



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 30, 2011 and 2010

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:

Like other public power providers, Alameda Municipal Power (AMP) endeavors to fulfill a complex mission by applying commonsense solutions and hard work. The dedicated workforce of AMP continues to provide the City of Alameda with highly reliable electricity service at competitive rates, while utilizing environmentally responsible sources of generation. These results have been achieved through careful planning, effective training, and organizational improvement. In addition to the physical challenges of safely operating an electricity distribution system, AMP continues to provide innovative customer programs, advanced call-center automation, an active consumer-education program, and a proactive approach to rates. The electric utility business is changing and AMP's 91 employees are adapting to new methods, equipment and requirements. AMP undergoes a critical self-examination during its Annual Strategic Planning Workshops and considers enhancements that can be implemented to its operations, customer programs, and communication. AMP has positioned itself to cost-effectively address issues such as future infrastructure upgrades, new distribution technologies, increased system security measures, implications of new block loads, and emerging market conditions.

Shown on the cover are some of the linemen, electrical maintenance technicians, customer service representatives, energy analysts, utility billing specialists, purchasing, support and warehousing personnel, engineers, accountants, dispatchers, key account managers, and other members of the AMP team.

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEARS ENDED
JUNE 30, 2011 AND 2010**

**PREPARED BY THE
ADMINISTRATIVE SERVICES DIVISION**

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Introductory Section

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**ALAMEDA MUNICIPAL POWER
A COMPONENT UNIT OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

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**ALAMEDA MUNICIPAL POWER
A COMPONENT UNIT OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

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November 10, 2011

To the Public Utilities Board and Our Customers:

We are pleased to transmit the Comprehensive Annual Financial Report of Alameda Municipal Power (AMP), a component unit of the City of Alameda, California for the fiscal years ended June 30, 2011 and 2010. In accordance with standards established by the Governmental Accounting Standards Board's Statement No. 14, the financial reporting entity, AMP, 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 AMP. AMP 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.

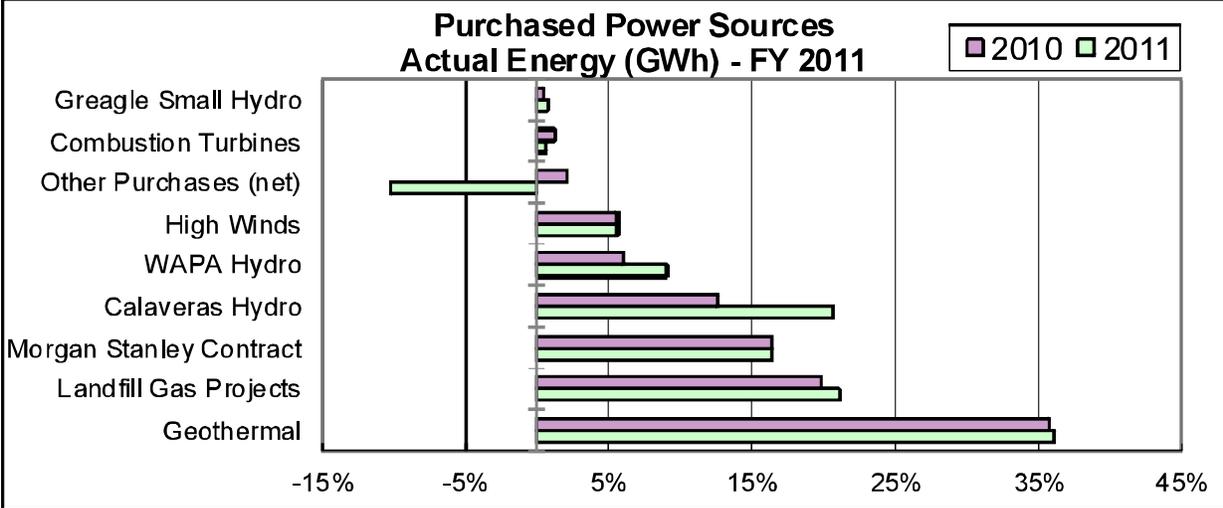
Profile

The City of Alameda - Department of Public Utilities - Bureau of Electricity, now doing business as Alameda Municipal Power, is the oldest municipal electric 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.

AMP is governed by a Public Utilities Board (Board). Pursuant to the Alameda City Charter, the Board has the power to control and manage the electric system, including the power to fix rates for the services of the electric system. The Board establishes goals and policies, approves major purchases, and creates the framework for local control of AMP, one of Alameda's largest businesses. 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). During fiscal year (FY) 2011, the members of the Board included President Gregory Hamm, Vice-President Peter Holmes, Commissioner John McCahan, Commissioner Ann McCormick from July 2010 through August 2010, Commissioner Madeline Deaton from September 2010 to the present, Interim City Manager Ann Marie Gallant from July 2010 to December 2010, Acting City Manager Lisa Goldman from January 2011 to June 2011, and City Manager John Russo from June 2011 to the present.

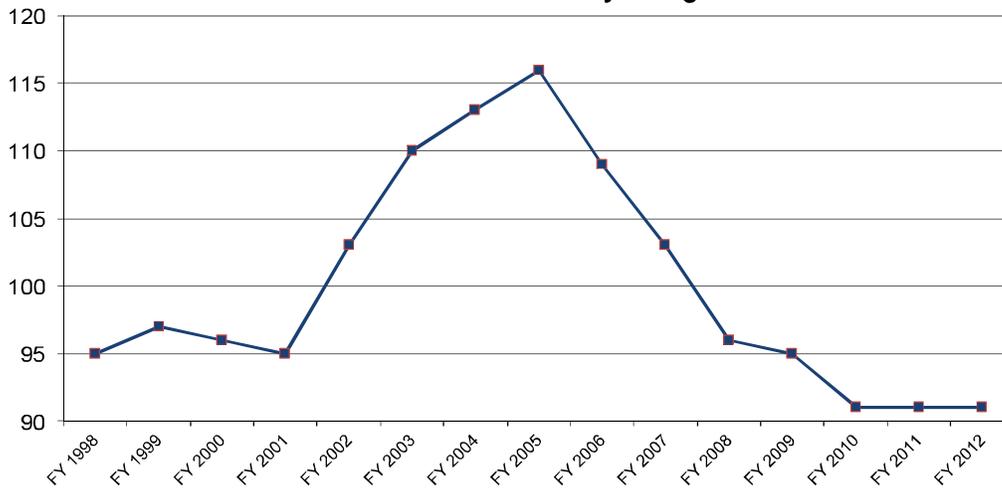
As a reminder to the reader, AMP sold its telecommunications business line (telecom) to Comcast of Alameda, Inc. effective November 21, 2008, changed its name from Alameda Power & Telecom on January 26, 2009 to better reflect its business activities, and ceased to provide cable television programming and Internet services on March 21, 2010. AMP continues to provide electric-energy services for the entire area of the City of Alameda and has about 93 pole miles of overhead lines and over 173 cable miles of underground lines. Alameda is an island community of 22.8 square miles located across the bay from San Francisco and to the west of the City of Oakland. During FY 2011, AMP served an average of 34,167 customers, comprised of approximately 30,192 residential accounts, 3,622 commercial and industrial accounts, and 353 other accounts, with a peak demand of approximately 70.8 MW.

AMP does not independently own any generation assets at this time; but rather, it procures power through long-term agreements. To facilitate the acquisition of power, AMP joined the Northern California Power Agency (NCPA) in 1968. NCPA is a joint-powers agency composed of AMP and 16 other northern California public entities. AMP participates in most of NCPA's generation projects. It has also procured other power supply resources independently. Approximately 73% of AMP's resources in FY2011 were sourced through NCPA and the remaining 27% were sourced through independent contracts. Additionally, NCPA provides electric scheduling, dispatch and transmission capabilities that are utilized in the provision of AMP's electric-energy services. AMP participates in the NCPA power pool and makes short-term market purchases and sales as necessary or economical to meet its native load requirements and dispose of surplus. Generally, AMP has entered into power purchase agreements solely or primarily for use within its own system. 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. AMP currently has investments in geothermal, natural gas, hydroelectric, wind and landfill-gas generating facilities throughout northern California. Over 80% of the electricity that Alameda residents utilize on a daily basis comes from carbon-neutral 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 for FY 2011 is illustrated below:

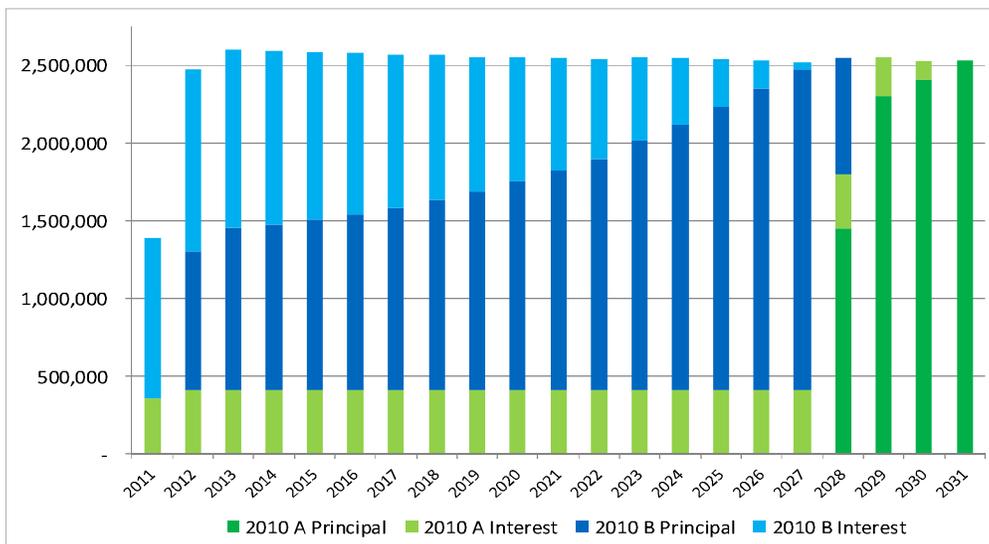


AMP's FY 2011 budget included funding for 91 employees. Management personnel are represented by the Management and Confidential Employees Association ("MCEA"). Non-management personnel are represented either by the International Brotherhood of Electrical Workers ("IBEW") or the Alameda City Employees Association ("ACEA"). The current Memoranda of Understanding with each of MCEA, ACEA and IBEW expires in December 2011. Employee retirement benefits are provided by AMP through the City of Alameda's participation in the California Public Employees Retirement System ("CalPERS").

Electric Staff Positions by Budget Year

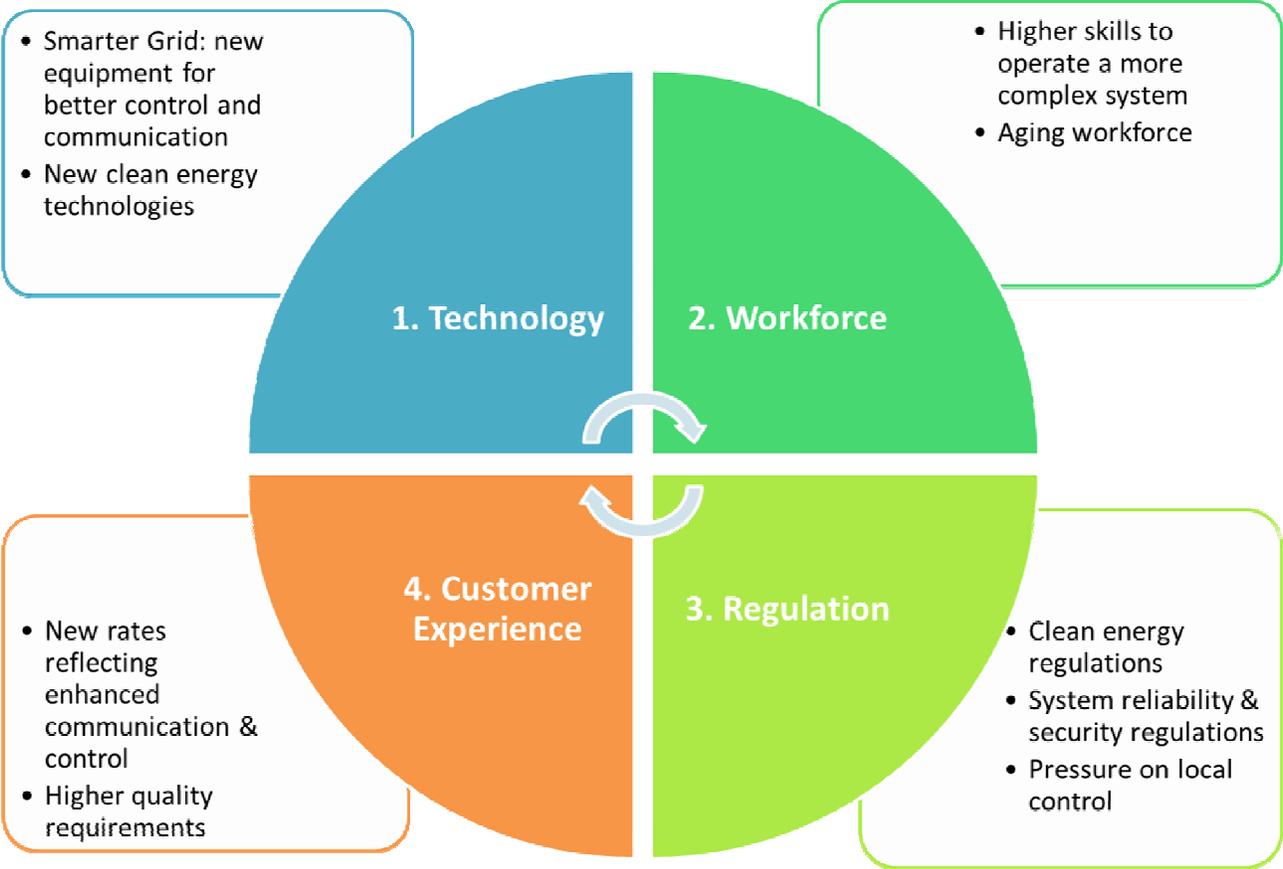


At its regular meeting on May 17, 2010, the Board established financial guidelines, set specific reserve targets, affirmed rate principles and endorsed hiring a financial team to refinance the 2000A and 2000AT Certificates of Participation. Standard and Poor's and Fitch Rating Services provided positive feedback on AMP's financial planning and updated their credit ratings by two notches. AMP refinanced \$31,685,000 of its electric debt during August 2010 into fixed rate bonds. Standard and Poor's and Fitch rated these bonds as A+. The chart below indicates the yearly payments to the note holders for the 2010 A/B bonds.



During its Strategic Planning Workshop in January 2011, staff reviewed the positive effects that can be achieved through strategic planning, evaluated the results accomplished during the previous year, explored changes that are occurring in the industry, established short-term and long-term focus for the organization, considered changes that may occur due to advanced technologies, and proposed initiatives to be undertaken during the next 1-3 years. It is predicted that continued strategic planning will enhance AMP’s focus on the customer, provide a forum for development of long-range plans, facilitate prioritization of limited resources, assist in balancing conflicting priorities, and provide for effective communication of goals and policies.

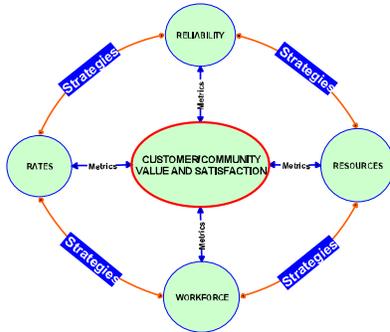
The figures below show a schematic of the strategic trends identified by the Board and its strategic response to these trends.



AMP – Board Approved Priorities

2009

Purpose Statement
Increase value to Alameda by providing safe, reliable, cost-effective, and environmentally responsible electricity



Strategies

1. Re-focus on the core electric business via developing a new corporate identity and renewing partnerships with the City Council, customers, workforce and industry partners.
2. Ensure utility financial health is preserved through short and long-term risk management and planning.
3. Attract and retain an effective workforce that is appropriately aligned, well trained, equipped with the right tools and technology, and properly recognized.
4. Utilize policies and procedures that allow for superior customer satisfaction and workforce effectiveness.
5. Continue to add value to the community through the General Fund transfer and other means.
6. Implement energy efficiency, renewable power and customer service programs to increase customer satisfaction.
7. Set rates to meet environmental, reliability, community and fiscal health objectives while being equitable for all customer classes.
8. Plan for the long-term reliability of utility distribution system assets while ensuring that annual operations and maintenance are implemented.
9. Endeavor to maintain local control over utility programs including energy efficiency, renewable power and distribution system standards.
10. Manage short-term and long-term power supply reliability and cost, while maintaining a loading order of efficiency and demand response, renewable energy resources, and clean and efficient fossil generation.

