



GEOTHERMAL ENERGY



WIND ENERGY



HYDROELECTRIC



LANDFILL GAS



SOLAR ENERGY



ENERGY EFFICIENCY



CLIMATE PROTECTION



**THE GREENEST LITTLE UTILITY IN AMERICA**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

for the Fiscal Years Ended June 20, 2010 and 2009

## **Alameda Municipal Power**

a Component Unit of the City of Alameda, California



**ALAMEDA MUNICIPAL POWER**

*A Department of the City of Alameda*

*On the cover:*

The power supply portfolio for Alameda Municipal Power (AMP) consists of diverse generation sources including small and large hydroelectric facilities, geothermal facilities, wind turbine facilities, combustion turbine facilities, and most recently, landfill gas projects. These generation technologies result in a power supply portfolio that is more than 80% carbon-free and renewable. AMP continues its program to research, solicit and acquire electric generation sources that are economical, provide stable costs over the long-term, and are environmentally friendly. In addition to being a leader in utilizing carbon-free and renewable resources, AMP promotes energy conservation and alternative energy programs to its customers. Shown on the cover is an award winning housing facility built in Alameda that utilizes solar panels on its roof to reduce its electric load.

ALAMEDA MUNICIPAL POWER  
A COMPONENT UNIT OF THE  
CITY OF ALAMEDA, CALIFORNIA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FISCAL YEARS ENDED  
JUNE 30, 2010 AND 2009

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**ALAMEDA MUNICIPAL POWER  
A COMPONENT UNIT OF THE CITY OF ALAMEDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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November 1, 2010

**To the Public Utilities Board and Our Customers:**

We are pleased to transmit the Comprehensive Annual Financial Report of Alameda Municipal Power, a component unit of the City of Alameda, California for the fiscal years ended June 30, 2010 and 2009. In accordance with standards established by the Governmental Accounting Standards Board's Statement No. 14, the Financial Reporting Entity, Alameda Municipal Power, 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 Municipal Power (formerly known as Alameda Power & Telecom). Alameda Municipal Power 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 the financial activity are included in this report.

**Profile**

The City of Alameda - Department of Public Utilities - Bureau of Electricity, now doing business as Alameda Municipal Power (AMP), is the oldest municipal utility in California and is amongst the oldest in the nation, either public or private. AMP is a municipal utility that has provided safe, cost-effective, reliable, and environmentally responsible, electric-energy services since its founding in 1887. As a reminder to the reader, AMP sold its telecommunications business line (telecom) to Comcast of Alameda, Inc. effective November 21, 2008 and ceased to provide cable television programming and Internet services on March 21, 2009.

AMP is governed by a Public Utilities Board (Board). 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). The Board establishes goals and policies, approves major purchases, and creates the framework for local control of AMP, one of Alameda's largest businesses. During fiscal year (FY) 2010, the members of the Board included President Gregory Hamm, Vice-President Peter Holmes, Commissioner John McCahan, Commissioner Ann McCormick, and Interim City Manager Ann Marie Gallant.

During its annual planning workshop in January 2010, the Board supported staff's proposal for AMP to "Strengthening the Foundation" through strategic planning. It was recognized that focused strategic planning would enhance AMP's focus on the customer, provide a forum for long-range financial planning, facilitate prioritization of limited resources, balance conflicting priorities, and provide for effective communication of goals and policies. AMP and the Board held a series of public meetings to discuss goals and policies for maintaining adequate reserves, improving AMP's credit rating and bond structures, and minimizing rate adjustment impacts to AMP's customers. In conjunction with the public discussion, AMP developed a ten year financial plan, performed a debt refunding analysis, conducted a reserve analysis, considered debt and reserve alternatives, and assessed the credit implications from contemplated strategies.

The long-range financial planning, the analysis of debt and reserve requirements, and comments received during public sessions, provided a basis for the Board to adopt specific reserve targets, establish financial guidelines, affirm rate principals that should result in steady/gradual rate increases while maintaining rates that are below surrounding communities, and steward the expedient implementation for the refinancing of AMP's electric debt. AMP incorporated the results of the strategic planning into the FY 2011 budget including confirmation that reserve targets will be maintained, that financial guidelines including a target of at least 145 days of operating cash & a debt service coverage greater than 1.75x will be maintained, that needed rate increases will occur over several years rather than in larger increments, and the refinancing of AMP's electric debt is in process and positive feedback on AMP's financial planning has been received from the credit rating agencies Standard and Poor's and Fitch Rating Services. The refinancing of AMP's electric debt occurred during August 2010, please see Note 16.

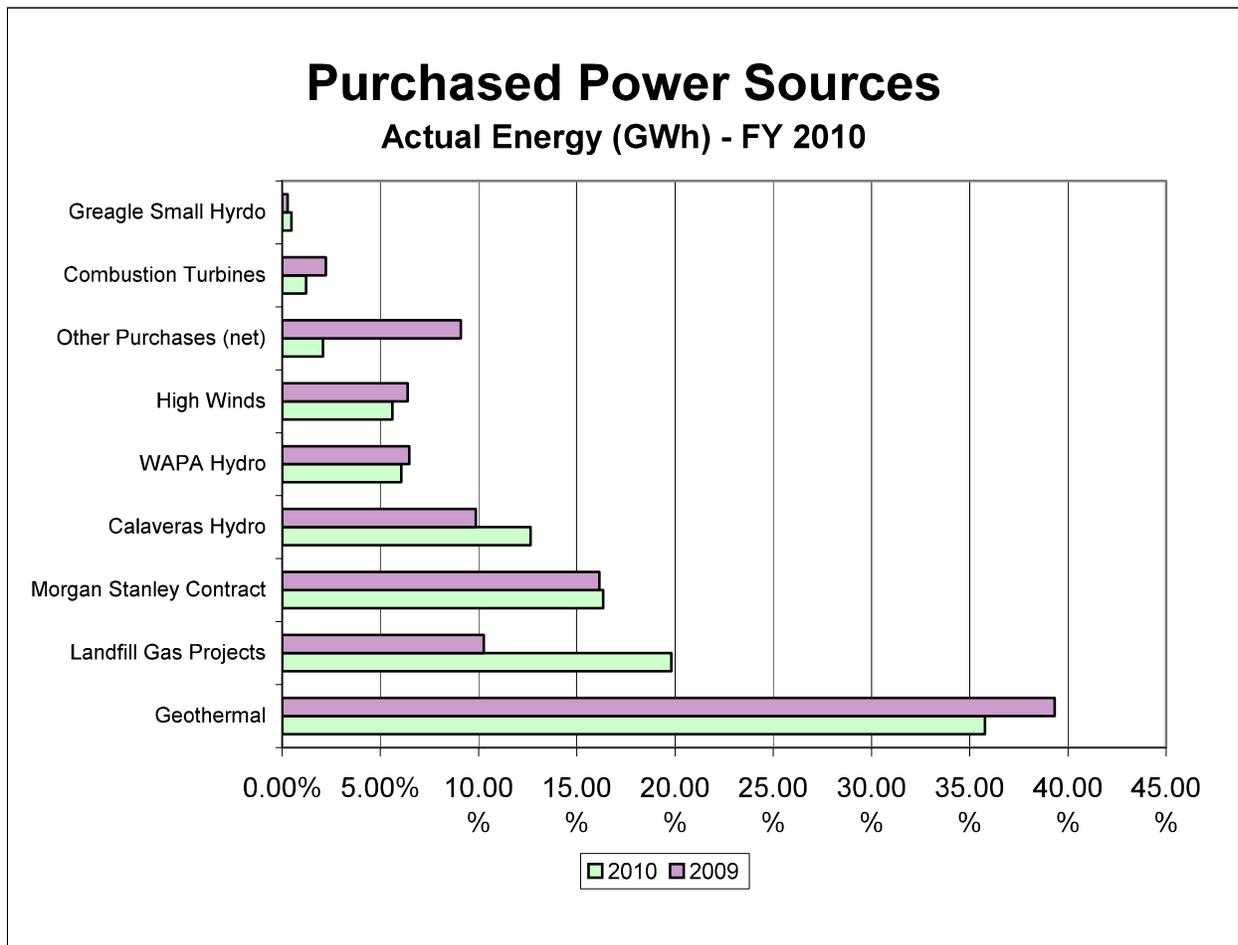
AMP's rates and fees are intended to cover the actual cost of providing service to each customer, remain competitive with those providing similar services in surrounding communities, and provide a return to the City. At its June 28, 2010 Board meeting, the Board adopted a rate increase for FY 2011 that averaged a 3.7% increase in billing to AMP's customers. AMP recognizes that additional rate increases will occur in the next several years and continues to investigate options to assure that revenues are sufficient to cover the cost of providing service while maintaining customer and community satisfaction. In addition to providing quality services, AMP 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.

In its continuing commitment to provide the most reliable power for Alameda, and in support of community development goals, AMP continues to convert 12-kilovolt overhead distribution feeders to underground installations. AMP set a goal to be "more reliable than the top quartile of similar electric providers", and we exceeded that goal, even though several unplanned events caused system outages. AMP completed electric conversion work in the vicinity of San Antonio, Bay and St. Charles Streets known as the Underground District 30 project and began design on the next District. In addition to the underground conversion activity, AMP continues to improve its electric distribution network through capital improvements to the supervisory control and data acquisition (SCADA) system and electrical equipment, providing new electric services for residential and business development, providing increased circuit cleansing, maintenance and inspection of high voltage components, upgrading internal systems, as well as a variety of

routine enhancements including selected street light replacements, transformer inspection, painting and meter work.

AMP continued its program to research, solicit and acquire electric generation sources that are economical, provide stable costs over the long-term, and are environmentally friendly. AMP manages its electricity portfolio through Northern California Power Agency (NCPA), a joint-powers agency composed of AMP and 16 other northern California public entities. AMP has investments in geothermal, combustion turbine, hydroelectric, wind and LFG generating facilities throughout northern California. Over 80% of the electricity that Alameda residents utilize on a daily basis comes from carbon-free and renewable resources.

Each year, the energy output from the generating facilities is optimized based upon seasonal, economic and maintenance considerations. The sources of purchased power and the actual energy purchased from these facilities, is illustrated below:



## **Economic Conditions and Outlook**

The City of Alameda is an island community with residential neighborhoods and commercial areas. There are scenic views of Oakland, San Francisco, and other areas of the Bay shoreline. 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.

The California Department of Finance estimates that there are 74,736 people living in Alameda as of January 1, 2010. The population count of the City of Alameda has remained relatively constant during the past few years, although it increased slightly last year. It has been estimated that nearly half the homes in Alameda are owner occupied. Residential properties include low-, moderate-, and high-income housing in a variety of styles. It is anticipated that the population of Alameda will increase slightly as new homes are slowly constructed and occupied at Alameda Point and elsewhere in the City.

According to the 2000 Census, there are 57% European-American residents, 26% Asian-American residents, 6% African-American residents, 0.7% Native-American residents, 0.6% Native-Hawaiian (and other Pacific Islander) residents, 3.3% "Other Race" residents, and 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. The percentage of adults over 60 has increased slightly from 1990.

Alameda's business enterprises range in scope from the Maritime Administration providing a ready-fleet of ships, to the Coast Guard providing homeland security functions, to Abbott Diabetes Care providing medical research, to Alameda Hospital providing health services, to Bay Ship & Yacht Co providing marine construction and repair services, to College of Alameda providing education to the community, to the Safeway Stores providing grocery products, to the Celera Diagnostics providing health care instrumentation. The diversity of businesses and their unique electricity needs continues to be the backbone of the distribution network.

Overall, the outlook for the City of Alameda is generally stable although the weakening local, state and national economies are impacting project development and contributing to reduced growth of electric revenue and electric sales of kilowatt-hours. Investors continue to demonstrate their faith in the strengths of the community by continuing shopping district capital improvements and through community planning development for Alameda Point.

AMP has recognized the trends developing in the market place, and has adjusted its plans. AMP understands that in addition to be responsive to the community, it must assess its risks and plan accordingly. During the next 10 years, operating expenses are expected to escalate from approximately \$49.8 million to about \$65 million, with wholesale power costs accounting for approximately 70% of this cost increase, as certain power supply contracts expire and transmission costs continue to escalate.

## Major Initiatives

### Community Involvement

Through public service and participation in local events, programs, and agencies, AMP maintains a strong presence in the community. AMP joined other City departments to sponsor a celebration of Earth Day 2010, sponsored the Park Street Art & Wine Faire, the Webster Street Jam, participated with the City at the Fourth of July activities, and helped support the City's inaugural Special Needs and Services Fair. AMP hosted several activities for Public Power Week. Sponsorship continues for the Thompson Street Christmas Tree Lane and the Mayor's Tree Lighting ceremony. AMP joined with the Alameda Police Department for *National Night Out*, and through its public relations mechanisms and its external customer newsletter, continues its aggressive safety education initiatives. In addition to the community involvement, AMP continues to fund and work closely with the Red Cross and other agencies to continue to provide financial assistance programs for low income customers.

### Alternative Fuel Vehicles

AMP 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 AMP's commitment to a cleaner environment.

### Economic Development

The City of Alameda and AMP continue to encourage new and existing businesses to develop in Alameda. As utility costs are sometimes a significant factor in establishing a new business, AMP continues to offer an Economic Development Incentive Discount to attract businesses to locate or expand in Alameda. During Fiscal year 2010, the special discount incentive was available to businesses that added an annual peak 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 and is centrally located within the Bay Area. 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

AMP's customers call during business hours to obtain information about their bill, make a payment, inquire about energy efficiency programs, solar rebate program, or request new service, or discontinue service. Customers have seven bill payment options when paying their electric bill. There are no additional fees for any of these bill payment options. A feature of AMP's telephone system is one that allows automated IVR billing services around the clock, any day of the week.

- *Automatic Payment Service (Easy Pay)*  
Electric bills may be paid directly through a draft on a checking or savings accounts.
- *Electronic Bill Presentment/Payment (EBPP)*  
AMP customers can view and pay their electric bill at any of over 300 web sites including [www.AlamedaMP.com](http://www.AlamedaMP.com).

A feature with the EBPP service includes an automated email notifying customers when their electric bill is ready for viewing and payment.

- *On-line Credit/Debit Card Payment*  
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*  
Bills may be paid by telephone using a MasterCard or Visa credit card.
- *U.S. Mail*  
Customers receive and pay their bills by U. S. mail.
- *In-Person Payments*  
Payments by check may be made left in a drop box at AMP'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 personal check.
- *Pay Stations*  
For customer convenience, there are three additional pay stations in Alameda that will accept electric payments.

Customers can also use AMP's website which provides an array of information regarding programs, services, events, Public Utility Board meetings, and other areas of interest.

#### *Alameda Point Telephone System*

AMP 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 City's Information Technology Department operated the telephone system as a caretaker using funding from the U.S. Navy. Installation and monthly recurring fees provide for the recovery of maintenance expenses. Capital plant investment for the Alameda Point telephone system have been minimized because the 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 are temporary, and will be abandoned as Alameda Point is redeveloped. Until Alameda Point's redevelopment plans are implemented, the Alameda Point telephone system will continue to support residents, 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**

AMP'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.

AMP'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 AMP's records and reports, and assure that AMP'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. AMP 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.

### **Risk Management**

All insurance 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 AMP's financial records and transactions. In 2010, AMP changed its long-standing auditor after participating in a periodic formal bid process. The City Auditor selected Vavrinek, Trine, Day & Co., LLP (VTD), a certified public accounting firm, to independently audit the financial information of AMP. AMP contracted with VTD to perform the independent audit, and includes its report and opinion in the Financial Section that follows. VTD 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 AMP's management will take appropriate action on such recommendations. The firm Maze & Associates performed AMP's independent audit for the fiscal year ended June 30, 2009.

### **Award**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to AMP for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. A GFOA Certificate of Achievement is valid for a period of 1 year. This was the fourteenth consecutive year that AMP 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 that satisfies both generally accepted accounting principles and applicable legal requirements.

AMP 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 AMP employees and the independent auditor, Vavrinek, Trine, Day & Co., LLP. Alameda Municipal Power staff would like to acknowledge the support of the Board for its continuing direction and oversight in providing value to the Alameda community.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Girish Balachandran', written in a cursive style.

Girish Balachandran  
General Manager

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## **Principal Officers**

(As of June 30, 2010)

### **Public Utilities Board**

Gregory Hamm, President

Peter W. Holmes, Vice-President

John McCahan, Commissioner

Ann L. McCormick, Commissioner

Ann Marie Gallant, Commissioner and Interim City Manager

### **General Manager and Board Secretary**

Girish Balachandran

### **Managers**

Robert J. Orbeta, Assistant General Manager - Administration

Sherri Hong, Assistant General Manager - Customer Resources

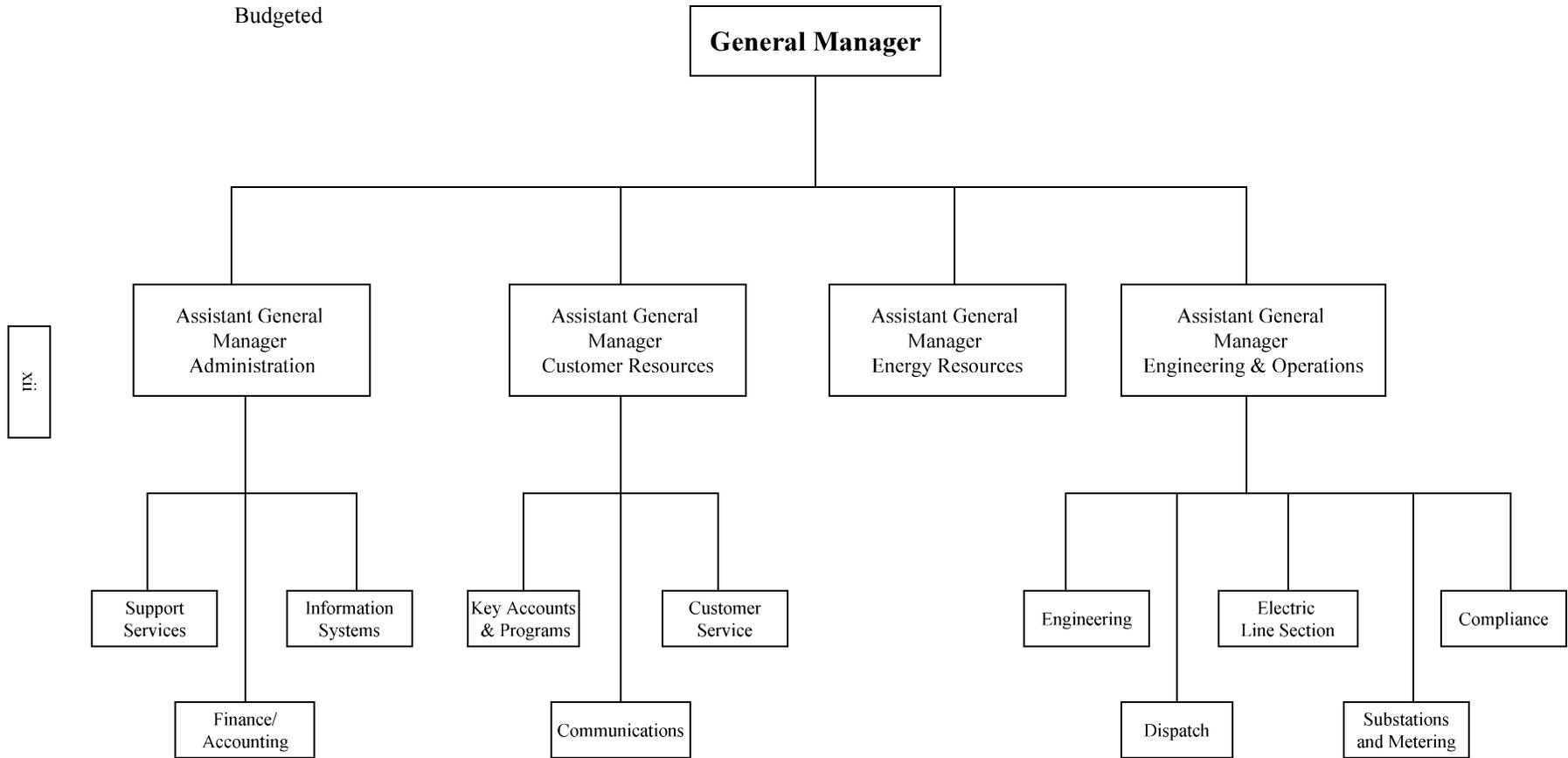
Robert Streich, Assistant General Manager - Engineering & Operations

Vacant, Assistant General Manager - Energy Resources

# City of Alameda Alameda Municipal Power Organizational Chart

June 30, 2010

95 Total Positions  
Budgeted



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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Alameda Municipal Power California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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.



