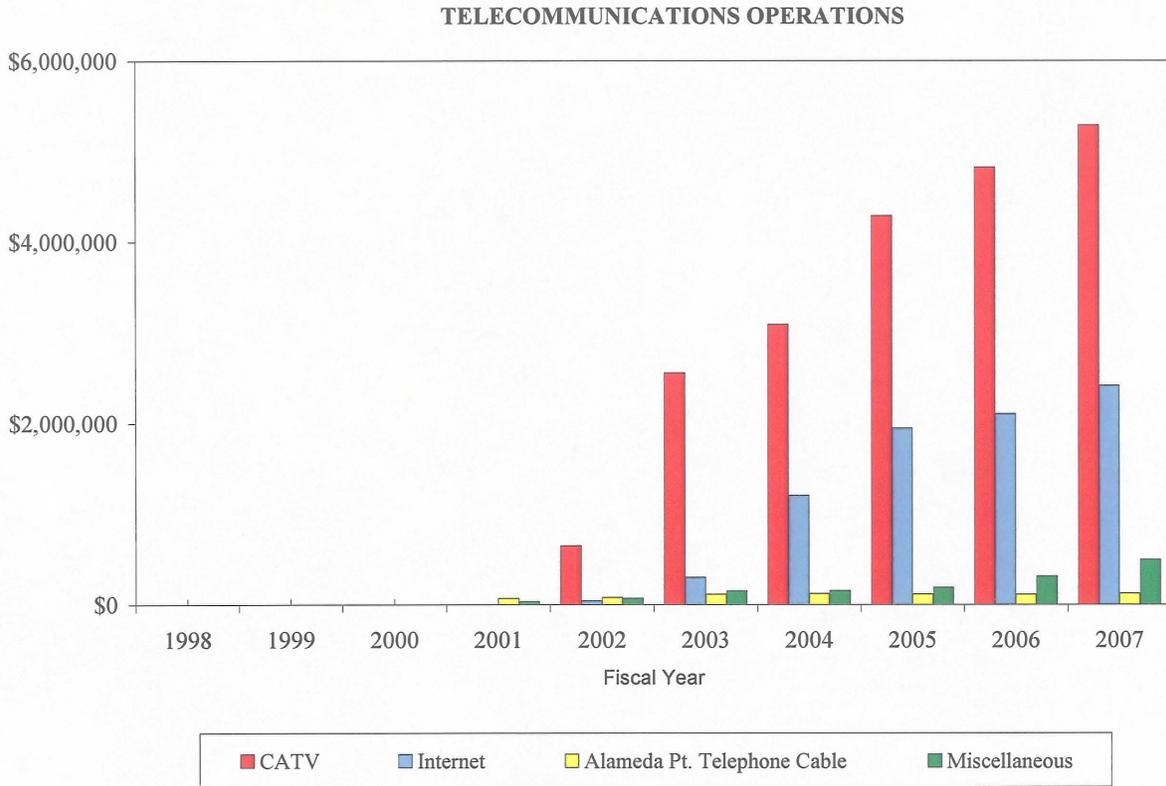


Fiscal Year	Sales of Electricity						Total
	Residential	Commercial	Industrial	City of Alameda	Street Lighting/Other	Miscellaneous	
1998	\$15,599,805	\$18,711,636	\$1,628,561	\$1,242,006	\$336,646	\$124,580	\$37,643,234
1999	\$16,293,655	\$16,784,903	\$4,113,103	\$1,587,617	\$322,992	\$83,257	\$39,185,527
2000	\$15,967,274	\$17,350,761	\$4,165,755	\$1,434,416	\$311,169	\$99,965	\$39,329,340
2001	\$15,861,629	\$18,204,667	\$4,242,193	\$1,469,692	\$293,510	\$131,708	\$40,203,399
2002	\$15,461,290	\$17,647,770	\$3,514,836	\$1,397,365	\$320,893	\$131,771	\$38,473,925
2003	\$15,451,373	\$19,608,930	\$3,296,965	\$1,359,912	\$454,776	\$165,881	\$40,337,837
2004	\$16,285,182	\$23,345,609	\$4,586,893	\$1,580,285	\$398,729	\$176,025	\$46,372,723
2005	\$16,509,804	\$23,540,842	\$4,542,208	\$1,673,971	\$403,318	\$147,435	\$46,817,578
2006	\$16,812,415	\$22,840,128	\$5,039,371	\$1,634,793	\$368,496	\$145,097	\$46,840,300
2007	\$17,786,579	\$24,129,480	\$4,720,055	\$1,847,716	\$444,985	\$140,531	\$49,069,346

Fiscal Year	Kilowatt- Hour Sales						Peak Demand (KW)
	Residential	Commercial	Industrial	City of Alameda	Street Lighting/Other	Total KWH	
1998	134,010,459	189,930,101	18,800,038	1,965,914	12,572,236	357,278,748	66,173
1999	140,344,618	169,357,220	45,524,773	2,074,984	13,258,292	370,559,887	70,914
2000	137,241,057	173,580,597	47,497,358	2,110,671	13,787,356	374,217,039	67,405
2001	136,387,481	182,718,187	47,884,130	2,092,489	14,042,226	383,124,513	68,805
2002	132,994,407	176,305,447	41,996,906	2,252,430	13,286,156	366,835,346	67,178
2003	132,832,917	183,899,028	34,656,956	2,297,249	13,835,820	367,521,970	70,431
2004	137,229,341	184,756,585	40,788,618	2,337,963	14,740,088	379,852,595	68,085
2005	138,340,569	183,079,652	39,581,653	3,159,986	14,166,870	378,328,730	71,235
2006	139,398,004	175,347,031	46,068,294	2,896,507	14,082,202	377,792,038	66,360
2007	142,352,676	187,611,044	41,255,006	3,151,663	14,916,186	389,286,575	70,891

