



GEOTHERMAL ENERGY



WIND ENERGY



HYDROELECTRIC



LANDFILL GAS



SOLAR ENERGY



ENERGY EFFICIENCY



CLIMATE PROTECTION



125 Years of Community-Owned Power

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Fiscal Years Ended June 30, 2012 and 2011

Alameda Municipal Power

an Enterprise Fund and Department 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 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 several linemen performing maintenance on high-voltage transmission system conductors. This dedicated workforce ensures that the community's electric service has an outage performance record that is "as reliable as the top quartile of electric utility providers in the Western United States".

ALAMEDA MUNICIPAL POWER
AN ENTERPRISE FUND AND DEPARTMENT
OF THE CITY OF ALAMEDA, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011

PREPARED BY THE
ADMINISTRATIVE SERVICES DIVISION

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Introductory Section

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**ALAMEDA MUNICIPAL POWER
AN ENTERPRISE FUND AND DEPARTMENT
OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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**ALAMEDA MUNICIPAL POWER
AN ENTERPRISE FUND AND DEPARTMENT
OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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November 28, 2012

To the Public Utilities Board and Our Customers:

We are pleased to transmit the Comprehensive Annual Financial Report of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California for the fiscal years ended June 30, 2012 and 2011. AMP is accounted for as an enterprise fund of the City of Alameda. AMP encourages 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's management. 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 that is included in this report.

Profile

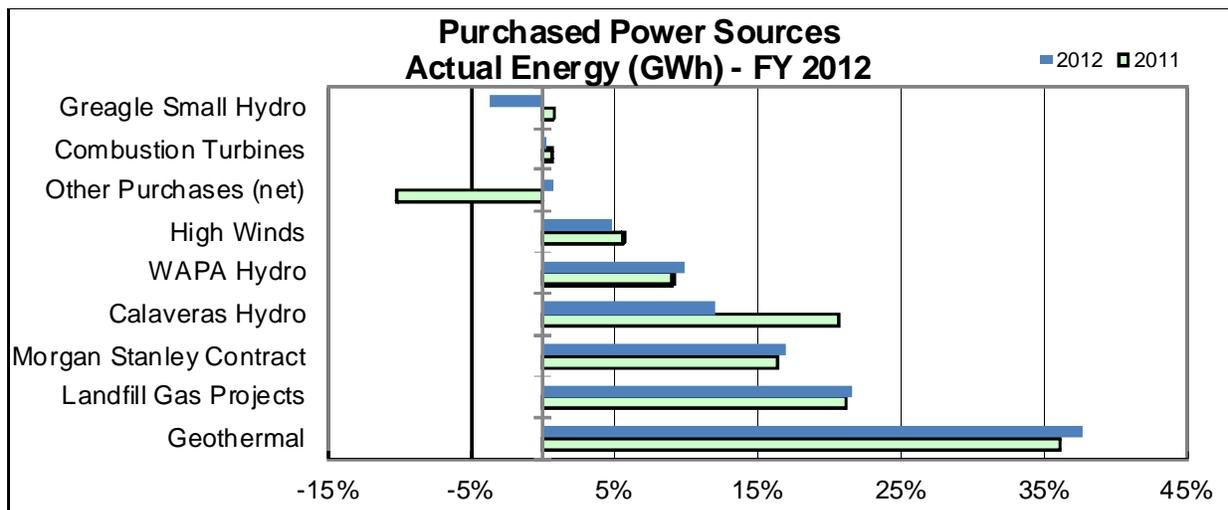
The City of Alameda - Department of Public Utilities - Bureau of Electricity, now doing business as Alameda Municipal Power, is the oldest municipal electric utility in California and is amongst the oldest in the nation, either public or private. AMP is a municipal utility that has provided safe, cost-effective, reliable, and environmentally responsible, electric-energy services since its founding in 1887. 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, and ceased to provide telecom services on March 21, 2009.

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) 2012, the members of the Board included President Gregory Hamm, Vice-President Peter Holmes, Commissioner John McCahan, Commissioner Madeline Deaton, and City Manager John Russo. At the end of FY 2012, Vice-President Peter Holmes resigned from the Board, Commissioner Madeline Deaton became Vice-President and Mary Sutter joined the Board as a Commissioner.

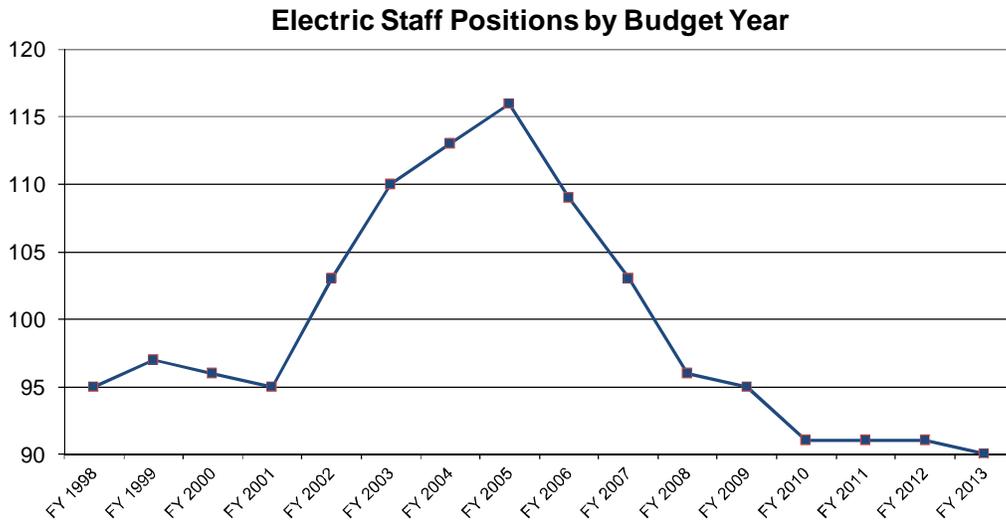
AMP provides electric-energy services for the entire area of the City of Alameda and has about 93 pole miles of overhead lines and over 173 cable miles of underground lines. Alameda is an island community of 22.8 square miles located across the bay from San Francisco and to the west of the City of Oakland. During FY 2012, AMP served an average of 34,338 customer accounts, comprised of approximately 30,194 residential accounts, 3,776 commercial accounts, and 368 other accounts, with a peak demand of approximately 67.2 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 13 other northern California public entities. AMP participates in most of NCPA's generation projects. It has also procured other power supply resources independently. Approximately 57% of AMP's resources in FY2012 were sourced through NCPA (geothermal, Calaveras hydro, WAPA hydro, Graeagle hydro, combustion turbines, and market transactions) and the remaining 43% were sourced through independent contracts (landfill gas, Morgan Stanley contract and high winds).

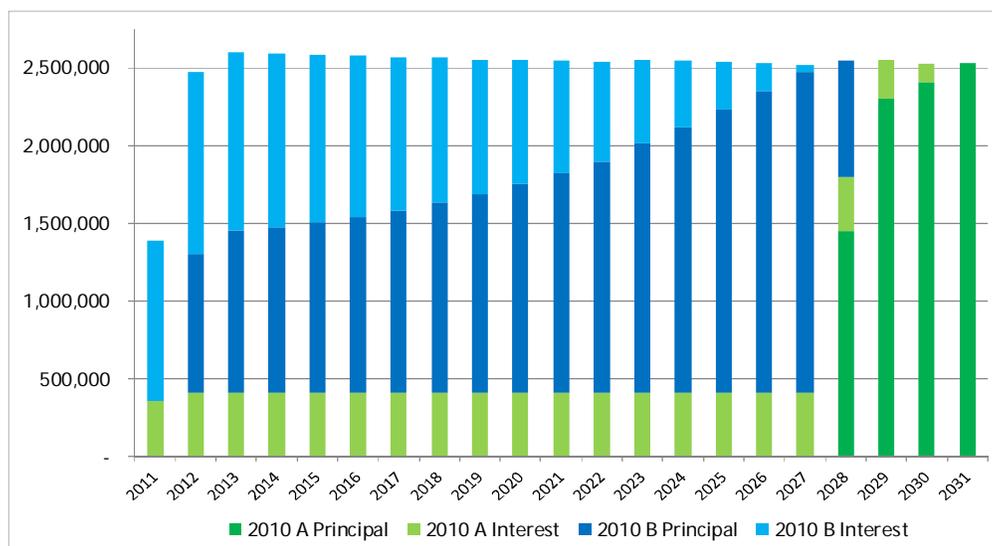
Additionally, NCPA provides electric scheduling, dispatch and transmission capabilities that are utilized in the provision of AMP's electric-energy services. AMP participates in the NCPA power pool and makes short-term market purchases and sales as necessary or economical to meet its native load requirements 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 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 2012 is illustrated below:



AMP’s FY 2012 budget included funding for 91 employees, reducing to 90 positions budgeted as of June 30, 2012. The budget for 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 2015. Employee retirement benefits are provided by AMP through the City of Alameda’s participation in the California Public Employees Retirement System (“CalPERS”).

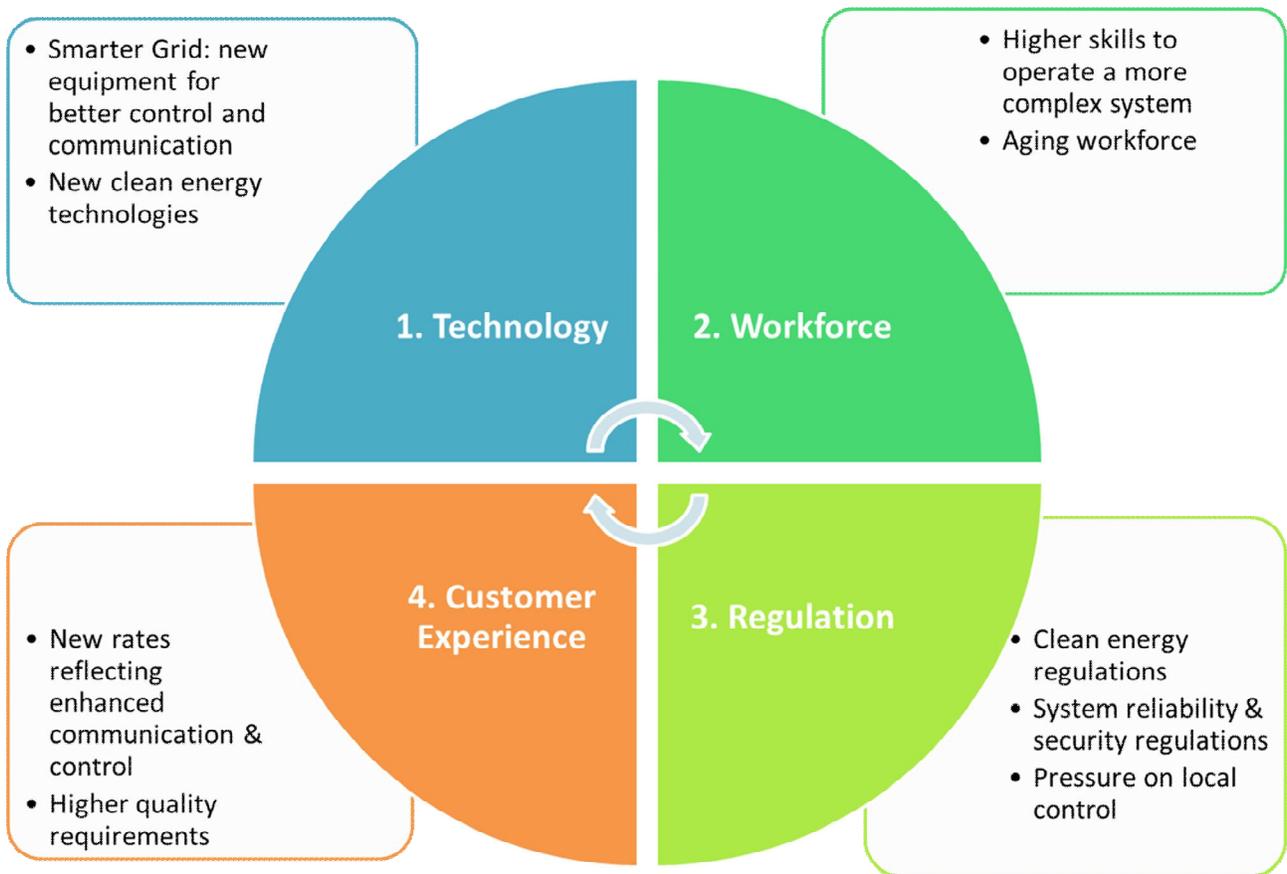


At its regular meeting on May 17, 2010, the Board established financial guidelines, set specific reserve targets, affirmed rate principles and endorsed hiring a financial team to refinance the 2000A and 2000AT Certificates of Participation. Standard and Poor’s and Fitch Rating Services provided positive 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 bond holders for the 2010 A/B bonds.