President

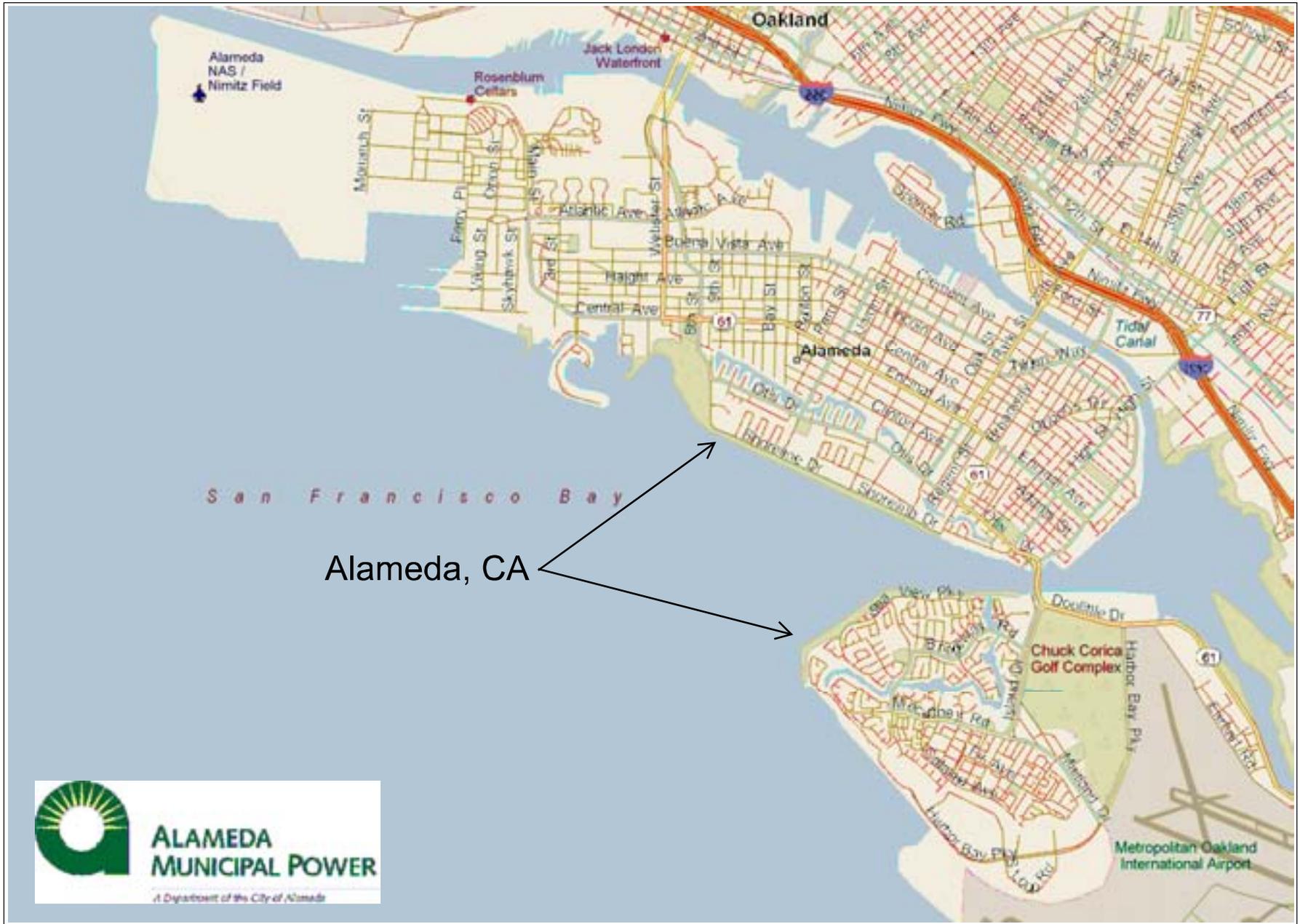
Executive Director

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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 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.

# Alameda, California, United States



Alameda, CA



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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Public Utilities Board  
Alameda Municipal Power,  
City of Alameda, California

We have audited the accompanying financial statements of each major fund of Alameda Municipal Power, a component unit of the City of Alameda, California, as of and for the year ended June 30, 2010 which collectively comprise Alameda Municipal Power's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Alameda Municipal Power's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Alameda Municipal Power as of June 30, 2009 were audited by other auditors whose report dated October 2, 2009, expressed an unqualified opinion on those statements. As discussed in Note 1-K, Alameda Municipal Power has restated its June 30, 2009 financial statements during the current year to properly accrue unbilled utility accounts receivable, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the June 30, 2009 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alameda Municipal Power's internal control over financial reporting. Accordingly, we express no such opinion. An also audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of Alameda Municipal Power, as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 1-K that were applied to restate the June 30, 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As described in Note 1-M and Note 5 to the financial statements, Alameda Municipal Power adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments*, in 2009.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

*Vavrinik, Trine, Day & Co. LLP*

Pleasanton, California

November 8, 2010

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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As management of Alameda Municipal Power (AMP), we offer readers of AMP's financial statements this narrative overview and analysis of the financial activities of AMP for the years ended June 30, 2010 and 2009. Readers are encouraged to consider the information presented here in conjunction with information contained in the preceding transmittal letter, the accompanying financial statements, and the statistical section of the report.

### FINANCIAL HIGHLIGHTS

- The FY 2010 budget indicated that close to \$4.0 million would be needed from reserves to pay operating and non-operating expenses. Through management of spending, the use of reserves was limited to \$1.7 million or a difference of \$2.3 million from the budget.
- AMP's overall Total Net Assets decreased about \$7.1 million compared to last year. The change to the electric fund Total Net Assets was a decrease of about \$4.4 million and the telecom fund Total Net Assets decreased an additional \$2.7 million.
- The electric fund Total Net Assets lost about \$4.4 million with the results coming from a combination of factors including:
  - Current Assets decreased about \$0.7 million with a decrease of \$0.9 million in account receivables;
  - Current Assets for FY 2009 and FY 2008 have been restated to include unbilled accounts receivable at the end of those fiscal years. The restatement increased FY 2009 Current Assets by \$1,764,357 and the FY 2008 Current Assets by \$1,748,475.
  - Non-current Assets decreased about \$8.2 million, with the largest change being a reduction of \$7.5 million in restricted investments as a result of trustee payments on the 2000A Certificates of Participation (COPs) & 2000AT Taxable COPs and the release of the telecom sales indemnity escrow;
  - Current Liabilities decreased about \$4.4 million, with a reduction of \$2.2 million in balancing account liabilities and a \$2.3 million reduction of 2000AT COPs interest rate swap agreement liabilities;
  - Long-term Liabilities remained relatively consistent, with a reduction of \$0.1 million.
- The telecom fund Total Net Assets lost about \$2.7 million with the results coming from a combination of factors including:
  - Current Liabilities increased about \$2.7 million, with \$1.95 million of the increase attributable to a liability for the litigation judgment in the Vectren case, and \$0.7 million attributable to accounts payable for other litigation expenses;
- As a reminder to the reader, the FY 2009 financial statements recognized the sale of the telecommunication system, its final operational income and expenses, the associated fees to perform the sale, the sale post-closing adjustments, settlements to debt defeasance, identified litigation expenses, the telecom inventory transfer, that telecom liability for the 2004 Revenue Bond Anticipation Notes had been defeased, that the telecom liability for the 2002 Certificates of Participation had been discontinued as a result of the sale, and that the interfund transfer from the electric fund to the telecom fund would not be repaid.
- Electric fund Operating Revenue decreased almost \$1.3 million from last year with revenue from electricity sales declining by \$0.5 million, other revenues remaining consistent with last years values, and jobbing sales decreasing by \$0.8 million.

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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- Purchased power expense decreased about \$3.3 million as a result of reduced KWh usage, and offsetting adjustments with balancing account liabilities.
- Electric fund Operating Expense, excluding purchased power and depreciation, decreased about \$1.0 million compared to results from last year, with the Operations & Customer Accounts and Administrative showing savings and jobbing sales expense \$0.7 million lower than last year.
- Electric fund Nonoperating Revenues/Expenses decreased about \$3.4 million with a decrease of \$0.9 million in interest income as the balance for restricted funds decreased and the impact of low interest rates effected account earnings. Additionally, the value of certain Northern California Power Agency projects decreased about \$2.6 million as a result of depreciation expense for the geothermal facilities.
- AMP maintains the telephone system at Alameda Point and strives to provide service to the Alameda Point customers "at cost". The revenue and expenses for Alameda Point's telephone system maintenance resulted in a net revenue of about \$60k.
- AMP continued its support of the City's general fund with a Board approved contribution of \$2.8 million.
- The electric fund transferred about \$2.7 million to the telecom fund without any expectation of being repaid. The amount transferred is an increase of about \$1.6 million from last year and is a result of litigation expenses.
- The electric fund had an increase of about \$2.5 million in Cash and Equivalents with the results coming from a combination of factors including:
  - Net cash flows from operating activities increased \$2.1 million;
  - Net cash flows from investing activities increased \$5.2 million, with the largest portion of this amount being an increase released from restricted reserves;
  - Net cash flows used for capital and related financing decreased \$0.6 million;
  - Net cash flows used for non-capital and related financing increased \$1.4 million.
- The Interest Rate Swap Agreement with UBS Warburg terminated on June 30, 2010.

### ANALYSIS OF COMBINED NET ASSETS

#### AMP's Combined Net Assets for the year ended June 30:

(Dollars in thousands)

	2010	2009 (restated)	2008 (restated)
Capital Assets, net of depreciation	\$ 41,320	\$ 42,578	\$ 57,369
Other Non-current Assets	36,781	43,691	43,779
Current Assets	34,232	34,965	39,260
Total Assets	<u>112,333</u>	<u>121,234</u>	<u>140,408</u>
Current Liabilities	21,380	23,108	62,789
Long-term Liabilities Outstanding	40,029	40,107	39,889
Total Liabilities	<u>61,409</u>	<u>63,215</u>	<u>102,678</u>
Net Assets			
Invested in Capital Assets, net of related debt	1,973	3,179	(20,919)
Restricted	6,227	13,737	13,631
Unrestricted	42,723	41,104	45,019
Total Net Assets, as restated	<u>\$ 50,923</u>	<u>\$ 58,020</u>	<u>\$ 37,731</u>

# **ALAMEDA MUNICIPAL POWER**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009**

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Current Assets for FY 2009 and FY 2008 have been restated to include unbilled accounts receivable at the end of the fiscal year. The restatement increased FY 2009 Current Assets by \$1,764,357 and the FY 2008 Current Assets by \$1,748,475.

Total Net Assets exceeded liabilities by \$50.9 million at the close of the most recent fiscal year. Compared to the previous fiscal year, AMP's Total Net Assets decreased by \$7.1 million, or 12.23% of last year's total. The largest portion of AMP's Total Net Assets includes unrestricted investments and investments in capital assets (e.g., land, utility plant, buildings, vehicles and equipment) less any related debt used to acquire those assets still outstanding. The capital assets are used to provide electric services to Alameda's citizens and, consequently, these assets are not available for future spending. Although AMP'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 net revenues of the electric fund. The capital assets themselves cannot be used to liquidate these liabilities except under extraordinary circumstances.

The 12.23% decrease in Total Net Assets results from a decrease to Total Assets of 7.34% and a decrease to Total Liabilities of 2.9%. Total Assets decreased \$8.9 million and Total Liabilities decreased \$1.8 million resulting in Total Net Assets decreasing by approximately \$7.1 million.

### **ANALYSIS OF CHANGE IN NET ASSETS**

AMP continues to experience volatility in California energy markets as seasonal weather impacts hydroelectric generation, natural-gas prices impact peak-demand electricity prices, geothermal generation is impacted by aging facilities, and new landfill-gas generation becomes operational. Although AMP recognizes that energy markets have stabilized since the energy crisis of 2000-2001, it is keenly aware that adverse energy markets may return due to a variety of factors that affect both the supply of and demand for electric energy in the Western United States. Through its planning and resource procurements, AMP continues its affiliation with NCPA and has sufficient power supplies to meet the needs of its customers and is able to offer periodic surpluses to the market to help mitigate statewide supply shortages.

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

### Combined Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30:

(Dollars in thousands)	2010	2009 (as restated)	2008 (as restated)
Operating Revenues			
Electric Sales	\$ 47,977	\$ 48,458	\$ 49,323
Telecommunications Sales	-	3,184	8,285
Other Services Revenue	976	1,865	966
Total Operating Revenues	<u>48,953</u>	<u>53,507</u>	<u>58,574</u>
Operating Expenses			
Purchased Power	26,936	30,266	27,316
Programming	-	1,729	4,110
Energy Efficiency, solar, other	1,200	736	389
Operating and Maintenance	3,837	5,152	5,936
Customer Accounts, Information Systems	1,779	1,886	2,107
Administrative and General	10,878	7,479	7,141
Payment in-lieu of taxes	1,242	776	762
Depreciation and Amortization	3,344	4,219	6,025
Sales Expense	318	405	812
Jobbing Sales Expense	232	971	367
Total Operating Expenses	<u>49,766</u>	<u>53,619</u>	<u>54,965</u>
Operating Income (Loss)			
Electric	4,613	1,701	6,349
Telecommunications	(5,425)	(1,812)	(2,740)
Total Operating Income (Loss)	<u>(812)</u>	<u>(111)</u>	<u>3,609</u>
Non-operating Revenue (Expense)			
Interest Income on Investments	306	1,557	2,502
Interest Expense	(2,945)	(5,187)	(3,613)
Increase (Decrease) in Value of NCPA Projects and Reserves	(1,131)	1,443	3,228
Miscellaneous Non-operating Income	286	136	239
Transfer to City of Alameda	(2,800)	(2,800)	(2,500)
Total Non-Operating Expenses	<u>(6,284)</u>	<u>(4,851)</u>	<u>(144)</u>
Nonoperating Income (Loss)			
Electric	(6,284)	(2,892)	756
Telecommunications	-	(1,959)	(900)
Total Nonoperating Income (Loss)	<u>(6,284)</u>	<u>(4,851)</u>	<u>(144)</u>
Transfers in	2,734	1,096	43,616
Transfers (out)	(2,734)	(1,096)	(43,616)
Extraordinary Items (Note 5 & 13)			
Telecommunicaitons	-	25,251	(32,097)
Total Transfers and Extraordinary Items	<u>-</u>	<u>25,251</u>	<u>(32,097)</u>
Change In Net Assets			
Electric	(4,405)	(2,287)	(36,511)
Telecommunications	(2,691)	22,576	7,879
<b>Total Change In Net Assets</b>	<b><u>\$ (7,096)</u></b>	<b><u>\$ 20,289</u></b>	<b><u>\$ (28,632)</u></b>

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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Electric Sales for FY 2009 and FY 2008 have been restated to include change of unbilled accounts receivable at the end of the fiscal year. The restatement increased FY 2009 Electric Sales by \$15,882 and the FY 2008 Electric Sales by \$181,293.

With the sale of the Telecom System on November 21, 2008, the reader should consider that results for the telecommunications division during FY 2009 were for a partial year of operations.

AMP's Net Assets decreased by \$7.1 million for the fiscal year ended June 30, 2010 compared to a \$20.3 million increase in FY 2009. In fiscal year 2011, management anticipates that electric revenue will increase about 3% due to rate adjustments, and projected load changes, enacted in conjunction with the fiscal year 2011 budget. Additionally, it is anticipated that operating expenses for the electric division will remain consistent with FY 2010 values.

### ANALYSIS OF ELECTRIC NET ASSETS

During FY 2010, Electric Net Assets decreased about \$4.4 million. Operating income for the electric fund increased about \$2.9 from last year due to a \$3.3 million decrease in purchased power from last year as a result of reduced KWh usage, and offsetting adjustments with balancing account liabilities. Also contributing to the final results were increased expense for certain initiatives including the solar rebate program, improvements to the customer call center, an increase in payment in-lieu of taxes, an increase to depreciation expense, and a requirement for an interfund transfer to pay expenses associated with terminating the telecom business line.

Electric Sales for FY 2009 and FY 2008 have been restated to include change of unbilled accounts receivable at the end of the fiscal year. The restatement increased FY 2009 Electric Operating Revenues by \$15,882 and the FY 2008 Operating Revenues by \$181,293.

### Electric Statement of Changes in Net Assets for the year ended June 30:

(Dollars in thousands)	2010	2009 (as restated)	2008 (as restated)
Operating Revenues	\$ 48,948	\$ 50,210	\$ 50,057
Operating Expenses	44,335	48,510	43,708
Operating Income	4,613	1,700	6,349
Non-operating Revenues	638	2,785	5,733
Non-operating (Expenses)	(6,922)	(5,677)	(4,977)
Non-operating Income (Loss)	(6,284)	(2,892)	756
Transfers In	-	-	-
Transfers Out	(2,734)	(1,096)	(43,616)
Change In Net Assets	\$ (4,405)	\$ (2,288)	\$ (36,511)

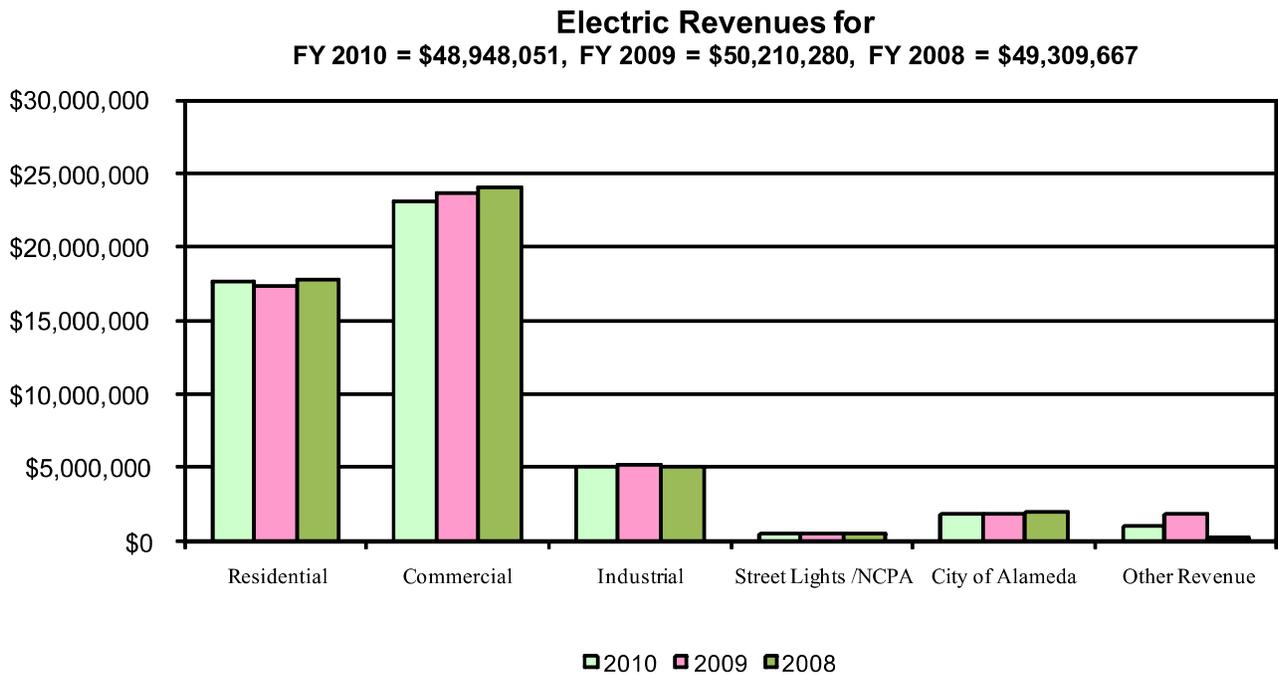
# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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### *Electric Operating Revenues*

Electric operating revenue decreased \$1.3 million, or 2.5% during FY 2010, from last year with revenue from electricity sales declining by \$0.5 million, other revenues remaining consistent to last years values, and jobbing sales decreasing by \$0.8 million. Electricity sales revenue was about \$47.9 million or 98.0% of all electric revenues. Miscellaneous services, plant leased to others and jobbing sales contributed about \$1.0 million, or 2.0% of revenue.



### *Sources of Electric Revenue*

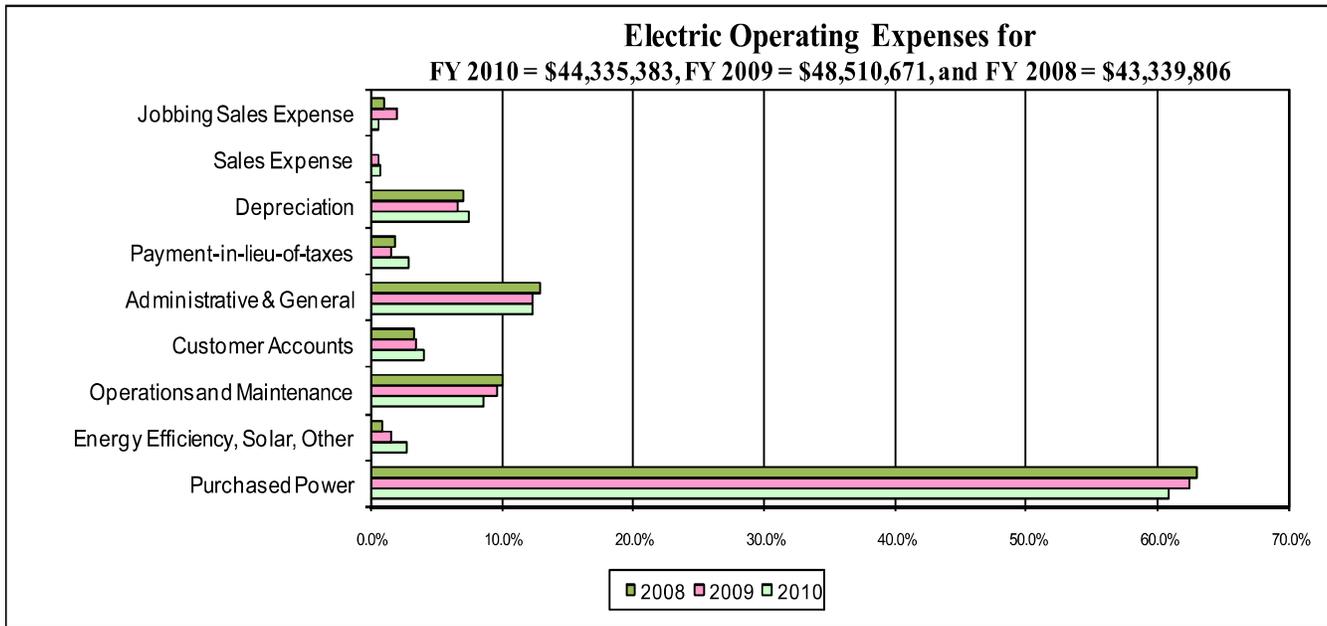
AMP's operating revenues are based on rate schedules authorized by the Board. Such rates are designed to recover AMP's cost of service and still be competitive with those in surrounding areas. Rates also provide a contribution to the City of Alameda, the level of which is defined by the Board and by the City's charter.

### *Electric Operating Expenses*

Electric operating expenses decreased about \$4.2 million with purchased power expense decreasing about \$3.3 million as a result of reduced KWh usage and offsetting adjustments with balancing account liabilities and operations decreasing about \$1.0 million compared to results from last year with the operating groups showing savings, administrative costs showing an increase, and jobbing sales expense \$0.7 million lower than last year.