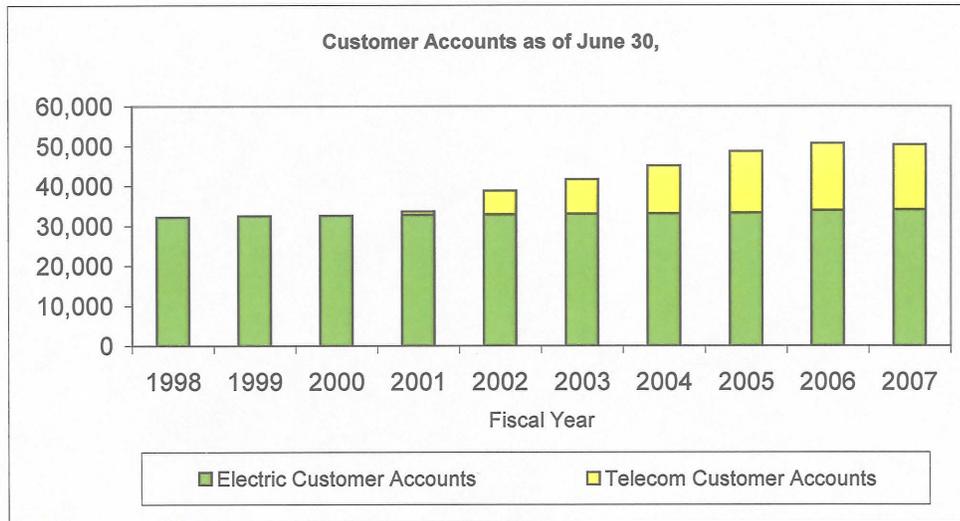
Source: Alameda Power & Telecom Administrative Services

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
TELECOMMUNICATIONS OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Cable Television</u>	<u>Internet</u>	<u>Alameda Point Telephone</u>	<u>Miscellaneous</u>	<u>Total</u>
1998					
1999					
2000					
Telecommunications Operations Initiated July 2000					
2001			\$69,225	\$35,629	\$104,854
2002	\$651,518	\$42,724	\$80,336	\$70,284	\$844,862
2003	\$2,558,834	\$303,585	\$116,256	\$149,975	\$3,128,650
2004	\$3,090,741	\$1,206,299	\$122,552	\$153,685	\$4,573,277
2005	\$4,290,430	\$1,945,859	\$114,288	\$188,043	\$6,538,620
2006	\$4,823,889	\$2,105,896	\$110,828	\$312,818	\$7,353,431
2007	\$5,286,534	\$2,415,924	\$121,462	\$495,721	\$8,319,641

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CUSTOMER ACCOUNTS
LAST TEN FISCAL YEARS**



Number of Electric Customer Accounts:

Fiscal Year	Residential	Commercial	Industrial	Street Lighting & Other	City of Alameda	Total Customer Accounts
1998	28,637	3,248	3	8	269	32,165
1999	28,876	3,321	13	7	278	32,495
2000	28,991	3,296	16	7	285	32,595
2001	29,126	3,318	15	8	298	32,765
2002	29,164	3,356	15	10	308	32,853
2003	29,237	3,385	11	11	313	32,957
2004	29,310	3,418	11	12	308	33,059
2005	29,405	3,447	10	13	313	33,188
2006	30,021	3,485	10	32	321	33,869
2007	29,997	3,634	9	19	330	33,989

Number of Telecommunications Customer Accounts:

Fiscal Year	Cable TV	Internet Data	Alameda Point Telephone*	Total Customer Accounts
2001	0	0	898	898
2002	4,321	764	898	5,983
2003	5,645	2,163	900	8,708
2004	7,677	3,447	877	12,001
2005	9,433	5,198	831	15,462
2006	10,185	6,421	164	16,770
2007	9,577	6,624	173	16,374

* Alameda Point Telephone were counted by accounts from 2001 to 2005 and was counted by customers in 2006

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
PRICING CHANGES**

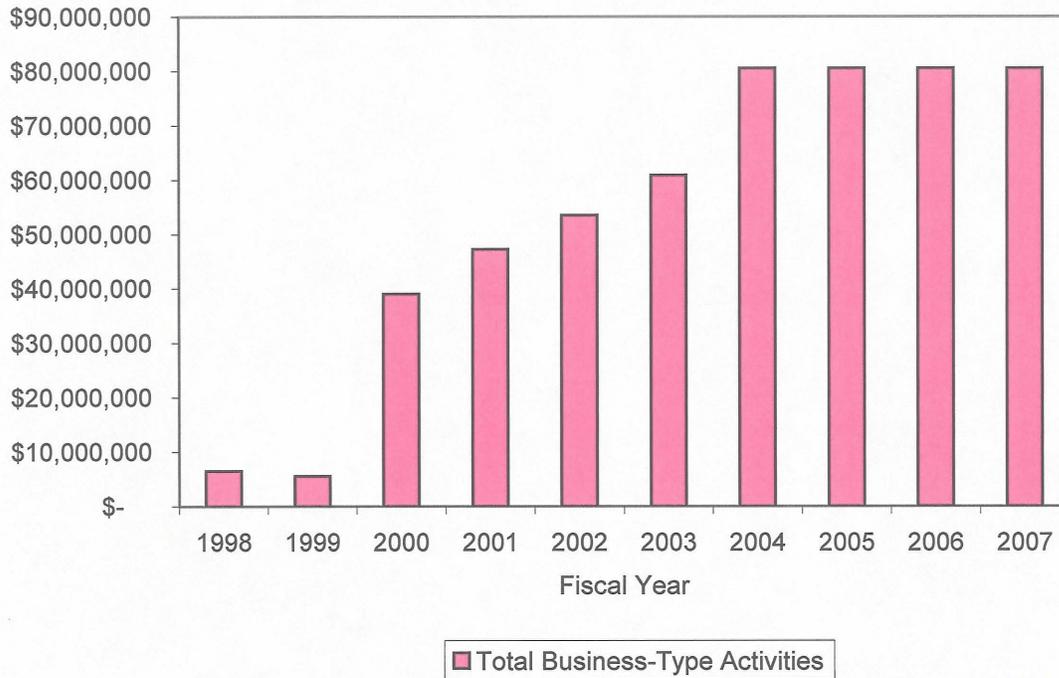
Electric Rate Changes

<u>Date</u>	<u>Percent Change</u>
March 1, 1994	6.40%
April 1, 1996	0.90%
August 1, 2002	4.10%
August 1, 2003	11.51%
July 1, 2004	0.13%
July 1, 2005	0.89%
July 1, 2006	0.56%