2010

Rate Increase - no surprises - gradual when needed

10 year pro-forma, ensure financial forecasts are provided
Rate design to meet policy goals

Reliability is critical

Alameda Point impacts
Asset management

Technology – be cautious while moving ahead

Energy information is broad umbrella
Take small steps and be second mover
When opportunities arise to replace assets, review new technology

Value to City

Economic development and business retention
Additional value to City

Workforce – take steps now

Succession planning
Right skills to replace and address future needs
Compensation and skills training

Energy Efficiency – redo

Re-do from ground up

2011

INITIATIVES FOR NEXT 1-3 YEARS
(Incremental to existing work)

SAFETY

COMPLIANCE

(Reliability and Other)

1. **Update RPS Policy**
current policy is 40% renewables including large hydro
2. **Replace Morgan Stanley contract**
expires in 2014 and is 15% of existing supply
3. **Implement Rate Increase**
PUB conceptual approval of <5%/yr for 2011, 12, 13 and 14
4. **Update cost of service & study new rates**
RFP for Rate Structures for future & cost of service update
5. **Get Audit Ready**
NERC/WECC 2012 Audit
Compliance Plan by CY11
6. **Enhance outage restoration effectiveness**
Enhance technology options and procedures
Continue focus on 5-year O&M cycle
Asset replacement
7. **Modernize delivery system**
IT Strategic Plan
Roadmap for Advanced Technology
Electric Vehicles – **Get Ready Plan and Implement**
8. **Business Case for Smart Grid**
What makes sense for Alameda?
9. **Prepare for new block load**
LBNL possibility
Other large customer load
10. **PUB-City-Community Initiatives**
Support PUB communication with Council
Cost-saving opportunities and demonstration projects with City
Support AUSD EE efforts
11. **Organization Development**
Learning for Board and Employees
Employee Recognition
Workforce skills and succession plan
12. **Enhance service delivery infrastructure**
improve warehouse storage
lower building carbon footprint
13. **Change Management**
communication and preparation
14. **Update all reports (internal and external)**
Improve effectiveness and insight
Update policies and procedures
15. **EE Strategic Work Plan**
Implement work plan
Increase resources
Develop strategic plan

Strengthening the Foundation
Mapping a Blueprint for the Future

SHORT AND TERM

Compliance & Reliability

MID/LONG-TERM

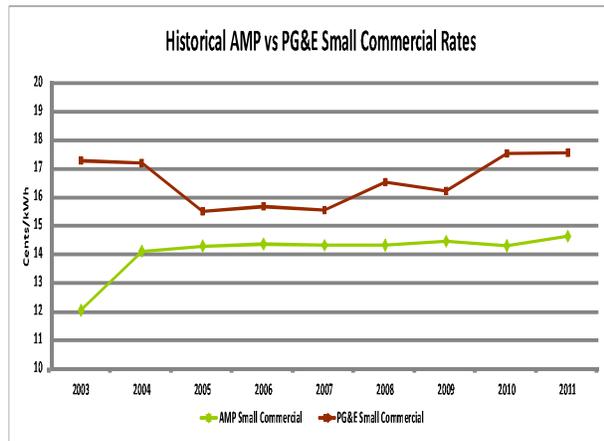
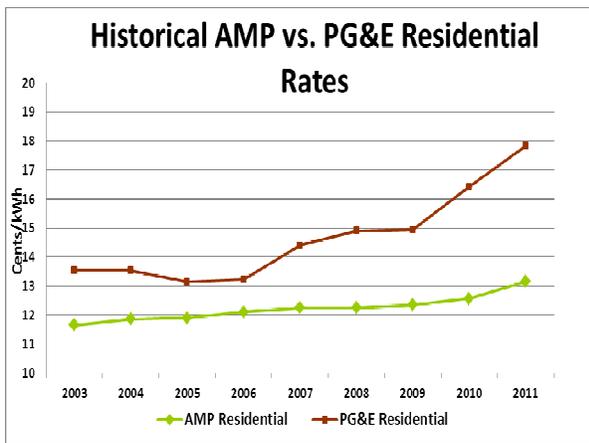
Blueprint for the Future



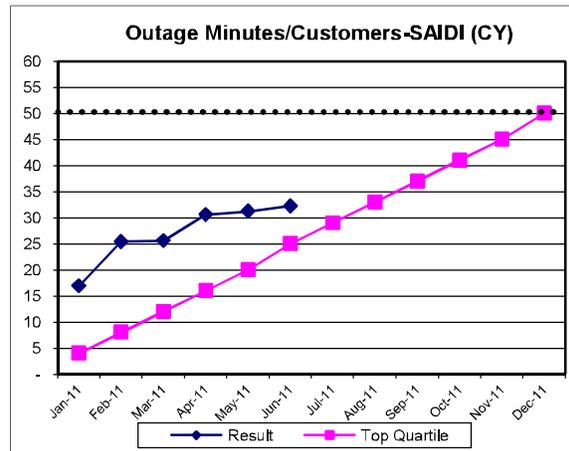
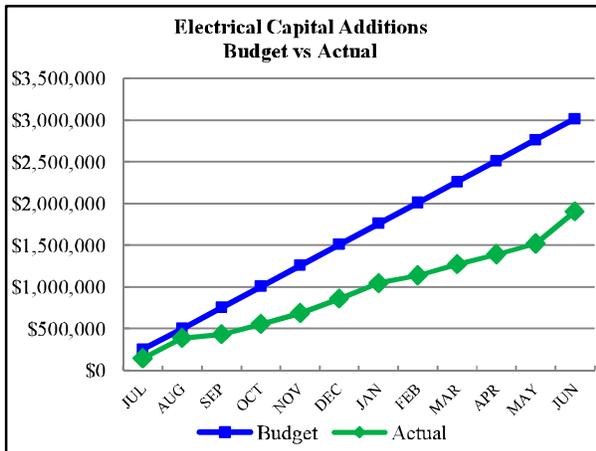
Version: June 15, 2011

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 providing a return to the City.

In accordance with the adopted financial plan, the Board authorized a 3.7% average rate increase for FY 2011 and, in the 2nd year of the proposed 5-year rate adjustment plan, approved a 3.85% average rate increase for FY 2012. 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 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 inspections, and meter work.



AMP set a goal to be “more reliable than the top quartile of similar electric providers”, and we are on course to meet that goal, even though several unplanned events caused system outages. In any successful strategic plan, flexibility is a fundamental element that allows for assignment of resources immediately to address specific system issues and that provides an opportunity for adapting to changing market conditions. Early in the fiscal year, AMP experienced outages that necessitated increased maintenance attention in lieu of planned capital spending. Additionally, the procurement processes that AMP uses ensure that capital spending plans have the priorities that were originally envisioned. Modifications that occurred to the CIP strategic plan during FY 2011 included 1) design began on Underground Utility District #31 as planned but preparatory construction did not occur, 2) AMP elected to postpone several vehicle purchases, 3) due to the economy, there was a reduced need for system additions, 4) new loads did not develop as planned, and 5) there was a reduction to the amount of planned substation work.

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 population information from the 2010 census indicates that 73,812 people reside in 30,123 Alameda housing units as of April 1, 2010. The population count of the City of Alameda has remained relatively constant during the past few years, although it decreased slightly last year. The 2010 census information indicates that 48% of the housing units in Alameda are owner occupied dwellings. 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 housing units are slowly constructed and occupied at Alameda Point and elsewhere in the City. 75% of Alameda’s population is an adult between the ages of 21-54 years, which is above the California average by 5%.

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 capital improvements and through community planning development for Alameda Point.

AMP continues to recognize trends developing in the market place and has adjusted its system expansion budget. 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 2011, 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 its community involvement, AMP continues to provide financial assistance programs for low income customers.

Economic Development

The City of Alameda and AMP continue to encourage new and existing businesses to develop in Alameda. 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. 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 FY 2011, the special economic development incentive discount was modified to provide eligible businesses with a 3-year discount that was structured 15%, 10% and 5%.

Customer Service

AMP's customers can call during business hours to obtain information about their bill, make a payment, inquire about energy efficiency programs, solar rebate program, 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.
A feature with the EBPP service includes an automated email notifying customers when their electric bill is ready for viewing and payment.

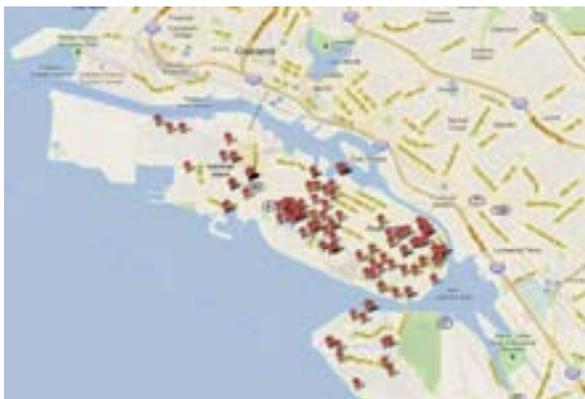
- *On-line Credit Debit Card Payment*
Customers receive their electric bill via the U.S. Postal Service and elect to pay it over the Internet using any major credit card or bank debit card.
- *Credit Card Payments by Phone*
Bills may be paid by telephone using a MasterCard or Visa credit card.
- *U.S. 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.

Solar Rebates and Alternative Fuel Vehicles

AMP continues to support community efforts for reducing greenhouse gases through its solar rebate program and by its use of alternative-fuel vehicles, including both all-electric and hybrid electric/gasoline vehicles. While the alternative-fuel vehicles serve business purposes, they also remind the community of AMP's commitment to a cleaner environment. Recently, AMP installed an electric vehicle charging station at the Central & Oak parking center to assist in identification of vehicle charging patterns as more all-electric vehicles begin to be utilized.

Solar Installations



Electric Vehicles



Alameda Point Telephone System

AMP took over the operation of the telephone plant at Alameda Point on July 1, 2000 and converted the operation to a self-sustaining portion of the utility. AMP charges installation and monthly recurring fees to 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 Minimum Point of Entry (MPOE) to tenants leasing space and housing on Alameda Point are temporary. Existing telephone circuits will be abandoned as Alameda Point is redeveloped. 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. 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.

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. Vavrinek, Trine, Day & Co., LLP (VTD), a certified public accounting firm, is contracted to independently audit the financial information of AMP. VTD was provided access to all information and documentation necessary for the audit. The financial section of the Comprehensive Annual Financial Report contains the Independent Auditor's Report as well as management's discussion and analysis of the financial data, the financial statements, and the notes to the financial statements. 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.

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, 2010. A GFOA Certificate of Achievement is valid for a period of 1 year. This was the fifteenth 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. AMP 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,



Girish Balachandran
General Manager

Principal Officers

(As of June 30, 2011)

Public Utilities Board

Gregory Hamm, President

Peter W. Holmes, Vice-President

John R. McCahan, Commissioner

Madeline Deaton, Commissioner

John Russo, Commissioner and City Manager

General Manager and Board Secretary

Girish Balachandran

Managers

Robert J. Orbeta, Assistant General Manager - Administration

Sherri Hong, Assistant General Manager - Customer Resources

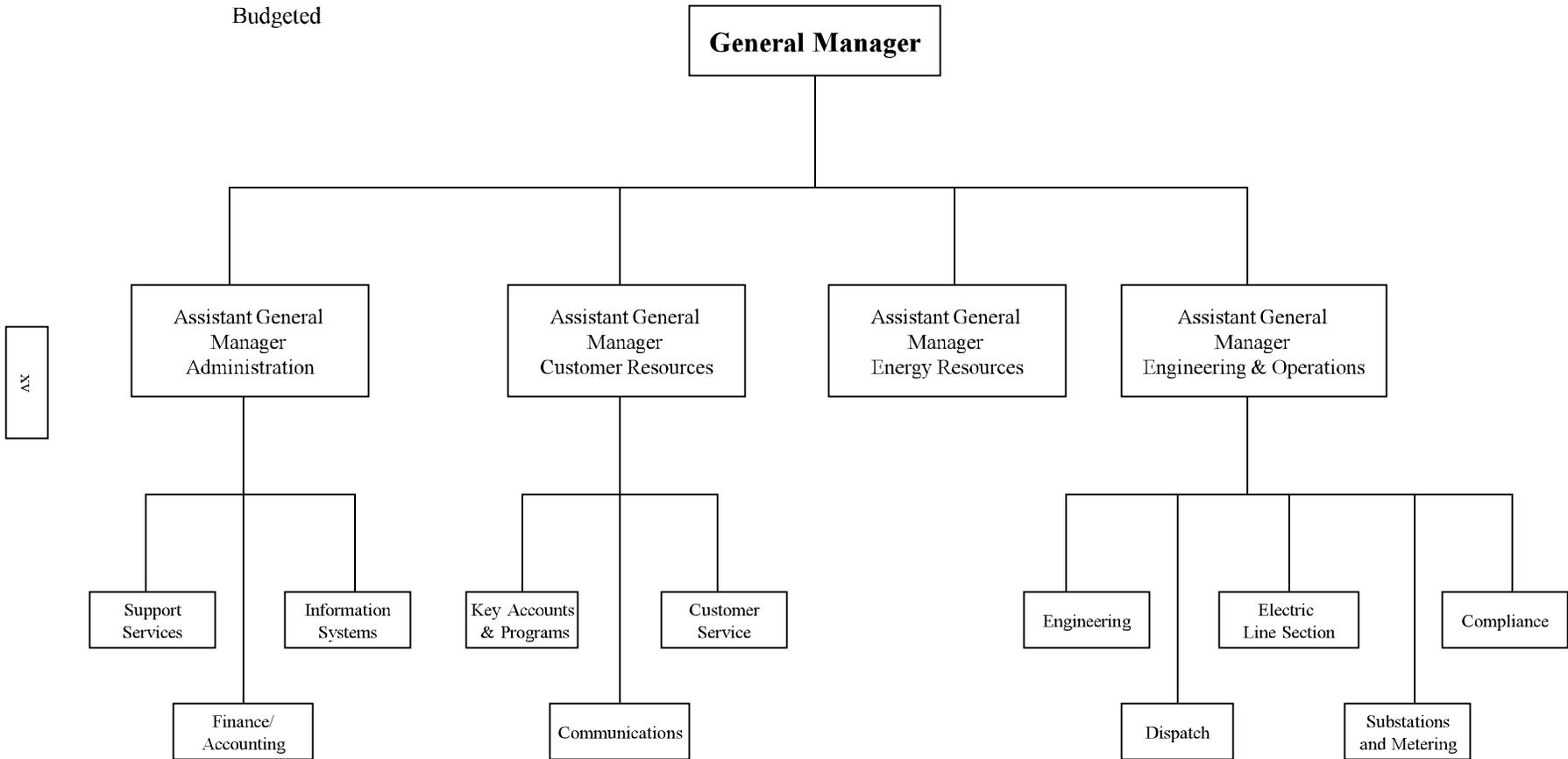
Douglas Draeger, Assistant General Manager - Engineering & Operations

Janet Oppio, Assistant General Manager - Energy Resources

City of Alameda Alameda Municipal Power Organizational Chart

June 30, 2011

91 Total Positions
Budgeted



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, 2010

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

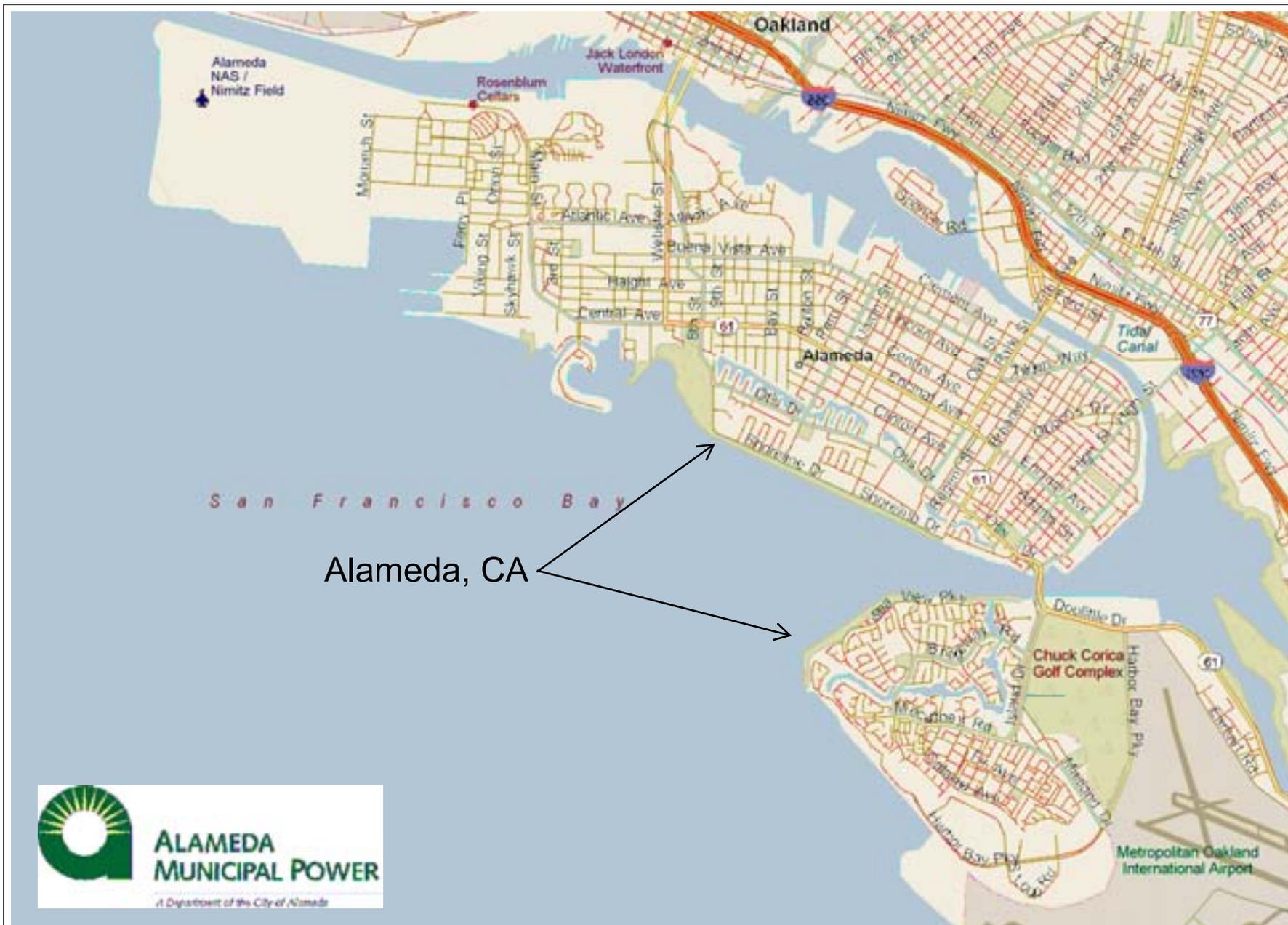
Executive Director

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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



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Financial Section

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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, 2011 and 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 audits.