During its Strategic Planning Workshop in January 2012, 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.

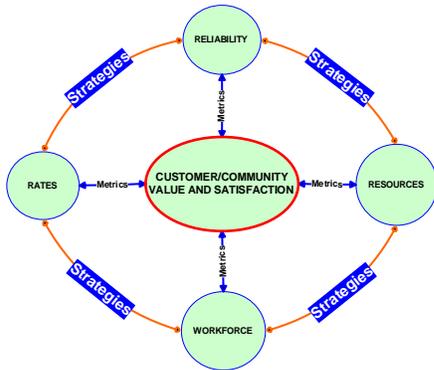


AMP – Board Approved Priorities

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**
NERCWECC 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/MID-TERM

Compliance & Reliability

MID/LONG-TERM

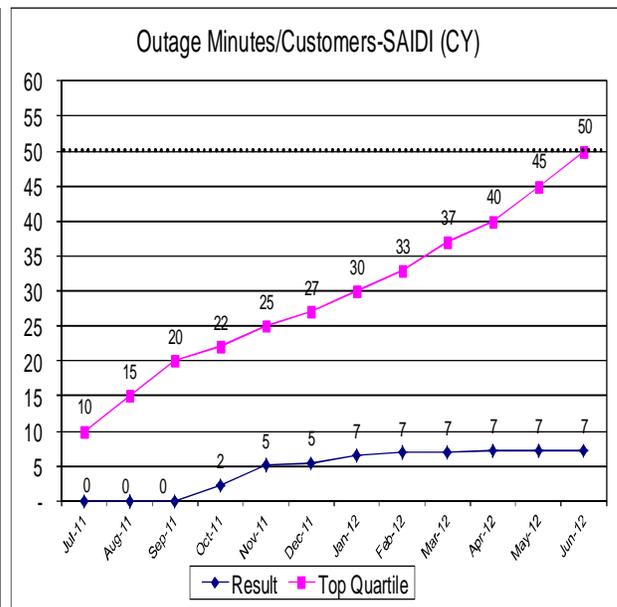
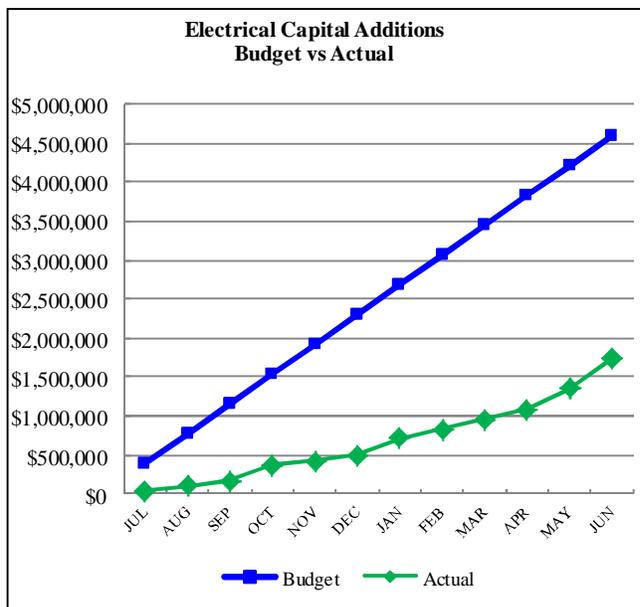
Blueprint for the Future



Version: June 15, 2011

AMP’s rates and fees are intended to recover 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 3.85% average rate increase for FY 2012 and approved a 3.25% average rate increase for FY 2013. 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 in accordance with the City Charter and Board resolutions, 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 “as reliable as the top quartile of electric utility providers in the Western United States” and we met that goal during FY 2012 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 increased maintenance attention in lieu of planned capital spending. Additionally, the procurement processes that AMP utilizes, ensures critical capital spending plans have the priorities that were originally envisioned.

Several modifications occurred to the CIP strategic plan during FY 2012 that impacted our planned construction budget. These changes included 1) the budgeted \$1.5 million construction of UUD #31 did not begin, 2) a “hold” was placed on streetlight pole replacement by the Historic Advisory Board, 3) a “hold” was placed on additional installation of LED streetlights pending further community outreach, 4) AMP elected to postpone substation upgrades, 5) replacement of 12kv O/H distribution in high vegetation areas was postponed pending underground redesign criteria, 6) AMP postponed purchase of a small bucket truck, 7) there was increased focus placed on system control upgrades, 8) new loads did not develop as planned, and 9) there was increased focus on O/H distribution maintenance.

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 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. The 2010 census information indicates that 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 being 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 \$50 million to over \$70 million by 2022, with wholesale power costs accounting for approximately 70% of this cost increase as certain power supply contracts expire and transmission costs 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, 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. The special economic development incentive discount provides eligible businesses with a 3-year discount that is structured as a 15%, 10% and 5% savings.

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 two 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. AMP continues to install electric vehicle charging stations to assist in identification of vehicle charging patterns as more all-electric vehicles begin to be utilized.

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.

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, 2011. A GFOA Certificate of Achievement is valid for a period of 1 year. This was the sixteenth 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, 2012)

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

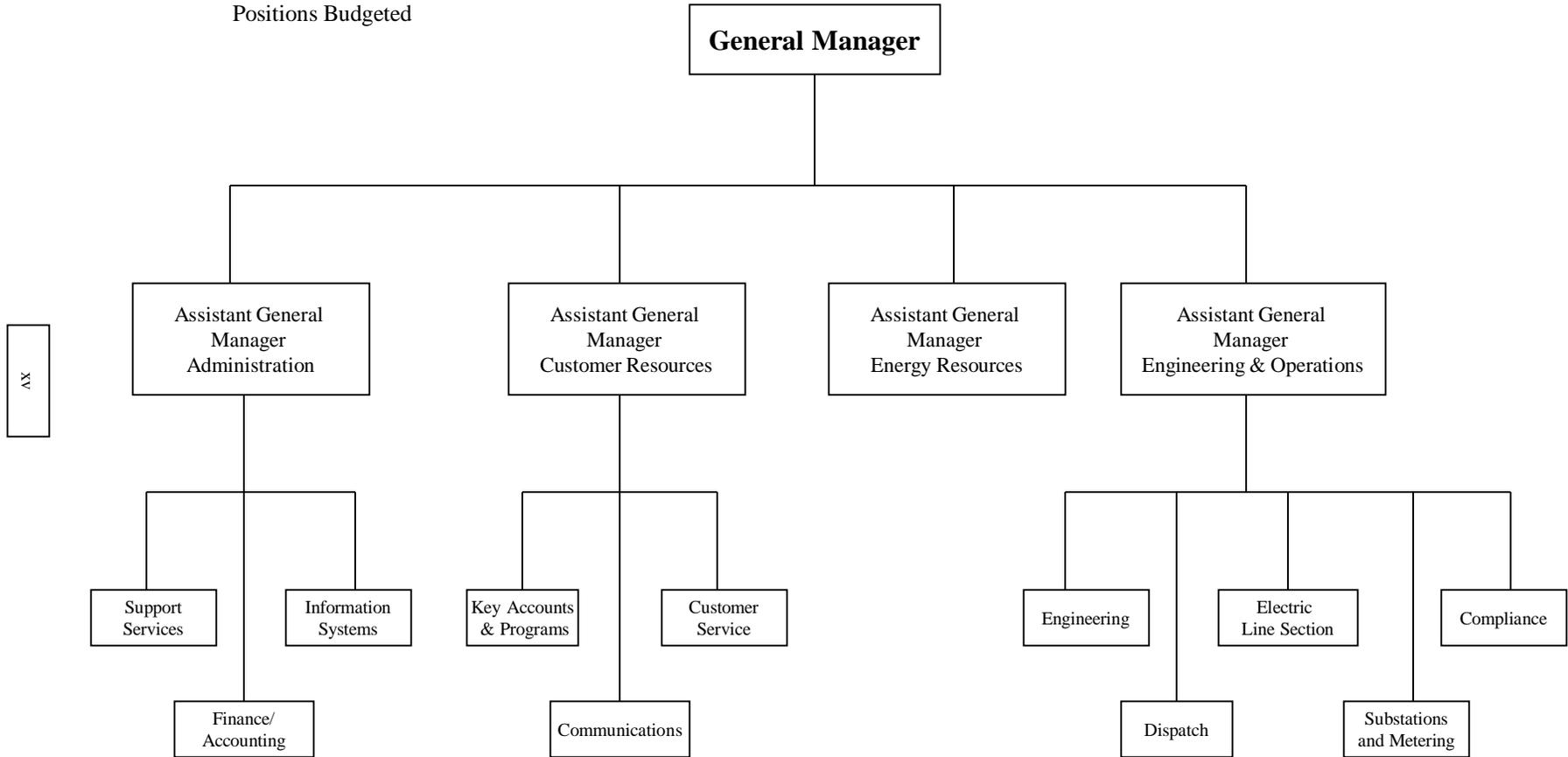
Douglas Draeger, Assistant General Manager - Engineering & Operations