Telecommunications Rate Changes

<u>Date</u>	<u>Cable TV Percent Change</u>	<u>Internet Data Percent Change</u>
October 1, 2002	6.0%	N/A
October 1, 2003	4.3%	0.0%
October 1, 2004	6.1%	0.0%
August 5, 2005	5.6%	0.0%
January 7, 2007	7.8%	0.0%
October 7, 2007	6.4%	0.0%

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

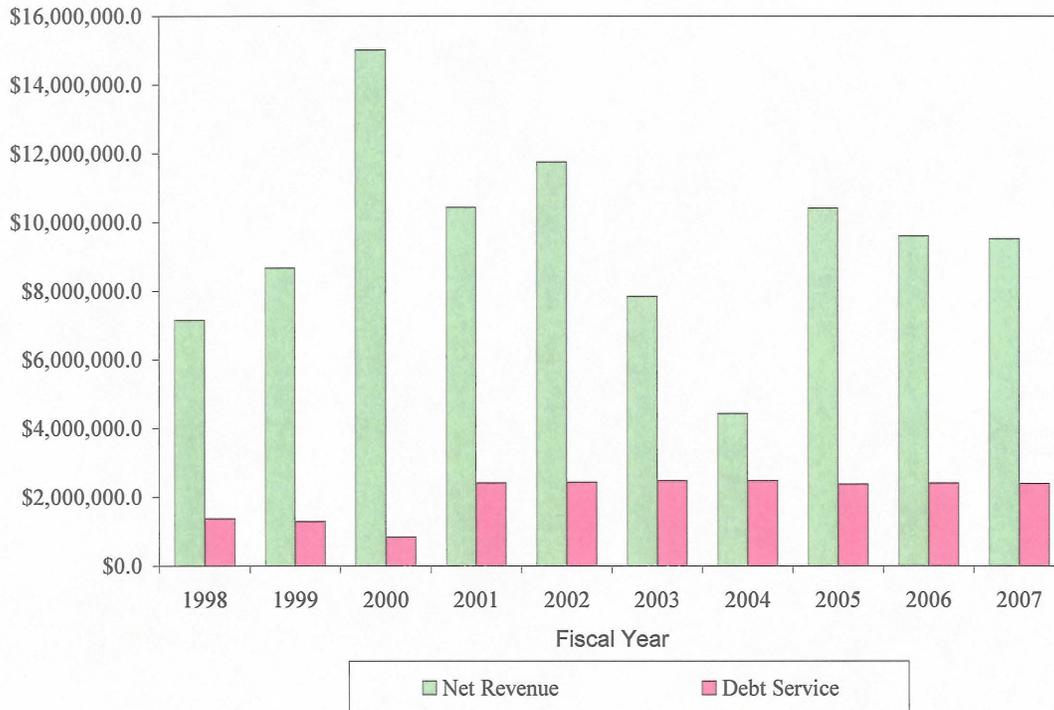


Fiscal Year	Business-Type Activities			Total	Percentage of Personal Income (a)	Per Capita (a)
	Certificates of Participation	Revenue Bonds Anticipation Notes	Loans and Lease Purchases			
1998	\$ 6,475,000			\$ 6,475,000	N/A	\$ 88.95
1999	\$ 5,570,000			\$ 5,570,000	N/A	\$ 75.93
2000	\$ 39,045,000			\$ 39,045,000	1.74%	\$ 540.35
2001	\$ 47,230,420			\$ 47,230,420	2.02%	\$ 638.47
2002	\$ 53,502,437			\$ 53,502,437	2.20%	\$ 718.20
2003	\$ 60,836,611			\$ 60,836,611	2.39%	\$ 816.89
2004	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	3.04%	\$ 1,083.23
2005	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	2.90%	\$ 1,079.97
2006	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	3.03%	\$ 1,082.52
2007	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	2.79%	\$ 1,070.31

Source: (a) California State Department of Finance (population)