We conducted our audits 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 audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 13 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.

Vavrinek, Trine, Day & Co. LLP

Pleasanton, California
November 4, 2011

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ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

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, 2011 and 2010. Readers are encouraged to consider the information presented here in conjunction with information contained in the preceding transmittal letter, the accompanying financial statements and notes, and the statistical section of the comprehensive annual financial report.

FINANCIAL HIGHLIGHTS

- AMP's overall Total Net Assets increased about \$0.5 million compared to last year. The change to the electric fund Total Net Assets was a decrease of about \$0.2 million and the telecom fund Total Net Assets increased an about \$0.7 million.
- The electric fund Total Net Assets decreased about \$0.2 million with the results coming from a combination of factors including:
 - Current Assets increased about \$3.5 million with the largest portion of that increase occurring in the Cash and Equivalents category;
 - Non-current Assets decreased about \$12.1 million with the largest portion of that change being a reduction of \$8.25 million in the category Shares of Certain Northern California Power Agency (NCPA) Projects and Investments (see note 9 for additional information regarding NCPA). Other changes contributing to the reduction include a decrease of \$2.3 million in Capital Asset value (see note 3 for additional information regarding capital assets and depreciation amounts) and \$1.1 million in Investments (see note 2 for additional information regarding restricted and designated investments);
 - Current Liabilities increased about \$1.2 million with the Current Portion of Long Term Debt category being the largest contributing increase at \$0.9 million, followed by the interest payable category increase at \$0.5 million;
 - Non-current Liabilities decreased \$9.8 million with the largest change occurring in the long-term debt category which reduced \$8.3 million as the 2000A/AT Certificates of Participation were refinanced into the 2010 A/B Revenue Bonds;
- The telecom fund Total Net Assets increased about \$0.7 million with the results coming from the current year interfund transfer as the electric fund paid telecom fund expenses. As a reminder to the reader, the telecom system sale was recorded in the FY 2009 financial statements. The FY 2010 financial statements accrued telecom expenses associated with certain aspects of the sale and litigation expenses.
- The FY 2011 financial statements recorded additional telecom litigation expenses that were paid by the electric fund without any expectation of repayment from the telecom fund (see note 14 for additional information regarding contingent liabilities and litigation).
- Electric fund Operating Revenue increased about \$1.8 million compared to last year's revenue with electricity sales increasing by \$1.9 million and other revenues combined decreasing by \$0.1 million.
- Purchased power expense decreased about \$4.0 million as a result of reduced KWh usage and reductions in NCPA debt service components embedded in the purchased power billing.
- The Balancing Account adjustment was for an under-collection of \$306k which was \$1.9 million less than last year's under-collection of \$2.2 million.
- Electric fund Operating Expenses excluding purchased power and the balancing account, increased about \$1.5 million compared to results from last year.
- Electric fund Non-operating Revenues/Expenses had a net decrease in spending of about \$2.0 million with lower spending of \$1.4 million in interest expense, the net change for NCPA Projects and Reserves was \$300k of income in FY 2011 versus \$1.1 million of expense in FY 2010, and the net change of \$0.8 million for Miscellaneous Non-operating Revenue/Expense was an expense of \$537k in FY 2011 versus an income in of \$271k FY 2010.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

- 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 \$68k in FY 2011 and \$60k in FY 2010.
- AMP continued its support of the City’s general fund with a Board approved contribution of \$2.8 million in FY 2011 and FY 2010.
- To allow for payment of litigation expenses resulting from the sale of the telecommunications system, the electric fund transferred about \$2.9 million to the telecom fund without any expectation of being repaid. The amount transferred is an increase of about \$0.2 million from last year’s transfer of \$2.7 million.
- The electric fund had an increase of about \$3.2 million in Cash and Equivalents with the results coming from a combination of factors including:
 - Net cash flows from operating activities increased \$2.2 million
 - Net cash flows used for non-capital financing activities increased by \$0.2 million
 - Net cash flows used for capital and related financing increased \$5.1 million
 - Net cash flows from investing activities increased \$3.8 million

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

(Dollars in thousands)

	2011	2010	2009 (restated)
Current Assets	\$ 37,749	\$ 34,232	\$ 34,965
Capital Assets, net of depreciation	38,987	41,320	42,578
Other Non-current Assets	26,935	36,781	43,691
Total Assets	103,671	112,333	121,234
Current Liabilities	9,274	8,680	8,197
Long-term Liabilities Outstanding	30,582	40,029	40,107
Balancing Account	12,396	12,700	14,911
Total Liabilities	52,252	61,409	63,215
Net Assets			
Invested in Capital Assets, net of related debt	30,039	31,474	32,679
Restricted	4,379	6,227	13,737
Unrestricted	17,001	13,222	11,604
Total Net Assets, as restated	\$ 51,419	\$ 50,923	\$ 58,020

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

ANALYSIS OF NET ASSETS

Total Net Assets exceeded liabilities by \$51.4 million as of June 30, 2011. Compared to the previous fiscal year, AMP's Total Net Assets increased by \$0.5 million, or 1% of last year's total. The largest portion of AMP's Total Net Assets includes unrestricted net assets 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 1% increase in Total Net Assets results from a decrease to Total Assets by 7.7% combined with a decrease to Total Liabilities by 14.9%. Total Assets decreased \$8.7 million and Total Liabilities decreased \$9.2 million resulting in Total Net Assets increasing by approximately \$0.5 million.

Changes in Combined Net Assets

AMP's Net Assets increased by \$0.5 million for the fiscal year ended June 30, 2011 compared to a \$7.1 million decrease in FY 2010. Management anticipates that electric revenue will increase about 3% due to authorized rate adjustments and projected electrical loads. Additionally, it is anticipated that operating expenses for the electric division will remain consistent with FY 2011 values.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

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

(Dollars in thousands)	2011	2010	2009 (as restated)
Operating Revenues			
Electric Sales	\$ 49,867	\$ 47,977	\$ 48,458
Telecommunications Sales	-	-	3,184
Other Services Revenue	905	976	1,865
Total Operating Revenues	<u>50,772</u>	<u>48,953</u>	<u>53,507</u>
Operating Expenses			
Purchased Power	25,159	29,147	30,701
Programming	-	-	1,729
Energy Efficiency, solar, other	955	1,200	736
Operating and Maintenance	4,025	3,837	5,152
Customer Accounts, Information Systems	1,801	1,779	1,886
Administrative and General	7,698	10,878	7,479
Payment in-lieu of taxes	2,657	1,242	776
Depreciation and Amortization	3,461	3,344	4,219
Sales Expense	375	318	405
Jobbing Sales Expense	155	232	971
Balancing Account	(303)	(2,211)	(435)
Total Operating Expenses	<u>45,983</u>	<u>49,766</u>	<u>53,619</u>
Operating Income (Loss)			
Electric	7,060	4,613	1,701
Telecommunications	(2,271)	(5,425)	(1,812)
Total Operating Income (Loss)	<u>4,789</u>	<u>(812)</u>	<u>(111)</u>
Non-operating Revenue (Expense)			
Interest Income on Investments	161	306	1,557
Interest Expense	(1,583)	(2,945)	(5,187)
Increase (Decrease) in Value of NCPA Projects and Reserves	376	(1,131)	1,443
Miscellaneous Non-operating Income	(447)	286	136
Transfer to City of Alameda	(2,800)	(2,800)	(2,800)
Total Non-Operating Expenses	<u>(4,293)</u>	<u>(6,284)</u>	<u>(4,851)</u>
Nonoperating Income (Loss)			
Electric	(4,293)	(6,284)	(2,892)
Telecommunications	-	-	(1,959)
Total Nonoperating Income (Loss)	<u>(4,293)</u>	<u>(6,284)</u>	<u>(4,851)</u>
Transfers in (to Telecom)	2,929	2,734	1,096
Transfers (out) (from Electric)	(2,929)	(2,734)	(1,096)
Extraordinary Items			
Telecommunications	-	-	25,251
Total Transfers and Extraordinary Items	<u>-</u>	<u>-</u>	<u>25,251</u>
Change In Net Assets			
Electric	(162)	(4,405)	(2,287)
Telecommunications	658	(2,691)	22,576
Total Change In Net Assets	<u>\$ 496</u>	<u>\$ (7,096)</u>	<u>\$ 20,289</u>

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

Changes in Electric Net Assets

During FY 2011, Electric Net Assets decreased about \$0.2 million. Operating income for the electric fund increased about \$2.4 million from last year due to increased revenue, decreases in purchased power costs, and reduced administrative expense. As the Public Utilities Board approved rate adjustment plan begins to be implemented, reduced entries to the balancing account indicate that revenue is becoming more closely aligned with expense. Also contributing to the final results were increased expense for certain initiatives including the solar rebate program, improvements to the customer call center, and an interfund transfer to pay litigation expenses associated with terminating the telecom business line.

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

(Dollars in thousands)

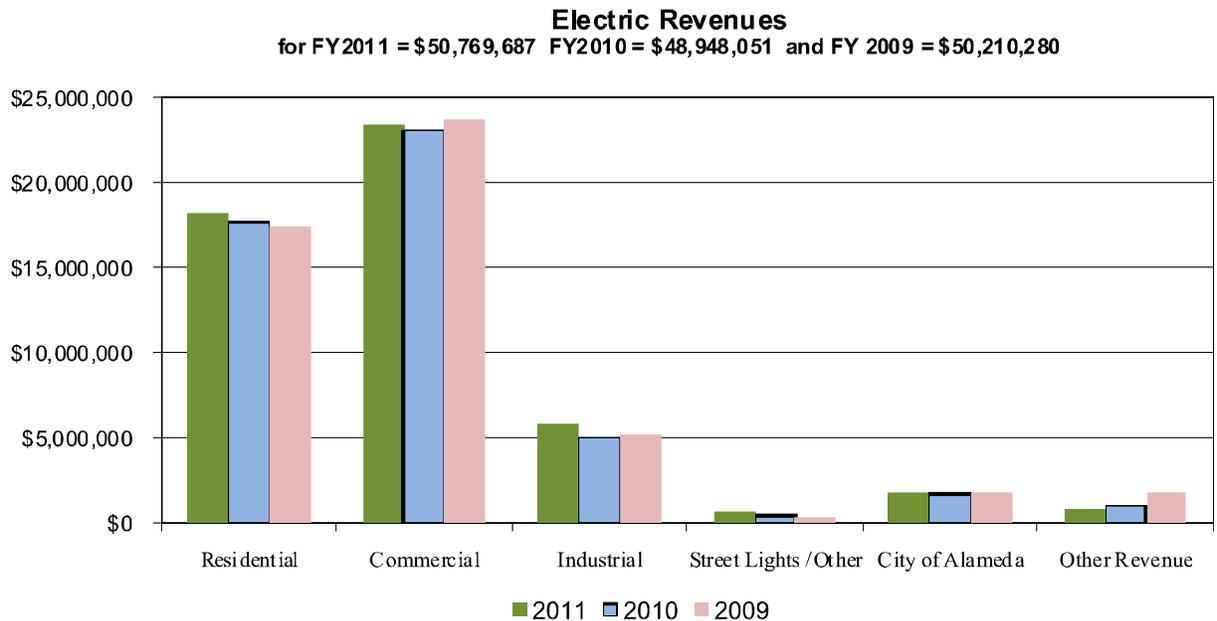
	2011	2010	2009 (as restated)
Operating Revenues	\$ 50,770	\$ 48,948	\$ 50,210
Operating Expenses	43,710	44,335	48,510
Operating Income	7,060	4,613	1,700
Non-operating Revenues	627	638	2,785
Non-operating (Expenses)	(4,920)	(6,922)	(5,677)
Non-operating Income (Loss)	(4,293)	(6,284)	(2,892)
Transfers Out	(2,929)	(2,734)	(1,096)
Change In Net Assets	\$ (162)	\$ (4,405)	\$ (2,288)

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

Electric Operating Revenues

Electric operating revenue increased by \$1.8 million, or 3.7% during FY 2011, from last year's results with revenue from electricity sales increasing by \$1.9 million and other revenues decreasing by \$0.1 million. Electricity sales revenue was about \$49.9 million or 98.2% of all electric revenues. Miscellaneous services, plant leased to others and jobbing sales contributed about \$0.9 million, or 1.8% 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

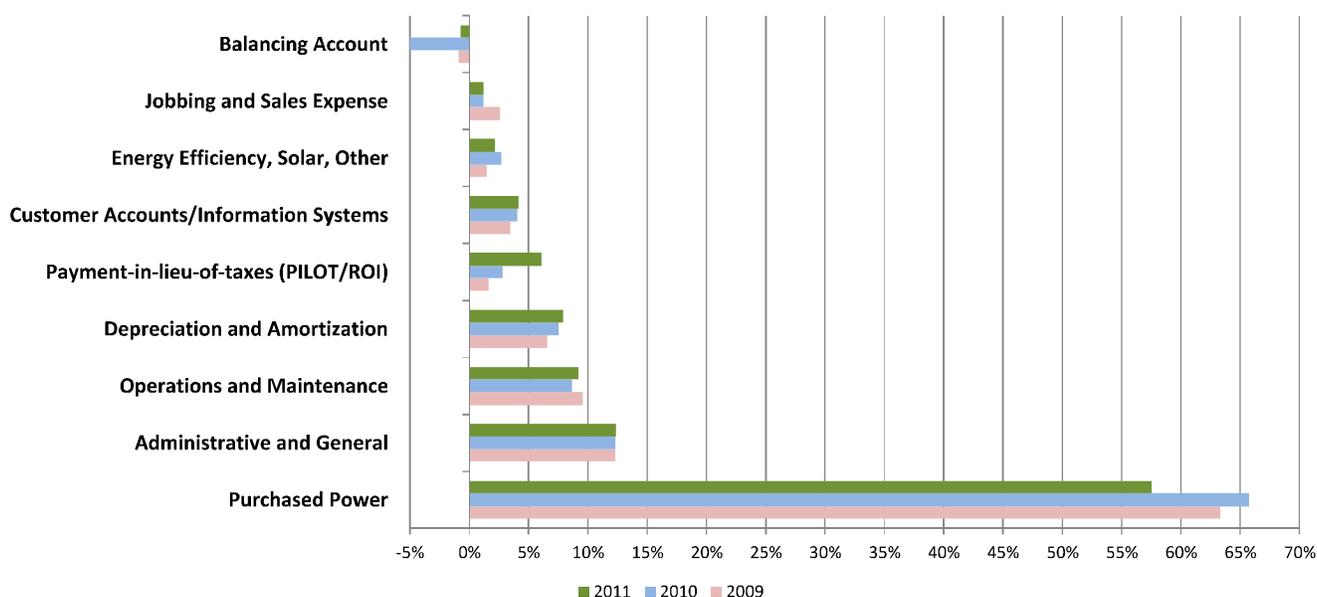
Electric operating expenses decreased about \$625k with purchased power expense decreasing about \$4.0 million compared to last year as a result of reduced purchased power costs, operating division expenses remained similar to last year's results, a \$1.4 million expense increase for deferred return-on-investment (ROI) payments, and reduced amounts being used from funds in the balancing account. The chart below offers a comparison of electric operating expense for FY 2011 and FY 2010.

ALAMEDA MUNICIPAL POWER

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

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.

Electric Operating Expense for
FY2011 = \$43,709,633 FY2010 = \$44,335,383 and FY 2009 = \$48,510,671



Electric Non-Operating Revenues (Expenses)

Non-operating expenses exceeded revenue by \$4.3 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, improved interest expense as debt related charges for the 2010 A/B revenue bonds are reduced from amounts paid for the 2000 A/AT certificates of participation, an increase to the value of AMP’s portion of NCPA projects and reserves, a one-time reduction due to plant retirements, and a transfer to the City’s General Fund.

Electric Change in Net Assets

During FY 2011, Electric Net Assets decreased about \$0.2 million. The electric operating revenue was higher than last year, the electric operating expenses were lower than last year, the non-operating expense was lower than last year, and the interfund transfer was higher than last year. Combined, these factors resulted in a lower loss of Electric Net Assets than that experienced last year. The financial planning initiatives and the rate adjustment strategy adopted by the Board have improved the financial performance of AMP.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

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.

Sources of Telecommunications Revenue

During FY 2011, about \$2k of revenue was received for miscellaneous income associated with residual bad debt collections and 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 Change in Net Assets

Telecom Net Assets increased about \$0.7 million as a result of associated accounts payable timing issues for expenses associated with terminating the telecom business line.

Telecommunications Statement of Change in Net Assets for the year ended June 30:

(Dollars in thousands)

	2011	2010	2009 (as restated)
Operating Revenues	\$ 2	\$ 5	\$ 3,297
Operating Expenses	(2,273)	(5,430)	(5,109)
Operating Income (Loss)	(2,271)	(5,425)	(1,812)
Non-operating Revenues/Expenses	-	-	(1,959)
Transfers in	2,929	2,734	1,096
Forgiveness of Debt	-	-	17,173
Debt Discontinuance	-	-	8,078
Change In Net Assets	\$ 658	\$ (2,691)	\$ 22,576

Telecommunications Operating Expenses

During FY 2011, telecom fund operating expenses decreased about \$3.2 million. The telecommunications operating expenses totaled \$2.3 million and were used for litigation associated with terminating the telecom business line.