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009



### *Electric Non-Operating Revenues (Expenses)*

Non-operating expenses exceeded revenue by \$6.3 million resulting from a combination of factors including a decrease of interest income as the impact of low interest rates continued to effect account earnings, continuing debt related charges for the Series 2000A COPs, the Series 2000AT Taxable COPs and the 2000AT interest rate swap agreement, a decrease to the value of AMP’s portion of NCPA projects and reserves, and a transfer to the City’s General Fund.

### *Electric Change in Net Assets*

During FY 2010, Electric Net Assets decreased about \$4.4 million. The electric operating revenue was lower than last year, the electric operating expenses were lower than last year, the non-operating expense was higher than last year, and the interfund transfer was higher than last year. All of these factors resulted in a larger loss of Electric Net Assets than was experienced last year. In recognition of this trend, management initiated several financial planning initiatives during FY 2010, and formulated a rate adjustment strategy during the FY 2011 budget process.

### *Telecommunications Operating Revenues*

On November 21, 2008, the telecommunications system was sold to Comcast of Alameda. The FY 2009 financial statements recognized the sale of the telecommunication system, its final operational income and expenses, the associated fees to perform the sale, the sale post-closing adjustments, settlements to debt defeasance, identified litigation expense, that the telecom inventory was transferred, that telecom liability for the 2004 Revenue Bond Anticipation Notes had been defeased, that the telecom liability for the 2002 Certificates of Participation had been discontinued as a result of the sale, and that the interfund transfer, from the electric fund to the telecom fund, would not be repaid.

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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### *Sources of Telecommunications Revenue*

During FY 2010, about \$5k of revenue was received for miscellaneous income associated with bad debt collections and from advertising commissions. With the sale of the telecommunication system, there is no operating revenue available from the telecom fund. As a result, the electric fund provides payment of expenses associated with terminating the telecom business line through an interfund transfer to the telecom fund.

### *Telecommunications Operating Expenses*

During FY 2010, telecom fund operating expenses totaled \$5.4 million consisting of \$3.4 million for litigation associated with terminating the telecom business line, and a \$1.95 million accrual for liability associated with the litigation judgment in the Vectren case.

### *Telecommunications Non-Operating Revenues (Expenses)*

During FY 2010, there were no telecom fund non-operating revenues or expenses.

### *Telecommunications Change in Net Assets*

Telecom Net Assets decreased about \$2.7 million as a result of ceasing operations and litigation associated with terminating the telecom business line.

### **Telecommunications Statement of Change in Net Assets for the year ending June 30:**

(Dollars in thousands)	2010	2009 (as restated)	2008 (as restated)
Operating Revenues	\$ 5	\$ 3,297	\$ 8,509
Operating Expenses	(5,430)	(5,109)	(11,256)
Operating Income (Loss)	(5,425)	(1,812)	(2,747)
Non-operating Revenues/Expenses	-	(1,959)	(892)
Transfers in	2,734	1,096	43,616
Transfers out	-	-	-
Impairment of Assets	-	-	(32,097)
Forgiveness of Debt	-	17,173	-
Debt Discontinuance	-	8,078	-
Change In Net Assets	\$ (2,691)	\$ 22,576	\$ 7,880

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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### Combined Financial Condition, Liquidity and Capital Resources for the year ended June 30:

(Dollars in thousands)	2010	2009	2008
		(as restated)	(as restated)
Operating Activities	\$ 4,005	\$ 3,875	\$ 9,168
Non-capital Financing Activities	6,080	3,156	5,127
Capital and Related Financing Activities	(5,038)	(8,676)	(7,161)
Investing Activities	(2,514)	(2,714)	(2,327)
Change in Cash and Equivalents	\$ 2,533	\$ (4,359)	\$ 4,807

Total capital structure, defined as the sum of long-term liabilities and net assets, decreased from \$98.1 million to \$90.9 million at June 30, 2010. The decreased total capital structure reflects 56% net assets and 44% debt. Net assets include \$24.2 million of equity in AMP's joint venture with NCPA and \$7.5 million in electric accounts receivable and inventory materials. AMP generates cash from its electric operations, or utilizes its reserves, to meet its operating needs including payments in lieu of taxes (PILOT), return on investment (ROI), transfer to the City's General Fund, and payment of telecom fund expenses.

#### *Cash Flows from Operating Activities*

In FY 2010, cash provided by operating activities was \$4.0 million versus \$3.9 million in FY 2009, or an increase of \$0.1 million. The change in Cash Flows from Operating Activities compared to FY 2009 is primarily the result of slightly increased receipts from electric customers, elimination of telecom fund receipts with the system sale, reductions of all supplier payments, reduction of electric fund payments to employees, and elimination of telecom fund payments to employees.

#### *Cash Flows from Non-Capital Financing Activities*

In FY 2010, cash used for non-capital financing activities was \$2.5 million versus \$2.7 million in FY 2009, or a decrease of \$0.2 million. The change in Cash Flows from Non-capital Financing Activities compared to FY 2009 is the result of minor changes in the miscellaneous accounts such as scrap sales, etc.

#### *Cash Flows from Capital and Related Financing Activities*

In FY 2010, cash used for capital and related financing activities was \$5.1 million versus \$8.7 million in FY 2009, or a decrease of \$3.6 million. The change in Cash Flows from Capital and Related Financing Activities compared to FY 2009 is primarily the result of a decrease of \$0.8 million in electric fund capital asset additions, elimination of the telecom fund assets, elimination of the telecom fund long-term debt repayments, and elimination of telecom fund debt related charges.

During FY 2010, AMP's construction expenditures for the electric system were \$2.1 million and included projects to expand, replace, and enhance facilities, to improve their efficiency and reliability, to extend their useful life, to comply with laws and regulations, and/or to meet the increasing demands on the electric system. Specific capital work that occurred during FY 2010 includes SCADA upgrades, recloser upgrades, over-current relay replacements, 15KV circuit breaker retrofits, pier 2 electrical upgrades, Alameda Point enhancements, new services, Grand Marina Village distribution, completion of UUD30, and blanket work orders.

# ALAMEDA MUNICIPAL POWER

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009

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### *Cash Flows from Investing Activities*

In FY 2010, cash provided by investing activities was \$6.1 million versus \$3.2 million in FY 2009, or an increase of \$2.9 million. The change in Cash Flows from Investing Activities compared to FY 2009 is primarily the result of a decrease of \$1.3 million in interest receipts, a decrease of \$3.3 million in special purpose reserves, and an increase of \$7.6 million released from restricted investments.

### CAPITAL ASSETS AND CAPITAL IMPROVEMENTS PROGRAM

AMP's investment in capital assets for its electric operations amounts to \$41.3 million, net of accumulated depreciation. The investment in capital assets includes land, electric utility plant, machinery and equipment, transportation and computer equipment. Due to the sale of the telecommunications business line in FY 2009 and other extraordinary events described in this report, the capital assets associated with the telecommunication system have been eliminated. Total decrease in AMP's investment in capital assets for the current year was 3%. Readers desiring more detailed information on capital asset activity should see Note 3 and information in the Statistical Section of this report.

#### Alameda Municipal Power Electric Capital Assets

(Dollars in thousands)

	June 30,		
	2010	2009	2008
Land and Rights	\$ 154	\$ 154	\$ 759
Construction In Progress	2,261	3,054	1,401
Utility Plant	68,707	66,172	88,695
Service Center Building	7,844	7,844	7,844
Machinery & Equipment	8,721	8,725	8,909
Transportation Equipment	2,594	2,393	2,199
Computer Equipment	3,213	3,024	3,409
Furniture & Fixtures	599	599	599
Easements	185	185	185
Less Accumulated Depreciation	(52,958)	(49,572)	(56,631)
<b>Capital Assets, Net</b>	<b>\$ 41,320</b>	<b>\$ 42,578</b>	<b>\$ 57,369</b>

### *Long-Term Debt*

During FY 2010, the changes to the long term debt profile include a \$3K increase to the current portion due for the truck leases, and a reducing adjustment as a result of payments made for the truck leases.

AMP has participated in an interest rate swap agreement with UBS Warburg since 2001. The objective of the swap is to change the auction rate Certificates of Participation (COPs) to a synthetic fixed rate of 6.23%. The interest amounts are payable monthly. With the auction rate market disruption, AMP has been paying an additional 1.5% interest on the COPs since February 2008. On June 30, 2010, the interest rate swap agreement terminated.

# **ALAMEDA MUNICIPAL POWER**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009**

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On August 4, 2010, AMP authorized the issuance of \$8.7 million in Revenue Bonds, Series 2010A, and \$22.99 million in Taxable Revenue Bonds, Series 2010B. Proceeds will be used to prepay the outstanding Electric System Revenue Series 2000A COPs, and the Series 2000AT taxable COPs, to fund a deposit to the common reserve account, and to pay the cost of issuance. The maturity date for the Series 2010A is July 1, 2030 and the maturity date for the Series 2010B is July 1, 2027.

The reader is encouraged to read Note 5, and the statistical section of this report, for additional information regarding long-term debt.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The adopted budget for the FY 2011 reflects the local economy and the decreased demand for electric services from the commercial sector. During FY 2010, the Board supported staff's proposal for AMP to "Strengthen the Foundation" through strategic planning since it would enhance AMP's focus on the customer, provide a forum for long-range financial planning, facilitate prioritization of limited resources, balance conflicting priorities, and provide for effective communication of goals and policies. AMP conducted a detailed assessment of future financial needs; documented those needs in a 10-year pro-forma; developed financial guidelines for rates, revenues and reserves that the Board reviewed and adopted; developed rate designs to meet financial guideline objectives; and proceeded with refinancing the Series 2000A and AT COPs debt. The adopted budget for FY 2011 includes electric operating revenues that are expected to be \$50.8 million, or 3% higher, than the \$49.2 million budgeted in FY 2010 due to the 3.7% rate increase enacted as part of the planning and budgeting process.

The adopted budget for FY 2011 includes operating expenses budgeted at \$49.8 million, or \$5.5 million higher than the FY 2010 expenses. The primary reason for the operating budget increase is due to increased purchased power costs and administrative costs. Purchased power expenditures, excluding netted amounts received from reserves and non-cash items, account for \$27.8 million or 55.8% of budgeted electric operating expenses. The adopted budget provides for a \$2.8 million transfer to the City and \$2.7 million for PILOT/ROI. The adopted budget also assumes that no additional long-term debt will be needed during the fiscal year. Capital project work for system additions, system enhancements, SCADA upgrades, conversion of overhead facilities to underground facilities, and capitalized work from routine activities account for \$3.2 million of the adopted budgeted for the electric system.

The adopted budget anticipates that operating revenues, in conjunction with existing reserves and available working capital, will provide for projected expenditures. However, as part of the FY 2011 financial planning process, it was determined that a series of smaller rate adjustments implemented each year is preferred to a few large rate increases. AMP anticipates that an additional rate increase will be implemented in conjunction with the next budget cycle. The underground district reserve will provide funds for certain capital expenditures. The 2000AT taxable COPs provide funds for a part of our obligations to NCPA through this fiscal year. Working capital will provide funds for any shortfall between revenue and expenditures.

Since the telecommunications system has been sold, the adopted budget does not include any budgeted items for the telecom fund. As anticipated during the budgeting process, working capital will be transferred by the electric fund to the telecom fund for unbudgeted expenditures.

# **ALAMEDA MUNICIPAL POWER**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010 AND 2009**

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### **Market Risk**

Each year during budget development, AMP considers the risk exposure that it faces. The risk exposure can be categorized into broad categories including power supply risks, credit risks, other supply-based risks, demand side risks, legislative / regulatory risks, and other utility risks. AMP manages energy price risks through its involvement with NCPA and their 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.

In addition to policies, processes and procedures, AMP manages its risk exposure by maintaining adequate reserves and establishing new reserves as needed. AMP 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. AMP's cash and investments are recorded at \$38.4 million. AMP's investment policy limits investments to financial instruments that maximize the safety of principal (See Note 2 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 AMP's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Alameda Municipal Power; Assistant General Manager-Administration; 2000 Grand Street; Alameda, California 94501.

# ALAMEDA MUNICIPAL POWER

## STATEMENTS OF NET ASSETS JUNE 30, 2010 AND 2009

	2010			2009		
	Electric Services	Telecom Services	Combined	Electric Services as restated	Telecom Services	Combined
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and equivalents (Note 2)	\$ 26,777,114	\$ -	\$ 26,777,114	\$ 24,244,140	\$ -	\$ 24,244,140
Interest receivable	27,760	-	27,760	65,630	-	65,630
Accounts receivable	4,906,255	-	4,906,255	5,782,624	13,514	5,796,138
Notes receivable, net of long-term portion above (Note 4)	40,000	-	40,000	40,000	-	40,000
Materials and supplies	2,470,761	-	2,470,761	2,553,355	-	2,553,355
Prepaid power costs and other	10,093	-	10,093	5	-	5
Deferred inflow of resources	-	-	-	2,265,439	-	2,265,439
Total Current Assets	<u>34,231,983</u>	<u>-</u>	<u>34,231,983</u>	<u>34,951,193</u>	<u>13,514</u>	<u>34,964,707</u>
<b>Noncurrent Assets:</b>						
Capital Assets (Note 3)	94,278,318	-	94,278,318	92,149,924	-	92,149,924
Accumulated Depreciation (Note 3)	<u>(52,958,017)</u>	<u>-</u>	<u>(52,958,017)</u>	<u>(49,572,317)</u>	<u>-</u>	<u>(49,572,317)</u>
Capital Assets, net (Note 3)	<u>41,320,301</u>	<u>-</u>	<u>41,320,301</u>	<u>42,577,607</u>	<u>-</u>	<u>42,577,607</u>
Restricted Investments (Note 2)	6,226,879	-	6,226,879	13,736,646	11	13,736,657
Investments designated for special purposes (Note 2)	5,372,921	-	5,372,921	4,729,290	-	4,729,290
Share of certain NCPA projects and reserve (Note 9)	24,224,505	-	24,224,505	24,185,546	-	24,185,546
Long-term portion of notes receivable (Note 4)	65,300	-	65,300	105,300	-	105,300
Certificates of Participation issue costs, net of amortization	890,645	-	890,645	935,177	-	935,177
Total Noncurrent Assets	<u>78,100,551</u>	<u>-</u>	<u>78,100,551</u>	<u>86,269,566</u>	<u>11</u>	<u>86,269,577</u>
Total Assets	<u>112,332,534</u>	<u>-</u>	<u>112,332,534</u>	<u>121,220,759</u>	<u>13,525</u>	<u>121,234,284</u>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued payroll	1,404,631	2,845,923	4,250,554	1,285,273	168,426	1,453,699
Interest payable	264,548	-	264,548	264,548	-	264,548
Purchased power balancing account	12,699,682	-	12,699,682	14,911,110	-	14,911,110
Current Portion of Long Term Debt (Note 5)	54,167	2,200,000	2,254,167	51,351	2,200,000	2,251,351
Deposits	635,264	-	635,264	622,796	-	622,796
Other accrued liabilities	566,917	-	566,917	692,193	-	692,193
Compensated absences (Note 1C)	708,940	-	708,940	646,849	-	646,849
Derivative instrument - interest rate swap	-	-	-	2,265,439	-	2,265,439
Total Current Liabilities	<u>16,334,149</u>	<u>5,045,923</u>	<u>21,380,072</u>	<u>20,739,559</u>	<u>2,368,426</u>	<u>23,107,985</u>
<b>Long-term Liabilities:</b>						
Long Term Debt, net of current portion (Note 5)	39,292,739	-	39,292,739	39,347,050	-	39,347,050
Claims Liability (Note 11B)	736,506	-	736,506	759,524	-	759,524
Total Long-term Liabilities	<u>40,029,245</u>	<u>-</u>	<u>40,029,245</u>	<u>40,106,574</u>	<u>-</u>	<u>40,106,574</u>
Total Liabilities	<u>56,363,394</u>	<u>5,045,923</u>	<u>61,409,317</u>	<u>60,846,133</u>	<u>2,368,426</u>	<u>63,214,559</u>
<b>Net Assets (Note 12):</b>						
Invested in Capital Assets, net of related debt	1,973,395	-	1,973,395	3,179,206	-	3,179,206
Restricted	6,226,879	-	6,226,879	13,736,646	11	13,736,657
Unrestricted	47,768,866	(5,045,923)	42,722,943	43,458,774	(2,354,912)	41,103,862
Total Net Assets (Deficit)	<u>\$ 55,969,140</u>	<u>\$ (5,045,923)</u>	<u>\$ 50,923,217</u>	<u>\$ 60,374,626</u>	<u>\$ (2,354,901)</u>	<u>\$ 58,019,725</u>

See accompanying notes to the financial statements.

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# ALAMEDA MUNICIPAL POWER

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Operating Revenues:						
Sales	\$ 47,976,563	\$ -	\$ 47,976,563	\$ 48,457,664	\$ 3,184,123	\$ 51,641,787
Miscellaneous services	643,929	5,003	648,932	603,419	112,961	716,380
Plant leased to others	141,850	-	141,850	159,836	-	159,836
Jobbing sales	185,709	-	185,709	989,361	-	989,361
Total Operating Revenues	48,948,051	5,003	48,953,054	50,210,280	3,297,084	53,507,364
Operating Expenses:						
Purchased power	26,935,656	-	26,935,656	30,265,836	-	30,265,836
Programming	-	-	-	-	1,728,905	1,728,905
Energy efficiency, solar and other	1,200,496	-	1,200,496	736,150	-	736,150
Operations and maintenance	3,833,191	3,912	3,837,103	4,645,057	506,756	5,151,813
Customer accounts, information systems	1,779,098	-	1,779,098	1,668,302	217,307	1,885,609
Administrative and general	5,451,942	5,426,392	10,878,334	5,965,642	1,513,471	7,479,113
Payment in-lieu of taxes	1,241,623	-	1,241,623	775,903	-	775,903
Depreciation and amortization	3,343,601	-	3,343,601	3,194,994	1,024,205	4,219,199
Sales expense	317,655	-	317,655	287,484	117,981	405,465
Jobbing sales expense	232,121	-	232,121	971,303	-	971,303
Total Operating Expenses	44,335,383	5,430,304	49,765,687	48,510,671	5,108,625	53,619,296
Operating Income (Loss)	4,612,668	(5,425,301)	(812,633)	1,699,609	(1,811,541)	(111,932)
Nonoperating Revenues (Expenses):						
Interest income	305,857	-	305,857	696,821	-	696,821
Interest income on restricted investments	-	-	-	531,823	328,333	860,156
Interest expense	(2,945,095)	-	(2,945,095)	(2,877,163)	(2,310,000)	(5,187,163)
Gain (Loss) from disposition	800	-	800	6,150	22,413	28,563
Other revenue (deductions)	(45,262)	-	(45,262)	55,023	-	55,023
Increase (decrease) in value of certain NCPA projects and reserves	(1,131,231)	-	(1,131,231)	1,443,098	-	1,443,098
Alameda Point Phone Maintenance-Net	60,249	-	60,249	21,810	-	21,810
Miscellaneous non-operating income	270,807	-	270,807	30,933	-	30,933
Transfers to City of Alameda (Note 6)	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Net Nonoperating Revenue (Expense)	(6,283,875)	-	(6,283,875)	(2,891,505)	(1,959,254)	(4,850,759)
Income (loss) before Transfers and Extraordinary Items	(1,671,207)	(5,425,301)	(7,096,508)	(1,191,896)	(3,770,795)	(4,962,691)
Transfers in	-	2,734,279	2,734,279	-	1,095,614	1,095,614
Transfers (out)	(2,734,279)	-	(2,734,279)	(1,095,614)	-	(1,095,614)
Extraordinary Items (Notes 5 & 13)						
Forgiveness of debt	-	-	-	-	17,173,161	17,173,161
Debt discontinuance	-	-	-	-	8,078,239	8,078,239
Total transfers and extraordinary items	(2,734,279)	2,734,279	-	(1,095,614)	26,347,014	25,251,400
Change in Net Assets	(4,405,486)	(2,691,022)	(7,096,508)	(2,287,510)	22,576,219	20,288,709
Net assets (deficit), beginning of year, as restated	60,374,626	(2,354,901)	58,019,725	62,662,136	(24,931,120)	37,731,016
Net assets (deficit), end of year	\$ 55,969,140	\$ (5,045,923)	\$ 50,923,217	\$ 60,374,626	\$ (2,354,901)	\$ 58,019,725