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CERTIFICATES OF PARTICIPATION COVERAGE
LAST TEN FISCAL YEARS**

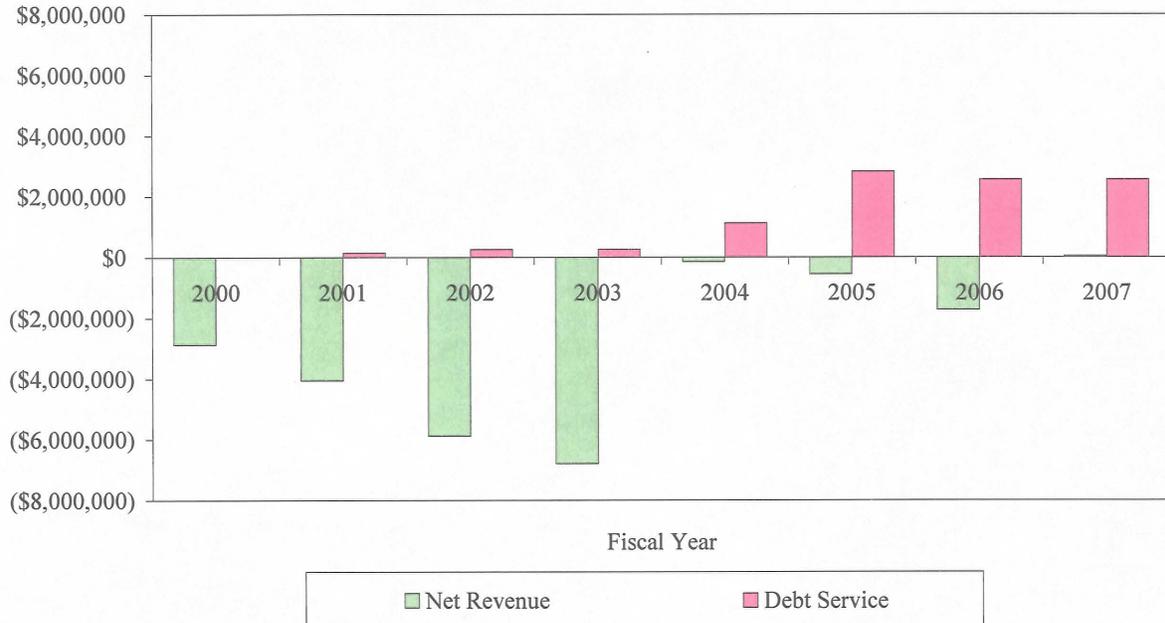
ELECTRIC OPERATIONS



Fiscal Year	Electric Gross Revenue Including Non-Operating Revenue	Electric Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
				Principal	Interest and Fiscal Charges	Total	
1998	\$ 39,041,274	\$ 31,890,660	\$ 7,150,614	\$ 850,000	\$ 530,540	\$ 1,380,540	5.18
1999	\$ 41,688,901	\$ 33,013,896	\$ 8,675,005	\$ 905,000	\$ 396,487	\$ 1,301,487	6.67
2000	\$ 49,018,365	\$ 34,003,396	\$ 15,014,969	\$ -	\$ 839,551	\$ 839,551	17.88
2001	\$ 43,239,078	\$ 32,805,949	\$ 10,433,129	\$ -	\$ 2,418,019	\$ 2,418,019	4.31
2002	\$ 39,822,375	\$ 28,067,281	\$ 11,755,094	\$ -	\$ 2,433,102	\$ 2,433,102	4.83
2003	\$ 41,528,315	\$ 33,678,243	\$ 7,850,072	\$ -	\$ 2,485,418	\$ 2,485,418	3.16
2004	\$ 39,623,723	\$ 35,188,984	\$ 4,434,739	\$ -	\$ 2,480,305	\$ 2,480,305	1.79
2005	\$ 49,371,293	\$ 38,955,688	\$ 10,415,605	\$ -	\$ 2,380,392	\$ 2,380,392	4.38
2006	\$ 49,236,715	\$ 39,635,990	\$ 9,600,725	\$ -	\$ 2,405,764	\$ 2,405,764	3.99
2007	\$ 51,197,750	\$ 41,682,078	\$ 9,515,672	\$ -	\$ 2,401,292	\$ 2,401,292	3.96

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CERTIFICATES OF PARTICIPATION COVERAGE
FOR THE FISCAL PERIOD FROM 2000 TO 2007**

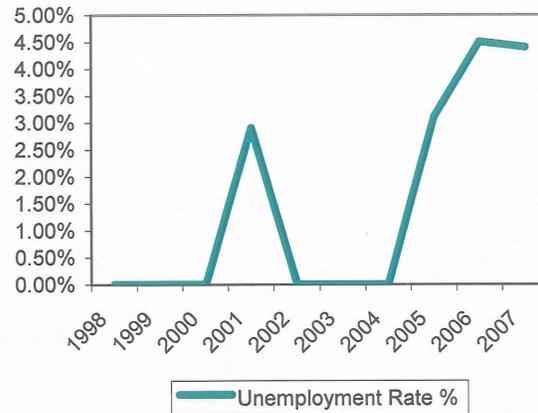
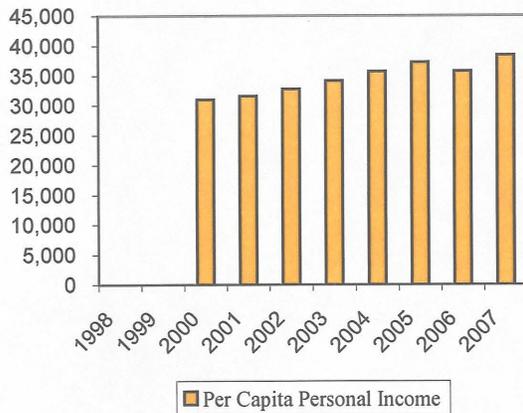
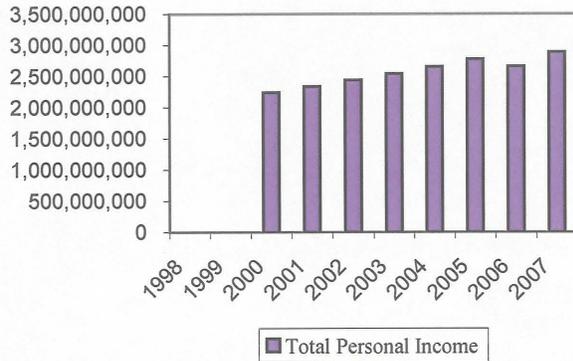
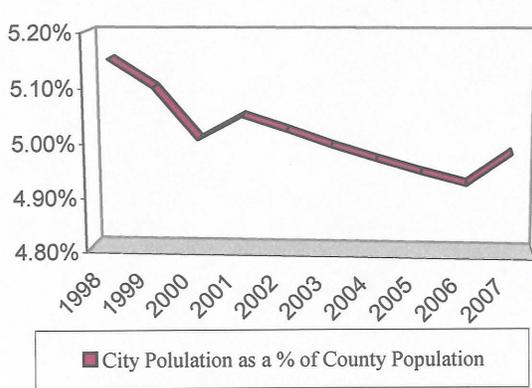
TELECOMMUNICATIONS OPERATIONS



Fiscal Year	Gross Revenue Including Non-Operating Revenue	Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
				Principal	*Interest and Fiscal Charges	Total	
2000	\$ (461,742)	\$ 2,409,965	\$ (2,871,707)	\$ -	\$ -	\$ -	
2001	\$ 102,537	\$ 4,158,500	\$ (4,055,963)	\$ -	\$ 150,000	\$ 150,000	(27.04)
2002	\$ 840,605	\$ 6,726,192	\$ (5,885,587)	\$ -	\$ 257,143	\$ 257,143	(22.89)
2003	\$ 3,198,773	\$ 9,994,745	\$ (6,795,972)	\$ -	\$ 257,143	\$ 257,143	(26.43)
2004	\$ 7,360,616	\$ 7,510,702	\$ (150,086)	\$ -	\$ 1,117,120	\$ 1,117,120	(0.13)
2005	\$ 6,923,868	\$ 7,481,384	\$ (557,516)	\$ -	\$ 2,819,432	\$ 2,819,432	(0.20)
2006	\$ 7,453,396	\$ 9,188,263	\$ (1,734,867)	\$ -	\$ 2,562,764	\$ 2,562,764	(0.68)
2007	\$ 8,444,581	\$ 8,402,386	\$ 42,195	\$ -	\$ 2,562,764	\$ 2,562,764	0.02

Note*: Interest included capitalized interest paid in the current year but excluded accrued interest not due.