Telecommunications Non-Operating Revenues (Expenses)

During FY 2011 and FY 2010, there were no telecom fund non-operating revenues or expenses.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

ANALYSIS OF COMBINED CASH FLOWS

In FY 2011, combined net cash flow increased \$0.7 million to a value of \$3.2 million for FY 2011, compared to \$2.5 million last year. 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. The improved performance is primarily due to changes in the cash flows from improved customer receipts as a result of rate adjustments, lower supplier expenses, lower employee expenses, AMP's electric debt structure, and increases to NCPA investments.

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

(Dollars in thousands)

	2011	2010	2009 (as restated)
Operating Activities	\$ 6,853	\$ 4,291	\$ 3,961
Non-capital Financing Activities	(2,800)	(2,800)	(2,800)
Capital and Related Financing Activities	(10,735)	(5,038)	(8,676)
Investing Activities	9,884	6,080	3,156
Change in Cash and Equivalents	<u>\$ 3,202</u>	<u>\$ 2,533</u>	<u>\$ (4,359)</u>

Cash Flows from Operating Activities

In FY 2011, cash provided by operating activities was \$6.9 million versus \$4.3 million in FY 2010, or an increase of \$2.6 million. The change in Cash Flows from Operating Activities compared to FY 2010 is primarily the result of increased receipts from electric customers, reductions of supplier payments, and reduction of payments to employees.

Cash Flows from Non-Capital Financing Activities

In FY 2011, cash used for non-capital financing activities was \$2.8 million versus \$2.8 million in FY 2010, or no change in spending levels. The reader should note that interfund cash flows between the electric fund and the telecom fund cancel each other for each year under consideration.

Cash Flows from Capital and Related Financing Activities

In FY 2011, cash used for capital and related financing activities was \$10.7 million versus \$5.0 million in FY 2010, or an increase of \$5.7 million. The change in Cash Flows from Capital and Related Financing Activities compared to FY 2010 is primarily the result of a decrease of \$0.4 million in electric fund capital asset additions, refinancing activity for the 2000 A/AT certificates of participation into the 2010 A/B revenue bonds including its reduction of principal amounts, and the reduction of debt-related charges in conjunction with the refinancing.

During FY 2011, AMP's net capital asset additions for the electric system were \$1.7 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 2011 includes recloser upgrades, streetlight replacements, over-current relay replacements, primary circuit replacements including at Poggi St., continued enhancements to the System Control and Data Acquisition (SCADA) systems, Remote Terminal Unit (RTU) replacement, continued Alameda Point upgrades, new residential and commercial installations, design for Underground Utility District (UUD) #31, and blanket work orders for system upgrades.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

Cash Flows from Investing Activities

In FY 2011, net cash provided by investing activities was \$9.9 million versus \$6.1 million in FY 2010, or an increase of \$3.8 million. The change in Cash Flows from Investing Activities compared to FY 2010 is primarily the result of a decrease of \$0.2 million in interest receipts, a decrease of investments in the NCPA General Operating Reserve (GOR) which AMP used to reduce principal during the 2000 A/AT refinancing, and \$1.8 million released from restricted investments which was also used during the refinancing.

Long-Term Debt

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 were 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 for the new bonds. The maturity date for the Series 2010A is July 1, 2030 and the maturity date for the Series 2010B is July 1, 2027. This advance refunding was undertaken to reduce debt service payments over the next 20 years by \$17,662,628 and resulted in an economic gain of \$2,308,432. The reader is encouraged to read Note 5, and the statistical section of this report, for additional information regarding long-term debt and expected payments for this loan.

In addition to the 2010 A/B Revenue Bonds, AMP has a long-term contract for lease of a maintenance vehicle for which it pays about \$2,500/month.

ANALYSIS OF CAPITAL ASSETS

AMP's investment in capital assets for its electric operations amounts to \$39.0 million, net of accumulated depreciation. The investment in capital assets includes land, electric utility plant, machinery and equipment, transportation and computer equipment. The total decrease in AMP's investment in capital assets for the current year was 5.6%. Readers desiring more detailed information on capital asset activity should see Note 3 and information in the Statistical Section of this report.

Electric Capital Assets for the year ended June 30:

(Dollars in thousands)

	June 30,		
	2011	2010	2009
Land and Rights	\$ 154	\$ 154	\$ 154
Construction In Progress	1,719	2,261	3,054
Utility Plant	70,315	68,707	66,172
Service Center Building	7,844	7,844	7,844
Machinery & Equipment	8,739	8,721	8,725
Transportation Equipment	2,594	2,594	2,393
Computer Equipment	3,257	3,213	3,024
Furniture & Fixtures	599	599	599
Easements	185	185	185
Less Accumulated Depreciation	(56,419)	(52,958)	(49,572)
Capital Assets, Net	\$ 38,987	\$ 41,320	\$ 42,578

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

ANALYSIS OF ECONOMIC FACTORS

Economic Factors and Next Year's Budget

The adopted budget for FY 2012 reflects the local economy and the sluggish demand for new electric services from the commercial sector. During FY 2011, the AMP continued its strategic planning to 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 continues assessments of future financial needs; documents those needs in a 10-year pro-forma; manages Board established financial guidelines for rates, revenues and reserves; develops rate designs to meet financial guideline objectives; and completed the refinancing of the Series 2000A/AT certificates. The adopted budget for FY 2012 includes electric operating revenues that are expected to be \$52.2 million, or 3.7% higher, than the \$50.3 million budgeted in FY 2011 due to a rate increase and expected load growth enacted as part of the planning and budgeting process.

The adopted budget for FY 2012 includes operating expenses budgeted at \$48.8 million, or \$1.4 million higher than the budgeted FY 2011 expenses. The primary reason for the operating budget increase is due to the budget for purchased power costs. Purchased power expenditures, excluding netted amounts received from reserves and non-cash items, account for \$29.4 million or 60.7% of budgeted electric operating expenses. The adopted budget provides for a \$2.8 million transfer to the City and \$1.3 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 \$4.6 million of the adopted budget.

The adopted budget anticipates that operating revenues will not be sufficient to meet all expenses to be incurred during FY 2012. The budget anticipates that about \$3.0 million will be required from existing reserves to provide for projected expenditures. As part of the financial planning process, the Board directed 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 may be implemented in conjunction with the next budget cycle (year 3 of the 5-year rate plan). The underground district reserve will provide funds for certain capital expenditures. 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.

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.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011 AND 2010

AMP's cash equivalents and designated investments are recorded at \$36.1 million. AMP's investment policy limits investments to financial instruments that maximize the safety of principal (See Note 2 to the Basic Financial Statements). In addition to these sums, AMP has restricted investments recorded at \$4.4 million. These investments are invested in accordance with guidelines established in the bond documents.

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, 2011 AND 2010

	2011			2010		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
ASSETS						
Current Assets:						
Cash and equivalents (Note 2)	\$ 29,978,871	\$ -	\$ 29,978,871	\$ 26,777,114	\$ -	\$ 26,777,114
Interest receivable	26,504	-	26,504	27,760	-	27,760
Accounts receivable	5,226,493	-	5,226,493	4,906,255	-	4,906,255
Notes receivable, net of long-term portion below (Note 4)	40,000	-	40,000	40,000	-	40,000
Materials and supplies	2,476,817	-	2,476,817	2,470,761	-	2,470,761
Prepaid power costs and other	-	-	-	10,093	-	10,093
Total Current Assets	37,748,685	-	37,748,685	34,231,983	-	34,231,983
Non-current Assets:						
Capital Assets (Note 3)	95,405,833	-	95,405,833	94,278,318	-	94,278,318
Accumulated Depreciation (Note 3)	(56,419,296)	-	(56,419,296)	(52,958,017)	-	(52,958,017)
Capital Assets, net (Note 3)	38,986,537	-	38,986,537	41,320,301	-	41,320,301
Restricted Investments (Note 2)	4,378,747	-	4,378,747	6,226,879	-	6,226,879
Investments designated for special purposes (Note 2)	6,141,957	-	6,141,957	5,372,921	-	5,372,921
Share of certain NCPA projects and reserve (Note 9)	15,998,430	-	15,998,430	24,224,505	-	24,224,505
Long-term portion of notes receivable (Note 4)	25,300	-	25,300	65,300	-	65,300
Debt issue costs, net of amortization	391,229	-	391,229	890,645	-	890,645
Total Noncurrent Assets	65,922,200	-	65,922,200	78,100,551	-	78,100,551
Total Assets	103,670,885	-	103,670,885	112,332,534	-	112,332,534
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued payroll	1,510,657	2,187,437	3,698,094	1,404,631	2,845,923	4,250,554
Interest payable	798,352	-	798,352	264,548	-	264,548
Current portion of long term debt (Note 5)	890,727	2,200,000	3,090,727	54,167	2,200,000	2,254,167
Deposits	517,704	-	517,704	635,264	-	635,264
Other accrued liabilities	235,519	-	235,519	321,917	-	321,917
Current portion of compensated absences (Note 1C)	627,221	-	627,221	708,940	-	708,940
Current portion of claims liability (Note 11B)	245,000	-	245,000	245,000	-	245,000
Total Current Liabilities	4,825,180	4,387,437	9,212,617	3,634,467	5,045,923	8,680,390
Non-current Liabilities:						
Long term debt, net of current portion (Note 5)	29,986,652	-	29,986,652	39,292,739	-	39,292,739
Balancing account	12,396,276	-	12,396,276	12,699,682	-	12,699,682
Compensated absences (Note 1C)	16,312	-	16,312	-	-	-
Claims liability (Note 11B)	639,847	-	639,847	736,506	-	736,506
Total Non-Current Liabilities	43,039,087	-	43,039,087	52,728,927	-	52,728,927
Total Liabilities	47,864,267	4,387,437	52,251,704	56,363,394	5,045,923	61,409,317
Net Assets (Note 12):						
Invested in capital assets, net of related debt	30,928,840	-	30,928,840	32,364,040	-	32,364,040
Restricted for:						
Indenture reserves (Note 2H)	4,378,747	-	4,378,747	6,226,879	-	6,226,879
Unrestricted	20,499,031	(4,387,437)	16,111,594	17,378,221	(5,045,923)	12,332,298
Total Net Assets (Deficit)	\$ 55,806,618	\$ (4,387,437)	\$ 51,419,181	\$ 55,969,140	\$ (5,045,923)	\$ 50,923,217

See accompanying notes to financial statements

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, 2011 AND 2010

	2011			2010		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Operating Revenues:						
Sales	\$ 49,866,684	\$ -	\$ 49,866,684	\$ 47,976,563	\$ -	\$ 47,976,563
Miscellaneous services	613,426	2,013	615,439	643,929	5,003	648,932
Plant leased to others	155,520	-	155,520	141,850	-	141,850
Jobbing sales	134,057	-	134,057	185,709	-	185,709
Total Operating Revenues	50,769,687	2,013	50,771,700	48,948,051	5,003	48,953,054
Operating Expenses:						
Purchased power	25,159,235	-	25,159,235	29,147,084	-	29,147,084
Energy efficiency, solar and other	954,695	-	954,695	1,200,496	-	1,200,496
Operations and maintenance	4,024,767	-	4,024,767	3,833,191	3,912	3,837,103
Customer accounts, information systems	1,800,869	-	1,800,869	1,779,098	-	1,779,098
Administrative and general	5,424,827	2,272,937	7,697,764	5,451,942	5,426,392	10,878,334
Payment in-lieu of taxes	2,657,408	-	2,657,408	1,241,623	-	1,241,623
Depreciation and amortization	3,461,276	-	3,461,276	3,343,601	-	3,343,601
Sales expense	375,461	-	375,461	317,655	-	317,655
Jobbing sales expense	154,501	-	154,501	232,121	-	232,121
Balancing account adjustment	(303,406)	-	(303,406)	(2,211,428)	-	(2,211,428)
Total Operating Expenses	43,709,633	2,272,937	45,982,570	44,335,383	5,430,304	49,765,687
Operating Income (Loss)	7,060,054	(2,270,924)	4,789,130	4,612,668	(5,425,301)	(812,633)
Nonoperating Revenues (Expenses):						
Interest income	160,823	-	160,823	305,857	-	305,857
Interest income on restricted investments	66	-	66	-	-	-
Interest expense	(1,582,668)	-	(1,582,668)	(2,945,095)	-	(2,945,095)
Gain (Loss) from disposition	-	-	-	800	-	800
Other revenue (deductions)	21,232	-	21,232	(45,262)	-	(45,262)
Increase (decrease) in value of certain NCPA projects and reserves	376,315	-	376,315	(1,131,231)	-	(1,131,231)
Alameda Point Phone Maintenance-Net	68,480	-	68,480	60,249	-	60,249
Miscellaneous non-operating revenue (expense)	(537,414)	-	(537,414)	270,807	-	270,807
Transfers to City of Alameda (Note 6)	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Net Nonoperating Revenue (Expense)	(4,293,166)	-	(4,293,166)	(6,283,875)	-	(6,283,875)
Income (loss) before Transfers	2,766,888	(2,270,924)	495,964	(1,671,207)	(5,425,301)	(7,096,508)
Transfers in	-	2,929,410	2,929,410	-	2,734,279	2,734,279
Transfers (out)	(2,929,410)	-	(2,929,410)	(2,734,279)	-	(2,734,279)
Total transfers	(2,929,410)	2,929,410	-	(2,734,279)	2,734,279	-
Increase (decrease) in Net Assets	(162,522)	658,486	495,964	(4,405,486)	(2,691,022)	(7,096,508)
Net assets (deficit), beginning of year	55,969,140	(5,045,923)	50,923,217	60,374,626	(2,354,901)	58,019,725
Net assets (deficit), end of year	\$ 55,806,618	\$ (4,387,437)	\$ 51,419,181	\$ 55,969,140	\$ (5,045,923)	\$ 50,923,217

See accompanying notes to the financial statements

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ALAMEDA MUNICIPAL POWER

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Cash Flows from Operating Activities						
Receipts from customers	\$ 50,331,889	\$ 2,013	\$ 50,333,902	\$ 49,836,888	\$ 18,517	\$ 49,855,405
Payments to suppliers	(33,438,191)	(2,931,423)	(36,369,614)	(35,644,235)	(2,752,807)	(38,397,042)
Payments to employees	(7,251,973)	-	(7,251,973)	(7,453,314)	-	(7,453,314)
Miscellaneous non-operating income	119,240	-	119,240	331,056	-	331,056
Miscellaneous non-operating expenses	21,232	-	21,232	(45,262)	-	(45,262)
Net cash provided by (used for) Operating Activities	<u>9,782,197</u>	<u>(2,929,410)</u>	<u>6,852,787</u>	<u>7,025,133</u>	<u>(2,734,290)</u>	<u>4,290,843</u>
Cash Flows from Noncapital Financing Activities						
Transfers to General Fund	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Interfund cash inflow	-	2,929,410	2,929,410	-	2,734,279	2,734,279
Interfund cash outflow	(2,929,410)	-	(2,929,410)	(2,734,279)	-	(2,734,279)
Net cash provided by (used in) Noncapital Financing Activities	<u>(5,729,410)</u>	<u>2,929,410</u>	<u>(2,800,000)</u>	<u>(5,534,279)</u>	<u>2,734,279</u>	<u>(2,800,000)</u>
Cash Flows from Capital and Related Financing Activities						
Capital asset additions, net	(1,715,686)	-	(1,715,686)	(2,086,295)	-	(2,086,295)
Proceeds from disposition of capital asset	-	-	-	800	-	800
Long-term debt repayments	(39,099,526)	-	(39,099,526)	(51,495)	-	(51,495)
Proceeds from issuance of debt	31,685,000	-	31,685,000	-	-	-
Debt related charges	(1,604,449)	-	(1,604,449)	(2,900,563)	-	(2,900,563)
Net cash used in Capital and Related Financing Activities	<u>(10,734,661)</u>	<u>-</u>	<u>(10,734,661)</u>	<u>(5,037,553)</u>	<u>-</u>	<u>(5,037,553)</u>
Cash Flows from Investing Activities						
Interest receipts	162,145	-	162,145	343,727	-	343,727
Loans receivable	40,000	-	40,000	40,000	-	40,000
Investments reserved for special purposes	(769,036)	-	(769,036)	(643,631)	-	(643,631)
Investment in certain NCPA projects and reserves	8,602,390	-	8,602,390	(1,170,190)	-	(1,170,190)
Restricted investments	1,848,132	-	1,848,132	7,509,767	11	7,509,778
Net cash provided by Investing Activities	<u>9,883,631</u>	<u>-</u>	<u>9,883,631</u>	<u>6,079,673</u>	<u>11</u>	<u>6,079,684</u>
Net increase in cash and cash equivalents	3,201,757	-	3,201,757	2,532,974	-	2,532,974
Cash and equivalents at beginning of year	26,777,114	-	26,777,114	24,244,140	-	24,244,140
Cash and equivalents at end of year	<u>\$ 29,978,871</u>	<u>\$ -</u>	<u>\$ 29,978,871</u>	<u>\$ 26,777,114</u>	<u>\$ -</u>	<u>\$ 26,777,114</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	\$ 7,060,054	\$ (2,270,924)	\$ 4,789,130	\$ 4,612,668	\$ (5,425,301)	\$ (812,633)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	3,461,276	-	3,461,276	3,343,601	-	3,343,601
Decrease (increase) in accounts receivable	(320,238)	-	(320,238)	876,369	13,514	889,883
Decrease (increase) in materials and supplies	(6,056)	-	(6,056)	82,594	-	82,594
Decrease (increase) in prepaids	10,093	-	10,093	(10,088)	-	(10,088)
Increase (decrease) in accounts payable and accrued payroll	106,026	(658,486)	(552,460)	119,358	2,677,497	2,796,855
Increase (decrease) in balancing account	(303,406)	-	(303,406)	(2,211,428)	-	(2,211,428)
Increase (decrease) in other accrued liabilities	(86,398)	-	(86,398)	(125,276)	-	(125,276)
Increase (decrease) in refundable deposits	(117,560)	-	(117,560)	12,468	-	12,468
Increase (decrease) in compensated absences	(65,407)	-	(65,407)	62,091	-	62,091
Increase (decrease) in claims liability	(96,659)	-	(96,659)	(23,018)	-	(23,018)
Miscellaneous non-operating income	119,240	-	119,240	331,056	-	331,056
Miscellaneous non-operating expenses	21,232	-	21,232	(45,262)	-	(45,262)
Net cash provided by (used in) operating activities	<u>\$ 9,782,197</u>	<u>\$ (2,929,410)</u>	<u>\$ 6,852,787</u>	<u>\$ 7,025,133</u>	<u>\$ (2,734,290)</u>	<u>\$ 4,290,843</u>

See accompanying notes to the financial statements

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ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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. AMP is a component unit of the City of Alameda. The accompanying financial statements only reflect the activity of AMP as it does not have any component units.