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# ALAMEDA MUNICIPAL POWER

## STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 49,836,888	\$ 18,517	\$ 49,855,405	\$ 48,703,913	\$ 3,944,989	\$ 52,648,902
Payments to suppliers	(35,644,235)	(2,752,807)	(38,397,042)	(36,179,747)	(3,933,312)	(40,113,059)
Payments to employees	(7,453,314)	-	(7,453,314)	(7,903,378)	(757,006)	(8,660,384)
Net cash provided by (used for) Operating Activities	<u>6,739,339</u>	<u>(2,734,290)</u>	<u>4,005,049</u>	<u>4,620,788</u>	<u>(745,329)</u>	<u>3,875,459</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers to General Fund	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Interfund cash inflow	-	2,734,279	2,734,279	-	1,095,614	1,095,614
Interfund cash outflow	(2,734,279)	-	(2,734,279)	(1,095,614)	-	(1,095,614)
Miscellaneous non-operating income	331,056	-	331,056	30,933	-	30,933
Miscellaneous non-operating expenses	(45,262)	-	(45,262)	55,023	-	55,023
Net cash provided by (used in) Noncapital Financing Activities	<u>(5,248,485)</u>	<u>2,734,279</u>	<u>(2,514,206)</u>	<u>(3,809,658)</u>	<u>1,095,614</u>	<u>(2,714,044)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Capital asset additions, net	(2,086,295)	-	(2,086,295)	(2,820,879)	(114,785)	(2,935,664)
Proceeds from disposition of capital asset	800	-	800	6,150	15,250,034	15,256,184
Long-term debt repayments	(51,495)	-	(51,495)	(48,603)	(15,826,839)	(15,875,442)
Debt related charges	(2,900,563)	-	(2,900,563)	(2,810,821)	(2,310,000)	(5,120,821)
Net cash used in Capital and Related Financing Activities	<u>(5,037,553)</u>	<u>-</u>	<u>(5,037,553)</u>	<u>(5,674,153)</u>	<u>(3,001,590)</u>	<u>(8,675,743)</u>
<b>Cash Flows from Investing Activities</b>						
Interest receipts	343,727	-	343,727	1,335,850	328,333	1,664,183
Loans receivable	40,000	-	40,000	45,250	-	45,250
Investments reserved for special purposes	(643,631)	-	(643,631)	2,641,180	-	2,641,180
Investment in certain NCPA projects and reserves	(1,170,190)	-	(1,170,190)	(1,089,641)	-	(1,089,641)
Restricted investments	7,509,767	11	7,509,778	(2,096,178)	1,990,736	(105,442)
Net cash provided by Investing Activities	<u>6,079,673</u>	<u>11</u>	<u>6,079,684</u>	<u>836,461</u>	<u>2,319,069</u>	<u>3,155,530</u>
<b>Net Cash Flows</b>	<u>2,532,974</u>	<u>-</u>	<u>2,532,974</u>	<u>(4,026,562)</u>	<u>(332,236)</u>	<u>(4,358,798)</u>
Cash and equivalents at beginning of year	<u>24,244,140</u>	<u>-</u>	<u>24,244,140</u>	<u>28,270,702</u>	<u>332,236</u>	<u>28,602,938</u>
Cash and equivalents at end of year	<u>\$ 26,777,114</u>	<u>\$ -</u>	<u>\$ 26,777,114</u>	<u>\$ 24,244,140</u>	<u>\$ -</u>	<u>\$ 24,244,140</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
	\$ 4,612,668	\$ (5,425,301)	\$ (812,633)	\$ 1,699,609	\$ (1,811,541)	\$ (111,932)
<b>Adjustments to reconcile operating income to cash flows from operating activities:</b>						
Depreciation	3,343,601	-	3,343,601	3,194,994	1,024,205	4,219,199
Decrease (increase) in accounts receivable	876,369	13,514	889,883	(486,073)	647,905	161,832
Decrease (increase) in materials and supplies	82,594	-	82,594	391,174	14,209	405,383
Decrease (increase) in prepaids	(10,088)	-	(10,088)	31,907	-	31,907
Increase (decrease) in accounts payable and accrued payroll	119,358	2,677,497	2,796,855	(166,626)	(462,541)	(629,167)
Increase (decrease) in balancing account	(2,211,428)	-	(2,211,428)	(434,508)	-	(434,508)
Increase (decrease) in other accrued liabilities	(125,276)	-	(125,276)	356,051	(157,566)	198,485
Increase (decrease) in refundable deposits	12,468	-	12,468	70,399	-	70,399
Increase (decrease) in compensated absences	62,091	-	62,091	47,882	-	47,882
Increase (decrease) in claims liability	(23,018)	-	(23,018)	(84,021)	-	(84,021)
Net cash provided by (used in) operating activities	<u>\$ 6,739,339</u>	<u>\$ (2,734,290)</u>	<u>\$ 4,005,049</u>	<u>\$ 4,620,788</u>	<u>\$ (745,329)</u>	<u>\$ 3,875,459</u>
<b>Noncash Investing, Capital &amp; Financing Activities</b>						
Forgiveness of debt	-	-	-	-	(17,173,161)	(17,173,161)
Debt discontinuance	-	-	-	-	(8,078,239)	(8,078,239)

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# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *A. General*

Alameda Municipal Power (AMP) is a department of the City of Alameda (the City) that owns and operates the electric system and the Alameda Point telephone system. AMP provides these services to the businesses and residents of the City, Alameda Point (former Alameda Naval Air Station) and Coast Guard Island. AMP 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 whom is the City Manager. The accompanying financial statements only reflect the activity of AMP as it does not have any component units. AMP is a component unit of the City of Alameda.

#### *B. Basis of Presentation*

AMP'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. AMP follows those Financial Accounting Standard Board Statements issued on or before November 30, 1989 unless they conflict with the Governmental Accounting Standards Board Statements.

#### *C. Basis of Accounting*

AMP 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.

**Joint Powers Authorities** - AMP 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 8. AMP's share of individual project obligations has been netted against its share of the related project assets, as reported by NCPA, because AMP 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 AMP's estimated equity, if any, in TANC is not material, as discussed in Note 9. Amounts paid to the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 10.

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, AMP defines cash and equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Investments* are carried at fair value, as required by generally accepted accounting principles. AMP 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.

*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.

*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. AMP 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. AMP 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
Easements	50 years

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

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 contributed capital at the time the capital assets are contributed.

*Certificates of Participation Issuance Costs* are capitalized and amortized over the life of the related certificates.

*The Purchased Power Balancing Account* is used by AMP 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 AMP's earnings because they are included in operating expenses as they are matched by revenues.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Deposits from Customers* are required by AMP 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 AMP'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. AMP classifies all compensated absences as current liabilities.

Changes in compensated absences payable consist of the following:

	<u>2010</u>	<u>2009</u>
Balance at beginning of fiscal year	\$ 646,849	\$ 598,967
Compensated absences earned	564,741	612,197
Compensated absences taken	<u>(502,650)</u>	<u>(564,315)</u>
Balance at end of fiscal year	<u>708,940</u>	<u>646,849</u>
Current Portion	<u>\$ 708,940</u>	<u>\$ 646,849</u>

*Sales Revenues* - Sales of electricity are recognized based on cycle billings periodically rendered to customers. Revenues for services provided but not billed at the end of a fiscal year are recognized and accrued based on the actual consumption. Sales of telecommunications services were recorded monthly, in advance of services received, prior to the sale of the telecommunications system on November 21, 2008.

#### **D. Budgets and Budgetary Accounting**

AMP 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.
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 AMP budgets capital asset outlays as current year expenditures.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **E. *Deferred Compensation Plan***

AMP's employees may defer a portion of their compensation under an AMP 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, death or in an emergency as defined by the Plan.

AMP'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 plans are not AMP's property and are not subject to claims by general creditors of AMP, they have been excluded from these financial statements.

#### **F. *Classification of Revenues***

Operating revenues consist mainly of electric and, prior to the sale of the telecommunications system on November 21, 2008, 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 and paying debt service. 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 \$5,045,923 and \$2,354,901 at June 30, 2010 and June 30, 2009, respectively.

#### **H. *Net Assets***

Net assets are measured on the full accrual basis and are the excess of all the AMP's assets over all its liabilities. Net assets are classified into the following components: invested in capital assets, net of related debt; restricted and unrestricted.

Restricted net assets describes the portion of net assets which are restricted as to use by the terms and conditions of agreement with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. It is the District's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **I. *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **J. Comparative data/reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

#### **K. Prior Period Adjustment**

During the current year, it was determined that the unbilled portion of utility accounts receivable was not recorded. The unbilled portion of utility accounts receivable totaling \$1,764,357 as of June 30, 2009 and \$1,748,475 as of June 30, 2008 was not reported in the Comprehensive Annual Financial Report for the fiscal years ended June 30, 2009 and 2008. To correct this error, the beginning net assets of the Electric Services Fund of \$58,610,269, as originally reported, has been increased to \$60,374,626. The change in net assets of \$(2,303,392) as of June 30, 2009, as originally reported, has been increased to \$(2,287,510). In addition, the beginning net assets of the Electric Services Fund as of June 30, 2009 of \$60,913,661, as originally reported, has been increased to \$62,662,136.

#### **L. New Governmental Accounting and Reporting Standards**

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Alameda Municipal Power is accounted for as an enterprise fund and therefore this statement does not apply.

In December 2009, the GASB issued GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions related to the use and reporting of the alternative measurement method are effective on the date of issuance. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2012, and does not believe it will have a significant impact on the financial statements.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2011, and is currently evaluating the impact on the financial statements.

#### **M. Changes in Accounting Principles**

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. AMP implemented the provisions of this Statement in the fiscal year ended June 30, 2010. As a result of the implementation, the easement previously classified as prepaid lease was recorded as intangible capital asset (see Note 3). The capital asset amounts for the fiscal year end June 30, 2009 were restated to reflect this classification change for comparability purposes. This change in accounting principle had no effect on the beginning net assets.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. AMP implemented the provisions of this Statement in the fiscal year ended June 30, 2010. As required by the Statement No. 53, the accounting changes adopted to conform to the provisions of this Statement have been applied retroactively by restating the financial statements for the year ended June 30, 2009. AMP determined that the power purchase contracts are not considered derivatives in accordance with paragraph 14 of GASB Statement No. 53. The interest rate swap was terminated on June 30, 2010. Therefore, there was no impact on the financial statements as a result of implementation of the provisions of the Statement as of June 30, 2010.

In December 2009, the GASB issued GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. This Statement is effective for periods beginning after June 15, 2009. AMP implemented provisions of this Statement in the fiscal year ended June 30, 2010 with no impact on the financial statements.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 2 - CASH AND INVESTMENTS

#### A. *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 AMP debt instruments.

Cash and investments as of June 30, 2010 are as follows:

	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 26,777,114	\$ 24,244,140
Restricted investments	6,226,879	13,736,657
Investments designated for special purposes	<u>5,372,921</u>	<u>4,729,290</u>
Total cash and investments	<u>\$ 38,376,914</u>	<u>\$ 42,710,087</u>

Cash and investment balance in the Telecom Services enterprise fund was \$0 and \$0 at June 30, 2010 and 2009.

#### B. *Policies*

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of AMP'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 AMP's name and places AMP ahead of general creditors of the institution.

AMP 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 AMP's fiscal agents as required under its debt issues.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

#### C. *Investments Authorized by the California Government Code and AMP's Investment Policy*

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

AMP's investment policy and the California Government Code allow AMP to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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	75%	25% in each agency
Bankers Acceptances	180 days	N/A	30%	30%
Commercial Paper	270 days	A1, P1	25%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	30%	No Limit
Time Certificates of Deposit	5 Years	N/A	30%	No Limit
Repurchase Agreements	270 Days	N/A	20%	No Limit
Reverse Repurchase Agreements (requires Board approval)	92 Days	N/A	20% of base value	No Limit
Medium Term Corporate Notes	5 Years	A	30%	No Limit
Mutual Funds	5 Years	Top rating category	No Limit	10%
Money Market Mutual Funds	N/A	AAA	20%	No Limit
Collateralized Bank Deposits	5 Years	N/A	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	Top rating category	20%	No Limit
County Pooled Investment Funds	Upon Demand	N/A	15%	No Limit
California Local Agency Investment Fund	Upon Demand	N/A	\$40,000,000 per account	\$40,000,000 per account
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit

(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 Home Loan Mortgage Corporation (FHLMC).

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

#### D. *Investments Authorized by Debt Agreements*

AMP 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 AMP fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with AMP'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	AA	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	AA	No Limit	No Limit
Bankers Acceptances	N/A	AA	No Limit	No Limit
Money Market Mutual Funds	N/A	AA	No Limit	No Limit
Repurchase Agreements	30 days	AA	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 (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

#### *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 AMP 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. Information about the sensitivity of the fair values of AMP's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of AMP's investments by maturity, as of June 30, 2010 and 2009:

	2010	2009
	<u>12 Months or less</u>	<u>12 Months or less</u>
<b><i>Investments:</i></b>		
Mutual Funds	\$ 6,226,879	\$ 13,736,657
U.S. Treasury Notes	1,164,344	1,749,108
Money Market	-	53,336
Local Agency Investment Fund	20,023,336	17,461,562
Certificates of Deposit	<u>7,766,645</u>	<u>9,369,361</u>
Total Investments	35,181,204	42,370,024
Cash with Banks and Petty Cash	<u>3,195,710</u>	<u>340,063</u>
Total cash and investments	<u>\$ 38,376,914</u>	<u>\$ 42,710,087</u>

AMP 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. AMP 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, 2010, these investments had an average maturity of 203 days.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

#### *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. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2010 and 2009.

#### **Credit Risk**

Investment Type	2010	2009
<b>AAA:</b>		
Bond Mutual Funds	\$ -	\$ 13,736,657
<b>AAAm:</b>		
Bond Mutual Funds	6,226,879	-
<b>Not rated:</b>		
Certificates of Deposit (Morgan Stanley)	6,950,636	6,260,542
Certificates of Deposit (Bank of Alameda)	816,009	801,452
Certificates of Deposit (U.S. Bank)	-	2,307,367
Money Market	-	53,336
Local Agency Investment Fund	20,023,336	17,461,562
<b>Exempt:</b>		
U.S. Treasury Notes	1,164,344	1,749,108
Cash with Banks and Petty Cash	3,195,710	340,063
Total investments	\$ 38,376,914	\$ 42,710,087

AMP investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, AMP 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, 2010, there were no investments in any one issuer that represent five percent or more of total AMP investments.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

#### G. *Custodial Credit Risk*

##### *Deposits*

This is the risk that in the event of a bank failure, the AMP's deposits may not be returned to it. The AMP's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2010, the AMP's bank balance of \$3,188,757 was fully insured by the Federal Deposit Insurance Corporation (FDIC) under the Transaction Account Guarantee Program.

##### *Investments*

As of June 30, 2010, none of the AMP's investments were held with a counterparty. All of the AMP's investments were held with an independent third party custodian bank. AMP uses Bank of Alameda, Morgan Stanley and U.S. Bank as a third party custody and safekeeping service for its investment securities. All AMP investments held in custody and safekeeping by Bank of Alameda, Morgan Stanley and U.S. Bank are held in the name of AMP and segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

#### H. *Restricted Investments*

Restricted investments comprise the following:

	June 30	
	2010	2009
Restricted by Certificates of Participation Series 2000A Indenture	\$ 2,187,843	\$ 4,039,675
Restricted by Certificates of Participation Series 2000AT Indenture	4,039,036	7,695,220
Restricted by Revenue Bond Anticipation Notes Series 2004 Indenture	-	11
Restricted by Telecom Sales Indemnity Escrow	-	2,001,751
Total Restricted Investments	<u>\$ 6,226,879</u>	<u>\$ 13,736,657</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 were 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.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

#### *Restricted by Telecom Sales Indemnity Escrow*

As a result of the sale of the telecommunications system, Comcast of Alameda, Inc. ("Buyer"), the City of Alameda, a California municipal corporation acting on its own behalf and on behalf of its Bureau of Electricity (d/b/a Alameda Municipal Power) (together, "Seller") and U.S. Bank National Association, a national banking association ("Escrow Agent") entered into an agreement dated as of November 21, 2008, pursuant to which \$2,000,000 of Alameda Municipal Power funds were placed in escrow as a source of payment for any indemnification claims that may arise pursuant to Article VI of the telecommunications system's Asset Purchase Agreement. Additionally, the Escrow Agent shall hold, administer and distribute the amounts deposited in escrow in accordance with, and subject to, the terms of the agreement.

August 21, 2009, the First Disbursement Date was reached and, in accordance with the agreement, the Escrow Agency disbursed \$750,000 of the held funds to Alameda Municipal Power. The Second Disbursement Date was reached on February 21, 2010 and, in accordance with the agreement, the Escrow Agent disbursed the balance of the held funds not subject to any outstanding claim notice.

#### *I. Designated Investments*

Investments designated by the Board for special purposes comprise of the following:

	<u>2010</u>	<u>2009</u>
Insurance Reserve	\$ 1,200,000	\$ 1,200,000
Underground Special Fund	1,937,079	1,003,551
Major Contingency Reserve	1,000,612	1,000,612
Competitive Pricing Reserve	423,759	423,759
Operating Contingency Reserve	650,000	650,000
Solar PV Rebate Reserve	161,471	451,368
Total Investments Designated for Special Purposes	<u>\$ 5,372,921</u>	<u>\$ 4,729,290</u>

*Insurance Reserve* represents a portion of the retained risk, or deductible amount under AMP'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 AMP'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 AMP rates as low as possible during changing economic conditions.

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

*Solar PV Rebate* represents the amount set aside for the state mandated solar rebate program.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 and 2009 is as follows:

	Balance June 30, 2009	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2010
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	3,054,175	2,013,767	(191,802)	(2,614,590)	2,261,550
Total capital assets not being depreciated	<u>3,207,818</u>	<u>2,013,767</u>	<u>(191,802)</u>	<u>(2,614,590)</u>	<u>2,415,193</u>
Capital assets being depreciated:					
Utility Plant	66,171,877	-	-	2,535,096	68,706,973
Service Center Building	7,843,636	-	-	-	7,843,636
Machinery and Equipment	8,725,118	-	-	(4,125)	8,720,993
Transportation Equipment	2,393,295	158,333	(23,289)	65,388	2,593,727
Computer Equipment	3,023,573	105,997	-	83,619	3,213,189
Furniture and Fixtures	599,107	-	-	-	599,107
Easements	185,500	-	-	-	185,500
Total capital assets being depreciated	<u>88,942,106</u>	<u>264,330</u>	<u>(23,289)</u>	<u>2,679,978</u>	<u>91,863,125</u>
Less accumulated depreciation and amortization for:					
Utility Plant	36,620,108	2,099,442	-	-	38,719,550
Service Center Building	2,724,303	165,870	-	-	2,890,173
Machinery and Equipment	5,991,322	758,000	-	-	6,749,322
Transportation Equipment	1,149,184	185,606	(23,289)	65,388	1,376,889
Computer Equipment	2,626,775	113,531	-	-	2,740,306
Furniture and Fixtures	369,625	17,652	-	-	387,277
Easements	91,000	3,500	-	-	94,500
Total accumulated depreciation	<u>49,572,317</u>	<u>3,343,601</u>	<u>(23,289)</u>	<u>65,388</u>	<u>52,958,017</u>
Total depreciable assets	<u>39,369,789</u>	<u>(3,079,271)</u>	<u>-</u>	<u>2,614,590</u>	<u>38,905,108</u>
Capital assets, net	<u>\$ 42,577,607</u>	<u>\$ (1,065,504)</u>	<u>\$ (191,802)</u>	<u>\$ -</u>	<u>\$ 41,320,301</u>

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2008	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2009
Capital assets not being depreciated:					
Land and Rights	\$ 758,672	\$ -	\$ (605,029)	\$ -	\$ 153,643
Construction Work in Progress	1,400,544	3,027,063	-	(1,373,432)	3,054,175
Total capital assets not being depreciated	<u>2,159,216</u>	<u>3,027,063</u>	<u>(605,029)</u>	<u>(1,373,432)</u>	<u>3,207,818</u>
Capital assets being depreciated:					
Utility Plant	88,694,742	-	(23,147,625)	624,760	66,171,877
Service Center Building	7,843,636	-	-	-	7,843,636
Machinery and Equipment	8,908,904	-	(211,886)	28,100	8,725,118
Transportation Equipment	2,198,692	-	(417,378)	611,981	2,393,295
Computer Equipment	3,409,171	-	(494,189)	108,591	3,023,573
Furniture and Fixtures	599,846	-	(739)	-	599,107
Easements	185,500	-	-	-	185,500
Total capital assets being depreciated	<u>111,840,491</u>	<u>-</u>	<u>(24,271,817)</u>	<u>1,373,432</u>	<u>88,942,106</u>
Less accumulated depreciation and amortization for:					
Utility Plant	43,931,201	2,939,493	(10,250,586)	-	36,620,108
Service Center Building	2,558,433	165,870	-	-	2,724,303
Machinery and Equipment	5,343,099	856,043	(207,820)	-	5,991,322
Transportation Equipment	1,326,936	146,979	(324,731)	-	1,149,184
Computer Equipment	3,031,333	89,631	(494,189)	-	2,626,775
Furniture and Fixtures	352,495	17,683	(553)	-	369,625
Easements	87,500	3,500	-	-	91,000
Total accumulated depreciation	<u>56,630,997</u>	<u>4,219,199</u>	<u>(11,277,879)</u>	<u>-</u>	<u>49,572,317</u>
Total depreciable assets	<u>55,209,494</u>	<u>(4,219,199)</u>	<u>(12,993,938)</u>	<u>1,373,432</u>	<u>39,369,789</u>
Capital assets, net	<u>\$ 57,368,710</u>	<u>\$ (1,192,136)</u>	<u>\$ (13,598,967)</u>	<u>\$ -</u>	<u>\$ 42,577,607</u>

Depreciation and amortization on capital assets and intangibles included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2010 and 2009 was \$3,343,601 and \$4,219,199, respectively.