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
DEMOGRAPHIC AND ECONOMICS STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate %	Alameda County Population	City Population % of County
1998	72,793	(A)	(A)	(A)	1,413,372	5.15%
1999	73,353	(A)	(A)	(A)	1,438,516	5.10%
2000	72,259	\$ 2,238,728,338	\$ 30,982	(A)	1,443,939	5.00%
2001	73,974	\$ 2,335,665,275	\$ 31,574	2.9%	1,465,508	5.05%
2002	74,495	\$ 2,436,799,581	\$ 32,711	(A)	1,483,311	5.02%
2003	74,473	\$ 2,542,313,003	\$ 34,137	(A)	1,491,209	4.99%
2004	74,356	\$ 2,652,395,156	\$ 35,672	(A)	1,496,968	4.97%
2005	74,581	\$ 2,774,114,876	\$ 37,196	3.1%	1,507,500	4.95%
2006	74,405	\$ 2,659,309,105	\$ 35,741	4.5%	1,510,303	4.93%
2007	75,254	\$ 2,889,453,000	\$ 38,396	4.4%	1,509,981	4.98%

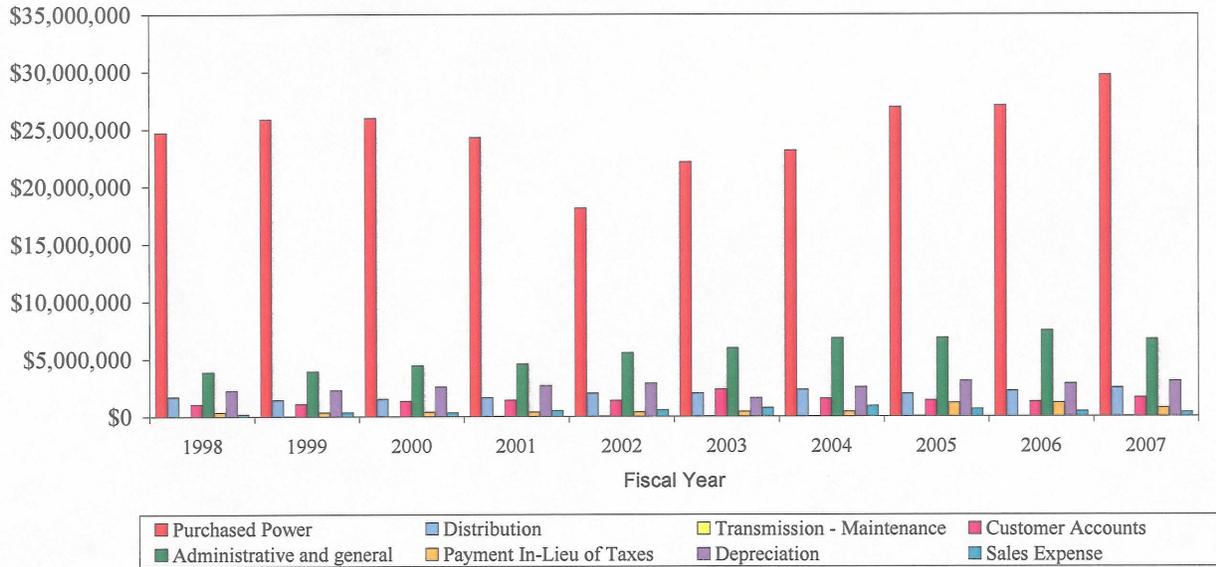
Source: California State Department of Finance
Note: (A) Information not available

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
TOP TEN CUSTOMERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>No.</u>	<u>Customer</u>	<u>Type of Business</u>	<u>KWHS</u>	Percent of Total <u>KWHS</u>
1	Maritime Administration	Regulation, Admin. of Transportation	21,402,566	5.50%
2	US Coast Guard Integrated Support	Regulation, Admin. of Transportation	8,339,589	2.14%
3	Legacy Partners I Alameda, LLC	Lessors of Nonresidential Building	6,470,048	1.66%
4	Wind River	Computer Programming Services	5,508,000	1.41%
5	Abbott Diabetes Care	Drug & Clinical Research	5,475,680	1.41%
6	Alameda Waterfront Investors	Lessors of Nonresidential Building	5,401,920	1.39%
7	Safeway Stores Inc.	Grocery Retailer	4,694,784	1.21%
8	Applera Corp	Life Science Research & Development	4,583,552	1.18%
9	The Shaw Group Inc.	Environmental Consulting Services	4,573,920	1.17%
10	Lucent Technologies	Computer Related Services	4,465,800	1.15%
Subtotal - 10 Top Customers KWHS			70,915,859	18.22%
Total Kilowatt Hour Sales			389,286,575	100%

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
OPERATING EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