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 9. 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 10. Amounts paid to the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 11.

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, 2011 AND 2010

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.

Debt Issuance Costs - are capitalized and amortized over the life of the related debt.

The Balancing Account - is used by AMP to help stabilize rates. Specifically, the balancing account accumulates differences between the actual costs of providing a utility service with the related revenues designated for recovery of such costs. Deferred amounts are refunded to or recovered from customers through authorized rate adjustments, but can be reciprocally the beneficiaries of any temporary over-collection. The effect of using the balancing account is that unanticipated changes in sales levels and purchased power costs do not immediately affect AMP's rates because they are included in operating expenses as they are matched by revenues.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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.

Changes in compensated absences payable consist of the following:

	2011	2010
Balance at beginning of fiscal year	\$ 708,940	\$ 646,849
Compensated absences earned	449,903	564,741
Compensated absences taken	(515,310)	(502,650)
Balance at end of fiscal year	<u>643,533</u>	<u>708,940</u>
Current Portion	<u>\$ 627,221</u>	<u>\$ 515,310</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.

D. Budgets and Budgetary Accounting

AMP follows these procedures in establishing the budget:

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. Unexpended appropriations lapse at year-end and must be reappropriated in the following year.
6. Formal budgetary integration is employed as a management control device during the year.
7. 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, 2011 AND 2010

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 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 and Interfund Transfers

The Telecommunications Fund had an accumulated deficit of \$4,387,437 and \$5,045,923 at June 30, 2011 and June 30, 2010, respectively. The Electric Fund transfers resources to the Telecommunications Fund to support on-going litigation expenses without any expectation of being repaid. Interfund transfers are presented in the Statements of Revenues, Expenses, and Changes in Net Assets.

H. Net Assets

It is AMP'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, 2011 AND 2010

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. New Governmental Accounting and Reporting Standards

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.

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This Statement also requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and does not believe it will have a significant impact on the financial statements.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity by clarifying the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. 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.

L. Changes in Accounting Principles

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 implemented the provisions of this Statement in fiscal year ending June 30, 2011, with no significant impact on the financial statements.

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, 2011 are as follows:

	<u>2011</u>	<u>2010</u>
Cash and equivalents	\$ 29,978,871	\$ 26,777,114
Restricted investments	4,378,747	6,226,879
Investments designated for special purposes	6,141,957	5,372,921
Total cash and investments	<u>\$ 40,499,575</u>	<u>\$ 38,376,914</u>

Cash and investment balance in the Telecom Services enterprise fund was \$0 and \$0 at 2011 and 2010.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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.

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 (a)	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 (b)	5 Years	N/A	No Limit	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 Years	N/A	30%	No Limit
Time Certificates of Deposit	5 Years	N/A	30%	No Limit
Repurchase Agreements	1 Year	N/A	No Limit	No Limit
Reverse Repurchase Agreements (requires Board approval)	92 Days	N/A	20% of market value of portfolio	No Limit
Medium Term Corporate Notes	5 Years	A	30%	No Limit
Mutual Funds	5 Years	Top rating category	20%	10%
Money Market Mutual Funds	N/A	AAA	20%	10%
Collateralized Bank Deposits	5 Years	N/A	30%	No Limit
Mortgage Pass-Through Securities	5 Years	Top rating category	20%	No Limit
County Agency 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) The Maximum term of any investment shall not exceed five years unless expressly authorized by the Public Utilities Board.

(b) 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).

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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).

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011 and 2010:

	2011	2010
	<u>12 Months or less</u>	<u>12 Months or less</u>
<i>Investments:</i>		
Bond Mutual Funds	\$ 4,378,747	\$ 6,226,879
Money Market	621,662	-
U.S. Treasury Bills \ Notes	998,001	1,164,344
Local Agency Investment Fund	22,332,339	20,023,336
Certificates of Deposit	7,475,331	7,766,645
Total Investments	<u>35,806,080</u>	<u>35,181,204</u>
Cash with Banks and Petty Cash	4,693,495	3,195,710
Total cash and investments	<u>\$ 40,499,575</u>	<u>\$ 38,376,914</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, 2011, these investments had an average maturity of 237 days.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011 and 2010.

Investment Type	2011	2010
AAAm:		
Bond Mutual Funds	\$ 4,378,747	\$ 6,226,879
Not rated:		
Certificates of Deposit	6,650,000	6,950,636
Certificates of Deposit (Bank of Alameda)	825,331	816,009
Money Market	621,662	-
Local Agency Investment Fund	22,332,339	20,023,336
Exempt:		
U.S. Treasury Bills \ Notes	998,001	1,164,344
Cash with Banks and Petty Cash	4,693,495	3,195,710
Total investments	\$ 40,499,575	\$ 38,376,914

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, 2011, there were no investments in any one issuer that represent five percent or more of total AMP investments.

G. Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, AMP's deposits may not be returned to it. 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, 2011, AMP's bank balance of \$4,738,635 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC).

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2011, none of AMP's investments were held with a counterparty. All of 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	
	2011	2010
Restricted by Certificates of Participation Series 2000A Indenture	\$ -	\$ 2,187,843
Restricted by Certificates of Participation Series 2000AT Indenture	-	4,039,036
Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund	1,720,677	-
Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund	2,658,070	-
Total Restricted Investments	<u>\$ 4,378,747</u>	<u>\$ 6,226,879</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 were to be used for the costs of certain improvements to the electric system. The Certificates of Participation Series 2000A were defeased as part of the refinancing which resulted in the Revenue Bonds Series 2010A discussed in Note 5.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 were to be used for the defeasance of certain obligations with respect to the NCPA. The Certificates of Participation Series 2000AT were defeased as part of the refinancing which resulted in the Taxable Revenue Bonds Series 2010B discussed in Note 5.

Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund represents investments held with fiscal agent as required by the Revenue Bond indenture. The funds held by the trustee are to be used for the defeasance of certain obligations with respect to the Series 2010 A/B Revenue Bonds.

Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund represents investments held with fiscal agent as required by the Revenue Bond indenture. The funds held by the trustee are to meet the "Common Reserve Fund Requirement" of the indenture.

I. *Designated Investments*

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

	2011	2010
Insurance Reserve	\$ 1,200,000	\$ 1,200,000
Underground Special Fund	2,854,405	1,937,079
Major Contingency Reserve	1,000,612	1,000,612
Competitive Pricing Reserve	196,858	423,759
Operating Contingency Reserve	650,000	650,000
Solar PV Rebate Reserve	240,082	161,471
Total Investments Designated for Special Purposes	<u>\$ 6,141,957</u>	<u>\$ 5,372,921</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 Municipal Power.

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.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 and 2010 is as follows:

	Balance June 30, 2010	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2011
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	2,261,550	1,951,555	(824,040)	(1,669,574)	1,719,491
Total capital assets not being depreciated	<u>2,415,193</u>	<u>1,951,555</u>	<u>(824,040)</u>	<u>(1,669,574)</u>	<u>1,873,134</u>
Capital assets being depreciated:					
Utility Plant	68,706,973	-	-	1,607,952	70,314,925
Service Center Building	7,843,636	-	-	-	7,843,636
Machinery and Equipment	8,720,993	-	-	18,168	8,739,161
Transportation Equipment	2,593,727	-	-	-	2,593,727
Computer Equipment	3,213,189	-	-	43,454	3,256,643
Furniture and Fixtures	599,107	-	-	-	599,107
Easements	185,500	-	-	-	185,500
Total capital assets being depreciated	<u>91,863,125</u>	<u>-</u>	<u>-</u>	<u>1,669,574</u>	<u>93,532,699</u>
Less accumulated depreciation and amortization for:					
Utility Plant	38,719,550	2,190,483	-	-	40,910,033
Service Center Building	2,890,173	165,870	-	-	3,056,043
Machinery and Equipment	6,749,322	760,966	-	-	7,510,288
Transportation Equipment	1,376,889	195,288	-	-	1,572,177
Computer Equipment	2,740,306	127,520	-	-	2,867,826
Furniture and Fixtures	387,277	17,652	-	-	404,929
Easements	94,500	3,500	-	-	98,000
Total accumulated depreciation	<u>52,958,017</u>	<u>3,461,279</u>	<u>-</u>	<u>-</u>	<u>56,419,296</u>
Total depreciable assets	<u>38,905,108</u>	<u>(3,461,279)</u>	<u>-</u>	<u>1,669,574</u>	<u>37,113,403</u>
Capital assets, net	<u>\$ 41,320,301</u>	<u>\$ (1,509,724)</u>	<u>\$ (824,040)</u>	<u>\$ -</u>	<u>\$ 38,986,537</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	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>

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, 2011 and 2010 was \$3,461,276 and \$3,343,601, respectively.

NOTE 4 - NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	2011	2010
City of Alameda:		
Streetlight Improvement	\$ 65,300	\$ 105,300
Less: Current Portion	(40,000)	(40,000)
Long-Term Portion of Notes Receivable	<u>\$ 25,300</u>	<u>\$ 65,300</u>

The City entered into a loan agreement with AMP for the replacement of deteriorated street lights. Through June 30, 2011, AMP had expended \$627,300 for street light replacement and the City had made payments of \$562,000. Annual installments of \$40,000 are scheduled until the loan is repaid. At June 30, 2011 and 2010, the outstanding balance was \$65,300 and \$105,300, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011 and 2010 is as follows:

	Original Issue Amount	Balance June 30, 2010	Additions	Retirements & Adjustments	Balance June 30, 2011	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	128,981	-	23,699	105,282	25,034
2009 Truck (Altel Model D3060) - Capital Lease	229,168	172,925	-	30,827	142,098	32,344
Revenue Bonds, Series 2010A	8,700,000	-	8,700,000	-	8,700,000	-
Taxable Revenue Bonds, Series 2010B	22,985,000	-	22,985,000	-	22,985,000	895,000
Loan from City of Alameda	2,200,000	2,200,000	-	-	2,200,000	2,200,000
Deferred amount on refunding	n/a	-	(1,116,652)	(61,651)	(1,055,001)	(61,651)
Total long-term debt		<u>\$ 41,546,906</u>	<u>\$ 30,568,348</u>	<u>\$ 39,037,875</u>	<u>\$ 33,077,379</u>	<u>\$ 3,090,727</u>

	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>

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 were scheduled to mature semi-annually through July 1, 2030 with annual principal debt service commencing on July 1, 2011. The certificates were to bear interest at an auction rate fluctuating around the one-month LIBOR rate. On August 17, 2010, the Electric System Revenue Taxable Certificates of Participation were defeased as part of the refinancing which resulted in the Revenue Bonds Series 2010A/B, discussed below.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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 were scheduled to mature annually through July 1, 2030. Principal amounts were to be payable annually July 1 commencing 2011. Interest amounts were payable semiannually on January 1 and July 1. AMP was 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. On August 17, 2010, the Electric System Revenue Certificates of Participation, Series 2000A, were defeased as part of the refinancing which resulted in the Revenue Bonds Series 2010A/B, discussed below.

Revenue Bonds, Series 2010A/B (AMP Refinancing) – As described in an indenture agreement dated August 1, 2010, Revenue Bonds, Series 2010A/B were issued to provide funds, together with certain other available monies, to 1) prepay the obligations of AMP for the Electric System Revenue Certificates of Participation Series 2000A, 2) prepay the obligations of AMP for the Taxable Electric System Revenue Certificates of Participation, Series 2000AT, 3) fund a deposit to the Common Reserve Account, and 4) prepay the costs of issuance of the 2010 Bonds. Revenue Bonds, Series 2010A bear interest at 4.375% to 5.25%, payable January 1 and July 1 of each year.

Principal on the Series 2010B Bonds will be payable beginning July 1, 2011 and each succeeding July 1 until defeased in 2027. Principal on the Series 2010A Bonds will be payable beginning July 1, 2027 and each succeeding July 1 until defeased in 2030. The 2010 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2010 Bonds are special obligations payable solely from electric revenues, other amounts held in the bond funds and accounts established pursuant to the indenture, and amounts on deposit in the Common Reserve Account. The initial book-entry principal obligation for the Series 2010A is \$8,700,000 and \$22,985,000 for the Series 2010B. The combined principal obligation amount is \$31,685,000.

This advance refunding was undertaken to reduce debt service payments over the next 20 years by \$17,662,628, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$2,308,432. The advance refunding resulted in a deferred amount on refunding of \$1,116,652.

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 \$58,918 as of June 30, 2011.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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 \$71,538 as of June 30, 2011.

C. *Debt Service Requirements*

Annual debt service requirements for AMP's revenue bonds, loan from City of Alameda and capital leases are as follows:

For the Year Ending June 30	Principal	Interest
2012	\$ 3,152,378	\$ 1,601,697
2013	1,100,781	1,578,846
2014	1,129,386	1,548,668
2015	1,163,204	1,511,204
2016	1,133,330	1,469,602
2017-2021	6,415,000	6,530,385
2022-2026	8,540,000	4,440,579
2027-2031	11,498,301	1,479,115
Total	<u>\$ 34,132,380</u>	<u>\$ 20,160,096</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, 2011 and 2010, 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 \$2,657,408 and \$1,241,623 in lieu of taxes to the City during the fiscal years ended June 30, 2011 and 2010, respectively. Fiscal year 2011 payments included amounts for underpayment during fiscal years 2007 through 2009.

Disbursements by AMP to the City for services provided by the City for the years ended June 30, 2011 and 2010 were \$3,572,438 and \$3,457,806, respectively. Utility taxes collected by AMP and remitted to the City for the years ended June 30, 2011 and 2010 were \$3,088,472 and \$2,977,338, respectively.

Billings of electricity to the City for the years ended June 30, 2011 and 2010 were \$2,016,527 and \$2,011,875, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011, 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	31.038%	12.693%

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, 2011 AND 2010

NOTE 7 - PERS PENSION PLAN (CONTINUED)

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

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>
6/30/2011	\$ 850,135	100%
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 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. AMP contributed \$2,030 and \$2,038 to the Money Purchase Plan for the years ended June 30, 2011 and 2010, respectively. 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, California 94229-2709.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011, are summarized as follows:

	Miscellaneous	Safety/Appointed Officials
Eligibility	<ul style="list-style-type: none"> • Retire directly from the City under CalPERS • Age 50 & 5 years of CalPERS service or disability 	
Medical Benefit	<ul style="list-style-type: none"> • PEMHCA Minimum Employer Contribution 	1) Up to higher of Kaiser or Blue Shield Bay Area for coverage elected up to 2-party 2) City pays up to higher of Kaiser or Blue Shield Bay Area for single coverage <ul style="list-style-type: none"> • PEMHCA Minimum Employer Contribution for safety retiree if: <ol style="list-style-type: none"> 1) Hired < 6/7/11 < 5 YOS 2) Hired > 6/7/11 < 10 YOS
	<ul style="list-style-type: none"> • PEMHCA Minimum Employer Contribution: AB 2544 5% of active contributions times years in PEMHCA (increase each year not greater than \$100 per month) Joined PEMHCA in 1992 for all bargaining units \$102.60/month in 2011	
Dental Benefit	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • City pays full premium for retiree and spouse
Vision & Life	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Surviving Spouse	<ul style="list-style-type: none"> • Contribution continues to surviving spouse 	

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 \$46,862 and \$44,206 towards the annual OPEB cost for the years ended June 30, 2011 and 2010, respectively.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2011 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 9% to 9.4% in 2013 to 5% for years starting 2021. 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 or at City of Alameda, Interim City Manager, 2263 Santa Clara Avenue, Alameda, California 94501.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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 14 public agencies (AMP, BART, Biggs, Gridley, Healdsburg, Lopoc, Palo Alto, Ukiah, Lodi, Port of Oakland, Redding, Roseville, Silicon Valley Power, Truckee-Donner PUD). Turlock Irrigation District withdrew from NCPA on April 1, 2011. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

Amounts paid by AMP to NCPA during the years ended June 30, 2011 and 2010 for purchased power were \$24,855,829 and \$26,935,656, 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 \$1,289,824 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR).

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.

The changes in AMP's share in NCPA projects and reserve are set forth below:

	Year ended June 30	
	2011	2010
Beginning balance	\$ 24,224,505	\$ 24,185,546
Increase (decrease) in equity in NCPA projects	(8,226,075)	38,959
Ending balance	<u>\$ 15,998,430</u>	<u>\$ 24,224,505</u>

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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

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

	June 30	
	2011	2010
General Operating Reserve	\$ 12,271,583	\$ 20,826,445
Purchased Power & Transmission	390,333	390,333
Associated Member Services	-	(1,033)
Net book value of amounts contributed to fund		
Alameda Municipal Power's share of NCPA power		
Geothermal Projects/Power Line	2,400,624	1,881,078
Calaveras Hydroelectric Project	502,271	631,046
Combustion Turbine Project No. 1	127,141	36,330
Combustion Turbine Project No. 2	306,478	460,306
	<u>\$ 15,998,430</u>	<u>\$ 24,224,505</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.