Janet Oppio, Assistant General Manager - Energy Resources

City of Alameda Alameda Municipal Power Organizational Chart

June 30, 2012

FY 2013 = 90 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, 2011

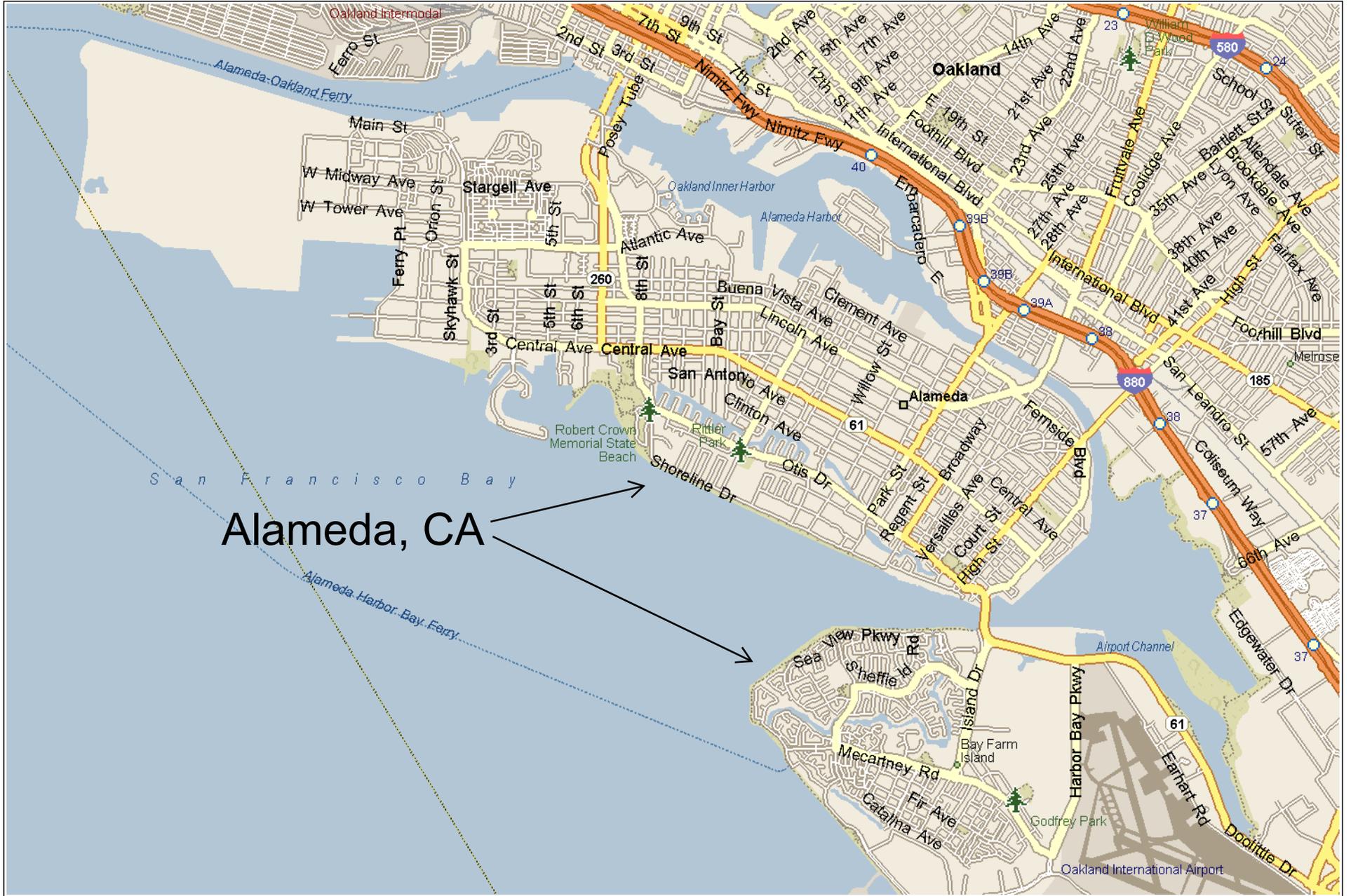
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Alameda Municipal Power for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the sixteenth consecutive year that Alameda Municipal Power achieved this prestigious award.

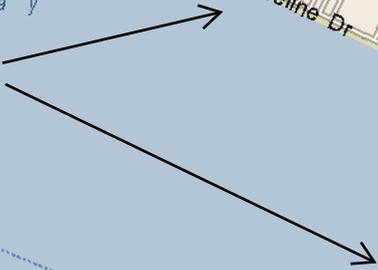
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Alameda, California, United States



Alameda, CA



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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, an enterprise fund and department of the City of Alameda, California, as of and for the years ended June 30, 2012 and 2011, 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.

As discussed in Note 1A, the financial statements present only Alameda Municipal Power's enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Alameda, California, as of June 30, 2012 and 2011, and the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of each major fund of Alameda Municipal Power, as of June 30, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Vavrinik, Trine, Day & Co. LLP

Pleasanton, California
November 26, 2012

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

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, 2012 and 2011. 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 decreased \$2.82 million for the year ended June 30, 2012 while last year an increase of \$0.5 million was reported.
- The electric fund Total Net Assets decreased \$2.99 million for the year ended June 30, 2012 while last year a decrease of \$0.2 million was reported.
- The decrease of \$2.99 million to the electric fund Total Net Assets comes from a combination of factors including:
 - Current Assets remained consistent with last year's results, but did increase \$11k;
 - Non-current Assets remained consistent with last year's results, but did increase \$19k as net capital assets decreased \$1.8 million (see note 3 for additional information regarding capital assets and depreciation amounts), investments designated for special purposes increased \$0.9 million (see note 2 for additional information regarding restricted and designated investments) and shares of certain Northern California Power Agency (NCPA) projects and investments increased \$0.8 million (see note 9 for additional information regarding NCPA);
 - Current Liabilities decreased \$91k as accounts payable and accrued payroll decreased \$277k and the current portion of long term debt increased \$148k;
 - Non-current Liabilities increased \$3.1 million as long-term debt decreased \$1.0 million with 2010 A/B bonds payments and the Balancing Account increased \$4.1 million with the difference between the utility service actual cost and the associated revenue accumulation;
- The telecom fund Total Net Assets increased \$0.2 million for the year ended June 30, 2012 while last year an increase of \$0.7 million was reported.
- The increase of \$0.2 million to the telecom fund Total Net Assets is due to the current year interfund transfer as the electric fund paid telecom fund expenses. (As a reminder to the reader, the accrued telecom expense associated with certain aspects of the sale and litigation was recorded in the FY 2010 financial statements.)
- The current financial statements record additional telecom litigation expenses that were paid by the electric fund without any expectation of repayment from the telecom fund (see note 13 for additional information regarding contingent liabilities and litigation).
- Electric fund Operating Revenue increased \$0.7 million for the year ended June 30, 2012 as electricity sales revenue increased \$0.5 million and other revenues increased \$0.2 million.
- Electric fund Operating Expenses excluding purchased power and the balancing account, increased \$0.7 million compared to results from last year.
- Purchased power expense increased \$0.7 million as a result of the NCPA service components embedded in the purchased power billing.
- The Balancing Account, which is used to stabilize rates, increased \$4.4 million compared to last year's under-collection of \$0.3 million.
- Electric fund Non-operating Revenues/Expenses had a net decrease in spending of \$0.3 million for the year ended June 30, 2012 while last year a decrease of \$2.0 million was reported.
 - Interest income was lower and expenses higher by \$136k for the year ended June 30, 2012 while last year income was lower and expenses higher by \$1.2 million.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

- NCPA Projects and Reserves decreased by \$1.1 million during the year ended June 30, 2012 while last year an increase of \$376k was reported.
- Miscellaneous Non-operating Revenue/Expense had a net increase of \$0.6 million for the year ended June 30, 2012 while last year a net decrease of \$0.8 million was reported.
- AMP continues to maintain the telephone system at Alameda Point and strives to provide service to customers at cost. The revenue and expenses for Alameda Point's telephone system resulted in a net revenue of \$60k in FY 2012 and \$68k in FY 2011.
- AMP continued its support of the City's general fund with a Board approved contribution of \$2.8 million in FY 2012 and FY 2011.
- To allow for payment of litigation expenses resulting from the sale of the telecommunications system, the electric fund transferred \$987k to the telecom fund without any expectation of being repaid.
 - The amount transferred decreased \$1.9 million from last year's transfer of \$2.9 million.
- The electric fund had an increase of \$29k in Cash and Equivalents for the year ended June 30, 2012 while last year an increase of \$3.2 million was reported. The results come from a combination of factors including:
 - Net cash flows from operating activities decreased \$0.2 million while last year net cash flows from operating activities increased \$4.2 million from the previous year.
 - Net cash used by non-capital financing activities decreased \$3.3 million while last year net cash flows used for non-capital financing activities increased \$1.6 million from the previous year.
 - Net cash used in capital and related financing decreased \$6.4 million while last year net cash flows used in capital and related financing increased \$5.7 million from the previous year.
 - Net cash provided by investing activities decreased \$12.7 million while last year net cash provided from investing activities increased \$3.8 million.

AMP's Combined Net Assets June 30: (Dollars in Thousands)

	2012	2011	2010
Current Assets	\$ 37,760	\$ 37,749	\$ 34,232
Capital Assets, net of depreciation	37,216	38,987	41,320
Other Non-current Assets	28,725	26,935	36,780
Total Assets	103,701	103,671	112,332
Current Liabilities	8,708	9,213	8,680
Long-term Liabilities Outstanding	29,943	30,643	40,029
Balancing Account	16,452	12,396	12,700
Total Liabilities	55,103	52,252	61,409
Net Assets			
Invested in Capital Assets, net of related debt	29,167	30,039	32,364
Restricted	4,515	4,379	6,227
Unrestricted	14,916	17,001	12,332
Total Net Assets	\$ 48,598	\$ 51,419	\$ 50,923

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

ANALYSIS OF NET ASSETS

AMP's Combined Net Assets exceeded liabilities by \$48.6 million as of June 30, 2012. Compared to the previous fiscal year, AMP's Combined Net Assets decreased by \$2.8 million, or almost 6% of last year's total.

The largest portion of Combined 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 outstanding used to acquire those assets. 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. Management anticipates that FY 2013 electric revenue will increase about 3% from FY 2012 results due to authorized rate adjustments and projected electrical loads.

The largest portion of Combined Total Liabilities is used to finance AMP's construction, NCPA activities and adjustment of the Balancing Account accumulation. Total Combined Assets increased \$31k. Total Combined Liabilities increased by \$2.9 million, or a 6% increase to last year's amount. Management anticipates that FY 2013 operating expenses will remain consistent with FY 2012 values.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

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

(Dollars in thousands)

	2012	2011	2010
Operating Revenues			
Electric Sales	\$ 50,377	\$ 49,867	\$ 47,977
Other Services Revenue	1,058	903	976
Total Operating Revenues	51,435	50,770	48,953
Operating Expenses			
Purchased Power	25,878	25,159	29,147
Energy efficiency, solar, other	1,253	955	1,200
Operations and Maintenance	3,879	3,871	3,678
Customer Accounts, Information Systems	2,001	1,955	1,938
Administrative and General	6,323	7,563	10,711
Depreciation and Amortization	3,525	3,461	3,344
Sales Expense	493	510	485
Jobbing Sales Expense	216	155	232
Balancing Account	4,056	(303)	(2,211)
Total Operating Expenses	47,624	43,326	48,524
Operating Income (Loss)			
Electric	4,625	9,717	5,855
Telecommunications	(815)	(2,271)	(5,425)
Total Operating Income (Loss)	3,810	7,446	430
Non-operating Revenue (Expense)			
Interest Income on Investments	120	161	306
Interest Expense	(1,678)	(1,583)	(2,945)
Increase (Decrease) in Value of NCPA Projects and Reserves	(1,134)	376	(1,131)
Miscellaneous Non-operating Income	145	(447)	286
Payment in-lieu of taxes	(1,284)	(2,657)	(1,242)
Transfer to City of Alameda	(2,800)	(2,800)	(2,800)
Total Non-Operating Expenses	(6,631)	(6,950)	(7,526)
Nonoperating Income (Loss)			
Electric	(6,632)	(6,950)	(7,526)
Telecommunications	1	-	-
Total Nonoperating Income (Loss)	(6,631)	(6,950)	(7,526)
Transfers in (to Telecom)	987	2,929	2,734
Transfers (out) (from Electric)	(987)	(2,929)	(2,734)
Total Transfers	-	-	-
Change In Net Assets			
Electric	(2,994)	(162)	(4,405)
Telecommunications	173	658	(2,691)
Total Change In Net Assets	\$ (2,821)	\$ 496	\$ (7,096)

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

ANALYSIS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Changes in Electric Net Assets

Electric Net Assets decreased \$3.0 million for the year ended June 30, 2012 while last year a decrease of \$0.2 million was reported. Electric Operating Revenue increased \$0.7 million while last year an increase of \$1.8 million was reported. Electric Operating Expenses increased \$5.8 million from last year due to additional expense for purchased power, customer programs, administrative expenses, and adjustment of the Balancing Account accumulation.