ELECTRIC OPERATIONS

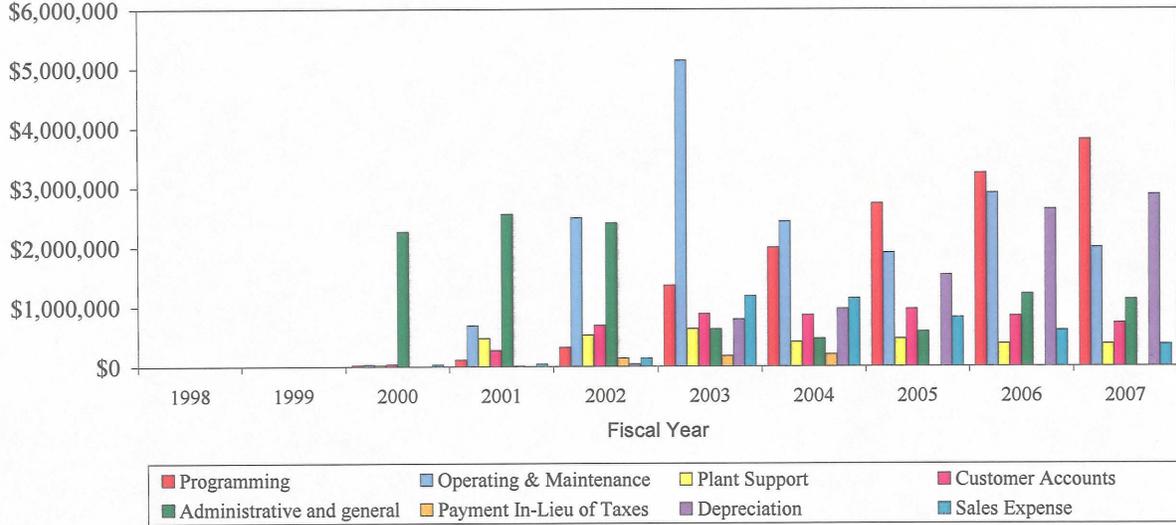


<u>Fiscal Year</u>	<u>Purchased Power</u>	<u>Distribution Operation</u>	<u>Transmission-Maintenance</u>	<u>Customer Accounts</u>	<u>Administrative and General</u>	<u>Payment In-lieu of Taxes</u>	<u>Depreciation</u>	<u>Sales Expense</u>	<u>Total</u>
1998	\$24,677,922	\$1,715,332	\$9,361	\$1,060,787	\$3,861,962	\$363,101	\$2,234,689	\$202,195	\$34,125,349
1999	\$25,855,299	\$1,432,788	\$16,827	\$1,075,150	\$3,904,370	\$366,628	\$2,262,847	\$362,831	\$35,276,740
2000	\$25,979,473	\$1,536,649	\$9,707	\$1,328,449	\$4,442,269	\$380,013	\$2,588,906	\$326,836	\$36,592,302
2001	\$24,288,510	\$1,633,324	\$19,685	\$1,410,480	\$4,565,869	\$381,079	\$2,699,839	\$507,002	\$35,505,788
2002	\$18,125,734	\$2,015,828	\$31,003	\$1,391,077	\$5,546,993	\$399,843	\$2,892,877	\$556,803	\$30,960,158
2003	\$22,151,181	\$2,012,163	\$25,244	\$2,366,382	\$5,967,191	\$411,145	\$1,599,777	\$744,937	\$35,278,020
2004	\$23,126,189	\$2,337,269	\$36,460	\$1,549,782	\$6,806,595	\$417,000	\$2,544,026	\$915,689	\$37,733,010
2005	\$26,921,105	\$1,978,019	\$17,167	\$1,399,162	\$6,842,287	\$1,165,512	\$3,074,561	\$632,436	\$42,030,249
2006	\$27,045,097	\$2,219,074	\$11,264	\$1,269,025	\$7,469,094	\$1,178,333	\$2,859,085	\$444,103	\$42,495,075
2007	\$29,698,559	\$2,484,258	\$21,400	\$1,631,542	\$6,735,174	\$745,702	\$3,074,509	\$365,444	\$44,756,588

Source: Alameda Power & Telecom Administrative Services

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
OPERATING EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

TELECOMMUNICATIONS OPERATIONS



Fiscal Year	Programming	Operating & Maintenance	Plant Support	Customer Accounts	Administrative and General	Payment In-lieu of Taxes	Depreciation	Sales Expense	Total
1998									
1999									
2000	\$ 23,472	\$ 33,939	\$ 21,195	\$ 37,217	\$ 2,260,240			\$ 33,902	\$ 2,409,965
2001	\$ 111,055	\$ 688,665	\$ 477,638	\$ 272,481	\$ 2,554,167	\$ 12,710	\$ 708	\$ 41,784	\$ 4,159,208
2002	\$ 318,237	\$ 2,496,822	\$ 531,062	\$ 691,835	\$ 2,408,964	\$ 137,703	\$ 41,166	\$ 141,569	\$ 6,767,358
2003	\$ 1,355,648	\$ 5,141,092	\$ 632,202	\$ 881,928	\$ 627,682	\$ 176,554	\$ 792,798	\$ 1,179,639	\$ 10,787,543
2004	\$ 1,995,182	\$ 2,432,435	\$ 409,397	\$ 862,370	\$ 466,114	\$ 203,400	\$ 970,553	\$ 1,141,804	\$ 8,481,255
2005	\$ 2,734,080	\$ 1,911,038	\$ 466,523	\$ 964,031	\$ 582,499	\$ -	\$ 1,536,115	\$ 823,213	\$ 9,017,499
2006	\$ 3,238,430	\$ 2,911,060	\$ 379,044	\$ 843,269	\$ 1,211,439	\$ -	\$ 2,634,506	\$ 605,021	\$ 11,822,769
2007	\$ 3,807,937	\$ 1,997,119	\$ 376,173	\$ 728,503	\$ 1,121,179	\$ -	\$ 2,884,341	\$ 371,476	\$ 11,286,728