### NOTE 4 - NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	2010	2009
City of Alameda:		
Streetlight Improvement	\$ 105,300	\$ 145,300
Less: Current Portion	<u>(40,000)</u>	<u>(40,000)</u>
Long-Term Portion of Notes Receivable	<u>\$ 65,300</u>	<u>\$ 105,300</u>

The City entered into a loan agreement with AMP for the replacement of deteriorated street lights. Through June 30, 2010, AMP had expended \$627,300 for street light replacement and the City had made payments of \$522,000. Annual installments of \$40,000 are scheduled until the loan is repaid. At June 30, 2010 and 2009, the outstanding balance was \$105,300 and \$145,300, respectively.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 5-LONG-TERM DEBT

#### A. *Composition and Changes*

AMP generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. AMP's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the year ended June 30, 2010 and 2009 is as follows:

	Original Issue Amount	Balance June 30, 2009	Additions	Retirements & Adjustments	Balance June 30, 2010	Current Portion
Electric System Revenue Taxable COP's, Series 2000AT	\$ 29,500,000	\$ 29,500,000	\$ -	\$ -	\$ 29,500,000	\$ -
Electric System Revenue COP's, Series 2000A	9,545,000	9,545,000	-	-	9,545,000	-
2008 Truck (Altel Model AM-55) - Capital Lease	176,295	151,415	-	22,434	128,981	23,699
2009 Truck (Altel Model D3060) - Capital Lease	229,168	201,986	-	29,061	172,925	30,468
Loan from City of Alameda	2,200,000	2,200,000	-	-	2,200,000	2,200,000
Total long-term debt		<u>\$ 41,598,401</u>	<u>\$ -</u>	<u>\$ 51,495</u>	<u>\$ 41,546,906</u>	<u>\$ 2,254,167</u>

	Original Issue Amount	Balance June 30, 2008	Additions	Retirements & Adjustments	Balance June 30, 2009	Current Portion
Electric System Revenue Taxable COP's, Series 2000AT	\$ 29,500,000	\$ 29,500,000	\$ -	\$ -	\$ 29,500,000	\$ -
Electric System Revenue COP's, Series 2000A	9,545,000	9,545,000	-	-	9,545,000	-
Telecom System Revenue Taxable COPs, Series 2002A	6,300,000	6,145,000	-	6,145,000	-	-
Telecom System Revenue Bond Anticipation Notes, Series 2004	33,000,000	33,000,000	-	33,000,000	-	-
2008 Truck (Altel Model AM-55) - Capital Lease	176,295	172,836	-	21,421	151,415	22,650
2009 Truck (Altel Model D3060) - Capital Lease	229,168	-	229,168	27,182	201,986	28,701
Loan from City of Alameda	2,200,000	2,200,000	-	-	2,200,000	2,200,000
Total long-term debt		<u>\$ 80,562,836</u>	<u>\$ 229,168</u>	<u>\$ 39,193,603</u>	<u>\$ 41,598,401</u>	<u>\$ 2,251,351</u>

#### B. *Description of Long-Term Debt Issues*

**Electric System Revenue Taxable Certificates of Participation, Series 2000AT** -- On April 6, 2000, AMP 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.

**Interest Rate Swap** -- On July 24, 2001, AMP entered into an interest rate swap agreement with UBS Warburg related to its \$29,500,000 Electric System Revenue Taxable COPs, Series 2000AT as a means to hedge the overall changes in cash flows associated with the auction rate bonds. The objective of the swap is to change the AMP's auction rate COPS to a synthetic fixed rate of 6.23%. Interest amounts are payable monthly. The auction rate market disruptions have resulted in AMP paying an additional 1.5% interest on the certificates since February, 2008. All principal and interest payments are to be made from AMP's operating revenues and are secured by a pledge of these revenues.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 5-LONG-TERM DEBT (CONTINUED)

Terms. The COPs and the swap agreement mature on July 1, 2010, and the swap's notional amount of \$29,500,000 matches the principal amount of the Electric System Revenue Taxable COPs, Series 2000AT. Under the terms of the swap, AMP pays the counterparty a fixed payment of 6.23% and receives a variable auction rate payment (unless a market disruption occurs, then USD-LIBOR-BBA). The variable rate of the COPs is based on an auction rate fluctuating around the one-month LIBOR rate.

Fair Value. At June 30, 2010 and 2009, the swap has a fair value of \$0 and a negative fair value of \$2,265,439, respectively. The interest rate swap was terminated on June 30, 2010 when the last payment was made to UBS Warburg.

Credit Risk. At June 30, 2010 and 2009, the AMP was not exposed to credit risk because the swap had zero and negative fair value, respectively.

Basis Risk. The swap exposes AMP to basis risk should the relationship between the LIBOR and auction rate index converge, changing the synthetic rate on the COPs. There is no basis risk as of June 30, 2010 due to termination of the interest rate swap.

Termination Risk. AMP or the counterparty may terminate the swap if either party fails to perform under the terms of the contract. The last payment in the interest rate swap was made on June 30, 2010 and as of this date the interest rate swap agreement was effectively terminated.

**Electric System Revenue Certificates of Participation, Series 2000A** -- On April 1, 2000, AMP 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. AMP 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 2. 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.

**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 AMP for the purpose of construction of the hybrid fiber-optic/coaxial telecom system. The loan is interest free and was due on June 1, 2009. The City and AMP are currently negotiating the payment terms for this loan.

**Capital Lease Obligation** - On June 1, 2008, AMP entered into a long-term contract for the lease of a vehicle for maintenance operations use. Total cost of the vehicle was \$176,295 and is due in monthly principal and interest installments of \$2,533 through June, 2015. Accumulated depreciation for the vehicle is \$39,718 as of June 30, 2010.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 5-LONG-TERM DEBT (CONTINUED)

**Capital Lease Obligation** - On July 18, 2008, AMP entered into a long-term contract for the lease of a vehicle for maintenance operations use. Total cost of the vehicle was \$229,168 and is due in monthly principal and interest installments of \$3,347 through July, 2015. Accumulated depreciation for the vehicle is \$46,453 as of June 30, 2010.

#### C. *Debt Service Requirements*

Annual debt service requirements for AMP's certificates of participation and capital leases are as follows:

For the Year Ending June 30	Principal	Interest
2011	\$ 2,254,167	\$ 1,091,235
2012	1,032,378	1,068,198
2013	1,150,781	1,035,726
2014	1,169,386	1,001,996
2015	1,288,204	965,117
2016-2020	7,386,990	4,237,622
2021-2025	9,965,000	3,023,063
2026-2030	13,935,000	1,364,819
2031	3,365,000	21,994
Total	<u>\$ 41,546,906</u>	<u>\$ 13,809,769</u>

### NOTE 6 - TRANSACTIONS WITH THE CITY OF ALAMEDA

The City Charter provides that AMP transfer to the City's General Fund certain excess earnings as defined in the Charter. In accordance with these provisions, AMP was not required to transfer any excess earnings to the City's General Fund. However, AMP Board approved a contribution of \$2,800,000 and \$2,800,000 to the City's General Fund during the years ended June 30, 2010 and 2009, respectively. This amount was contributed from the Electric Services Fund and not from the Telecom Services Fund.

AMP pays the City an annual amount equal to one percent of the net book value of AMP's utility plant in service at the previous fiscal year end. AMP paid \$1,241,623 and \$775,903 in lieu of taxes to the City during the fiscal years ended June 30, 2010 and 2009, respectively.

Disbursements by AMP to the City for services provided by the City for the years ended June 30, 2010 and 2009 were \$3,457,806 and \$3,935,075, respectively. Utility taxes collected by AMP and remitted to the City for the years ended June 30, 2010 and 2009 were \$2,977,338 and \$2,965,550, respectively.

Billings of electricity to the City for the years ended June 30, 2010 and 2009 were \$2,011,875 and \$1,978,355, respectively.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 7 - 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, 2010, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years of 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	30.827%	12.862%

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 Plans' assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. 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.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 7 - PERS PENSION PLAN (CONTINUED)

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

AMP's annual pension cost included with the City's annual pension cost is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2010	\$ 877,049	100%
6/30/2009	1,012,276	100%
6/30/2008	1,015,240	100%

All disclosures related to the City's pension plans can be found in City's Comprehensive Annual Financial Report (CAFR) available on the City's website [www.ci.alameda.ca.us](http://www.ci.alameda.ca.us) or at City of Alameda, Interim City Manager, 2263 Santa Clara Avenue, Alameda, California 94501.

#### **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 Municipal Power. 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.

### NOTE 8 –POSTEMPLOYMENT HEALTH CARE BENEFITS

*Plan Description.* The City provides medical and dental benefits to substantially all retirees under the City of Alameda Other Post Employment Benefit Plan, offered by California Public Employee Retirements Systems (CALPERS), an agent multiple-employer defined benefit healthcare plan.

The City contracts with CalPERS to administer its retiree health benefit plan. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The City chooses among the menu of benefit provisions and adopts certain benefit provisions by City Council resolution. The City is responsible for establishing and amending the funding policy of the Plan.

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 8 –POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2010, are summarized as follows:

	Miscellaneous	Safety/Appointed Officials
Eligibility	<ul style="list-style-type: none"> <li>• Service and disabled retire directly from the City</li> <li>• CalPERS requires age 50 &amp; 5 years of service</li> </ul>	
Medical Benefit	<ul style="list-style-type: none"> <li>• PEMHCA Minimum Employer Contribution</li> </ul>	<ul style="list-style-type: none"> <li>• City pays full premiums for retiree and spouse</li> <li>• PEMHCA Minimum Employer Contribution for police retiree if: Hired &lt; 7/1/1995 &lt;15 YOS (APOA only) Hired &lt; 7/1/1995 &lt;20 YOS (APOA &amp; APMA)</li> </ul>
	<ul style="list-style-type: none"> <li>• PEMHCA Minimum Employer Contribution: AB 2544</li> <li>5% of active contributions times years in PEMHCA (increase each year not greater than \$100 per month)</li> <li>Joined PEMHCA in 1992 for all bargaining units</li> <li>\$85.85/month in 2009</li> </ul>	
Dental Benefit	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Self insured: Delta Dental</li> <li>• City pays all cost for retiree</li> </ul>
Vision & Life	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
Surviving Spouse	<ul style="list-style-type: none"> <li>• Contribution continues to surviving spouse</li> </ul>	

*Funding Policy.* The City’s annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a closed basis. The plan members receiving benefits currently don’t make contributions.

*Annual OPEB Cost.* AMP contributed \$44,206 and \$44,206 towards the annual OPEB cost for the years ended June 30, 2010 and 2009, respectively.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### NOTE 8 –POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

#### *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.50% investment rate of return; (b) 3.25% projected annual salary increase, (c) 3% of general inflation increase; and (d) a healthcare trend of declining annual increases ranging from 8.4% to 9.3% in 2011 to 4.5% for years starting 2017. The actuarial methods and assumptions used include techniques that "smooth" the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period.

All disclosures related to the City's postemployment health care benefit plan can be found in City's Comprehensive Annual Financial Report (CAFR) available on the City's website [www.ci.alameda.ca.us](http://www.ci.alameda.ca.us) or at City of Alameda, Interim City Manager, 2263 Santa Clara Avenue, Alameda, California 94501.

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

#### *A. General*

AMP 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 AMP 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.

AMP 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.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

Amounts paid by AMP to NCPA during the years ended June 30, 2010 and 2009 for purchased power were \$26,935,656 and \$30,265,836, respectively. Amounts paid include payments for NCPA invoiced amounts received directly by NCPA from the Certificates of Participation 2000AT trustee. Additionally, purchased power was reduced by a refund of \$1,109,747 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR), and a \$2,211,428 reduction for year-end balancing account adjustments.

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

Effective July 1, 1998, AMP 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:

	Year ended June 30	
	2010	2009
Beginning balance	\$ 24,185,546	\$ 21,652,807
Increase in equity in NCPA projects	38,959	2,532,739
Ending balance	<u>\$ 24,224,505</u>	<u>\$ 24,185,546</u>

AMP's interest in NCPA Projects and Reserve, as computed by NCPA, is set forth below:

	June 30	
	2010	2009
General Operating Reserve	\$ 20,826,445	\$ 19,565,125
Purchased Power & Transmission	390,333	194,550
Associated Member Services	(1,033)	(9,718)
Net book value of amounts contributed to fund		
Alameda Municipal Power's share of NCPA power		
Geothermal Projects/Power Line	1,881,078	3,407,945
Calaveras Hydroelectric Project	631,046	470,741
Combustion Turbine Project No. 1	36,330	270,162
Combustion Turbine Project No. 2	460,306	286,741
	<u>\$ 24,224,505</u>	<u>\$ 24,185,546</u>

The General Operating Reserve represents AMP'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 AMP has left them with NCPA as a reserve against contingencies identified by NCPA.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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### NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

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 AMP is a Participant***

##### ***Geothermal Projects***

A power purchase agreement with NCPA obligates AMP 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. AMP is obligated to pay 17.05407% of the operating costs of both plants. NCPA continues to pursue alternatives for improving and extending steam field reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA has increased steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations.

In 1987, NCPA issued the 1987 Refunding Series A for \$606,555,000. The 1987 Refunding Series A bond was defeased in 2009. In 1993, NCPA issued the 1993 Refunding Series A and B for \$254,530,000. In 2009, NCPA issued the Refunding Series A for \$35,610,000 to improve the Unit 4 steam path, provide for the Middletown booster pump solar project, provide for the Southeast Treatment plant solar project, make a contribution to the Debt Service Reserve Account, and to pay the cost of issuance of the 2009 Series A bonds.

AMP 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, 2010, the book value of this Project's plant, equipment and other assets was \$112,318,253 while its long-term debt totaled \$36,325,366 and other liabilities totaled \$64,964,186. AMP's share of the Project's long-term debt and other liabilities amounted to \$17,258,572 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 AMP 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. AMP 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.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

At June 30, 2010, the book value of this Project's plant, equipment and other assets was \$884,772 while its long-term debt totaled \$0, and other liabilities totaled \$884,776. AMP's share of the Project's long-term debt and other liabilities amounted to \$268,609 at that date.

#### *Calaveras Hydroelectric Project*

NCPA contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982 and also has an option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants.

During fiscal year 2009, NCPA reduced its obligations on the 1992 Refunding Series A by \$7,105,000 and reduced its 1993 Refunding Series A obligations by \$260,000. In March 2008, NCPA issued the 2008 Refunding Series A for \$85,160,000 and the 2008 Taxable Refunding Series B for \$3,165,000 in variable rate demand bonds for the purpose of providing funds, together with other available moneys, to refund a portion of outstanding Hydroelectric Project Number One Revenue Bonds, 1998 Refunding Series A and to pay costs of issuance of the 2008 Bonds and other costs relating to the refunding of the refunded 1998 Bonds. The refunding was done in order to realize debt service savings under the 2004 Swap Agreement.

Additionally, in response to credit market upheavals and to ensure debt service certainty, in July 2008 the Agency refunded (or purchased from the liquidity providers) the 2002 Hydroelectric Refunding Revenue Bonds Series A & B and the 2003 Hydroelectric Refunding Revenue Bonds Series A & B with outstanding principal of \$140,200,000. The associated interest rate swaps were terminated on July 9, 2008. The refunding was completed through the issuance of \$128,005,000 fixed rate tax exempt debt (2008 Series C) and \$9,505,000 fixed rate taxable debt (2008 Series D). The payment of principal and interest on these issues are covered by financial guaranty insurance policies issued by Assured Guaranty. In 2010, the NCPA issued the 2010 Refunding Series A for \$101,260,000 and 2010 Refunding Series B obligations for \$8,025,000 for the purpose of providing funds to refund the Refunded 1998 Bonds, to deposit the respective 2010 Series debt service reserve account and to pay the cost of issuance of the 2010 Bonds.

Under its power purchase agreement with NCPA, AMP is obligated to pay 10% of this Project's debt service and operating costs. The project entitlement share on the Hydroelectric Projects funded with the 2008 Refunding Series C and 2008 Taxable Refunding Series D obligations is 10.9774%. At June 30, 2010, the book value of this Project's plant, equipment and other assets was \$497,658,246, while its long-term debt totaled \$461,663,074 and other liabilities totaled \$29,684,713. AMP's share of the Project's long-term debt and other liabilities amounted to \$49,134,778 at that date.

#### *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 and provides reserve and peaking power. 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, AMP is obligated to pay 13.092% of this Project's debt service and operating costs. At June 30, 2010, the book value of this Project's plant,

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

equipment and other assets was \$7,721,922 while its long-term debt totaled \$0, and other liabilities totaled \$7,444,424. AMP's share of the Project's long-term debt and other liabilities amounted to \$974,624 at that date.

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

AMP is a participant in NCPA's 49.8 megawatt Steam Injected Gas Turbine (STIG) 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 distribution 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. In 2010, the NCPA issued 2010 Refunding Series A Bonds for \$ \$55,120,000 for the purpose of providing funds to refund all of the Refunded 1999 Bonds, to fund a deposit to the 2010 Series debt service reserve account and to pay cost of issuance of the 2010 Series A Bonds. Under the NCPA power purchase agreement, AMP is obligated to pay 19.00% of the debt service and operating costs for the TIG project.

AMP'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, AMP and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. AMP is obligated to pay 19.0%.

At June 30, 2010, the book value of this Project's plant, equipment and other assets was \$63,197,285 while its long-term debt totaled \$57,636,174 and other liabilities totaled \$3,138,447. AMP's share of the Project's long-term debt and other liabilities amounted to \$11,547,177 at that date.

#### ***Graeagle Hydroelectric Project***

AMP'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 through January 2010. AMP receives 50% of the power output from this small hydroelectric project. Beginning on January 1, 2010, AMP agreed to purchase 100% of the output.

#### ***Western Area Power Administration***

AMP has an allocation of power from the Federal Central Valley Project generating resources contracted through the U.S. Department of Energy's Western Area Power Administration. This allocation has been temporarily assigned to NCPA for scheduling and delivery to AMP. AMP pays 1.08075% of the base resource costs and receives that amount of the base resource.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### *Other Power Purchase Agreements*

AMP has also entered into a number of other power purchase agreements which are scheduled by or through NCPA.

#### *Morgan Stanley Power Purchase Contract*

In April 2002, AMP 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 firm power 24-hours per day.

#### *Highwinds Project Power Purchase*

In December 2004, AMP entered into a long-term power purchase agreement with PPM Energy, Inc. for power supplied by the Highwinds Project in Solano County, California. In 2008, Iberdrola Renewables succeeded PPM Energy as the seller counterparty for this power purchase agreement. AMP receives 6.17% of the output of the 162 megawatt project (nameplate rating) or 10 megawatts as delivered through June 30, 2028.

#### *Landfill Gas Projects Power Purchase*

Since 2004, AMP has entered into four long-term power purchase agreements for power supplied by multiple generating facilities. These facilities utilize combustible gaseous emissions from landfills, located in or near the San Francisco Bay area to create power. AMP began receiving nearly 3.45 megawatts of base-load power from the first 2 facilities in 2004 and early 2006. An additional 5.2 megawatts of base-load output was added to AMP's portfolio in April 2009 when the Ox Mountain facility commenced operation. An additional 1.9 megawatts of power was added to AMP's portfolio as the Keller Canyon facility commenced base-load operation in August 2009.

#### *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), AMP 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 AMP has its own generating resources and is not heavily dependent on the wholesale market to purchase power, it was not negatively impacted by these price swings.

In April 2008, the California Independent System Operator (CAISO) launched a new wholesale market structure in the state. The new structure is referred to as the Market Redesign and Technology Upgrade (MRTU) initiative and features a day-ahead energy market with a nodal locational marginal priority regime. The MRTU initiative has introduced new risks and uncertainties for AMP. To establish the extent of the risk and identify its impact to rates, AMP is closely monitoring the new structure's performance and costs.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### **NOTE 9 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)**

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 Financial Information***

NCPA's financial statements can be obtained from NCPA, 651 Commerce Drive, Roseville, CA 95678.

### **NOTE 10 - TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC)**

AMP is a member of a joint powers agreement with fourteen 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. According to the 1985 Project Agreement with TANC for the development of the COTP and subsequent related project agreements, AMP 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.

AMP is obligated to pay 1.333% of TANC's debt-service related to the California Oregon Transmission Project (COTP). AMP's entitlement share on COTP is 1.227% and AMP is obligated to pay 1.227% of the project's operating costs. AMP's share on the 2009 Series A bonds is 1.4496%. AMP is not obligated for any portion of the 2009 Series B bonds. These obligations provide AMP with a COTP transfer capability of 17.05 MW. AMP is also obligated to pay for a portion of the debt associated with the South of Tesla transmission which is provided under an agreement between TANC and Pacific Gas & Electric Company.

In May 2009, TANC issued \$67.0 million of tax-exempt 2009 Series A bonds and \$61.8 million of taxable 2009 Series B bonds. The proceeds of the Series A bonds were used to retire a bank loan that refinanced \$30.3 million of TANC's tax-exempt commercial paper and also to refund \$34.7 million of TANC's 2003 Series C Auction Rate Securities. The proceeds of the Series B bonds were used to retire a bank loan that refinanced \$56.3 million of TANC's taxable commercial paper. The 2009 refunding increased future aggregate debt service payments by \$19.3 million, but resulted in a total economic gain of \$6.5 million, the difference between present value of the old and new debt service payments. TANC has issued Revenue Bonds for \$435,790,000 and eliminated its obligations for the Tax Exempt Commercial Paper notes. As of June 30, 2010 and 2009, AMP's share of this debt is \$4,871,996 and \$5,348,015, respectively.

#### ***TANC Financial Information***

TANC's financial statements can be obtained from TANC, P.O. Box 15129, Sacramento, CA 95851 or from their website at <http://www.tanc.us/content/blogsection/10/70/>.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### NOTE 11 - RISK MANAGEMENT

AMP, as a component unit of the City, participates in the City's risk management program. The City manages risk by participating in two public entity risk excess pools 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 these risk pools are not AMP's or the City's responsibility.

AMP has not reduced its risk pool insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

#### **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 \$5,000,000 and provides additional coverage up to statutory limits. The City has a deductible or uninsured liability of up to \$350,000 per claim. During the fiscal year ended June 30, 2010 and 2009, AMP contributed \$70,113 and \$68,452 for the coverage, respectively.

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.

The City is also a member of the California Joint Powers Risk Management Authority (CJPRMA), an excess risk-sharing pool providing general liability, auto liability, physical vehicle damage, property and boiler and machinery insurance coverage. For the liability policies, the Authority provides \$40,000,000 in coverage subject to a retained limit of \$500,000. The physical vehicle damage coverage covers both owned and leased vehicles valued at \$25,000 or more, subject to a \$10,000 deductible. With regard to the property and boiler and machinery coverage, the Authority provides "all risk" (excluding flood and quake) replacement cost coverage subject to a \$25,000 deductible.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 11 - RISK MANAGEMENT (CONTINUED)

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

Type of Coverage	Coverage Limits
Excess General Liability	\$ 40,000,000
Auto - Physical damage	Actual Cash Value
Workers' Compensation	Statutory, w/ \$5,000,000 in Employer's Liability
Boiler & Machinery	Replacement Cost
Computer Software	Self-Insured
Property	Replacement Cost
Terrorism	\$ 10,000,000

Financial statements for the workers' compensation excess risk pool may be obtained from LAWCX, c/o Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621. Financial statements for the liability/property excess risk pool may be obtained from CJPRMA, 3252 Constitution Drive, Livermore, CA 94551.