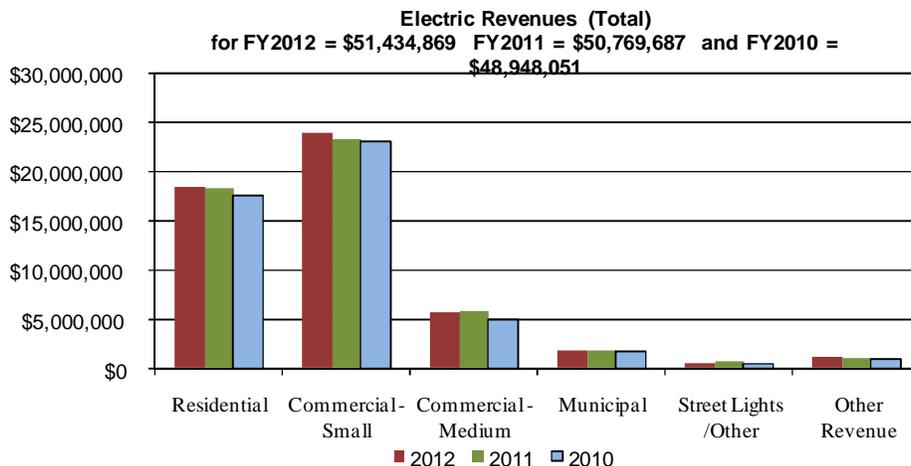
Electric Statement of Changes in Net Assets for the year ended June 30:

(Dollars in thousands)

	2012	2011	2010
Operating Revenues	\$ 51,435	\$ 50,770	\$ 48,948
Operating Expenses	46,810	41,053	43,093
Operating Income	4,625	9,717	5,855
Non-operating Revenues	264	627	638
Non-operating (Expenses)	(6,896)	(7,577)	(8,164)
Non-operating Income (Loss)	(6,632)	(6,950)	(7,526)
Transfers Out	(987)	(2,929)	(2,734)
Change In Net Assets	<u>\$ (2,994)</u>	<u>\$ (162)</u>	<u>\$ (4,405)</u>

Electric Operating Revenues

Electric operating revenue increased by \$0.7 million or 1.3% during FY 2012 and increased by \$1.8 million last fiscal year. Contributing to the FY 2012 results are revenue from electricity sales that increased \$510k and other revenue of \$155k. Electricity sales revenue was \$50.4 million or 97.9% of all electric revenues. Miscellaneous services, plant leased to others and jobbing sales contributed \$1.0 million, or 2.1% of revenue.



ALAMEDA MUNICIPAL POWER

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

Sources of Electric Revenue

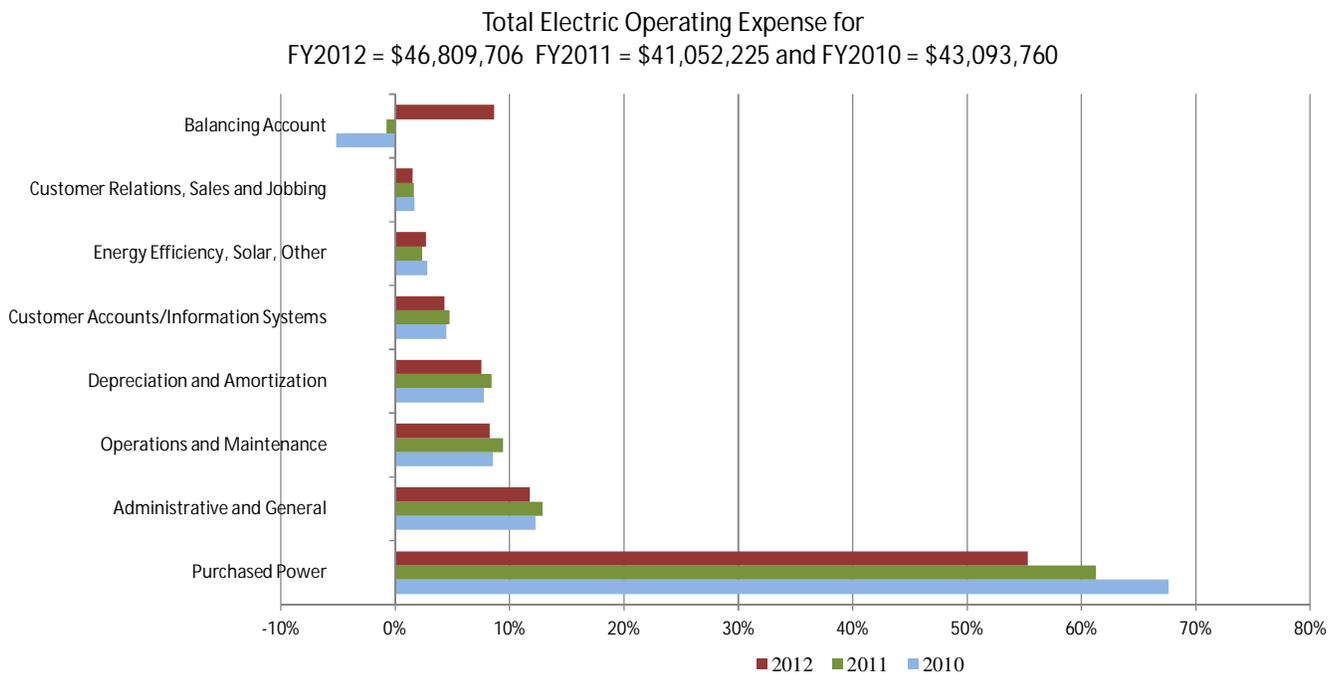
AMP's operating revenues are based on rate schedules authorized by the Board. Such rates are designed to recover AMP's cost of service and still be competitive with those in surrounding areas. Rates also provide a contribution to the City of Alameda, the level of which is defined by the Board and by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

Electric Operating Expenses

Electric operating expenses, excluding the adjustment for Balancing Account accumulation, increased \$1.4 million during FY 2012. The Balancing Account is used by AMP to stabilize rates by accumulating differences between the actual costs of providing service with the related revenues designated for recovery of such costs. Actual costs were less than revenue collections by \$4.0 million during FY 2012 and under-collected by \$0.3 million during FY 2011. Purchased power expense increased \$720k, operating division expenses increased \$615k and depreciation expense increased \$64k compared to last year’s results.

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.

The chart below offers a comparison of electric operating expense for FY 2012, FY 2011, and FY 2010.



ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

Electric Non-Operating Revenues (Expenses)

Non-operating expenses exceeded non-operating revenue by \$6.6 million resulting from a combination of factors including a \$41k decrease of net interest income, a \$95k increase in net interest expense, a \$1.1 million reduction in the value of certain NCPA-held assets, a \$590k increase in miscellaneous revenue, payment of deferred return-on-investment charges and a transfer to the City's General Fund.

Electric Change in Net Assets

During FY 2012, Electric Net Assets decreased \$2.9 million while net assets decreased \$0.2 million during FY 2011. The electric operating revenue was higher than last year by \$665k, the electric operating expenses were higher than last year by \$5.8 million with \$4.4 million of this amount being the adjustment for Balancing Account accumulations, the non-operating expense was lower than last year by \$318k, and the interfund transfer was lower than last year by \$1.9 million. Combined, these factors resulted in a larger decrease of Electric Net Assets than that experienced last year.

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 2012, \$1k 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.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

Telecommunications Change in Net Assets

Telecom Net Assets increased \$174k 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 ending June 30:

(Dollars in thousands)

	2012	2011	2010
Operating Revenues	\$ -	\$ 2	\$ 5
Operating Expenses	(815)	(2,273)	(5,430)
Operating Income (Loss)	(815)	(2,271)	(5,425)
Non-operating Revenues/Expenses	1	-	-
Transfers in	987	2,929	2,734
Change In Net Assets	<u>\$ 173</u>	<u>\$ 658</u>	<u>\$ (2,691)</u>

Telecommunications Operating Expenses

Telecom fund operating expenses decreased \$1.46 million for the year ended June 30, 2012 while last year a decrease of \$3.2 million was reported. The telecommunications operating expenses used for litigation associated with terminating the telecom business line totaled \$815k during FY 2012 and \$2.3 million last year.

Telecommunications Non-Operating Revenues (Expenses)

During FY 2012, there was \$1k in telecom fund non-operating revenues and there were no expenses. During FY 2011, there were no telecom fund non-operating revenues or expenses.

ANALYSIS OF COMBINED CASH FLOWS

Combined net cash flow increased \$29k to \$30.0 million for the year ended June 30, 2012 while last year an increase of \$3.2 million was reported. 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 cash flow performance results are primarily due to changes in the cash flows from improved customer receipts as a result of rate adjustments, lower supplier expenses, modest increases to employee expenses, a reduction of telecom expenses, the changes in AMP's electric debt structure, and the change to investment in NCPA projects and reserves.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

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

(Dollars in thousands)

	2012	2011	2010
Operating Activities	\$ 11,228	\$ 9,510	\$ 5,533
Non-capital Financing Activities	(4,085)	(5,457)	(4,042)
Capital and Related Financing Activities	(4,309)	(10,735)	(5,038)
Investing Activities	(2,805)	9,884	6,080
Change in Cash and Equivalents	\$ 29	\$ 3,202	\$ 2,533

Cash Flows from Operating Activities

In FY 2012, cash provided by combined operating activities was \$11.2 million versus \$9.5 million in FY 2011, or an increase of \$1.7 million. The change in cash flows from operating activities compared to FY 2011 is primarily the result of increased receipts from electric customers due to rate increase and reductions in payments to suppliers.

Cash Flows from Non-Capital Financing Activities

In FY 2012, cash used for combined non-capital financing activities was \$4.1 million versus \$5.5 million in FY 2011, or a decrease of \$1.4 million 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. However, it should be noted by the reader that the change in cash flows from non-capital financing activities compared to FY 2011 is primarily the result of reduction of the payment in lieu of taxes cash flows.

Cash Flows from Capital and Related Financing Activities

In FY 2012, cash used for capital and related financing activities was \$4.3 million versus \$10.7 million in FY 2011, or a decrease of \$6.4 million. The change in cash flows from capital and related financing activities compared to FY 2011 is primarily the result of 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 2012, 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 2012 includes recloser upgrades, several streetlight replacements, over-current relay upgrades, continued enhancements to the System Control and Data Acquisition (SCADA) systems, continued Alameda Point upgrades, new residential and commercial installations, design for a new high voltage circuit to Coast Guard Island, computer room enhancements, and blanket work orders for system upgrades.

Cash Flows from Investing Activities

In FY 2012, combined net cash used by investing activities was \$2.8 million versus \$9.9 million that was provided in FY 2011, or a change of 12.7 million. The change in cash flows from investing activities compared to FY 2011 is primarily the result of decreased investment in the NCPA General Operating Reserve (GOR) during FY 2011, which AMP used to reduce principal during the 2000 A/AT refinancing, and \$1.8 million which was released from restricted investments during FY 2011 for the refinancing.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

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 security deposit for the 2010A/B bonds, and to pay the cost of issuance for the 2010 A/B 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 leases for two maintenance vehicles for which it pays about \$2,500/month each and a loan for construction of the fiber optic backbone which has \$2.2 million due to the City of Alameda.