**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
CAPITAL ASSETS
LAST TEN FISCAL YEARS**

ELECTRIC OPERATIONS

Fiscal Year	Plant	Service Center Building	Land & Rights	Machinery & Equipment	Transportation Equipment	Computer Equipment	Furniture & Fixtures	Construction in Progress	Less: Accumulated Depreciation	Net Electric Capital Assets
1998	\$ 45,866,339	\$ 4,393,753	\$ 153,644	\$ 2,602,823	\$ 1,283,031	\$ 1,626,891	\$ 327,552	\$ 1,767,723	\$ (21,358,952)	\$ 36,662,804
1999	\$ 47,074,573	\$ 4,366,229	\$ 153,644	\$ 4,808,119	\$ 1,337,099	\$ 1,984,616	\$ 330,011	\$ 1,612,805	\$ (23,665,800)	\$ 38,001,296
2000	\$ 48,504,314	\$ 4,366,229	\$ 153,644	\$ 5,236,656	\$ 1,335,099	\$ 2,217,384	\$ 453,008	\$ 2,007,995	\$ (26,166,463)	\$ 38,107,866
2001	\$ 50,645,447	\$ 4,366,229	\$ 163,252	\$ 5,423,473	\$ 1,385,077	\$ 2,299,578	\$ 477,874	\$ 4,052,865	\$ (28,829,526)	\$ 39,984,269
2002	\$ 53,309,273	\$ 4,366,229	\$ 153,644	\$ 6,555,547	\$ 1,523,670	\$ 2,358,864	\$ 598,426	\$ 3,866,373	\$ (31,691,012)	\$ 41,041,014
2003	\$ 53,880,438	\$ 4,366,229	\$ 153,644	\$ 6,639,372	\$ 1,517,838	\$ 2,360,819	\$ 598,426	\$ 5,274,468	\$ (33,117,388)	\$ 41,673,846
2004	\$ 55,299,168	\$ 4,366,229	\$ 153,644	\$ 7,323,652	\$ 1,651,452	\$ 2,372,867	\$ 598,427	\$ 6,343,690	\$ (35,580,014)	\$ 42,529,115
2005	\$ 57,826,544	\$ 7,842,230	\$ 153,644	\$ 8,264,289	\$ 1,888,495	\$ 2,459,834	\$ 598,427	\$ 2,420,742	\$ (38,406,218)	\$ 43,047,987
2006	\$ 60,320,595	\$ 7,843,583	\$ 153,644	\$ 8,479,187	\$ 2,046,814	\$ 2,474,932	\$ 599,106	\$ 3,430,631	\$ (41,237,791)	\$ 44,110,701
2007	\$ 61,679,929	\$ 7,843,583	\$ 153,644	\$ 8,492,135	\$ 1,923,324	\$ 2,637,662	\$ 599,106	\$ 3,799,309	\$ (43,833,510)	\$ 43,295,182

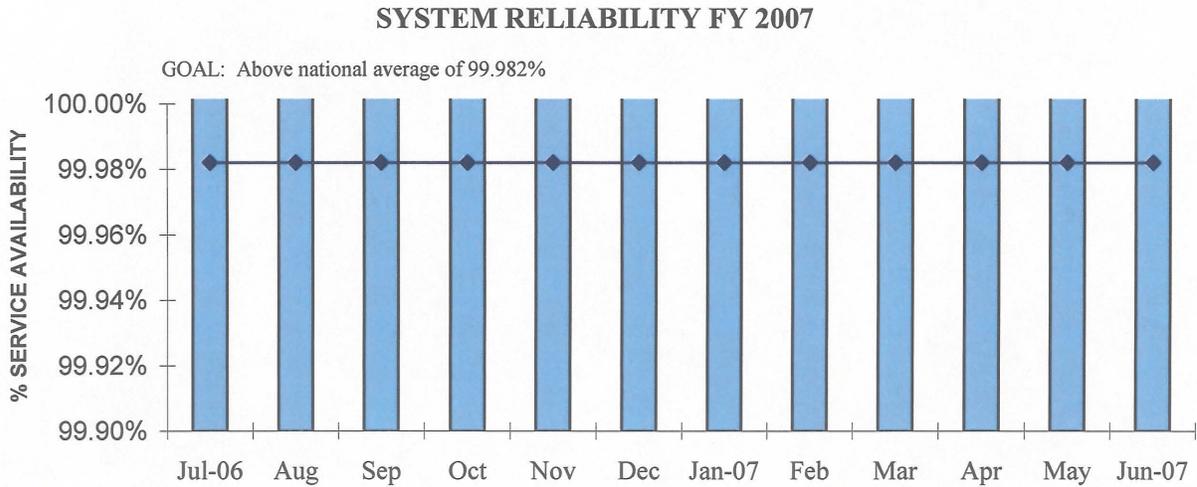
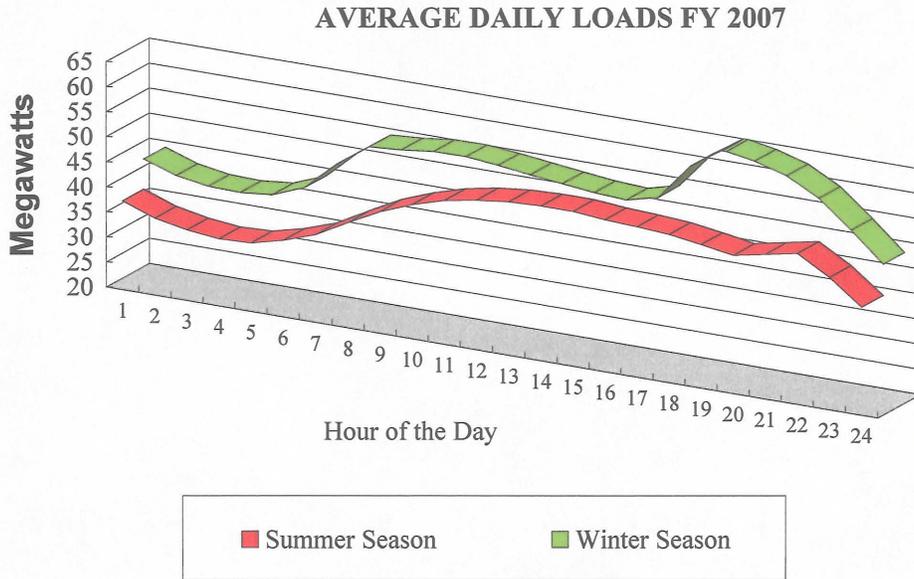
TELECOMMUNICATIONS OPERATIONS