#### **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, AMP 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 independent actuary, is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	2010	2009
Beginning balance	\$ 1,004,524	\$ 1,113,545
Change in liability for current and prior fiscal	160,635	135,031
Payments made on claims	<u>(183,653)</u>	<u>(244,052)</u>
Ending balance	\$ 981,506	\$ 1,004,524
Less Current Portion	<u>(245,000)</u>	<u>(245,000)</u>
Long-term Portion	<u>\$ 736,506</u>	<u>\$ 759,524</u>

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 12 - NET ASSETS

#### A. *Net Assets*

Net Assets is the excess of all AMP'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 AMP's capital assets, less the outstanding balance of any debt issued to finance these assets.

*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 AMP 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 consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Designated for investment in NCPA projects and reserves	\$ 24,224,505	\$ 24,185,546
Designated for special purposes	5,372,921	4,729,290
Undesignated	<u>13,125,517</u>	<u>12,189,026</u>
Total Unrestricted	<u>\$ 42,722,943</u>	<u>\$ 41,103,862</u>

### NOTE 13 - COMMITMENTS

#### A. *Take -or- Pay Agreements*

Under the terms of its NCPA and TANC joint venture agreements, AMP is liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Notes 8 and 9. AMP's estimated share of such debt outstanding at June 30, 2010 was \$103,616,000. Under certain circumstances, AMP 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, AMP 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 MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### NOTE 13 - COMMITMENTS (CONTINUED)

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

Project	Debt Expiration	Entitlement Share %	Debt service %
NCPA - Geothermal Project (NGP)	Jul-2024	16.8825%	17.054%
NCPA - Geysers Transmission Project (NGTP)	Jul-2011	30.359%	30.359%
NCPA - Combustion Turbine Project # 1 (NCT1)	Jul-2011	13.092%	13.092%
NCPA - Calaveras Hydroelectric Project (NCHP)	Jul-2032	10.000%	10.000%
NCPA - Capital Facilities Project (NCFP)	Jul-2026	19.000%	19.000%
TANC - CA-OR Transmission Project (COTP)	May-2024	1.227%	1.330%

A summary of the AMP's "Take or Pay" contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2010 is as follows:

Fiscal Year	NGP	NGTP	NCT1	NCHP	NCFP	COTP	Total
2011	\$ 4,878,881	\$ 248,600	\$ 494,188	\$ 1,966,770	\$ 194,626	\$ 269,653	\$ 8,052,718
2012	615,586	20,860	46,510	3,636,363	565,456	326,670	5,211,445
2013	615,961	-	-	3,866,717	1,015,249	327,480	5,825,407
2014	617,530	-	-	4,093,618	1,070,463	328,470	6,110,081
2015	617,701	-	-	3,969,707	1,079,908	329,500	5,996,816
2016-2020	3,098,352	-	-	19,171,515	5,398,631	2,134,310	29,802,808
2021-2025	3,115,995	-	-	19,858,502	5,442,703	2,047,416	30,464,616
2026-2030	-	-	-	11,202,735	292,637	-	11,495,372
2031-2033	-	-	-	6,705,232	-	-	6,705,232
Total	\$ 13,560,006	\$ 269,460	\$ 540,698	\$ 74,471,159	\$ 15,059,673	\$ 5,763,499	\$ 109,664,495

### B. Lease Agreement with Alameda Reuse and Redevelopment Authority

In June 2009, AMP 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, 2009 and expiring on May 30, 2011. AMP will occupy the premises for minimum monthly payments of \$1,083 and \$11,103 respectively.

### NOTE 14 - EXTRAORDINARY ITEMS

The Public Utilities Board recommended and City Council directed at its November 18, 2008 meeting that the telecommunication system be sold effective November 21, 2008 at a price significantly less than the aggregate carrying values of the Telecommunication Division's assets.

Alameda Municipal Power has been in negotiations with holders of its 2004 Notes, Vectren Communication Services, Inc. regarding the 2002 Certificates of Participation and with the City of Alameda regarding a City loan, all of which were used to finance or refinance the Telecommunications Division capital assets and operations, in an attempt to negotiate settlement of the remaining debt service due to such parties. Certain debt holders have filed suit seeking damages arising from the City's obligations under the aforementioned agreements and from issuance of the 2004 Notes.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010 AND 2009**

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### NOTE 14 - EXTRAORDINARY ITEMS (CONTINUED)

The agreements that govern the 2004 Notes and the 2002 Certificates of Participation limit the repayment of these obligations to Net Revenues generated by the Telecom System, and subordinate the 2002 Certificates of Participation to the 2004 Notes. The Telecom System did not generate Net Revenues in 2005, 2006 or 2007. The sale of the Telecom System in 2008 generated sale proceeds that were categorized as Net Revenues, and were distributed to the holders of the 2004 Notes. There are no further Net Revenues available for the remaining amounts claimed by Vectren Communications Services, Inc. with respect to the 2002 Certificates of Participation.

### NOTE 15 - CONTINGENT LIABILITIES

#### **A. *Lawsuits and Litigation***

AMP 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 AMP.

#### **B. *Vectren Communications Services***

In June, 2008, AMP, along with the City of Alameda, was named as a defendant in a suit filed by Vectren Communication Services, Inc. in the United States District Court for the Northern District of California. Vectren's suit alleges that the City breached its obligation under the 2004 Installment Sale Agreement to manage the Telecom System properly and to charge appropriate rates, resulting in the non-payment of installments from net telecom revenues totaling \$6.3 million, plus accrued interest at the 9% default rate, for total damages of approximately \$10 million. Vectren amended its' complaint in early 2009 to allege an additional breach of contract claim, based upon AMP's sale of the Telecom System to Comcast in November 2008, without Vectren's consent. Fact discovery in the case is now complete, and the case proceeded to a jury trial in February and March 2010, following which the jury returned a verdict in Vectren's favor for \$1.95 million. Both sides have filed post-trial motions for judgment as a matter of law, which were argued in July 2010 and remain under submission with the Court. Depending on the outcome of these motions, AMP is considering an appeal of the judgment. In addition to the jury award, Vectren claims costs of suit against AMP totaling approximately \$115,000. On August 4, 2010, the Court Clerk reduced Vectren's costs bill to \$79,688. AMP has filed a motion challenging the award of costs, which will be heard on October 25, 2010.

#### **C. *Nuveen Municipal High Income Opportunity Fund***

On October 1, 2008, the City of Alameda filed an action for declaratory relief in the United States District Court for the Northern District of California against the Nuveen Municipal High Income Opportunity Fund, the Nuveen Municipal Trust on behalf of its series Nuveen High Yield Municipal Bond Trust, and Pacific Specialty Insurance Co. (Nuveen), in response to Nuveen's threats of litigation. This action arises out of the AMP's issuance in 2004 of \$33 million in Revenue Bond Anticipation Notes to refinance existing obligations and provide funds for completion of the Telecom System. On October 16, 2008, Nuveen filed a counter claim against AMP alleging violations of state and federal securities law, arising from the City's issuance of the Notes, seeking damages which Nuveen alleges to exceed \$11 million. In response to AMP's motion to dismiss, Nuveen amended its counterclaim on May 29, 2009, and discovery has now commenced.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### NOTE 15 - CONTINGENT LIABILITIES (CONTINUED)

A preliminary settlement conference was conducted on October 28, 2009, a second settlement conference in March 2010, and further settlement conference on July 20, 2010. Fact discovery was completed on October 15, 2010. AMP is evaluating the potential for summary judgment against Nuveen on some or all of its claims. The Nuveen case is set for trial in March 2011.

Although no assurances can be given and no determination can be made at this time as to the outcome of Nuveens' claims, AMP and the City Attorney believes there are meritorious defenses to all of the above claims and that any liability which may finally be determined should not have a material adverse effect on AMP's financial position, results of operations or cash flows.

#### **D. *Bernard Osher Trust***

On April 1, 2009, a lawsuit was filed against the City/AMP, also arising from issuance of the 2004 Revenue Bond Anticipation Notes, by Bernard Osher Trust (Osher). Similar to the Nuveen action, Osher alleges violations of state and federal securities laws arising from issuance of the Notes. Osher claims damages of approximately \$4.7 million. A preliminary settlement conference was conducted on October 28, 2009, a second settlement conference in March 2010, and further settlement conference on July 20, 2010. Fact discovery was completed on October 15, 2010. On September 28, 2010, the City filed a motion for summary judgment on all of Osher's claims against it. The motion is scheduled for hearing on December 14, 2010. The Osher case is set for trial in March 2011.

Although no assurances can be given and no determination can be made at this time as to the outcome of Oshers' claims, AMP and the City Attorney believes there are meritorious defenses to all of the above claims and that any liability which may finally be determined should not have a material adverse effect on AMP's financial position, results of operations or cash flows.

### NOTE 16 – SUBSEQUENT EVENTS

Management has considered subsequent events through November 8, 2010, the date which the financial statements were available to be issued.

#### ***Revenue Bonds, Series 2010A and Taxable Revenue Bonds, Series 2010B***

On August 4, 2010, Alameda Municipal Power issued \$8,700,000 in Revenue Bonds, Series 2010A, and \$22,985,000 in Taxable Revenue Bonds, Series 2010B. Proceeds will be used to prepay the outstanding Electric System Revenue Certificates of Participation, Series 2000A, and the Electric System Revenue Taxable Certificates of Participation, Series 2000AT; and to fund a deposit to the common reserve account and pay the costs of issuance of the 2010 Bonds.

The interest rates on the Revenue Bonds, Series 2010A range from 4.375% to 5.25% and the maturity date is July 1, 2030. The interest rates on the Taxable Revenue Bonds, Series 2010B range from 1.829% to 6.517% and the maturity date is July 1, 2027.

## STATISTICAL SECTION

This part of the Alameda Municipal Power's (AMP) 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 AMP'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 AMP'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 AMP'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 AMP's current levels of outstanding debt and AMP'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 AMP's financial activities take place:

1. Demographic and Economic Statistics
2. Top Ten Customers and Top Ten City Principal Employers

### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in AMP's financial report relates to the services that AMP provides and the activities it performs:

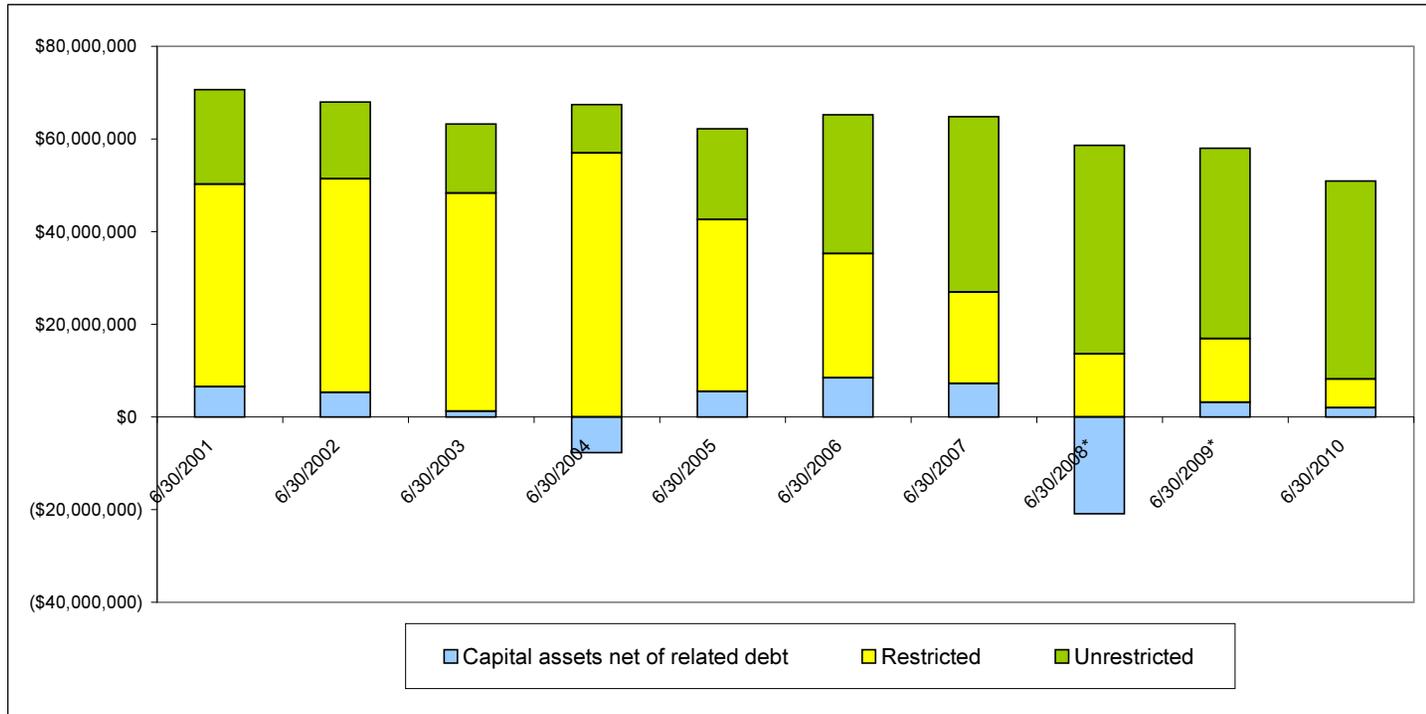
1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function – Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

### ***Sources***

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

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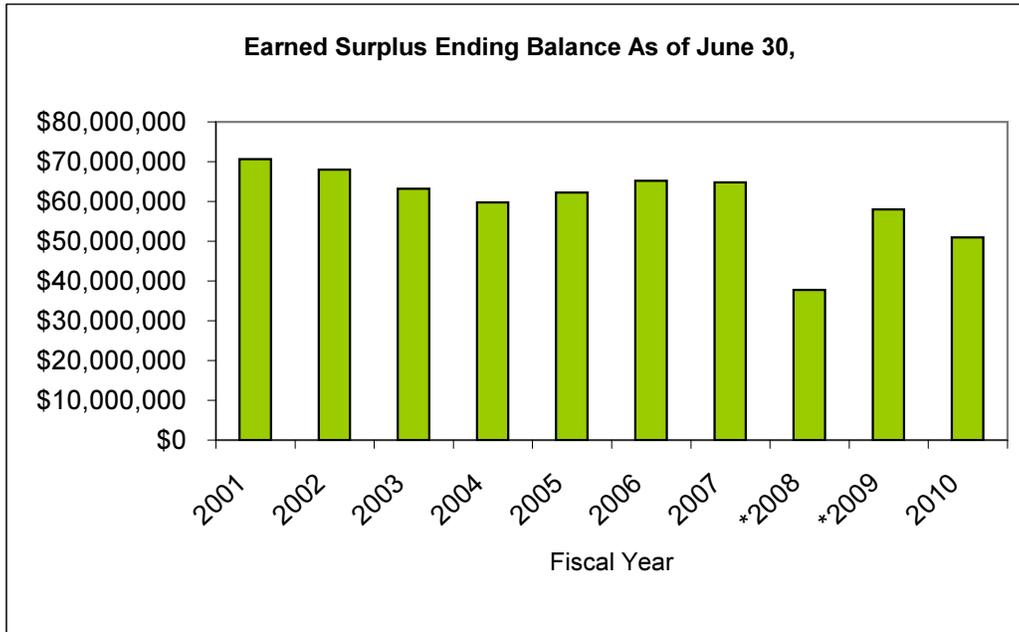
**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS**



	<b>Fiscal Year Ended,</b>									
	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008*	6/30/2009*	6/30/2010
Business-type activities										
Invested in capital assets, net of related debt	\$6,524,159	\$5,267,472	\$1,203,051	(\$7,667,456)	\$5,528,260	\$8,470,239	\$7,245,463	(\$20,919,290)	\$3,179,206	\$1,973,395
Restricted	43,686,646	46,152,168	47,110,487	57,004,268	37,084,571	26,795,112	19,671,304	13,631,215	13,736,657	6,226,879
Unrestricted	20,447,213	16,544,669	14,893,551	10,406,476	19,597,383	29,935,937	37,878,629	45,019,091	41,103,862	42,722,943
<b>Total business-type activities net assets</b>	<b>\$70,658,018</b>	<b>\$67,964,309</b>	<b>\$63,207,089</b>	<b>\$59,743,288</b>	<b>\$62,210,214</b>	<b>\$65,201,288</b>	<b>\$64,795,396</b>	<b>\$37,731,016</b>	<b>\$58,019,725</b>	<b>\$50,923,217</b>

\* Net assets were restated to include assets related to unbilled revenue at end of fiscal year.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
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
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
*2008	\$ 57,818,781	\$ 54,595,883	\$ 3,222,898	\$ (32,035,753)	\$ (28,812,855)	\$ 66,543,871	\$ 37,731,016
*2009	\$ 53,507,364	\$ 53,619,296	\$ (111,932)	\$ 20,400,641	\$ 20,288,709	\$ 37,731,016	\$ 58,019,725
2010	\$ 48,953,054	\$ 49,765,687	\$ (812,633)	\$ (6,283,875)	\$ (7,096,508)	\$ 58,019,725	\$ 50,923,217

\*Information was restated to include assets related to unbilled revenue at end of fiscal year.

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

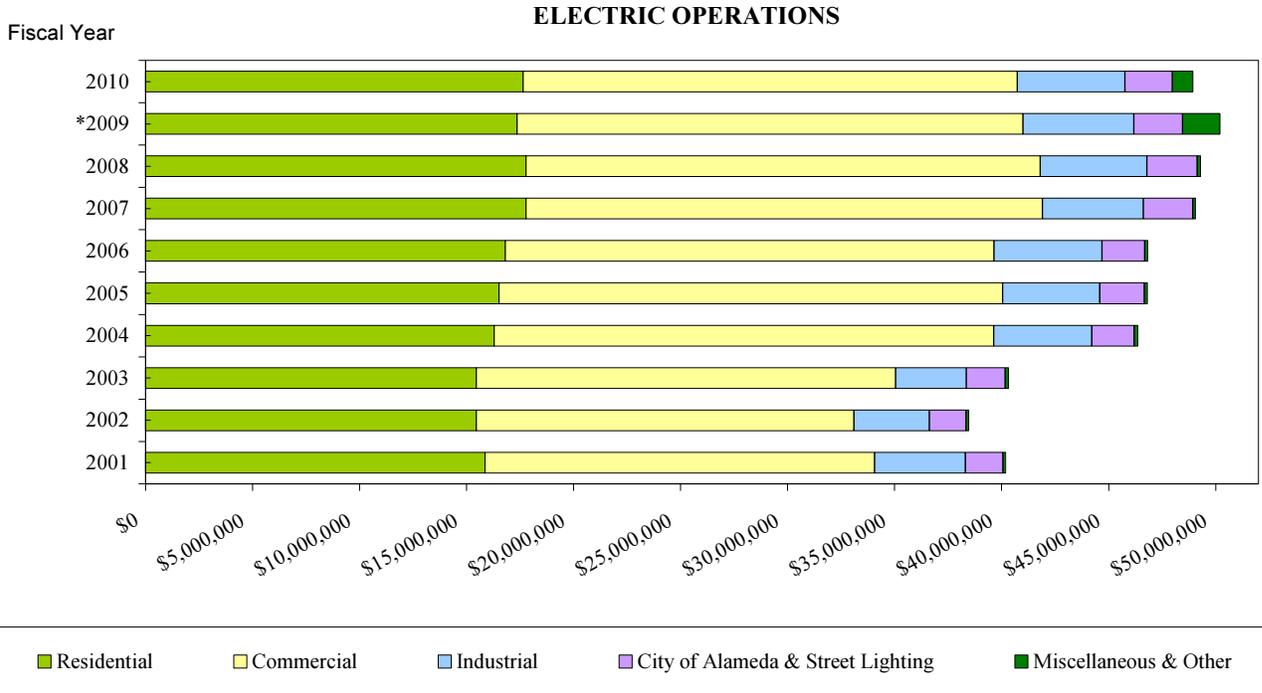
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Earned Surplus	
						Beginning Balance	Ending Balance
2001	\$ 40,203,399	\$ 35,124,709	\$ 5,078,690	\$ 3,828,201	\$ 8,906,891	\$ 68,831,537	\$ 77,738,428
2002	\$ 38,474,925	\$ 30,560,315	\$ 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
*2008	\$ 49,309,667	\$ 43,339,806	\$ 5,969,861	\$ (42,662,307)	\$(36,692,446)	\$ 99,354,582	\$ 62,662,136
*2009	\$ 50,210,280	\$ 48,510,671	\$ 1,699,609	\$ (3,987,119)	\$ (2,287,510)	\$ 62,662,136	\$ 60,374,626
2010	\$ 48,948,051	\$ 44,335,383	\$ 4,612,668	\$ (9,018,154)	\$ (4,405,486)	\$ 60,374,626	\$ 55,969,140

\*Information was restated to include assets related to unbilled revenue at end of fiscal year.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CHANGES IN EARNED SURPLUS OF TELECOMMUNICATIONS 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
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)
2008	\$ 8,509,114	\$ 11,256,077	\$ (2,746,963)	\$ 10,626,554	\$ 7,879,591	\$ (32,810,711)	\$ (24,931,120)
2009	\$ 3,297,084	\$ 5,108,625	\$ (1,811,541)	\$ 24,387,760	\$ 22,576,219	\$ (24,931,120)	\$ (2,354,901)
2010	\$ 5,003	\$ 5,430,304	\$ (5,425,301)	\$ 2,734,279	\$ (2,691,022)	\$ (2,354,901)	\$ (5,045,923)

**CITY OF ALAMEDA**  
**ALAMEDA MUNICIPAL POWER**  
**ELECTRIC OPERATING REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