ANALYSIS OF CAPITAL ASSETS

AMP's investment in capital assets for its electric operations amounts to \$37.2 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, construction-in-progress, electric utility plant, machinery and equipment, transportation and computer equipment. The total decrease in AMP's investment in capital assets due to depreciation and retirements for the current year was \$1.8 million, or 4.5%. 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 June 30:

(Dollars in thousands)

	June 30,		
	2012	2011	2010
Land and Rights	\$ 154	\$ 154	\$ 154
Construction In Progress	1,501	1,719	2,261
Utility Plant	71,900	70,315	68,707
Service Center Building	7,844	7,844	7,844
Machinery & Equipment	8,916	8,739	8,721
Transportation Equipment	2,739	2,594	2,594
Computer Equipment	3,288	3,257	3,213
Furniture & Fixtures	606	599	599
Easements	185	185	185
Less Accumulated Depreciation	(59,917)	(56,419)	(52,958)
Capital Assets, Net	\$ 37,216	\$ 38,987	\$ 41,320

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

ANALYSIS OF ECONOMIC FACTORS

Economic Factors and Next Year's Budget

The adopted budget for FY 2013 reflects the local economy and the sluggish demand for new electric services from the commercial sector. During FY 2012, AMP continued its strategic planning activities to enhance 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 continues to review opportunities to monetize its power supply resources. The adopted budget for FY 2013 includes electric operating revenues that are expected to be \$58.5 million, or 11.0% higher, than the \$52.7 million budgeted in FY 2012 due to a rate increase, expected load growth enacted as part of the planning and budgeting process, and the monetization of certain renewable energy attributes.

The adopted budget for FY 2013 includes operating expenses budgeted at \$50.6 million, or \$1.8 million higher than the budgeted FY 2012 expenses. The primary reason for the operating budget increase is due to increased budget for purchased power costs of \$892k, increased budget for energy efficiency and "green" energy programs by \$450k and increased administration budget by \$669k to include streetlight energy and system enhancement consultants. Purchased power budgets, excluding netted amounts received from reserves and non-cash items, account for \$30.3 million or 59.9% of budgeted electric operating expenses.

The non-operating budget for FY 2013 includes funds for outside billing projects, debt related charges of \$1.6 million, PILOT/ROI charges of \$1.3 million and a transfer to the City of \$2.8 million. The budget assumes that no additional long-term debt will be needed during the fiscal year. Capital project work for system additions, system enhancements, SCADA upgrades, conversion of overhead facilities to underground facilities, and capitalized work from routine activities account for \$3.4 million of the FY 2013 budget.

The budget anticipates that operating revenues will not be sufficient to meet all expenses to be incurred during FY 2013. The budget anticipates that \$4.2 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 4 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.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

Market Risk

Each year during budget development, AMP considers the risk exposure that it faces. The risk exposure can be categorized into broad categories including power supply risks, credit risks, other supply-based risks, demand side risks, legislative / regulatory risks, and other utility risks. AMP manages energy price risks through its involvement with NCPA and their energy commodity risk management policies, processes and procedures to help mitigate fluctuations in energy prices. NCPA also monitors and manages credit risk with its trading counter parties. In addition to policies, processes and procedures, AMP manages its risk exposure by maintaining adequate reserves and establishing new reserves as needed. AMP is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used for liquidity purposes and to fund business operations as well as finance capital expenditures.

AMP's cash, equivalents and designated investments are recorded at \$37.1 million or an increase of \$1.0 million during FY 2012. 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 \$4.5 million or an increase of \$0.1 million during FY 2012. 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, 2012 AND 2011

	2012			2011		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
ASSETS						
Current Assets:						
Cash and cash equivalents (Note 2)	\$ 30,007,533	\$ -	\$ 30,007,533	\$ 29,978,871	\$ -	\$ 29,978,871
Interest receivable	20,000	-	20,000	26,504	-	26,504
Accounts receivable	5,204,085	-	5,204,085	5,226,493	-	5,226,493
Notes receivable, net of long-term portion below (Note 4)	25,300	-	25,300	40,000	-	40,000
Materials and supplies	2,478,278	-	2,478,278	2,476,817	-	2,476,817
Prepaid power costs and other	25,000	-	25,000	-	-	-
Total Current Assets	<u>37,760,196</u>	<u>-</u>	<u>37,760,196</u>	<u>37,748,685</u>	<u>-</u>	<u>37,748,685</u>
Non-current Assets:						
Capital Assets (Note 3)	97,133,183	-	97,133,183	95,405,833	-	95,405,833
Accumulated Depreciation (Note 3)	(59,916,840)	-	(59,916,840)	(56,419,296)	-	(56,419,296)
Capital Assets, net (Note 3)	<u>37,216,343</u>	<u>-</u>	<u>37,216,343</u>	<u>38,986,537</u>	<u>-</u>	<u>38,986,537</u>
Restricted Investments (Note 2)	4,515,565	-	4,515,565	4,378,747	-	4,378,747
Investments designated for special purposes (Note 2)	7,058,656	-	7,058,656	6,141,957	-	6,141,957
Share of certain NCPA projects and reserve (Note 9)	16,782,759	-	16,782,759	15,998,430	-	15,998,430
Long-term portion of notes receivable (Note 4)	-	-	-	25,300	-	25,300
Debt issue costs, net of amortization	368,147	-	368,147	391,229	-	391,229
Total Noncurrent Assets	<u>65,941,470</u>	<u>-</u>	<u>65,941,470</u>	<u>65,922,200</u>	<u>-</u>	<u>65,922,200</u>
Total Assets	<u>103,701,666</u>	<u>-</u>	<u>103,701,666</u>	<u>103,670,885</u>	<u>-</u>	<u>103,670,885</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued payroll	1,233,804	2,013,712	3,247,516	1,510,657	2,187,437	3,698,094
Interest payable	790,167	-	790,167	798,352	-	798,352
Current portion of long term debt (Note 5)	1,039,130	2,200,000	3,239,130	890,727	2,200,000	3,090,727
Deposits	463,386	-	463,386	517,704	-	517,704
Other accrued liabilities	260,189	-	260,189	235,519	-	235,519
Current portion of compensated absences (Note 1C)	707,420	-	707,420	627,221	-	627,221
Current portion of claims liability (Note 11B)	240,000	-	240,000	245,000	-	245,000
Total Current Liabilities	<u>4,734,096</u>	<u>4,213,712</u>	<u>8,947,808</u>	<u>4,825,180</u>	<u>4,387,437</u>	<u>9,212,617</u>
Non-current Liabilities:						
Long term debt, net of current portion (Note 5)	28,947,130	-	28,947,130	29,986,652	-	29,986,652
Balancing account	16,451,898	-	16,451,898	12,396,276	-	12,396,276
Compensated absences (Note 1C)	4,519	-	4,519	16,312	-	16,312
Claims liability (Note 11B)	751,684	-	751,684	639,847	-	639,847
Total Non-Current Liabilities	<u>46,155,231</u>	<u>-</u>	<u>46,155,231</u>	<u>43,039,087</u>	<u>-</u>	<u>43,039,087</u>
Total Liabilities	<u>50,889,327</u>	<u>4,213,712</u>	<u>55,103,039</u>	<u>47,864,267</u>	<u>4,387,437</u>	<u>52,251,704</u>
Net Assets:						
Invested in capital assets, net of related debt	29,166,859	-	29,166,859	30,928,840	-	30,928,840
Restricted for:						
Debt service reserves (Note 2H)	4,515,565	-	4,515,565	4,378,747	-	4,378,747
Unrestricted	19,129,915	(4,213,712)	14,916,203	20,499,031	(4,387,437)	16,111,594
Total Net Assets (Deficit)	<u>\$ 52,812,339</u>	<u>\$ (4,213,712)</u>	<u>\$ 48,598,627</u>	<u>\$ 55,806,618</u>	<u>\$ (4,387,437)</u>	<u>\$ 51,419,181</u>

See accompanying notes to the financial statements.

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ALAMEDA MUNICIPAL POWER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Operating Revenues:						
Sales	\$ 50,377,257	\$ -	\$ 50,377,257	\$ 49,866,684	\$ -	\$ 49,866,684
Miscellaneous services	687,220	-	687,220	613,426	2,013	615,439
Plant leased to others	153,920	-	153,920	155,520	-	155,520
Jobbing sales	216,472	-	216,472	134,057	-	134,057
Total Operating Revenues	51,434,869	-	51,434,869	50,769,687	2,013	50,771,700
Operating Expenses:						
Purchased power	25,878,402	-	25,878,402	25,159,235	-	25,159,235
Energy efficiency, solar and other	1,253,443	-	1,253,443	954,695	-	954,695
Operations and maintenance	3,879,446	-	3,879,446	3,871,026	-	3,871,026
Customer service, information systems	2,000,961	-	2,000,961	1,954,610	-	1,954,610
Administrative and general	5,507,435	814,557	6,321,992	5,289,861	2,272,937	7,562,798
Depreciation and amortization	3,525,265	-	3,525,265	3,461,276	-	3,461,276
Customer relations	492,889	-	492,889	510,427	-	510,427
Jobbing sales expense	216,243	-	216,243	154,501	-	154,501
Balancing account adjustment	4,055,622	-	4,055,622	(303,406)	-	(303,406)
Total Operating Expenses	46,809,706	814,557	47,624,263	41,052,225	2,272,937	43,325,162
Operating Income (Loss)	4,625,163	(814,557)	3,810,606	9,717,462	(2,270,924)	7,446,538
Nonoperating Revenues (Expenses):						
Interest income	119,699	-	119,699	160,823	-	160,823
Interest income on restricted investments	-	-	-	66	-	66
Interest expense	(1,677,854)	-	(1,677,854)	(1,582,668)	-	(1,582,668)
Gain (Loss) from disposition	-	-	-	-	-	-
Other revenue (deductions)	31,706	-	31,706	21,232	-	21,232
Increase (decrease) in value of certain NCPA projects and reserves	(1,133,821)	-	(1,133,821)	376,315	-	376,315
Alameda Point Phone Maintenance-Net	59,620	-	59,620	68,480	-	68,480
Miscellaneous non-operating revenue (expense)	53,082	1,060	54,142	(537,414)	-	(537,414)
Payment in-lieu of taxes	(1,284,652)	-	(1,284,652)	(2,657,408)	-	(2,657,408)
Transfers to City of Alameda (Note 6)	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Net Nonoperating Revenue (Expense)	(6,632,220)	1,060	(6,631,160)	(6,950,574)	-	(6,950,574)
Income (loss) before Transfers	(2,007,057)	(813,497)	(2,820,554)	2,766,888	(2,270,924)	495,964
Transfers in	-	987,222	987,222	-	2,929,410	2,929,410
Transfers (out)	(987,222)	-	(987,222)	(2,929,410)	-	(2,929,410)
Total transfers	(987,222)	987,222	-	(2,929,410)	2,929,410	-
Increase (decrease) in Net Assets	(2,994,279)	173,725	(2,820,554)	(162,522)	658,486	495,964
Net assets (deficit), beginning of year	55,806,618	(4,387,437)	51,419,181	55,969,140	(5,045,923)	50,923,217
Net assets (deficit), end of year	\$ 52,812,339	\$ (4,213,712)	\$ 48,598,627	\$ 55,806,618	\$ (4,387,437)	\$ 51,419,181