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 and the operating costs for two geothermal steam powered generating plants, Plant Number 1 and Plant Number 2, located in the Geysers area in Northern California. In conjunction with these payments, AMP is entitled to receive 16.8825% of the output from these facilities. 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. Effective April 1, 2010, Turlock Irrigation District withdrew as an NCPA participant.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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

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, 2011, the book value of this Project's plant, equipment and other assets was \$89,514,056 while its long-term debt totaled \$34,357,251 and other liabilities totaled \$45,020,686. AMP's share of the Project's long-term debt and other liabilities amounted to \$13,537,169 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.

At June 30, 2011, the book value of this Project's plant, equipment and other assets was \$0 while its long-term debt totaled \$0, and other liabilities totaled \$0. AMP's share of the Project's long-term debt and other liabilities amounted to \$0 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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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

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 10.9774% 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%. At June 30, 2011, the book value of this Project's plant, equipment and other assets was \$418,736,756, while its long-term debt totaled \$367,323,286 and other liabilities totaled \$46,136,850. AMP's share of the Project's long-term debt and other liabilities amounted to \$41,346,014 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. During August 2010, phase 2 of the First Amendment to the Agreement finalized the transfer of ownership of two NCPA electricity generating units to the City of Roseville due to a misalignment of ISO control areas. The transfer reduced the generation output of the project to 74 MW, and increased the entitlement share to 21.82%. Although AMP's project percentage share increases, its resulting generating capacity entitlement remains constant at 16.05 MW. At June 30, 2011, the book value of this Project's plant, equipment and other assets was \$2,540,268 while its long-term debt totaled \$0, and other liabilities totaled \$2,873,189. AMP's share of the Project's long-term debt and other liabilities amounted to \$376,158 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 STIG project.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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

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, 2011, the book value of this Project's plant, equipment and other assets was \$57,992,108 while its long-term debt totaled \$53,584,856 and other liabilities totaled \$3,794,210. AMP's share of the Project's long-term debt and other liabilities amounted to \$10,902,022 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. Prior to January 1, 2010, AMP received 50% of the power output from this small hydroelectric project. After January 1, 2010, AMP will receive 100% of the output from this small hydroelectric project.

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, which is the amount of power generated in one federal fiscal year.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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

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.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 10 - TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC) (CONTINUED)

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, 2011 and 2010, AMP's share of this debt is \$4,670,313 and \$4,871,996, 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/>.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 11 - RISK MANAGEMENT (CONTINUED)

A. Risk Coverage

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to \$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, 2011 and 2010, AMP contributed \$73,008 and 70,113 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.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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:

	2011	2010
Beginning balance	\$ 981,506	\$ 1,004,524
Change in liability for current and prior fiscal year claims	90,161	160,635
Payments made on claims	(186,820)	(183,653)
Ending balance	\$ 884,847	\$ 981,506
Less Current Portion	(245,000)	(245,000)
Long-term Portion	\$ 639,847	\$ 736,506

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, enabling legislation, 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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 12 - NET ASSETS (CONTINUED)

Designated net assets for Electric Services consist of the following at June 30:

	2011	2010
Designated for special purposes	<u>\$ 6,141,957</u>	<u>\$ 5,372,921</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 9 and 10. AMP's estimated share of such debt outstanding at June 30, 2011 was \$101,611,000. 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.

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%	10.977%
NCPA - Capital Facilities Project (NCFP)	Jul-2026	19.000%	19.000%
TANC - CA-OR Transmission Project (COTP)	May-2024	1.227%	1.330%

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 13 - COMMITMENTS (CONTINUED)

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, 2011 is as follows:

Fiscal Year	NGP	NGTP	NCT1	NCHP	NCFP	COTP	Total
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	618,724	-	-	3,971,470	1,082,836	330,730	6,003,760
2017-2021	3,101,507	-	-	19,036,350	5,417,115	2,281,210	29,836,182
2022-2026	2,494,116	-	-	18,264,540	4,617,188	1,569,786	26,945,630
2027-2031	-	-	-	11,198,131	16,832	-	11,214,963
2032-2033	-	-	-	4,467,493	-	-	4,467,493
Total	\$ 8,681,125	\$ 20,860	\$ 46,510	\$ 72,504,389	\$ 14,865,047	\$ 5,493,846	\$ 101,611,777

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. In May 2011, AMP approved one year extensions to both lease agreements, with new expiration dates of May 30, 2012. AMP will continue to occupy the premises for minimum monthly payments of \$1,083 and \$11,103 respectively.

NOTE 14 - 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 was completed, and the case proceeded to a jury trial in February and March 2010, following which the jury returned a verdict in

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 14 - CONTINGENT LIABILITIES (CONTINUED)

Vectren's favor for \$1.95 million. Both sides filed post-trial motions for judgment as a matter of law, which were argued in July 2010, but were subsequently denied by the Court. 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. Both sides appealed the jury verdict and denial of post-trial motions with the 9th Circuit Court of Appeals. A briefing commenced in August 2011 and is anticipated to be completed in November 2011.

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 commenced.

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 filed summary judgment motion in January 2011 against Nuveen, which was granted on May 16, 2011 on all claims. AMP has since filed motion for recovery of defense costs totaling \$2.3 million.

Pending any appeals, no assurances can be given and no determination can be made at this time as to the outcome of Nuveens' claims; however, AMP and the City Attorney believe 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 and in January 2011, the City filed a motion for summary judgment on all of Osher's claims against it. This motion was granted on all claims on May 16, 2011; consequently, the City has filed a motion for recovery of defense costs, totaling \$1.5 million.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 14 - CONTINGENT LIABILITIES (CONTINUED)

Pending any appeals, no assurances can be given and no determination can be made at this time as to the outcome of Oshers' claims; however, AMP and the City Attorney believe 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.

Statistical Section

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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 Net Assets Of Consolidated Operations
3. Changes in Net Assets 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. Revenue Bonds/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 10 Customers and City of Alameda 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:

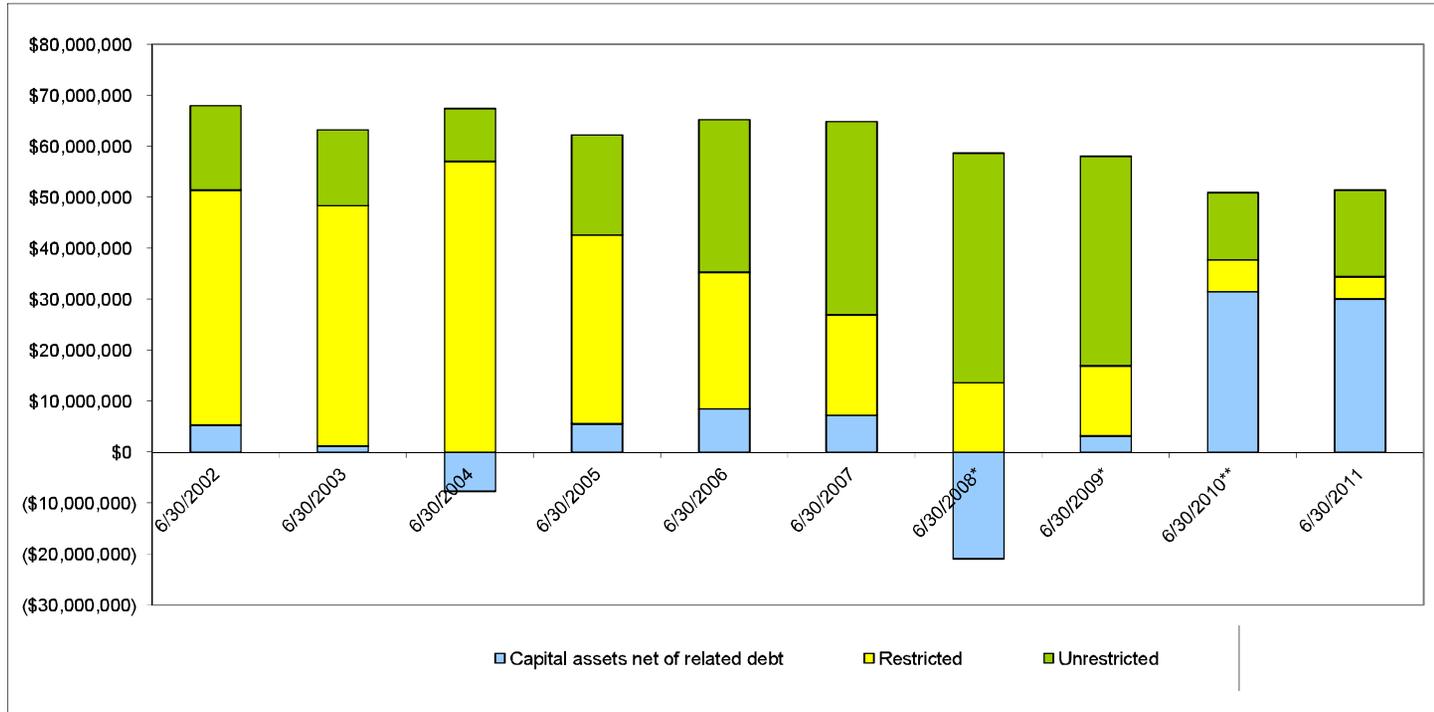
1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function – Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

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**

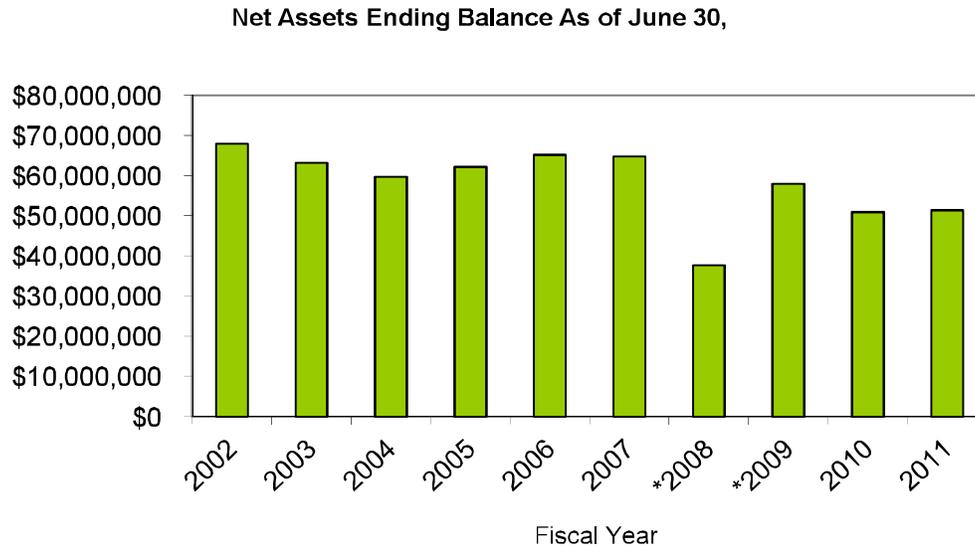


	Fiscal Year Ended,									
	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008*	6/30/2009*	6/30/2010**	6/30/2011
Business-type activities										
Invested in capital assets, net of related debt	\$5,267,472	\$1,203,051	(\$7,667,456)	\$5,528,260	\$8,470,239	\$7,245,463	(\$20,919,290)	\$3,179,206	\$31,473,395	\$30,039,157
Restricted	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	4,378,747
Unrestricted	16,544,669	14,893,551	10,406,476	19,597,383	29,935,937	37,878,629	45,019,091	41,103,862	13,222,943	17,001,277
Total business-type activities net assets	\$67,964,309	\$63,207,089	\$59,743,288	\$62,210,214	\$65,201,288	\$64,795,396	\$37,731,016	\$58,019,725	\$50,923,217	\$51,419,181

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

** Net assets were revised to be consistent with current year's presentation.

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
CHANGES IN NET ASSETS OF CONSOLIDATED OPERATIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Net Assets	
						Beginning Balance	Ending Balance
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
2011	\$ 50,771,700	\$ 45,982,570	\$ 4,789,130	\$ (4,293,166)	\$ 495,964	\$ 50,923,217	\$ 51,419,181

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

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
CHANGES IN NET ASSETS OF ELECTRIC OPERATIONS
LAST TEN FISCAL YEARS**

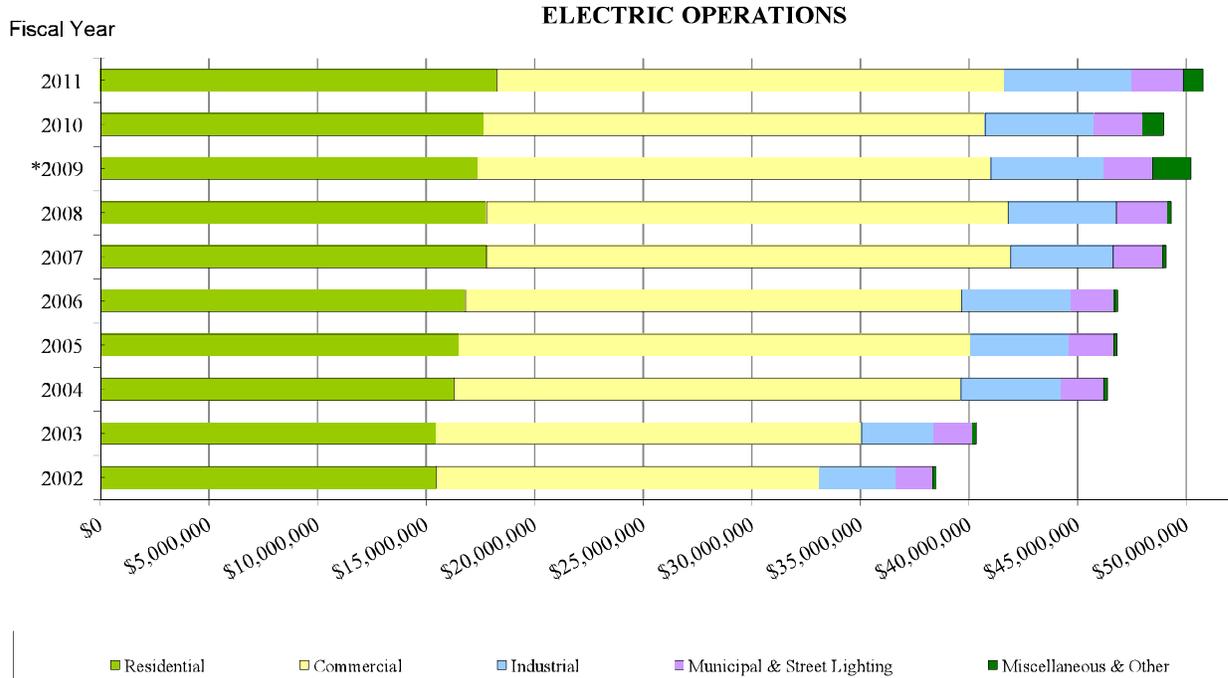
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Net Assets	
						Beginning Balance	Ending Balance
2002	\$ 38,474,925	\$ 30,560,315	\$ 7,914,610	\$ (4,424,423)	\$ 3,490,187	\$ 77,738,428	\$ 81,228,615
2003	\$ 40,337,837	\$ 34,866,875	\$ 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
2011	\$ 50,769,687	\$ 43,709,633	\$ 7,060,054	\$ (7,222,576)	\$ (162,522)	\$ 55,969,140	\$ 55,806,618

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

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
CHANGES IN NET ASSETS OF TELECOMMUNICATIONS OPERATIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue (Expenses)	Net Income (Loss)	Net Assets	
						Beginning Balance	Ending Balance
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)
2011	\$ 2,013	\$ 2,272,937	\$ (2,270,924)	\$ 2,929,410	\$ 658,486	\$ (5,045,923)	\$ (4,387,437)