Fiscal Year	Plant	Service Center Building	Land & Rights	Machinery & Equipment	Transportation Equipment	Computer Equipment	Furniture & Fixtures	Construction in Progress	Less: Accumulated Depreciation	Net Telecommunication Capital Assets
1998										
1999										
2000	\$ 352,589	-	\$ -	\$ 30,191	\$ 66,358	\$ 123,740	\$ 739	\$ 1,271,049	\$ (2,107)	\$ 1,271,049
2001	\$ 15,539,360	-	\$ 605,029	\$ 30,193	\$ 131,747	\$ 383,438	\$ 739	\$ 13,198,800	\$ (63,018)	\$ 13,770,310
2002	\$ 16,705,506	-	\$ 605,029	\$ 32,613	\$ 131,747	\$ 391,985	\$ 739	\$ 1,101,407	\$ (882,101)	\$ 17,728,895
2003	\$ 17,311,390	-	\$ 605,029	\$ 134,096	\$ 131,746	\$ 390,149	\$ 739	\$ 3,985,327	\$ (1,877,755)	\$ 20,970,845
2004	\$ 24,007,430	-	\$ 605,029	\$ 134,096	\$ 131,746	\$ 409,213	\$ 739	\$ 11,946,878	\$ (2,951,870)	\$ 28,642,272
2005	\$ 44,905,041	-	\$ 605,029	\$ 211,885	\$ 253,752	\$ 494,189	\$ 739	\$ 18,488,891	\$ (5,124,376)	\$ 40,825,274
2006	\$ 47,617,069	-	\$ 605,029	\$ 211,885	\$ 253,752	\$ 494,189	\$ 739	\$ 1,358,279	\$ (7,546,718)	\$ 42,704,538
2007										

Telecommunications Operations Initiated July 2000

Source: Alameda Power & Telecom Administrative Services

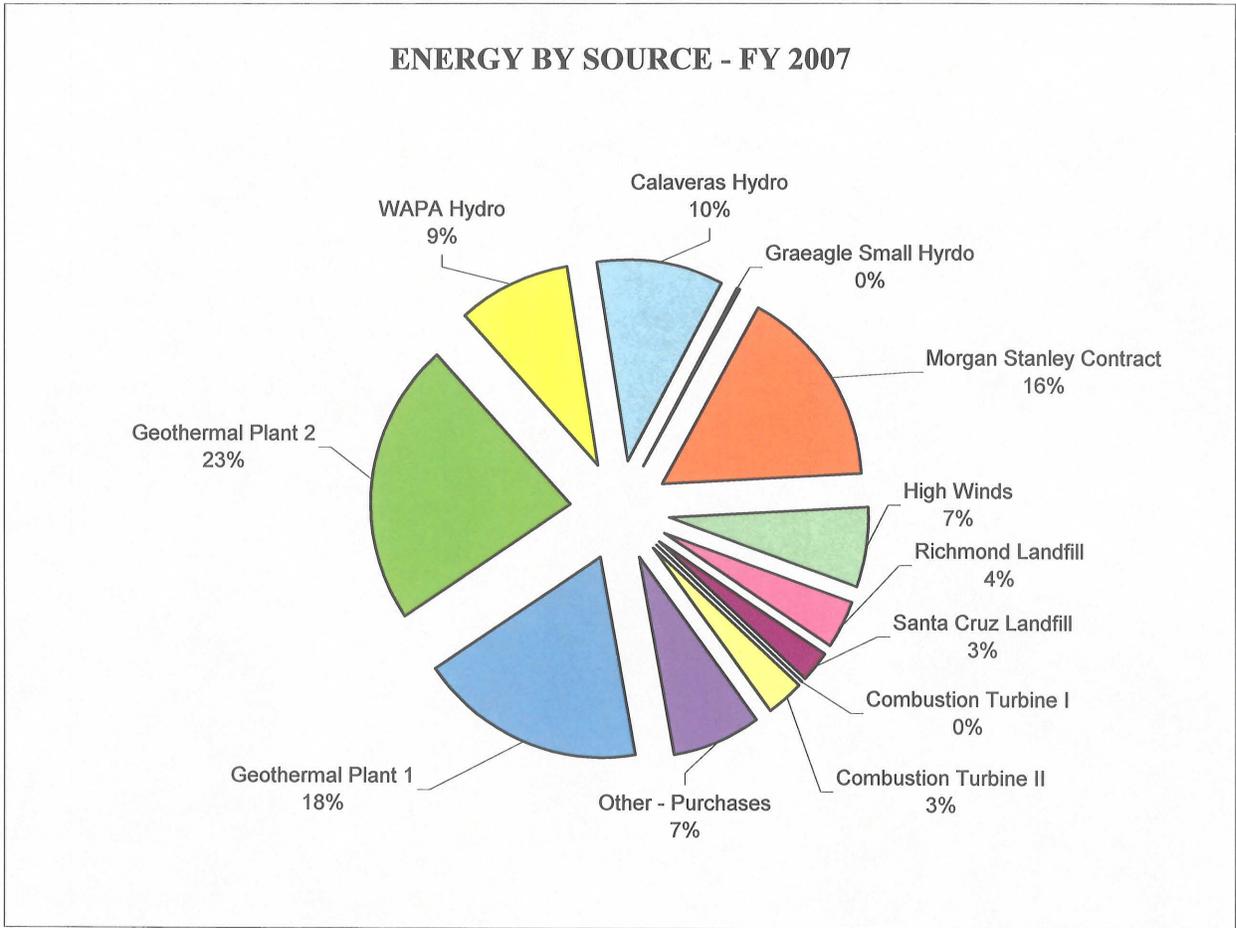
**CITY OF ALAMEDA
ALAMEDA POWER & TELECOM
OPERATION INDICATORS**



COMMITMENT:
GOAL:
INDICATOR:
INDEX CALC:

Provide customers with reliable electric service.
Maintain reliability index above the national average.
Reliability index for service reliability.
(Customer minutes served)/(Total customer minutes in the month)

**CITY OF ALAMEDA
ALAMEDA POWER & TELCOM
OPERATION INDICATORS**



MISCELLANEOUS STATISTICS - FY 2007

Since:	1887
Budgeted Employees	131
Vehicles:	53
Service Area (Miles):	22.80
Transmission Lines (115kV)	
Overhead Pole Miles:	7.00
Underground Circuit Miles:	1.64
Distribution Lines (12kV)	
Overhead Pole Miles:	87.84
Underground Circuit Miles:	169.00
Street Lights:	6,365
Outage Minutes (Per Customer Year FY2007):	24.15

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