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, 2012 AND 2011

	2012			2011		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Cash Flows from Operating Activities						
Receipts from customers	\$ 51,402,959	\$ -	\$ 51,402,959	\$ 50,331,889	\$ 2,013	\$ 50,333,902
Payments to suppliers	(31,918,942)	(988,282)	(32,907,224)	(30,780,783)	(2,931,423)	(33,712,206)
Payments to employees	(7,413,278)	-	(7,413,278)	(7,251,973)	-	(7,251,973)
Miscellaneous non-operating income	112,702	1,060	113,762	119,240	-	119,240
Miscellaneous non-operating expenses	31,706	-	31,706	21,232	-	21,232
Net cash provided by (used for) Operating Activities	12,215,147	(987,222)	11,227,925	12,439,605	(2,929,410)	9,510,195
Cash Flows from Noncapital Financing Activities						
Transfers to General Fund	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Payments in lieu of taxes	(1,284,652)	-	(1,284,652)	(2,657,408)	-	(2,657,408)
Interfund cash inflow	-	987,222	987,222	-	2,929,410	2,929,410
Interfund cash outflow	(987,222)	-	(987,222)	(2,929,410)	-	(2,929,410)
Net cash provided by (used for) Noncapital Financing Activities	(5,071,874)	987,222	(4,084,652)	(8,386,818)	2,929,410	(5,457,408)
Cash Flows from Capital and Related Financing Activities						
Capital asset additions, net	(1,755,071)	-	(1,755,071)	(1,715,686)	-	(1,715,686)
Long-term debt repayments	(952,770)	-	(952,770)	(39,099,526)	-	(39,099,526)
Proceeds from issuance of debt	-	-	-	31,685,000	-	31,685,000
Debt related charges	(1,601,306)	-	(1,601,306)	(1,604,449)	-	(1,604,449)
Net cash used for Capital and Related Financing Activities	(4,309,147)	-	(4,309,147)	(10,734,661)	-	(10,734,661)
Cash Flows from Investing Activities						
Interest receipts	126,203	-	126,203	162,145	-	162,145
Loans receivable	40,000	-	40,000	40,000	-	40,000
Investments reserved for special purposes	(916,699)	-	(916,699)	(769,036)	-	(769,036)
Investment in certain NCPA projects and reserves	(1,918,150)	-	(1,918,150)	8,602,390	-	8,602,390
Restricted investments	(136,818)	-	(136,818)	1,848,132	-	1,848,132
Net cash provided by (used for) Investing Activities	(2,805,464)	-	(2,805,464)	9,883,631	-	9,883,631
Net increase in cash and cash equivalents	28,662	-	28,662	3,201,757	-	3,201,757
Cash and equivalents at beginning of year	29,978,871	-	29,978,871	26,777,114	-	26,777,114
Cash and equivalents at end of year	\$ 30,007,533	\$ -	\$ 30,007,533	\$ 29,978,871	\$ -	\$ 29,978,871
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	\$ 4,625,163	\$ (814,557)	\$ 3,810,606	\$ 9,717,462	\$ (2,270,924)	\$ 7,446,538
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	3,525,265	-	3,525,265	3,461,276	-	3,461,276
Decrease (increase) in accounts receivable	22,408	-	22,408	(320,238)	-	(320,238)
Decrease (increase) in materials and supplies	(1,461)	-	(1,461)	(6,056)	-	(6,056)
Decrease (increase) in prepaids	(25,000)	-	(25,000)	10,093	-	10,093
Increase (decrease) in accounts payable and accrued payroll	(276,853)	(173,725)	(450,578)	106,026	(658,486)	(552,460)
Increase (decrease) in balancing account	4,055,622	-	4,055,622	(303,406)	-	(303,406)
Increase (decrease) in other accrued liabilities	24,670	-	24,670	(86,398)	-	(86,398)
Increase (decrease) in refundable deposits	(54,318)	-	(54,318)	(117,560)	-	(117,560)
Increase (decrease) in compensated absences	68,406	-	68,406	(65,407)	-	(65,407)
Increase (decrease) in claims liability	106,837	-	106,837	(96,659)	-	(96,659)
Miscellaneous non-operating income	112,702	1,060	113,762	119,240	-	119,240
Miscellaneous non-operating expenses	31,706	-	31,706	21,232	-	21,232
Net cash provided by (used in) operating activities	\$ 12,215,147	\$ (987,222)	\$ 11,227,925	\$ 12,439,605	\$ (2,929,410)	\$ 9,510,195

See accompanying notes to the financial statements

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ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *General*

Alameda Municipal Power (AMP) is a department of the City of Alameda (the City) that operates the electric system and the Alameda Point telephone system. AMP provides these services to the businesses and residents of the City, Alameda Point (former Alameda Naval Air Station) and Coast Guard Island. AMP is under the policy control of the Public Utilities Board (Board), as set forth in the City Charter. The Board consists of five members appointed by the City Council, one of whom is the City Manager. The accompanying financial statements only reflect the activity of AMP as it does not have any component units.

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 cash 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, 2012 AND 2011

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, 2012 AND 2011

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:

	2012	2011
Balance at beginning of fiscal year	\$ 643,533	\$ 708,940
Compensated absences earned	616,833	449,903
Compensated absences taken	(548,427)	(515,310)
Balance at end of fiscal year	<u>711,939</u>	<u>643,533</u>
Current Portion	<u>\$ 707,420</u>	<u>\$ 627,221</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

Although not required by California Government Code, AMP adopts an annual budget to serve as its approved financial plan. 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, 2012 AND 2011

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 \$4,213,712 and \$4,387,437 at June 30, 2012 and June 30, 2011, 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.

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.

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, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2014, and is currently evaluating the impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2014, and is currently evaluating the impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. AMP will be required to implement the provisions of this Statement in fiscal year ending June 30, 2015, and is currently evaluating the impact on the financial statements.

L. *Changes in Accounting Principles*

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 implemented the provisions of this Statement in fiscal year ended June 30, 2012, with no significant impact on the financial statements.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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. AMP implemented the provisions of this Statement in fiscal year ended June 30, 2012 with no 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 are as follows:

	<u>2012</u>	<u>2011</u>
Cash and equivalents	\$ 30,007,533	\$ 29,978,871
Restricted investments	4,515,565	4,378,747
Investments designated for special purposes	<u>7,058,656</u>	<u>6,141,957</u>
Total cash and investments	<u>\$ 41,581,754</u>	<u>\$ 40,499,575</u>

Cash and investment balance in the Telecom Services enterprise fund was \$0 and \$0 at 2012 and 2011.

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.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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
Other State Obligations (c)	5 years	N/A	No Limit	No Limit
CA Local Agency Obligations	5 Years	N/A	No Limit	No Limit
U.S. Agency Securities and U.S. Government Sponsored Enterprise 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	5 Years	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 Pooled Investment Funds	Upon Demand	N/A	15%	No Limit
California Local Agency Investment Fund	Upon Demand	N/A	\$40,000,000 per account	\$40,000,000 per account
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit

(a) 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).

(c) State Obligations such as registered treasury notes and bonds.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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	N/A	P1	No Limit	No Limit
Certificates of Deposit	N/A	P1	No Limit	No Limit
Bankers Acceptances	1 Year	P1	No Limit	No Limit
Money Market Mutual Funds	N/A	AAAm	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 (b)	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).

(b) Investment agreements, including guaranteed investment contracts, repurchase agreements, forward purchase agreements and reserve fund put agreements.

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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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, 2012 and 2011:

	2012	2011
	12 Months or less	12 Months or less
<i>Investments:</i>		
Bond Mutual Funds	\$ 4,515,566	\$ 4,378,747
Money Market	141,132	621,662
U.S. Treasury Bills \ Notes	999,062	998,001
Local Agency Investment Fund	22,422,814	22,332,339
Certificates of Deposit	7,990,528	7,475,331
Total Investments	36,069,102	35,806,080
Cash with Banks and Petty Cash	5,512,652	4,693,495
Total cash and investments	\$ 41,581,754	\$ 40,499,575

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, 2012, these investments had an average maturity of 268 days.

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2012 and 2011.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment Type	2012	2011
AAA-mf:		
Bond Mutual Funds	\$ 4,515,566	\$ 4,378,747
Not rated:		
Certificates of Deposit	7,160,000	6,650,000
Certificates of Deposit (Bank of Alameda)	830,528	825,331
Money Market	141,132	621,662
Local Agency Investment Fund	22,422,814	22,332,339
Exempt:		
U.S. Treasury Bills \ Notes	999,062	998,001
Cash with Banks and Petty Cash	5,512,652	4,693,495
Total cash and investments	<u>\$ 41,581,754</u>	<u>\$ 40,499,575</u>

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, 2012, 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, 2012, AMP's bank balance of \$5,777,955 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

As of June 30, 2012, 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.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

H. *Restricted Investments*

Restricted investments comprise the following:

	June 30	
	2012	2011
Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund	\$ 1,857,495	\$ 1,720,677
Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund	2,658,070	2,658,070
Total Restricted Investments	<u>\$ 4,515,565</u>	<u>\$ 4,378,747</u>

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:

	June 30	
	2012	2011
Insurance Reserve	\$ 1,200,000	\$ 1,200,000
Underground Special Fund	3,824,223	2,854,405
Major Contingency Reserve	1,000,612	1,000,612
Competitive Pricing Reserve	196,858	196,858
Operating Contingency Reserve	650,000	650,000
Solar PV Rebate Reserve	186,963	240,082
Total Investments Designated for Special Purposes	<u>\$ 7,058,656</u>	<u>\$ 6,141,957</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.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 and 2011 is as follows:

	Balance June 30, 2011	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2012
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	1,719,491	1,735,137	(277,813)	(1,675,523)	1,501,292
Total capital assets not being depreciated	<u>1,873,134</u>	<u>1,735,137</u>	<u>(277,813)</u>	<u>(1,675,523)</u>	<u>1,654,935</u>
Capital assets being depreciated:					
Utility Plant	70,314,925	-	-	1,585,439	71,900,364
Service Center Building	7,843,636	-	-	-	7,843,636
Machinery and Equipment	8,739,161	-	86,377	90,084	8,915,622
Transportation Equipment	2,593,727	144,787	-	-	2,738,514
Computer Equipment	3,256,643	150,201	(118,414)	-	3,288,430
Furniture and Fixtures	599,107	-	7,075	-	606,182
Easements	185,500	-	-	-	185,500
Total capital assets being depreciated	<u>93,532,699</u>	<u>294,988</u>	<u>(24,962)</u>	<u>1,675,523</u>	<u>95,478,248</u>
Less accumulated depreciation and amortization for:					
Utility Plant	40,910,033	2,244,824	-	-	43,154,857
Service Center Building	3,056,043	165,868	-	-	3,221,911
Machinery and Equipment	7,510,288	765,227	-	-	8,275,515
Transportation Equipment	1,572,177	187,235	-	-	1,759,412
Computer Equipment	2,867,826	140,673	(27,719)	-	2,980,780
Furniture and Fixtures	404,929	17,936	-	-	422,865
Easements	98,000	3,500	-	-	101,500
Total accumulated depreciation	<u>56,419,296</u>	<u>3,525,263</u>	<u>(27,719)</u>	<u>-</u>	<u>59,916,840</u>
Total depreciable assets	<u>37,113,403</u>	<u>(3,230,275)</u>	<u>2,757</u>	<u>1,675,523</u>	<u>35,561,408</u>
Capital assets, net	<u>\$ 38,986,537</u>	<u>\$ (1,495,138)</u>	<u>\$ (275,056)</u>	<u>\$ -</u>	<u>\$ 37,216,343</u>

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	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	2,415,193	1,951,555	(824,040)	(1,669,574)	1,873,134
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	91,863,125	-	-	1,669,574	93,532,699
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	52,958,017	3,461,279	-	-	56,419,296
Total depreciable assets	38,905,108	(3,461,279)	-	1,669,574	37,113,403
Capital assets, net	\$ 41,320,301	\$ (1,509,724)	\$ (824,040)	\$ -	\$ 38,986,537

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, 2012 and 2011 was \$3,525,263 and \$3,461,279 respectively.