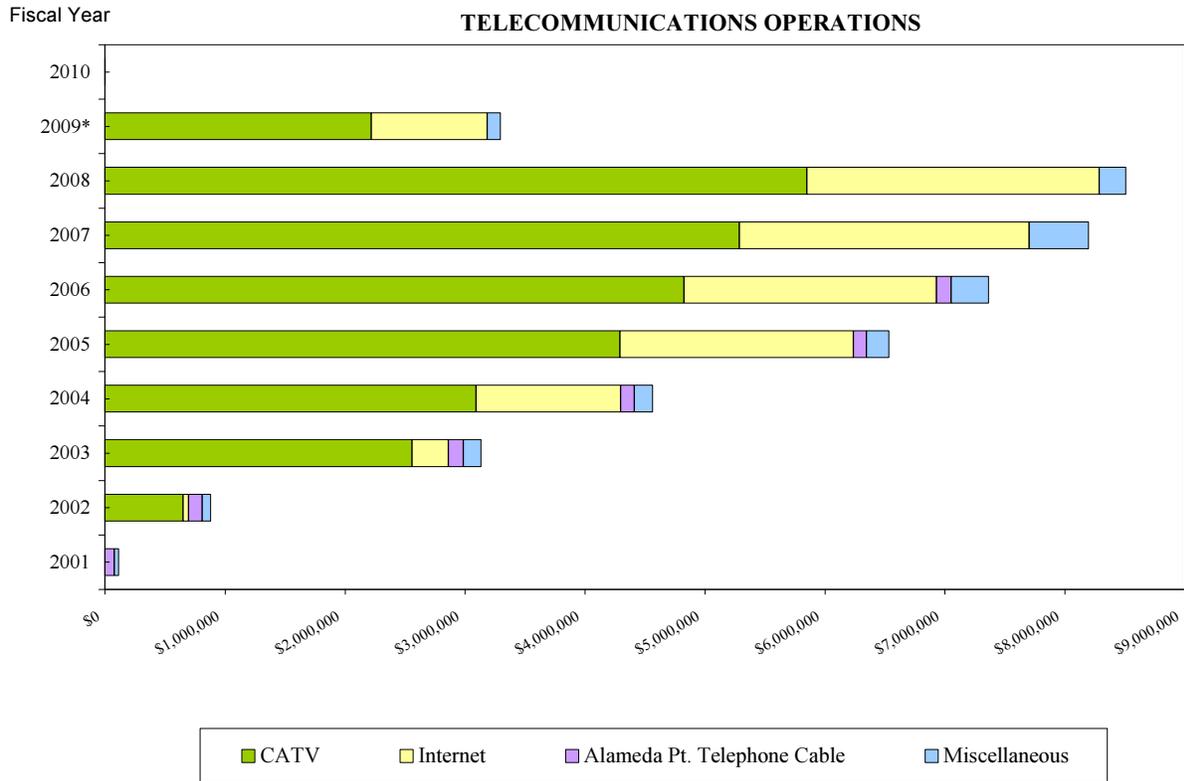


Fiscal Year	Sales of Electricity						*Plant Lease & Jobbing Sales	Total
	Residential	Commercial	Industrial	City of Alameda	Street Lighting/Other	Miscellaneous Services		
2001	\$15,861,629	\$18,204,667	\$4,242,193	\$1,469,692	\$293,510	\$131,708	\$40,203,399	
2002	\$15,461,290	\$17,647,770	\$3,514,836	\$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	
2008	\$17,783,232	\$24,021,704	\$4,982,103	\$1,897,547	\$456,320	\$168,761	\$49,309,667	
*2009	\$17,365,563	\$23,644,464	\$5,175,117	\$1,820,996	\$451,524	\$603,419	\$50,210,280	
2010	\$17,647,604	\$23,090,891	\$5,026,286	\$1,749,835	\$461,947	\$643,929	\$48,948,051	

\* FY2009 informations was restated to conform to FY 2010 presentation.

Fiscal Year	Kilowatt- Hour Sales						Peak Demand (KW)
	Residential	Commercial	Industrial	City of Alameda	Street Lighting/Other	Total KWH	
2001	136,387,481	182,718,187	47,884,130	14,042,226	2,092,489	383,124,513	68,805
2002	132,994,407	176,305,447	41,996,906	13,286,156	2,252,430	366,835,346	67,178
2003	132,832,917	183,899,028	34,656,956	13,835,820	2,297,249	367,521,970	70,431
2004	137,229,341	184,756,585	40,788,618	14,740,088	2,337,963	379,852,595	68,085
2005	138,340,569	183,079,652	39,581,653	14,166,870	3,159,986	378,328,730	71,235
2006	139,398,004	175,347,031	46,068,294	14,082,202	2,896,507	377,792,038	66,360
2007	142,352,676	187,611,044	41,255,006	14,916,186	3,151,663	389,286,575	70,891
2008	142,718,493	187,720,577	43,966,176	15,202,494	3,212,483	392,820,223	71,937
2009	140,048,081	184,300,489	45,611,047	14,675,829	3,041,330	387,676,776	76,250
2010	142,109,998	179,960,145	44,243,371	13,598,342	3,207,924	383,119,780	73,712

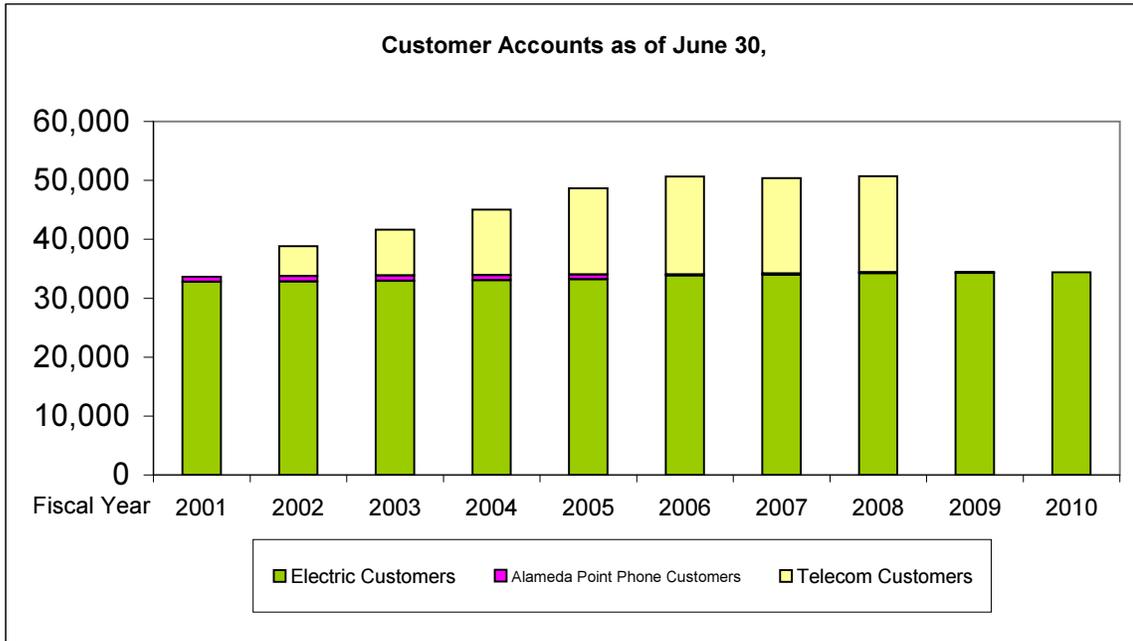
**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
TELECOMMUNICATIONS OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**



Fiscal Year	Cable Television	Internet	Alameda Point Telephone	Miscellaneous	Total
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
2008	\$5,850,854	\$2,433,976	No longer grouped with Telecom	\$224,284	\$8,509,114
2009*	\$2,219,610	\$964,513	Not Applicable	\$112,961	\$3,297,084
2010	\$0	\$0	Not Applicable	\$5,003	\$5,003

\*Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
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
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
2008	30,084	3,750	12	38	333	34,217
2009	30,119	3,782	11	27	333	34,272
2010	30,191	3,818	18	30	342	34,399

**Number of Telecommunications and Alameda Point Telephone Customer Accounts:**

Fiscal Year	Cable TV	Internet Data	Telecommunications* Customer Accounts	Alameda Point Telephone** Customer Accounts
2001	-	-	-	898
2002	4,321	764	5,085	898
2003	5,645	2,163	7,808	900
2004	7,677	3,447	11,124	877
2005	9,433	5,198	14,631	831
2006	10,185	6,421	16,606	164
2007	9,577	6,624	16,201	173
2008	9,285	7,031	16,316	185
2009	-	-	-	205
2010	-	-	-	223

\*Telecommunication operation was sold in November 2008

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

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
PRICING CHANGES**

**Electric Rate Changes**

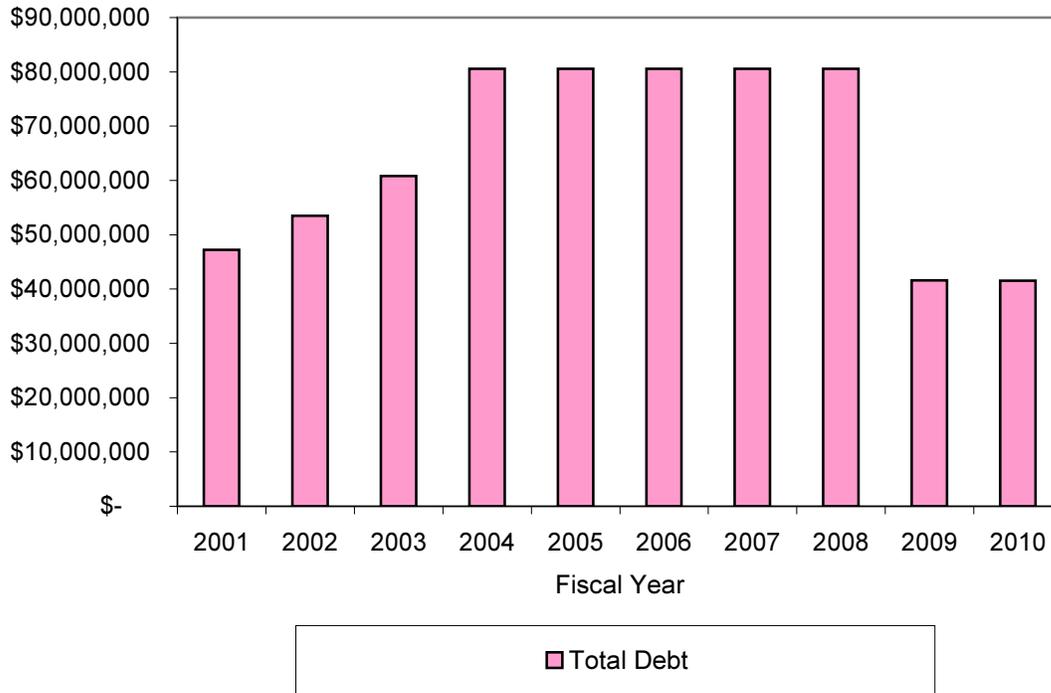
<u>Date</u>	<u>Percent Change</u>	
March 1, 1994	6.40%	
April 1, 1996	0.90%	
August 1, 2002	4.10%	
August 1, 2003	11.51%	
July 1, 2004	0.13%	
July 1, 2005	0.89%	
July 1, 2006	0.56%	
July 1, 2008	0.70%	(State Mandated Solar Program)
July 1, 2009	0.09%	(2.5% MU-1 rate increase)
July 1, 2010	3.70%	

**Telecommunications Rate Changes**

<u>Date</u>	<u>Cable TV Percent Change</u>	<u>Internet Data Percent Change</u>
October 1, 2002	6.00%	N/A
October 1, 2003	4.27%	0.00%
October 1, 2004	6.10%	0.00%
August 5, 2005	5.60%	0.00%
January 7, 2007	7.80%	0.00%
October 7, 2007	6.40%	0.00%
October 7, 2008	6.77%	7.65%

Telecommunication operation was sold in November 2008

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

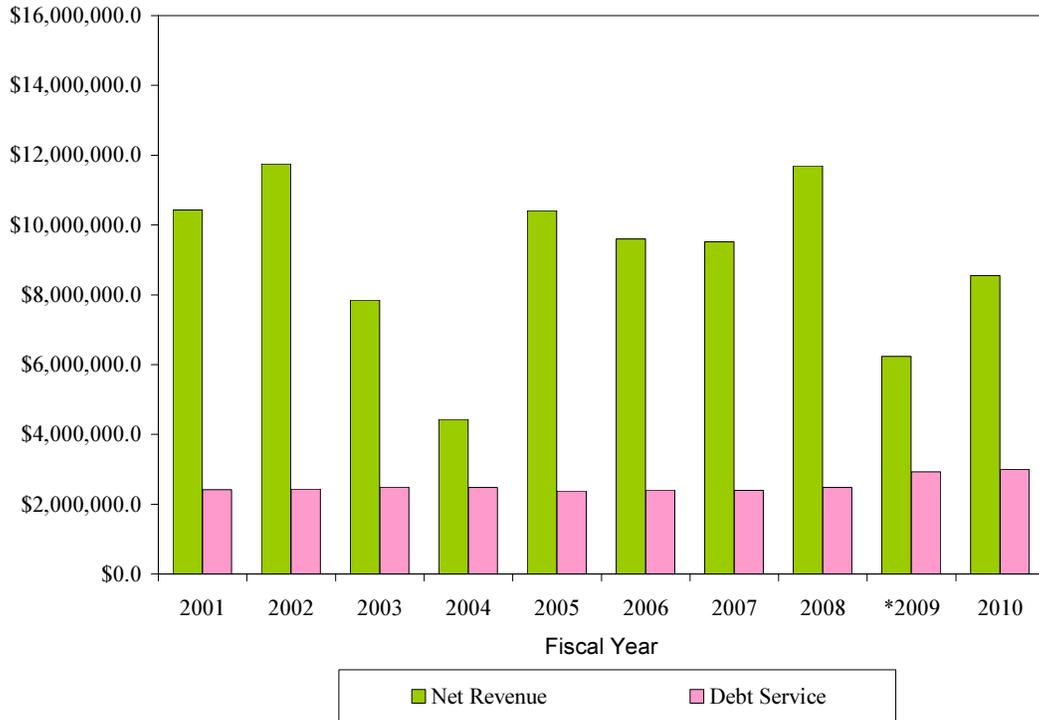


Fiscal Year	Revenue Bonds		Loans and	Total	Per Customer Accounts	Per Capita (a)
	Certificates of Participation	Anticipation Notes	Lease Purchases			
2001	\$ 47,230,420			\$ 47,230,420	\$1,441.49	\$ 653.63
2002	\$ 53,502,437			\$ 53,502,437	\$1,410.26	\$ 734.85
2003	\$ 60,836,611			\$ 60,836,611	\$1,492.37	\$ 830.65
2004	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	\$1,822.99	\$ 1,099.17
2005	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	\$1,684.37	\$ 1,106.66
2006	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	\$1,595.74	\$ 1,106.98
2007	\$ 45,345,000	\$ 33,000,000	\$ 2,200,000	\$ 80,545,000	\$1,604.80	\$ 1,106.27
2008	\$ 45,190,000	\$ 33,000,000	\$ 2,372,836	\$ 80,562,836	\$1,594.26	\$ 1,098.20
2009	\$ 39,045,000	\$ -	\$ 2,553,401	\$ 41,598,401	\$1,213.77	\$ 561.90
2010	\$ 39,045,000	\$ -	\$ 2,501,906	\$ 41,546,906	\$1,207.79	\$ 555.92

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

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

**ELECTRIC OPERATIONS**

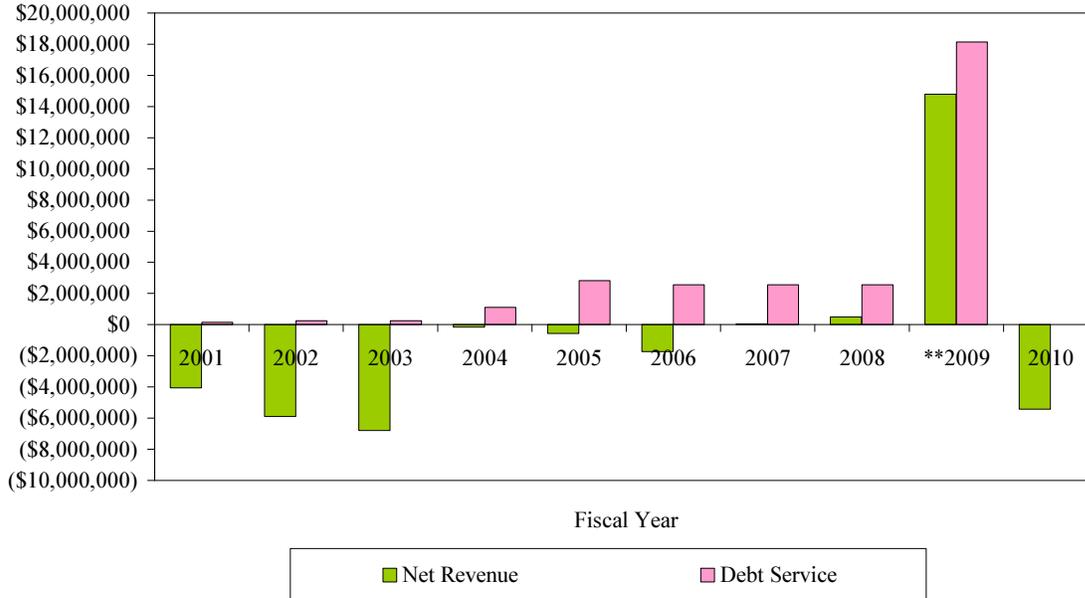


Fiscal Year	Electric Gross Revenue Including Non-Operating Revenue	Electric Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
				Principal	Interest and Fiscal Charges	Total	
2001	\$ 43,239,078	\$ 32,805,949	\$ 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
2008	\$ 52,012,671	\$ 40,319,750	\$ 11,692,921	\$ -	\$ 2,476,808	\$ 2,476,808	4.72
*2009	\$ 51,552,840	\$ 45,315,677	\$ 6,237,163	\$ 48,603	\$ 2,877,163	\$ 2,925,766	2.13
2010	\$ 49,540,502	\$ 40,991,782	\$ 8,548,720	\$ 51,495	\$ 2,945,095	\$ 2,996,590	2.85

\* FY 2009 information was restated to conform to FY 2010 presentation.

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

**TELECOMMUNICATIONS OPERATIONS**

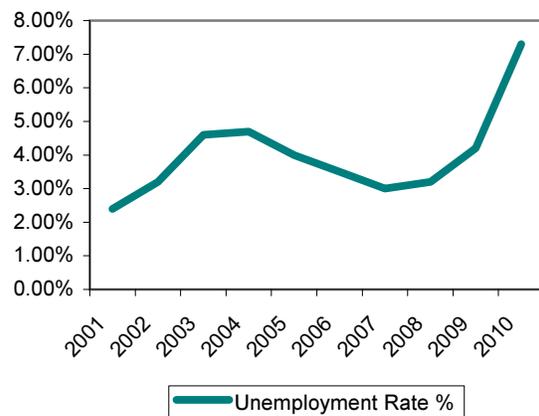
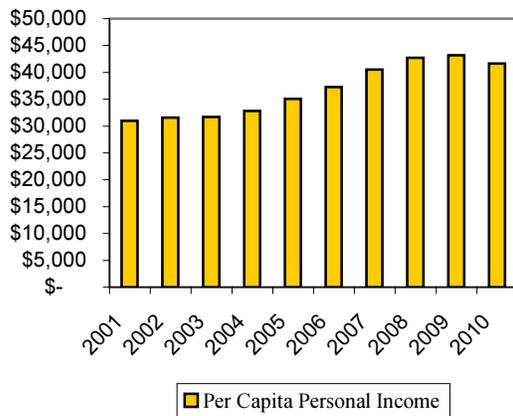
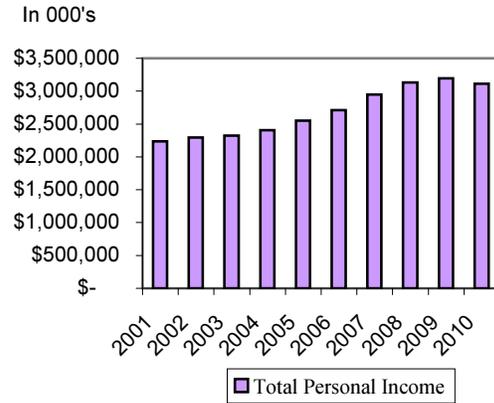
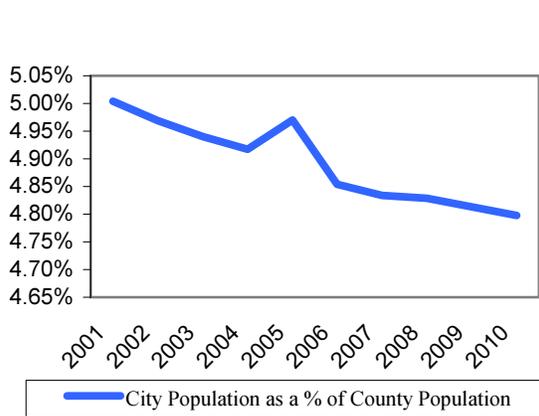


Fiscal Year	Gross Revenue Including Non-Operating Revenue	Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, and Additions	Debt Service			Coverage
				Principal	*Interest and Fiscal Charges	Total	
2001	\$ 102,537	\$ 4,158,500	\$ (4,055,963)	\$ -	\$ 150,000	\$ 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
2008	\$ 8,753,141	\$ 8,250,746	\$ 502,395	\$ -	\$ 2,562,764	\$ 2,562,764	0.20
**2009	\$ 18,875,451	\$ 4,084,420	\$ 14,791,031	\$ 15,826,839	\$ 2,310,000	\$ 18,136,839	0.82
2010	\$ 5,003	\$ 5,430,304	\$ (5,425,301)	\$ -	\$ -	\$ -	Not Applicable

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

\*\*Telecommunication operations was sold in November 2008. Sale proceed was used to pay debt principal.