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

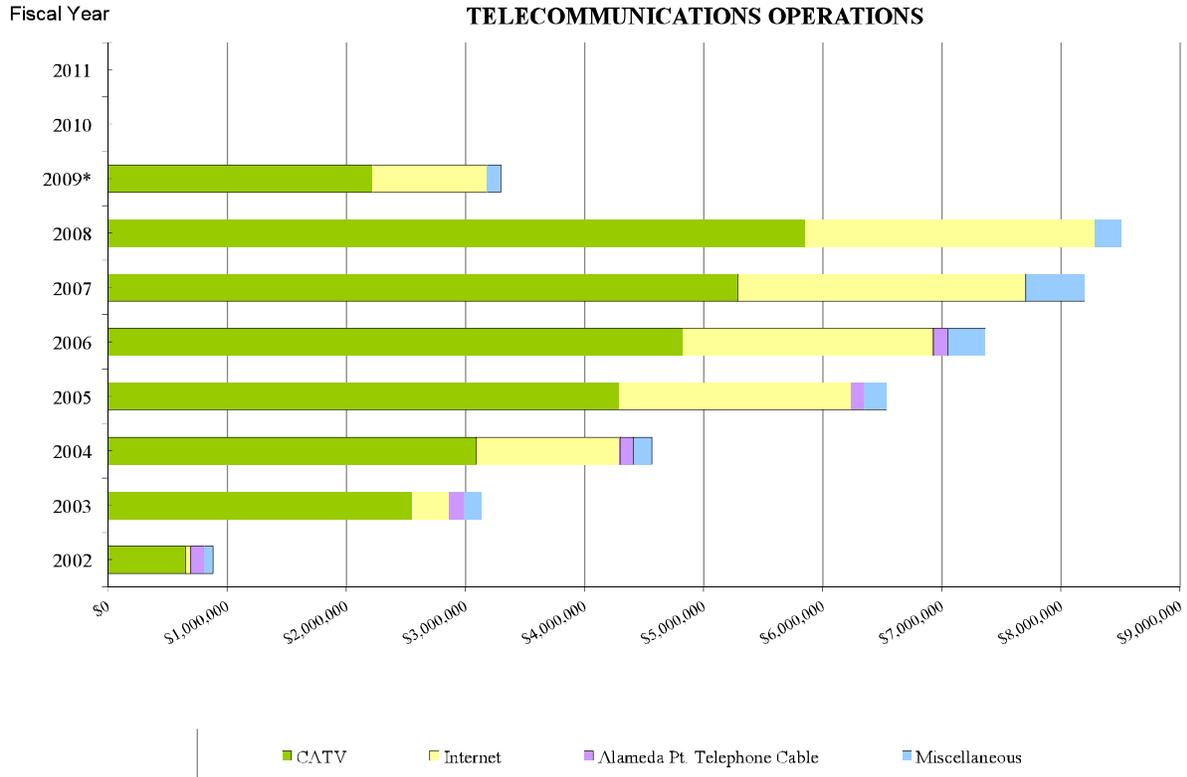


Fiscal Year	Sales of Electricity				Street Lighting/	Miscellaneous	*Plant Lease &	Total
	Residential	Commercial	Industrial	Municipal	Other	Services	Jobbing Sales	
2002	\$15,461,290	\$17,647,770	\$3,514,836	\$1,397,365	\$320,893	\$131,771		\$38,473,925
2003	\$15,451,373	\$19,608,930	\$3,296,965	\$1,359,912	\$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	\$1,149,197	\$50,210,280
2010	\$17,647,604	\$23,090,891	\$5,026,286	\$1,749,835	\$461,947	\$643,929	\$327,559	\$48,948,051
2011	\$18,257,650	\$23,352,114	\$5,861,554	\$1,753,399	\$641,967	\$613,426	\$289,577	\$50,769,687

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

Fiscal Year	Kilowatt- Hour Sales					Total KWH	Peak Demand (KW)
	Residential	Commercial	Industrial	Municipal	Street Lighting/ Other		
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
2011	142,305,884	174,717,111	49,235,786	13,138,014	3,240,179	382,636,974	70,800

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

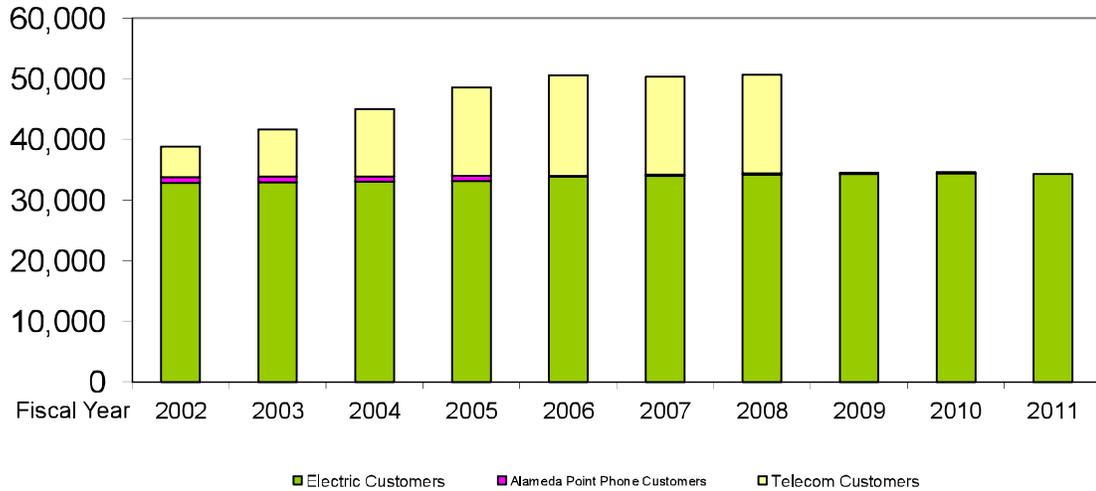


<u>Fiscal Year</u>	<u>Cable Television</u>	<u>Internet</u>	<u>Alameda Point Telephone</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$651,518	\$42,724	\$80,336	\$70,284	\$844,862
2003	\$2,558,834	\$303,585	\$116,256	\$149,975	\$3,128,650
2004	\$3,090,741	\$1,206,299	\$122,552	\$153,685	\$4,573,277
2005	\$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
2011	\$0	\$0	Not Applicable	\$2,013	\$2,013

*Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
CUSTOMER ACCOUNTS
LAST TEN FISCAL YEARS**

Customer Accounts as of June 30,



Number of Electric Customer Accounts:

Fiscal Year	Residential	Commercial	Industrial	Street Lighting & Other	City of Alameda	Total Customer Accounts
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
2011	30,171	3,744	13	23	330	34,281

Number of Telecommunications and Alameda Point Telephone Customer Accounts:

Fiscal Year	Cable TV	Internet Data	Telecommunications* Customer Accounts	Alameda Point Telephone** Customer Accounts
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
2011	-	-	-	138

*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

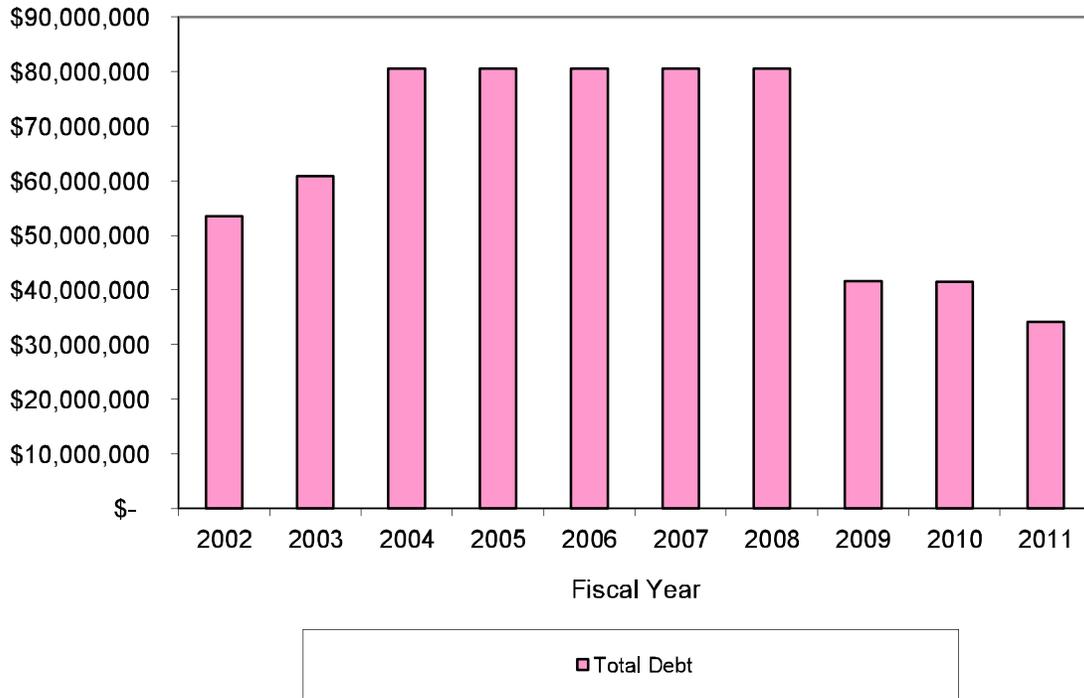
<u>Date</u>	<u>Percent Change</u>	
March 1, 1994	6.40%	
April 1, 1996	0.90%	
August 1, 2002	4.10%	
August 1, 2003	11.51%	
July 1, 2004	0.13%	
July 1, 2005	0.89%	
July 1, 2006	0.56%	
July 1, 2008	0.70%	(State Mandated Solar Program)
July 1, 2009	0.09%	(2.5% MU-1 rate increase)
July 1, 2010	3.70%	
July 1, 2011	3.85%	

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**

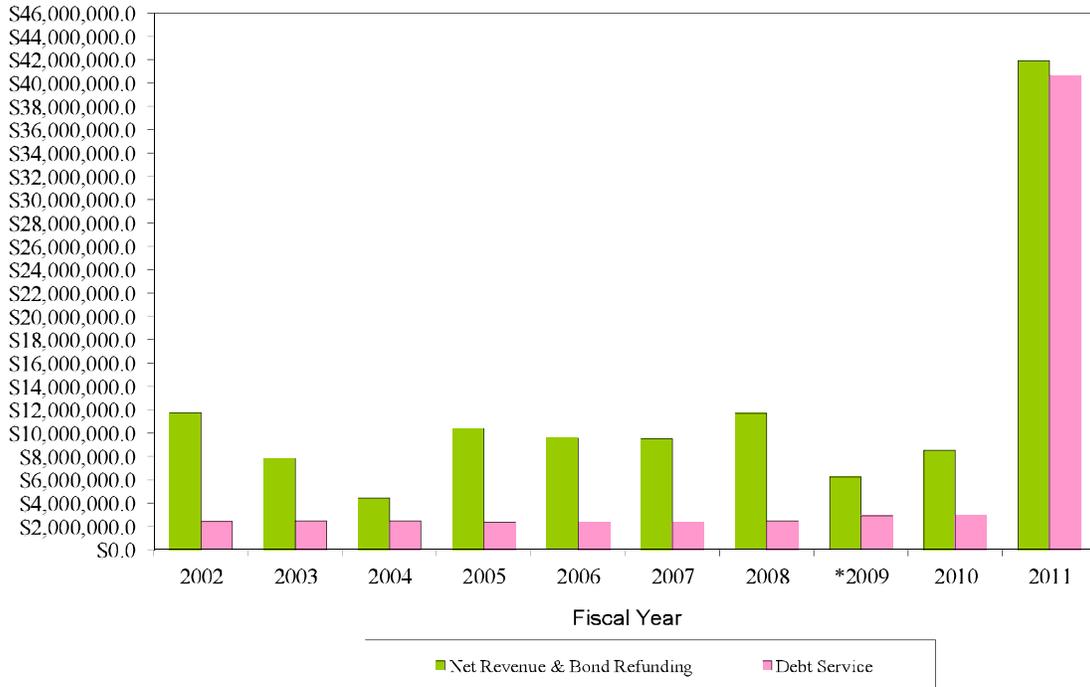


Fiscal Year	Revenue Bonds		Loans and	Total	Per Customer Accounts	Per Capita (a)
	Certificates of Participation	Revenue Anticipation Notes	Lease Purchases			
2002	\$ 53,502,437			\$ 53,502,437	\$1,410.26	\$ 734.85
2003	\$ 60,836,611			\$ 60,836,611	\$1,492.37	\$ 830.65
2004	\$ 45,345,000	\$ 33,000,000	\$ 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
2011	\$ -	\$ 31,685,000	\$ 2,447,380	\$ 34,132,380	\$995.66	\$ 460.74

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

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

ELECTRIC OPERATIONS

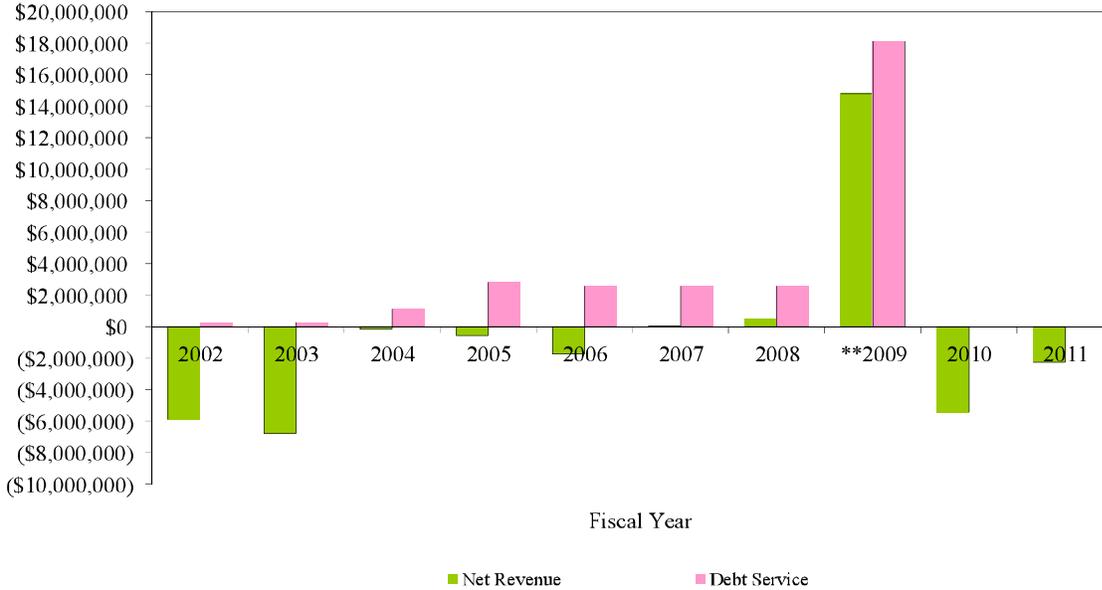


Fiscal Year	Electric Gross Revenue Including Non-Operating Revenue	Bond Refunding Proceed	Electric Direct Operating Expenses (Excluding Depreciation)	Net Revenue & Bond Refunding Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
					Principal	Interest and Fiscal Charges	Total	
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
2011	\$ 50,482,874	\$ 31,685,000	\$ 40,248,357	\$ 41,919,517	\$ 39,099,526	\$ 1,582,668	\$ 40,682,194	1.03

* 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

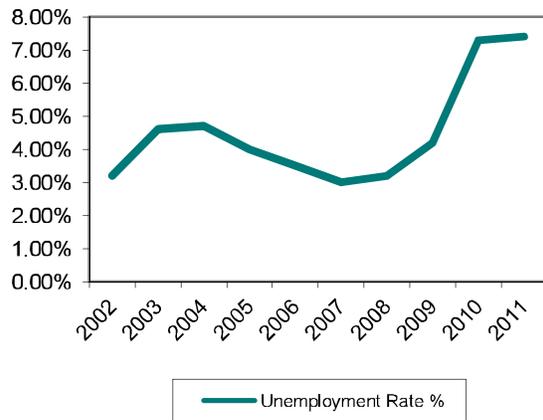
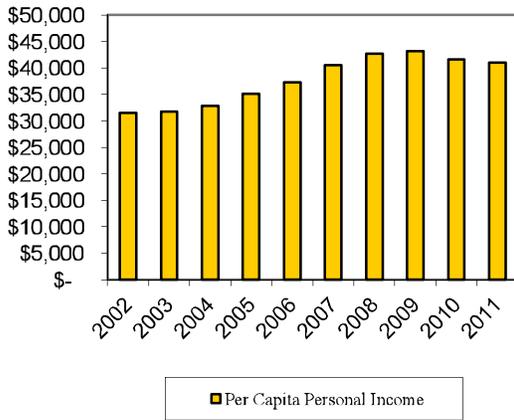
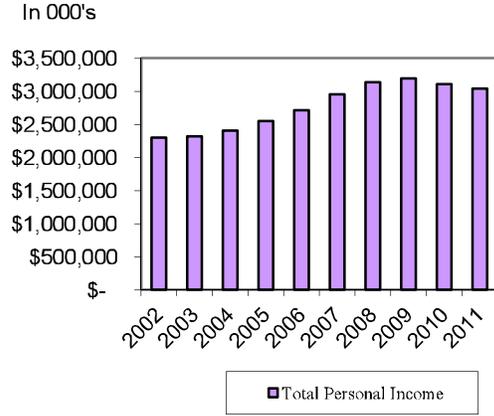
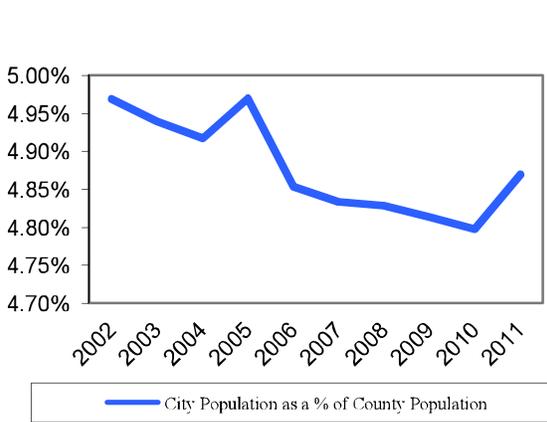


Fiscal Year	Gross Revenue Including Non-Operating Revenue	Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
				Principal	*Interest and Fiscal Charges	Total	
2002	\$ 840,605	\$ 6,726,192	\$ (5,885,587)	\$ -	\$ 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
2011	\$ 2,013	\$ 2,272,937	\$ (2,270,924)	\$ -	\$ -	\$ -	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
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%
2011	74,081	\$ 3,035,929	\$ 40,981	7.4%	1,521,157	4.87%

Source: City of Alameda

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
Top 10 Customers
For the Fiscal Year Ended June 30, 2011**

<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	18,167,583	4.75%
2	US Coast Guard Integrated Support	Regulation, Admin. of Transportation	17,443,089	4.56%
3	Alameda Waterfront Investors	Lessors of Nonresidential Building	9,253,360	2.42%
4	Legacy Partners I Alameda, LLC	Lessors of Nonresidential Building	8,621,512	2.25%
5	Alameda Unified School District	Public School District	6,941,492	1.81%
6	Wind River	Computer Programming Services	6,003,579	1.57%
7	Abbott Diabetes Care	Drug & Clinical Research	5,504,877	1.44%
8	Celera Corp	Research and Development - Life Science	4,774,800	1.25%
9	Safeway Stores Inc.	Grocery Retailer	4,447,112	1.16%
10	GSA - Federal Government	Food & Drug Administration	4,336,600	1.13%
Top 10 Customers KWHS			85,494,004	22.34%
Total Kilowatt Hour Sales			382,636,974	100%