NOTE 4 - NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	2012	2011
City of Alameda:		
Streetlight Improvement	\$ 25,300	\$ 65,300
Less: Current Portion	(25,300)	(40,000)
Long-Term Portion of Notes Receivable	\$ -	\$ 25,300

The City entered into a loan agreement with AMP for the replacement of deteriorated street lights. Through June 30, 2012, AMP had expended \$627,300 for street light replacement and the City had made payments of \$602,000. Annual installments of \$40,000 are scheduled until the loan is repaid. At June 30, 2012 and 2011, the outstanding balance was \$25,300 and \$65,300, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012 and 2011 is as follows:

	Original Issue Amount	Balance June 30, 2011	Additions	Retirements & Adjustments	Balance June 30, 2012	Current Portion
2008 Truck (Ate Model AM-55) - Capital Lease	\$ 176,295	\$ 105,282	\$ -	\$ 25,034	\$ 80,248	\$ 26,445
2009 Truck (Ate Model D3060) - Capital Lease	229,168	142,098	-	32,736	109,362	34,336
Revenue Bonds, Series 2010A	8,700,000	8,700,000	-	-	8,700,000	-
Taxable Revenue Bonds, Series 2010B	22,985,000	22,985,000	-	895,000	22,090,000	1,040,000
Loan from City of Alameda	2,200,000	2,200,000	-	-	2,200,000	2,200,000
Deferred amount on refunding	n/a	(1,055,001)	-	(61,651)	(993,350)	(61,651)
Total long-term debt		<u>\$ 33,077,379</u>	<u>\$ -</u>	<u>\$ 891,119</u>	<u>\$ 32,186,260</u>	<u>\$ 3,239,130</u>

	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 (Ate Model AM-55) - Capital Lease	176,295	128,981	-	23,699	105,282	25,034
2009 Truck (Ate 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>

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, 2012 AND 2011

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 through Alameda Public Financing Authority on behalf of AMP 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 \$71,118 as of June 30, 2012.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 \$96,623 as of June 30, 2012.

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
2013	\$ 3,300,781	\$ 1,578,846
2014	1,129,386	1,548,668
2015	1,163,204	1,511,204
2016	1,133,330	1,476,899
2017	1,170,000	1,435,053
2018-2022	6,730,000	6,203,441
2023-2027	9,115,000	3,873,265
2028-2031	9,437,909	949,339
Total	\$ 33,179,610	\$ 18,576,715

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, 2012 and 2011, respectively. This amount was contributed from the Electric Services Fund and not from the Telecom Services Fund.

Alameda Municipal Code provides that AMP pays the City an annual amount equal to one percent of the net book value of AMP's utility plant in service at the previous fiscal year end. AMP paid \$1,284,652 and \$2,657,408 in lieu of taxes to the City during the fiscal years ended June 30, 2012 and 2011, 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, 2012 and 2011 were \$3,612,706 and \$3,572,438, respectively. Utility taxes collected by AMP and remitted to the City's General Fund for the years ended June 30, 2012 and 2011 were \$3,054,397 and \$3,088,472, respectively.

Billings of electricity to the City for the years ended June 30, 2012 and 2011 were \$2,062,393 and \$2,016,527, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 7 - PERS PENSION PLAN

A. *CalPERS Safety and Miscellaneous Employees Plans*

Substantially all City employees including AMP 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, 2012, 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	37.283%	14.567%

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, 2012 AND 2011

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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2012	\$ 1,006,355	100%
6/30/2011	850,135	100%
6/30/2010	877,049	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, 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 \$86 and \$2,030 to the Money Purchase Plan for the years ended June 30, 2012 and 2011, 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, 2012 AND 2011

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, 2012, 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 <p>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 \$112.00/month in 2012</p>	
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 are not required to contribute to the plan.

Annual OPEB Cost - AMP contributed \$48,970 and \$46,862 towards the City's annual OPEB cost for the years ended June 30, 2012 and 2011, 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, City Manager, 2263 Santa Clara Avenue, Alameda, California 94501.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012 and 2011 for purchased power were \$25,878,402 and \$25,159,235, respectively. Amounts paid during the year ended June 30, 2011 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 \$1,260,883 and \$1,289,824 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR), for the fiscal year ended June 30, 2012 and 2011, respectively.

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	
	2012	2011
Beginning balance	\$ 15,998,430	\$ 24,224,505
Increase (decrease) in equity in NCPA projects	784,329	(8,226,075)
Ending balance	<u>\$ 16,782,759</u>	<u>\$ 15,998,430</u>

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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	
	2012	2011
General Operating Reserve	\$ 14,233,970	\$ 12,271,583
Purchased Power & Transmission	128,128	390,333
Associated Member Services	-	-
Net book value of amounts contributed to fund		
Alameda Municipal Power's share of NCPA power		
Geothermal Projects/Power Line	2,137,422	2,400,624
Calaveras Hydroelectric Project	654,484	502,271
Combustion Turbine Project No. 1	(359,486)	127,141
Combustion Turbine Project No. 2	(11,759)	306,478
	<u>\$ 16,782,759</u>	<u>\$ 15,998,430</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.

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, 2012 AND 2011

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, 2012, the book value of this Project's plant, equipment and other assets was \$90,745,161 while its long-term debt totaled \$32,326,753 and other liabilities totaled \$45,757,832. AMP's share of the Project's long-term debt and other liabilities amounted to \$13,316,600 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, 2012, 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, 2012 AND 2011

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. In 2012, the NCPA issued the 2012 Refunding Series A for \$76,665,000 and 2012 Taxable Refunding Series B obligations for \$7,120,000 for the purpose of providing funds to refund the NCPA's outstanding Hydroelectric Project No. 1 Revenue Bonds, 1998 Refunding Series A, to make a deposit to the debt service reserve account for the 2012 Bonds and to pay cost of issuance of the 2012 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, 2012, the book value of this Project's plant, equipment and other assets was \$428,444,545, while its long-term debt totaled \$359,901,570 and other liabilities totaled \$61,998,123. AMP's share of the Project's long-term debt and other liabilities amounted to \$42,189,969 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. During August 2010, phase 2 of the first amendment to the NCPA power purchase 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, 2012, the book value of this Project's plant, equipment and other assets was \$1,297,021 while its long-term debt totaled \$0, and other liabilities totaled \$2,944,528. AMP's share of the Project's long-term debt and other liabilities amounted to \$642,496 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 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, 2012 AND 2011

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, 2012, the book value of this Project's plant, equipment and other assets was \$56,340,574 while its long-term debt totaled \$50,314,466 and other liabilities totaled \$6,088,001. AMP's share of the Project's long-term debt and other liabilities amounted to \$10,716,469 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. AMP receives 100% of the power 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, 2012 AND 2011

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 that is currently priced as an aggregated pricing node for load and resources. 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 fifteen 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. The California-Oregon Transmission Project (COTP) is one of three high voltage transmission lines connecting Oregon and California. The 500 kV line is able to transmit 1,600 MW's of electricity. The COTP participants include the Transmission Agency of Northern California, Western, PG&E, City of Redding, Carmichael Water District, and San Juan Water District.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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

Currently, the COTP provides a transmission path for resources that is outside of the CAISO balancing authority. According to the 1985 Project Agreement with TANC for the development of the COTP and subsequent related project agreements, AMP is obligated to pay its share of the project's costs, including debt service and is entitled to the use of a percentage of the project's transmission or transfer capacity.

AMP is obligated to pay 1.333% of TANC's debt-service related to the California - Oregon Transmission Project (COTP). AMP's entitlement share on COTP is 1.227% and AMP is obligated to pay 1.227% of the project's operating costs. AMP's share on the 2009 Series A bonds is 1.4496%. AMP is not obligated for any portion of the 2009 Series B bonds.

These obligations provide AMP with a COTP transfer capability of 17.05 MW. AMP is also obligated to pay for a portion of the debt associated with the South of Tesla transmission which is provided under an agreement between TANC and Pacific Gas & Electric Company.

In May 2009, TANC issued \$67.0 million of tax-exempt 2009 Series A bonds and \$61.8 million of taxable 2009 Series B bonds. The proceeds of the Series A bonds were used to retire a bank loan that refinanced \$30.3 million of TANC's tax-exempt commercial paper and also to refund \$34.7 million of TANC's 2003 Series C Auction Rate Securities. The proceeds of the Series B bonds were used to retire a bank loan that refinanced \$56.3 million of TANC's taxable commercial paper. The 2009 refunding increased future aggregate debt service payments by \$19.3 million, but resulted in a total economic gain of \$6.5 million, the difference between present value of the old and new debt service payments. TANC has issued Revenue Bonds for \$435,790,000 and eliminated its obligations for the Tax Exempt Commercial Paper notes. As of June 30, 2012 and 2011, AMP's share of this debt is \$4,456,433 and \$4,670,313, 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 department 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, 2012 AND 2011

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, 2012 and 2011, AMP contributed \$64,679 and 73,008 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, 2012 AND 2011

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:

	2012	2011
Beginning balance	\$ 884,847	\$ 981,506
Change in liability for current and prior fiscal year claims	234,311	90,161
Payments made on claims	(127,474)	(186,820)
Ending balance	\$ 991,684	\$ 884,847
Less Current Portion	(240,000)	(245,000)
Long-term Portion	<u>\$ 751,684</u>	<u>\$ 639,847</u>

NOTE 12 - 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, 2012 was \$95,792,000. 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%	17.0540%
NCPA - Calavaras Hydroelectric Project (NCHP)	Jul-2032	10.0000%	10.9774%
NCPA - Capital Facilities Project (NCFP)	Jul-2026	19.0000%	19.0000%
TANC - CA-OR Transmission Project (COTP)	May-2024	1.2272%	1.3300%

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 12 – 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, 2012 is as follows:

Fiscal Year	NGP	NCHP	NCFP	COTP	Total
2013	\$ 609,764	\$ 3,846,283	\$ 1,015,249	\$ 327,480	\$ 5,798,776
2014	611,318	4,061,127	1,070,463	328,470	6,071,378
2015	611,486	3,937,216	1,079,908	329,500	5,958,110
2016	612,499	3,938,979	1,082,836	330,730	5,965,044
2017	612,584	3,944,050	1,079,108	368,750	6,004,492
2018-2022	3,074,570	19,118,456	5,412,026	2,389,130	29,994,182
2023-2027	1,852,174	16,305,061	3,560,002	1,093,116	22,810,353
2028-2032	-	10,668,362	-	-	10,668,362
2032-2033	-	2,521,092	-	-	2,521,092
Total	\$ 7,984,395	\$ 68,340,626	\$ 14,299,592	\$ 5,167,176	\$ 95,791,789

B. Lease Agreement with Successor Agency of 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 31, 2011. In May 2011, AMP approved one year extensions to both lease agreements, with new expiration dates of May 31, 2012. On February 1, 2012, Alameda Reuse and Redevelopment Agency was dissolved and all of its assets, obligations and rights were assigned to the City of Alameda. In June 2012, AMP approved two-year extensions to both lease agreements, with new expiration dates of May 31, 2014. AMP will continue to occupy the premises for minimum monthly payments of \$1,083 and \$11,103 respectively.

NOTE 13 - 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,

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 13 - CONTINGENT LIABILITIES (CONTINUED)

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 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. Oral argument of the appeals is scheduled for January 18, 2013.

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. Nuveen appealed, briefing on appeal is completed and oral argument is expected between March and June 2013. AMP has since filed motion for recovery of defense costs totaling \$2.3 million which Court denied. AMP appealed and filed bill of costs seeking \$132,000 in litigation expenses, Court awarded \$91,516 in costs in AMP's favor and against Nuveen and Osher jointly and severally.