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



Fiscal Year	City Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate %	*Alameda County Population	City Population % of County
2001	72,259	\$ 2,238,737	\$ 30,982	2.4%	1,443,939	5.00%
2002	72,807	\$ 2,296,904	\$ 31,548	3.2%	1,465,194	4.97%
2003	73,240	\$ 2,322,517	\$ 31,711	4.6%	1,482,597	4.94%
2004	73,278	\$ 2,403,681	\$ 32,802	4.7%	1,490,194	4.92%
2005	72,782	\$ 2,552,837	\$ 35,075	4.0%	1,494,713	4.97%
2006	72,761	\$ 2,711,584	\$ 37,267	3.5%	1,498,963	4.85%
2007	72,808	\$ 2,950,462	\$ 40,524	3.0%	1,506,214	4.83%
2008	73,359	\$ 3,131,575	\$ 42,688	3.2%	1,519,250	4.83%
2009	74,032	\$ 3,197,344	\$ 43,189	4.2%	1,538,054	4.81%
2010	74,736	\$ 3,110,554	\$ 41,621	7.3%	1,557,749	4.80%

Source: City of Alameda

\*Population: California State Department of Finance

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
Top 10 Customers  
For the Fiscal Year Ended June 30, 2010**

<u>No.</u>	<u>Customer</u>	<u>Type of Business</u>	<u>KWHS</u>	<u>Percent of System Total</u>
1	Maritime Administration	Regulation, Admin. of Transportation	18,086,966	4.72%
2	US Coast Guard Integrated Support	Regulation, Admin. of Transportation	15,338,834	4.00%
3	Alameda Waterfront Investors	Lessors of Nonresidential Building	9,379,160	2.45%
4	Legacy Partners I Alameda, LLC	Lessors of Nonresidential Building	8,655,107	2.26%
5	Alameda Unified School District	Public School District	7,559,051	1.97%
6	Abbott Diabetes Care	Drug & Clinical Research	6,597,753	1.72%
7	Wind River	Computer Programming Services	5,867,100	1.53%
8	Celera / Applera Corp	Research and Development - Life Science	4,854,928	1.27%
9	GSA - Federal Government	Food & Drug Administration	4,450,000	1.16%
10	Safeway Stores Inc.	Grocery Retailer	4,378,656	1.14%
	Top 10 Customers KWHS		<u>85,167,555</u>	<u>22.23%</u>
	Total Kilowatt Hour Sales		383,119,780	100%

**City Of Alameda  
Principal Employers  
Last Fiscal Year and Nine Years Ago**

<u>No.</u>	<u>Business Name</u>	<u>2009-2010</u>			<u>2000-2001</u>	
		<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage % of Total City Employment</u>	<u>Number of Employees</u>	<u>% of Total Employment</u>
1	UT Starcom Inc.	2,400	1	3.21%	(A)	(A)
2	US Coast Guard	2,200	2	2.94%	(A)	(A)
3	Telecare Corp.	2,100	3	2.81%	(A)	(A)
4	Wind River Systems	1,673	4	2.24%	(A)	(A)
5	Alameda Unified School District	1,068	5	1.43%	(A)	(A)
6	City of Alameda	620	6	0.83%	(A)	(A)
7	Celera Corp.	551	7	0.74%	(A)	(A)
8	Alameda Hospital	492	8	0.66%	(A)	(A)
9	Bay Ship & Yacht Company	250	9	0.33%	(A)	(A)
10	Bay View Nursing & Rehab. Center	180	10	0.24%	(A)	(A)
	Subtotal	<u>11,534</u>		<u>15.43%</u>		
	Total City Day Population	<u>74,736</u>				

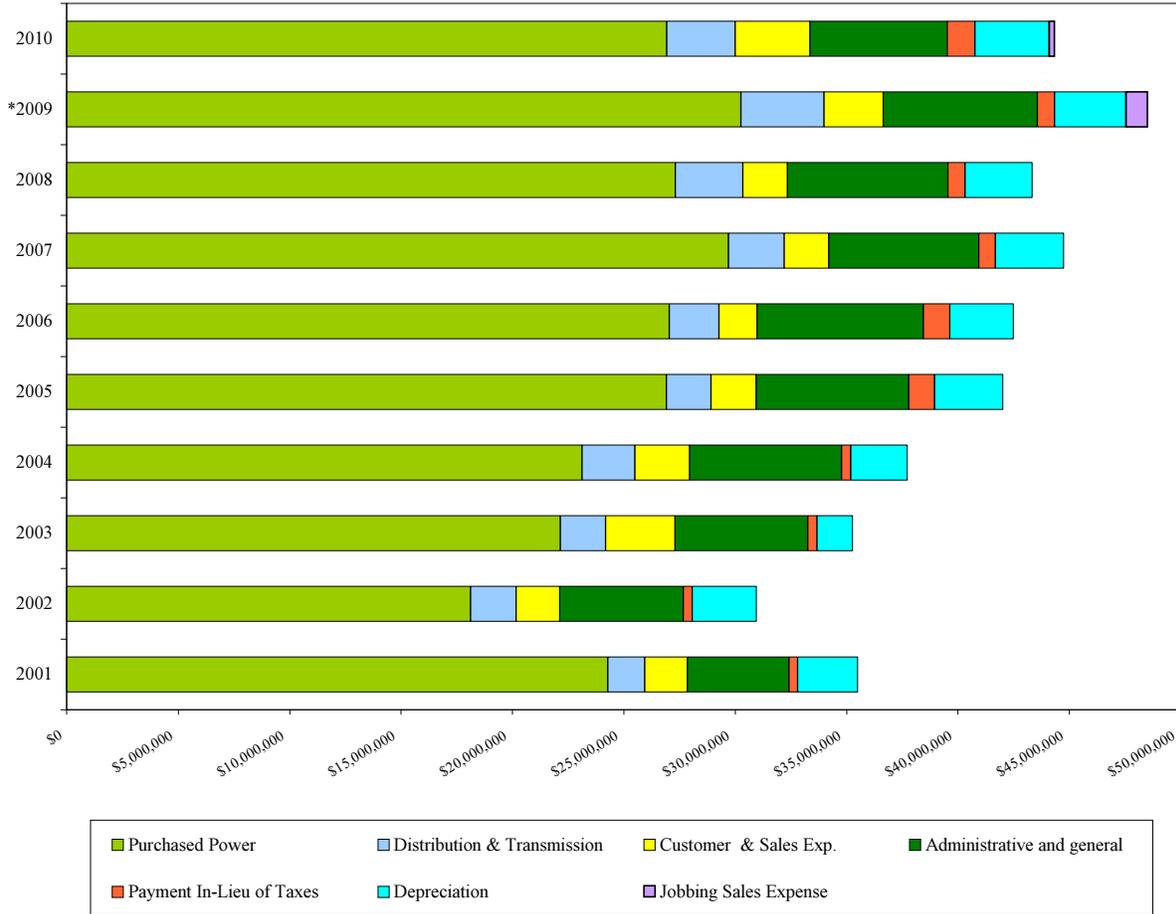
Source: City of Alameda

(A) Employment information not available

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATING EXPENSES BY FUNCTION PER FERC CODES  
LAST TEN FISCAL YEARS**

Fiscal Year

**ELECTRIC OPERATIONS**



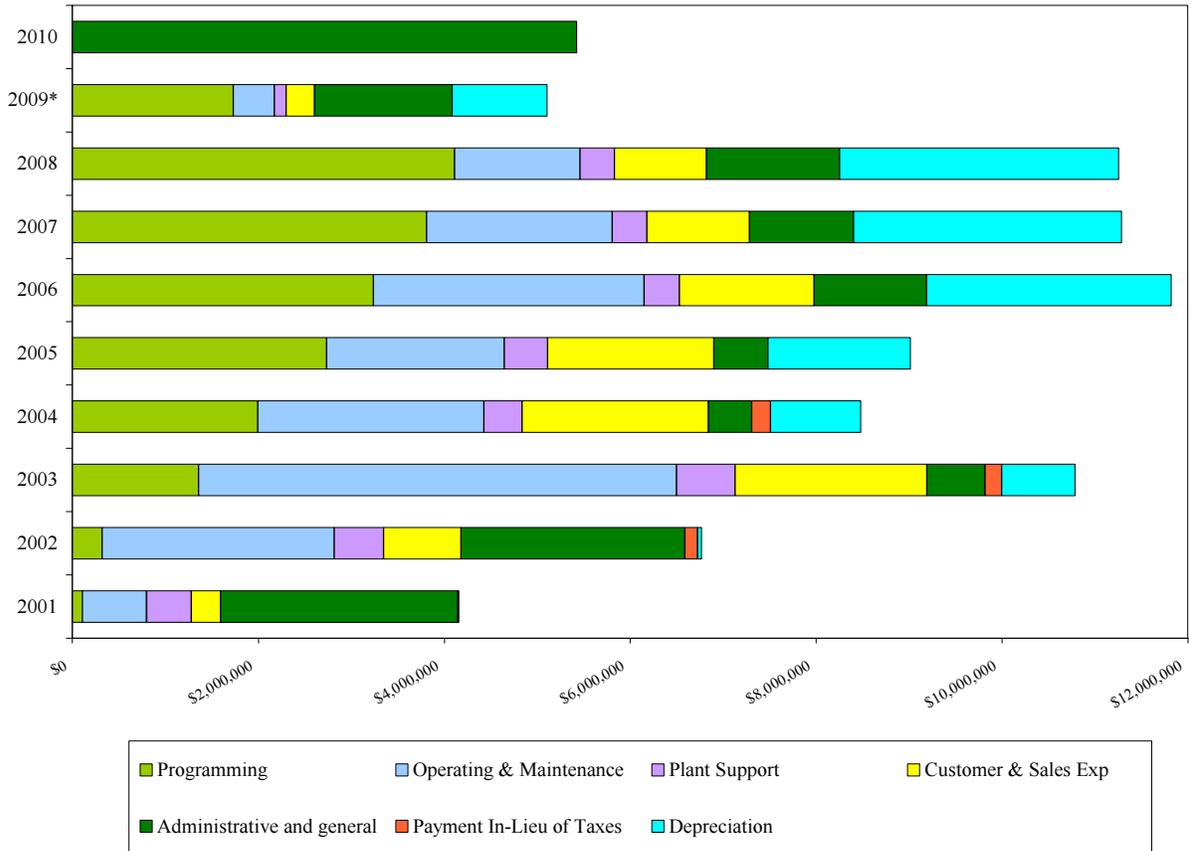
Fiscal Year	Purchased Power	Distribution Operation	Transmission-Maintenance	Customer Accounts	Administrative and General	Payment In-lieu of Taxes	Depreciation	Sales Expense	Jobbing Sales Expenses	Total
2001	\$24,288,510	\$1,633,324	\$19,685	\$1,410,480	\$4,565,869	\$381,079	\$2,699,839	\$507,002		\$35,505,788
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
2008	\$27,316,014	\$2,998,729	\$27,189	\$1,606,950	\$7,205,310	\$761,592	\$3,020,056	\$403,966		\$43,339,806
*2009	\$30,265,836	\$3,705,148	\$19,984	\$2,415,029	\$6,917,547	\$775,903	\$3,194,994	\$244,927	\$971,303	\$48,510,671
2010	\$26,935,656	\$3,005,612	\$57,486	\$2,998,091	\$6,160,199	\$1,241,623	\$3,343,601	\$360,994	\$232,121	\$44,335,383

\* FY2009 informations was restated to conform to FY 2010 presentation.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATING EXPENSES BY FUNCTION PER FERC CODES  
LAST TEN FISCAL YEARS**

Fiscal Year

**TELECOMMUNICATIONS OPERATIONS**



Fiscal Year	Programming & Access	Operating & Maintenance	Plant Support	Customer Accounts	Administrative and General	Payment In-lieu of Taxes	Depreciation	Sales Expense	Total
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
2008	\$ 4,110,499	\$ 1,349,231	\$ 371,940	\$ 660,076	\$ 1,430,034	\$ -	\$ 3,005,331	\$ 328,966	\$ 11,256,077
2009*	\$ 1,728,905	\$ 441,452	\$ 126,742	\$ 217,307	\$ 1,479,714	\$ -	\$ 1,024,205	\$ 90,300	\$ 5,108,625
2010	\$ -	\$ -	\$ -	\$ -	\$ 5,430,304	\$ -	\$ -	\$ -	\$ 5,430,304

\*Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CAPITAL ASSETS  
LAST TEN FISCAL YEARS**

**ELECTRIC OPERATIONS**

<u>Fiscal Year</u>	<u>Plant</u>	<u>Service Center Building</u>	<u>Land, Rights &amp; Easements</u>	<u>Machinery &amp; Equipment</u>	<u>Transportation Equipment</u>	<u>Computer Equipment</u>	<u>Furniture &amp; Fixtures</u>	<u>Construction in Progress</u>	<u>Less: Accumulated Depreciation</u>	<u>Net Electric Capital Assets</u>
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
2008	\$ 65,547,117	\$ 7,843,636	\$ 153,644	\$ 8,697,019	\$ 1,944,940	\$ 2,914,982	\$ 599,106	\$ 1,381,059	\$ (46,453,449)	\$ 42,628,054
2009	\$ 66,171,877	\$ 7,843,636	\$ 339,144	\$ 8,725,118	\$ 2,393,295	\$ 3,023,573	\$ 599,106	\$ 3,054,175	\$ (49,572,317)	\$ 42,577,607
2010	\$ 68,706,972	\$ 7,843,636	\$ 339,144	\$ 8,720,994	\$ 2,593,727	\$ 3,213,190	\$ 599,106	\$ 2,261,549	\$ (52,958,017)	\$ 41,320,301

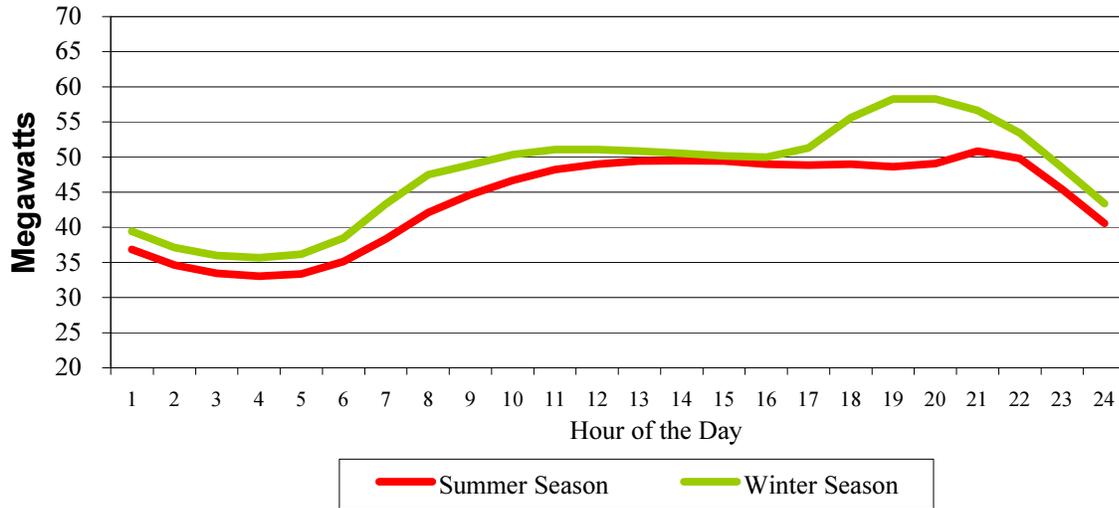
**TELECOMMUNICATIONS OPERATIONS**

<u>Fiscal Year</u>	<u>Plant</u>	<u>Service Center Building</u>	<u>Land &amp; Rights</u>	<u>Machinery &amp; Equipment</u>	<u>Transportation Equipment</u>	<u>Computer Equipment</u>	<u>Furniture &amp; Fixtures</u>	<u>Construction in Progress</u>	<u>Less: Accumulated Depreciation</u>	<u>Net Telecommunications Capital Assets</u>
2001	\$ (2,141,133)	\$ -	\$ (9,608)	\$ (186,817)	\$ (49,978)	\$ (82,194)	\$ (24,866)	\$ (773,821)	\$ 2,663,063	\$ (605,354)
2002	\$ (2,311,237)	\$ -	\$ 9,608	\$ (1,101,883)	\$ (72,235)	\$ 64,454	\$ (119,813)	\$ 13,385,292	\$ 2,859,379	\$ 12,713,565
2003	\$ 14,968,195	\$ -	\$ 605,029	\$ (53,632)	\$ 137,579	\$ 381,483	\$ 739	\$ (306,688)	\$ 1,363,358	\$ 17,096,063
2004	\$ 15,286,776	\$ -	\$ 605,029	\$ 134,096	\$ (1,867)	\$ 379,937	\$ 738	\$ 11,946,878	\$ 1,580,525	\$ 29,932,112
2005	\$ 24,007,430	\$ -	\$ 605,029	\$ 134,096	\$ 131,746	\$ 409,213	\$ 739	\$ 18,488,891	\$ (2,951,870)	\$ 40,825,274
2006	\$ 44,905,041	\$ -	\$ 605,029	\$ 211,885	\$ 253,752	\$ 494,189	\$ 739	\$ 1,358,279	\$ (5,124,376)	\$ 42,704,538
2007	\$ 47,617,069	\$ -	\$ 605,029	\$ 211,885	\$ 253,752	\$ 494,189	\$ 739	\$ 659,336	\$ (7,546,718)	\$ 42,295,281
2008	\$ 23,147,625	\$ -	\$ 605,029	\$ 211,885	\$ 253,752	\$ 494,189	\$ 739	\$ 19,485	\$ (10,090,048)	\$ 14,642,656
2009*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

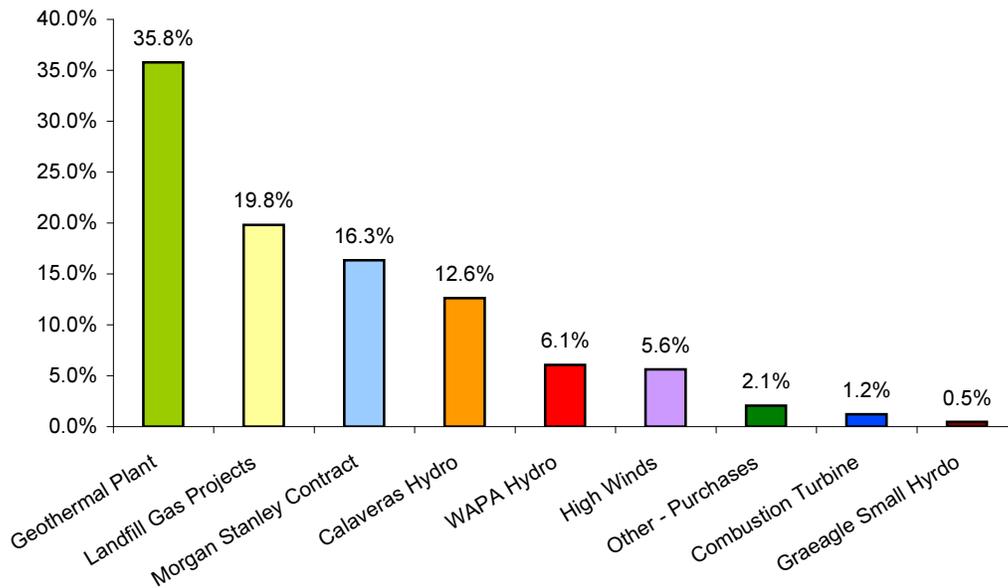
\*Telecommunications operation was sold in November 2008  
Source: Alameda Municipal Power Administrative Services

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATION INDICATORS**

**AVERAGE DAILY LOADS FY 2010**



**ENERGY BY SOURCE - FY 2010**

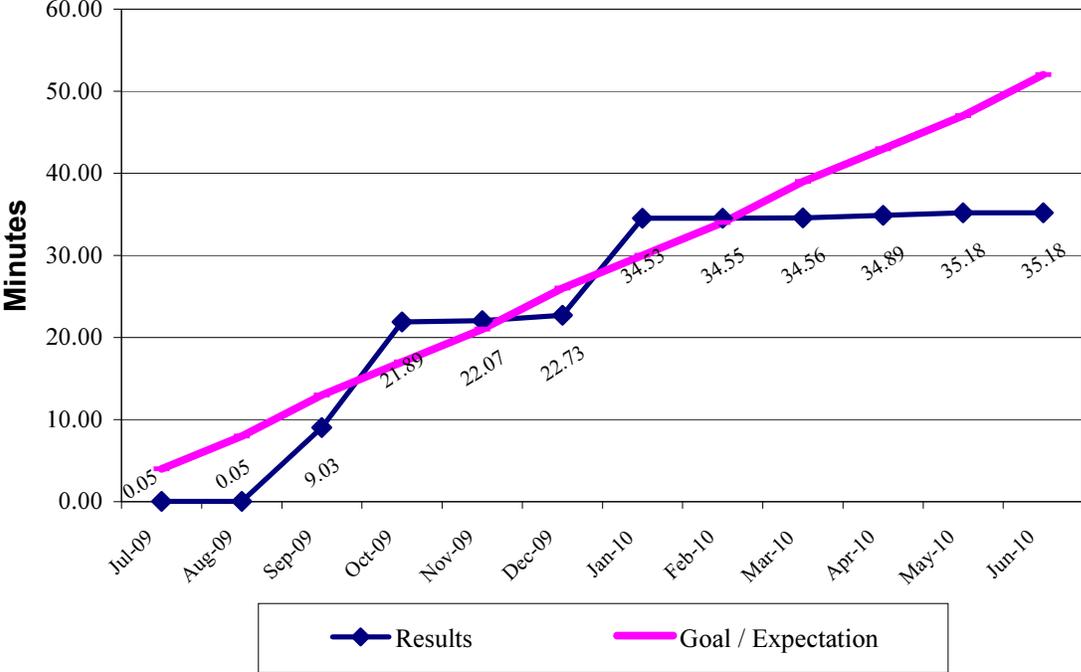


**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATION INDICATORS**

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Since:	1887
Budgeted Employees	95
Vehicles:	40
Service Area (Miles):	22.80
Transmission Lines (115kV)	
Overhead Pole Miles:	6.77
Underground Circuit Miles:	1.93
Distribution Lines (12kV)	
Overhead Pole Miles:	86.19
Underground Circuit Miles:	171.26
Street Lights (excluding inactivated lights):	6,069

**Outage Minutes / Customers (SAIDI)**



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