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

<u>No.</u>	<u>Business Name</u>	<u>2010-2011</u>			<u>2001-2002</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	3.24%	(A)	(A)
2	US Coast Guard	2,200	2	2.97%	(A)	(A)
3	Telecare Corp.	2,100	3	2.83%	(A)	(A)
4	Wind River Systems	1,673	4	2.26%	(A)	(A)
5	Alameda Unified School District	1,068	5	1.44%	(A)	(A)
6	City of Alameda	562	6	0.76%	(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	0.34%	(A)	(A)
10	Bay View Nursing & Rehab. Center	180	10	0.24%	(A)	(A)
Subtotal		11,476		15.49%		
Total City Day Population		74,081				

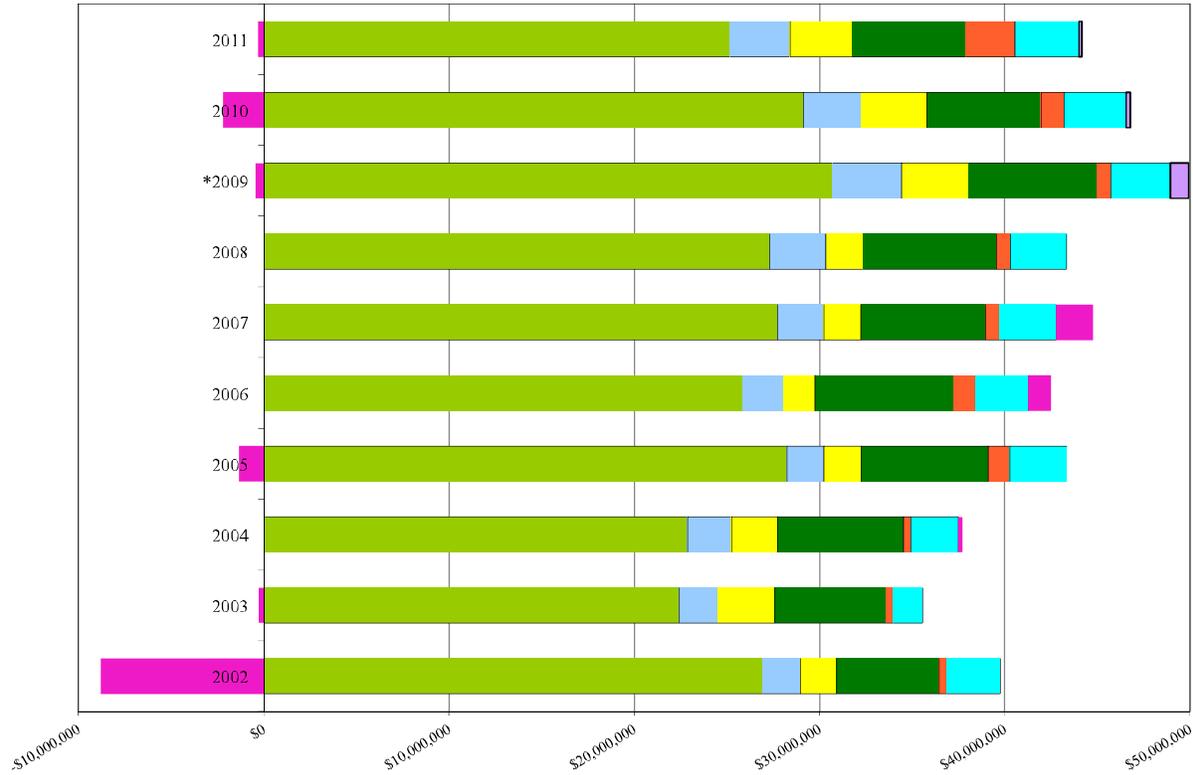
Source: City of Alameda

(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



■ Purchased Power
 ■ Distribution & Transmission
 ■ Customer & Sales Exp.
 ■ Administrative and general
■ Payment In-Lieu of Taxes
 ■ Depreciation
 ■ Jobbing Sales Expense
 ■ Balancing AC Adjustment

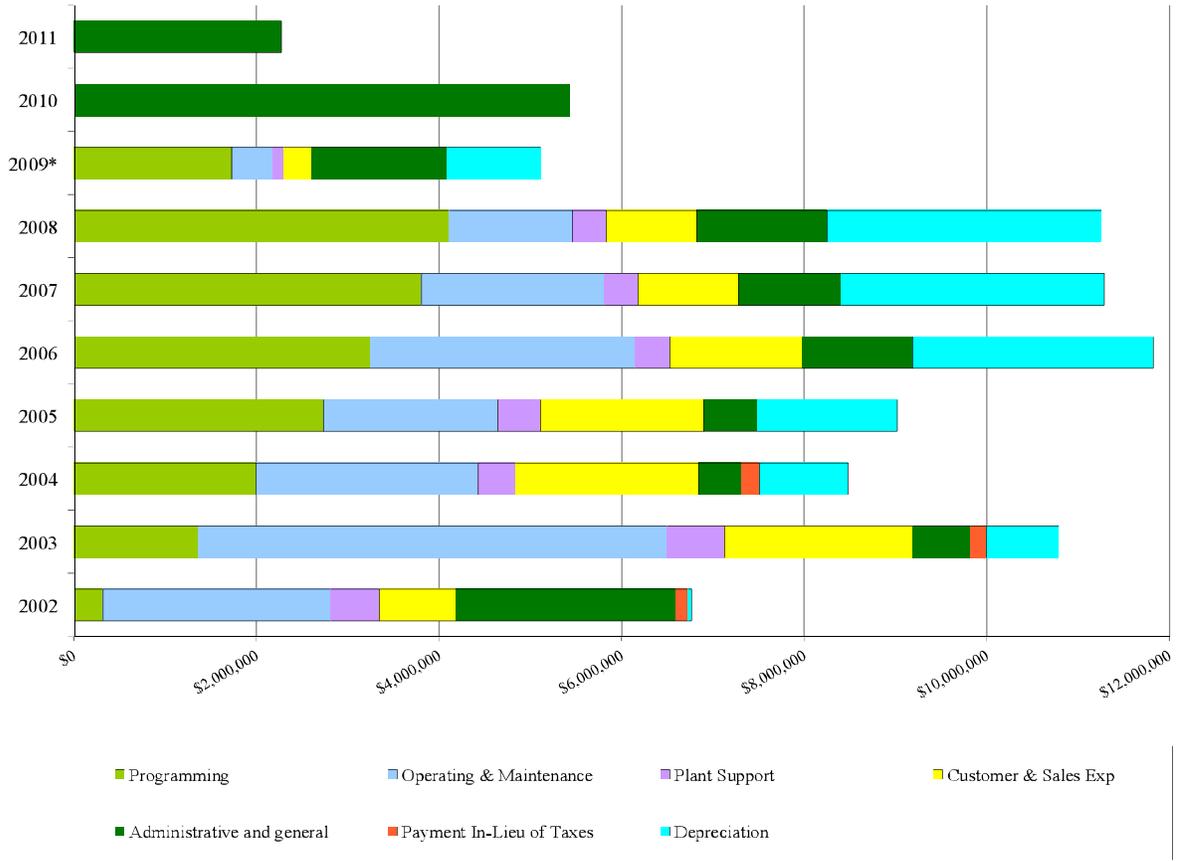
Fiscal Year	**Purchased Power	Distribution Operation	Transmission-Maintenance	Customer Accounts & Sales Expense	Administrative and General	Payment In-lieu of Taxes	Depreciation	Jobbing Sales Expenses	Balancing Account Adjustment	Total
2002	\$26,924,069	\$2,015,828	\$31,003	\$1,947,880	\$5,546,993	\$399,843	\$2,892,877		S (8,798,335)	\$30,960,158
2003	\$22,442,223	\$2,012,163	\$25,244	\$3,111,319	\$5,967,191	\$411,145	\$1,599,777		S (291,042)	\$35,278,020
2004	\$22,884,895	\$2,337,269	\$36,460	\$2,465,471	\$6,806,595	\$417,000	\$2,544,026		S 241,294	\$37,733,010
2005	\$28,245,305	\$1,978,019	\$17,167	\$2,031,598	\$6,842,287	\$1,165,512	\$3,074,561		S (1,324,200)	\$42,030,249
2006	\$25,818,227	\$2,219,074	\$11,264	\$1,713,128	\$7,469,094	\$1,178,333	\$2,859,085		S 1,226,870	\$42,495,075
2007	\$27,729,141	\$2,484,258	\$21,400	\$1,996,986	\$6,735,174	\$745,702	\$3,074,509		S 1,969,418	\$44,756,588
2008	\$27,316,014	\$2,998,729	\$27,189	\$2,010,916	\$7,205,310	\$761,592	\$3,020,056		S -	\$43,339,806
*2009	\$30,700,344	\$3,705,148	\$19,984	\$2,659,956	\$6,917,547	\$775,903	\$3,194,994	\$971,303	S (434,508)	\$48,510,671
2010	\$29,147,084	\$3,005,612	\$57,486	\$3,359,085	\$6,160,199	\$1,241,623	\$3,343,601	\$232,121	S (2,211,428)	\$44,335,383
2011	\$25,159,235	\$3,219,257	\$29,744	\$3,167,469	\$6,164,149	\$2,657,408	\$3,461,276	\$154,501	S (303,406)	\$43,709,633

* FY2009 information was restated to conform to FY 2010 presentation.
 ** Purchased Power was revised to be consistent to current year's 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
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
2011	\$ -	\$ -	\$ -	\$ -	\$ 2,272,937	\$ -	\$ -	\$ -	\$ 2,272,937

*Telecommunication operation was sold in November 2008

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

ELECTRIC OPERATIONS

Fiscal Year	Plant	Service Center Building	Land, Rights & Easements	Machinery & Equipment	Transportation Equipment	Computer Equipment	Furniture & Fixtures	Construction in Progress	Less: Accumulated Depreciation	Net Electric Capital Assets
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
2011	\$ 70,314,924	\$ 7,843,636	\$ 339,144	\$ 8,739,162	\$ 2,593,727	\$ 3,256,644	\$ 599,106	\$ 1,719,490	\$ (56,419,296)	\$ 38,986,537

TELECOMMUNICATIONS OPERATIONS

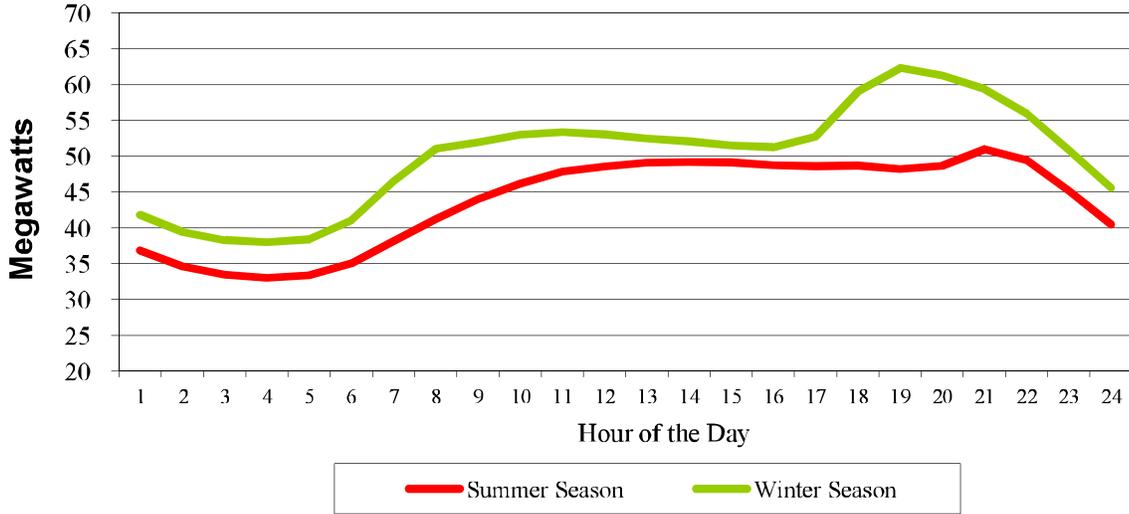
Fiscal Year	Plant	Service Center Building	Land & Rights	Machinery & Equipment	Transportation Equipment	Computer Equipment	Furniture & Fixtures	Construction in Progress	Less: Accumulated Depreciation	Net Telecommunications Capital Assets
2002	\$ (2,311,237)	\$ -	\$ 9,608	\$ (1,101,883)	\$ (72,235)	\$ 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*Telecommunications operation was sold in November 2008

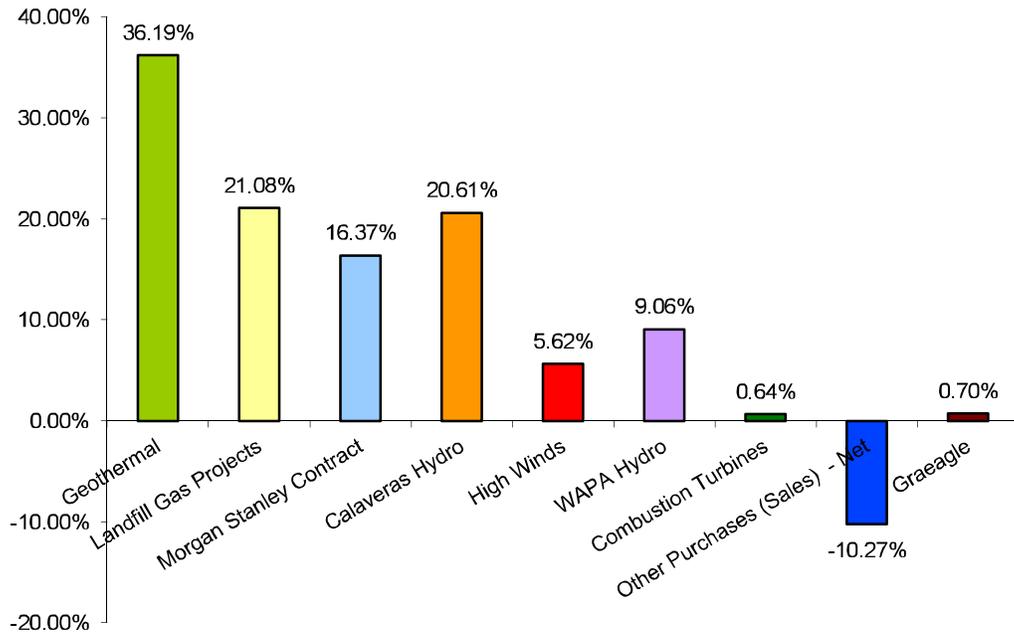
Source: Alameda Municipal Power Administrative Services

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

AVERAGE DAILY LOADS FY 2011



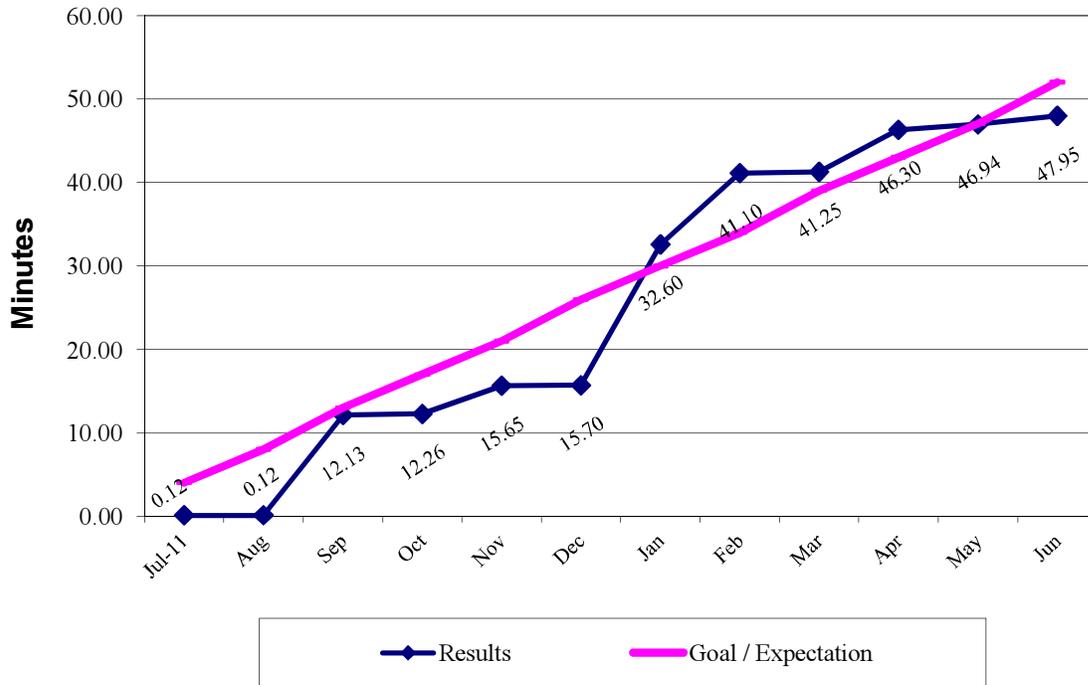
ENERGY BY SOURCE - FY 2011



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

Since:	1887
Budgeted Employees	91
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:	86.11
Underground Circuit Miles:	171.76
Street Lights (excluding inactivated lights):	5,584

Outage Minutes / Customers (SAIDI)



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