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,

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

NOTE 13 - CONTINGENT LIABILITIES (CONTINUED)

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 which Court denied. City filed a bill of costs seeking an award of \$132,000 in costs, judgment was entered awarding \$91,516 to City against Nuveen and Osher jointly and severally.

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.

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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:

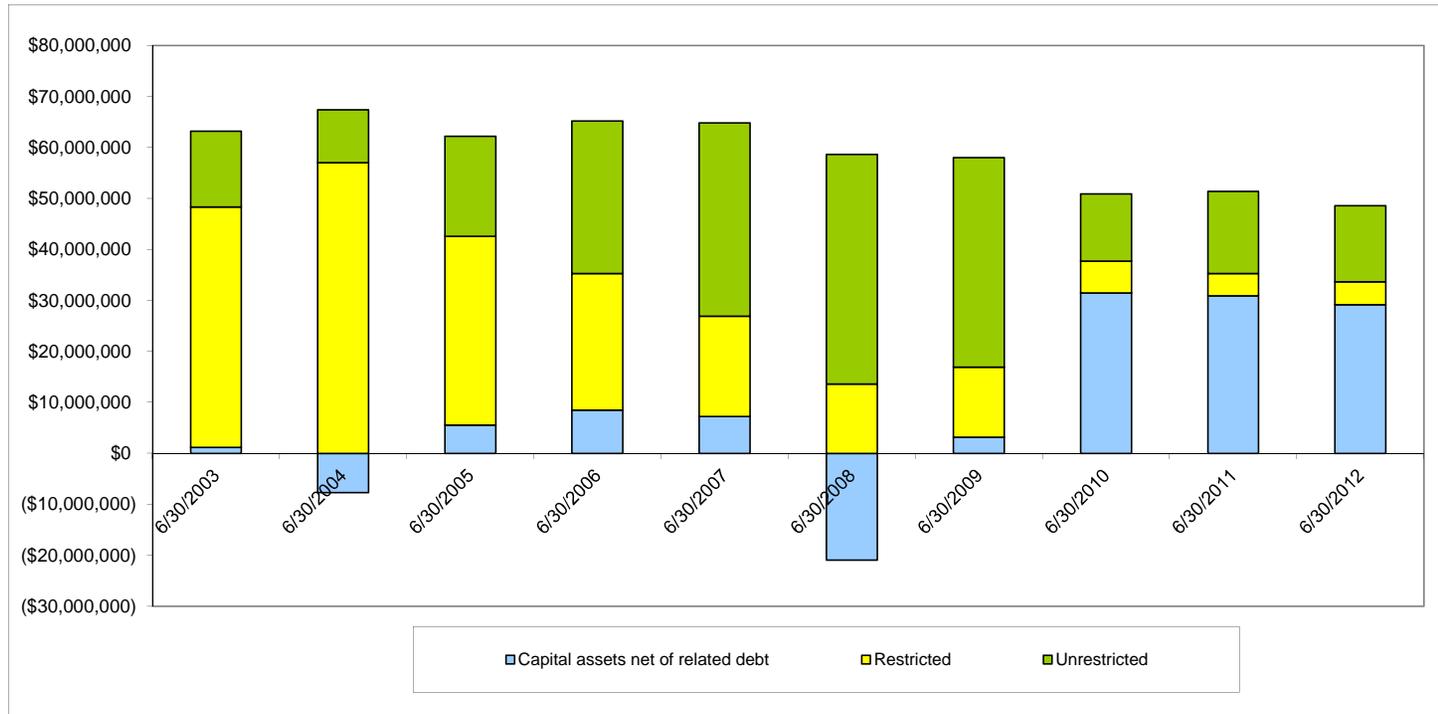
1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function –Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

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.

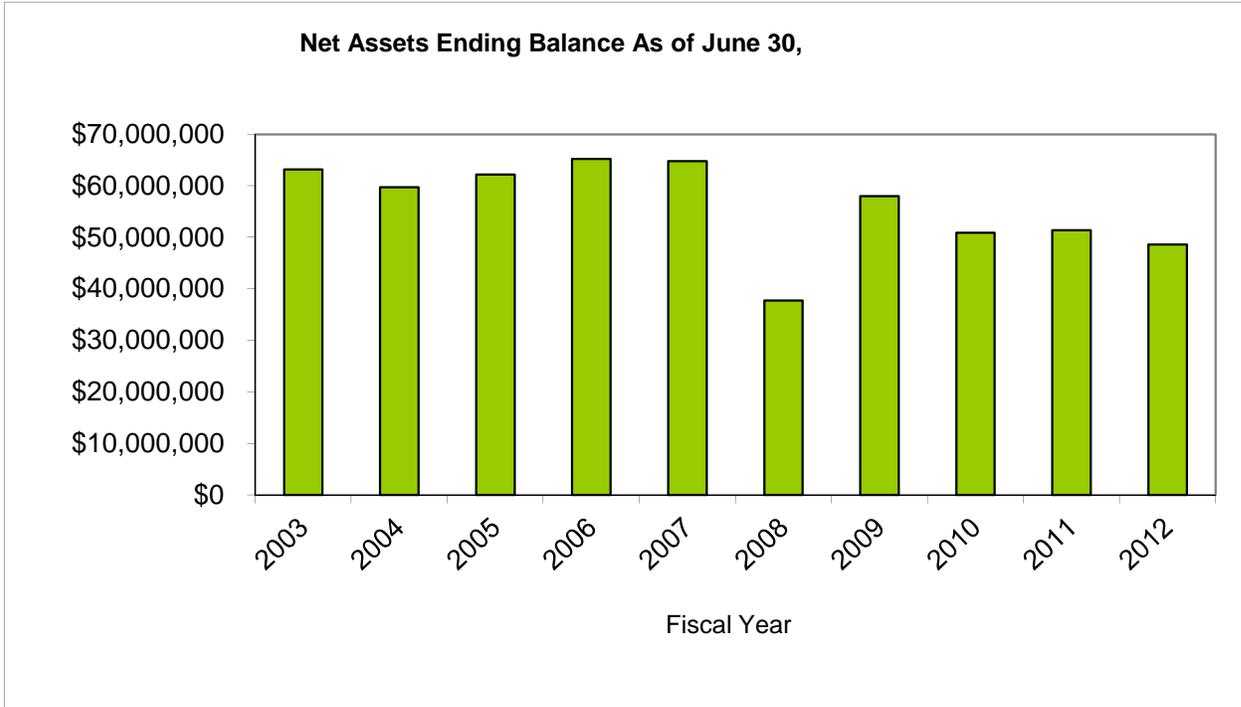
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**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**



	Fiscal Year Ended,										
	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	
Business-type activities											
Invested in capital assets, net of related debt	\$1,203,051	(\$7,667,456)	\$5,528,260	\$8,470,239	\$7,245,463	(\$20,919,290)	\$3,179,206	\$31,473,395	\$30,928,840	\$29,166,859	
Restricted	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	4,515,565	
Unrestricted	14,893,551	10,406,476	19,597,383	29,935,937	37,878,629	45,019,091	41,103,862	13,222,943	16,111,594	14,916,203	
Total business-type activities net assets	\$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	\$48,598,627	

**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 & Transfers	Net Income (Loss)	Net Assets	
						Beginning Balance	Ending Balance
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	\$ 48,524,064	\$ 428,990	\$ (7,525,498)	\$ (7,096,508)	\$ 58,019,725	\$ 50,923,217
2011	\$ 50,771,700	\$ 43,325,162	\$ 7,446,538	\$ (6,950,574)	\$ 495,964	\$ 50,923,217	\$ 51,419,181
2012	\$ 51,434,869	\$ 47,624,263	\$ 3,810,606	\$ (6,631,160)	\$ (2,820,554)	\$ 51,419,181	\$ 48,598,627

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

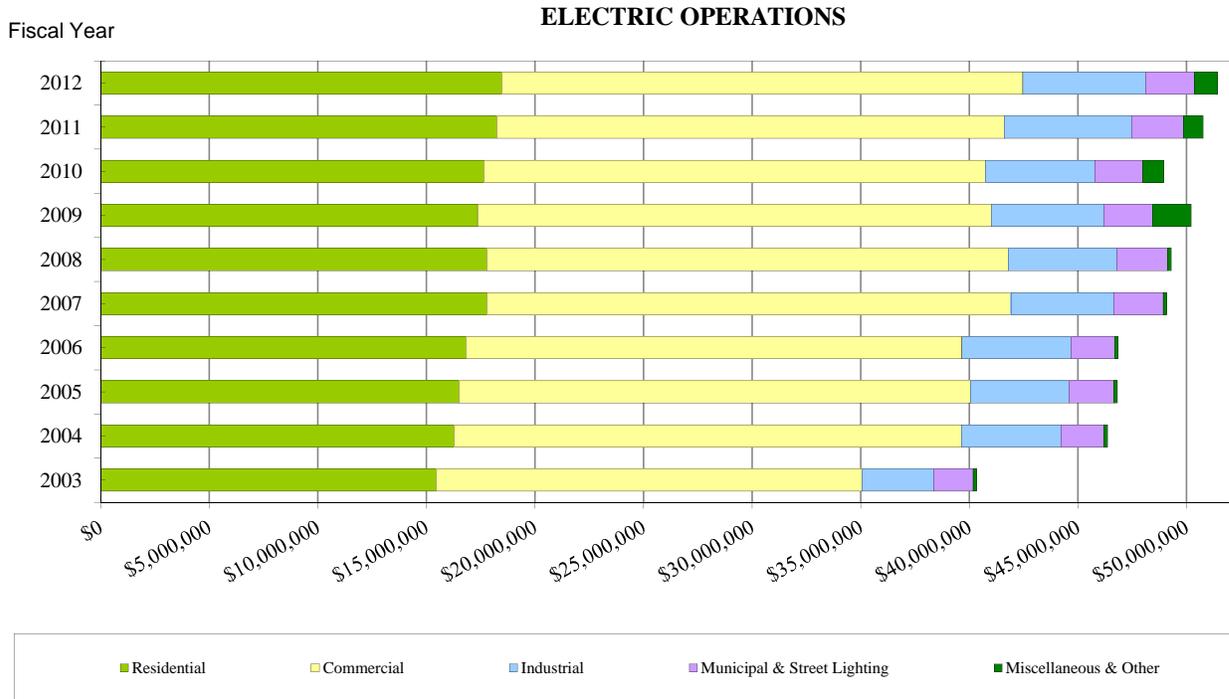
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue, Expenses & Transfers	Net Income (Loss)	Net Assets	
						Beginning Balance	Ending Balance
2003	\$ 40,337,837	\$ 34,866,875	\$ 5,470,962	\$ (2,382,268)	\$ 3,088,694	\$ 81,228,615	\$ 84,317,309
2004	\$ 46,372,724	\$ 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	\$ 43,093,760	\$ 5,854,291	\$ (10,259,777)	\$ (4,405,486)	\$ 60,374,626	\$ 55,969,140
2011	\$ 50,769,687	\$ 41,052,225	\$ 9,717,462	\$ (9,879,984)	\$ (162,522)	\$ 55,969,140	\$ 55,806,618
2012	\$ 51,434,869	\$ 46,809,706	\$ 4,625,163	\$ (7,619,442)	\$ (2,994,279)	\$ 55,806,618	\$ 52,812,339

*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 & Transfers	Net Income (Loss)	Net Assets	
						Beginning Balance	Ending Balance
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)
2012	\$ -	\$ 814,557	\$ (814,557)	\$ 988,282	\$ 173,725	\$ (4,387,437)	\$ (4,213,712)

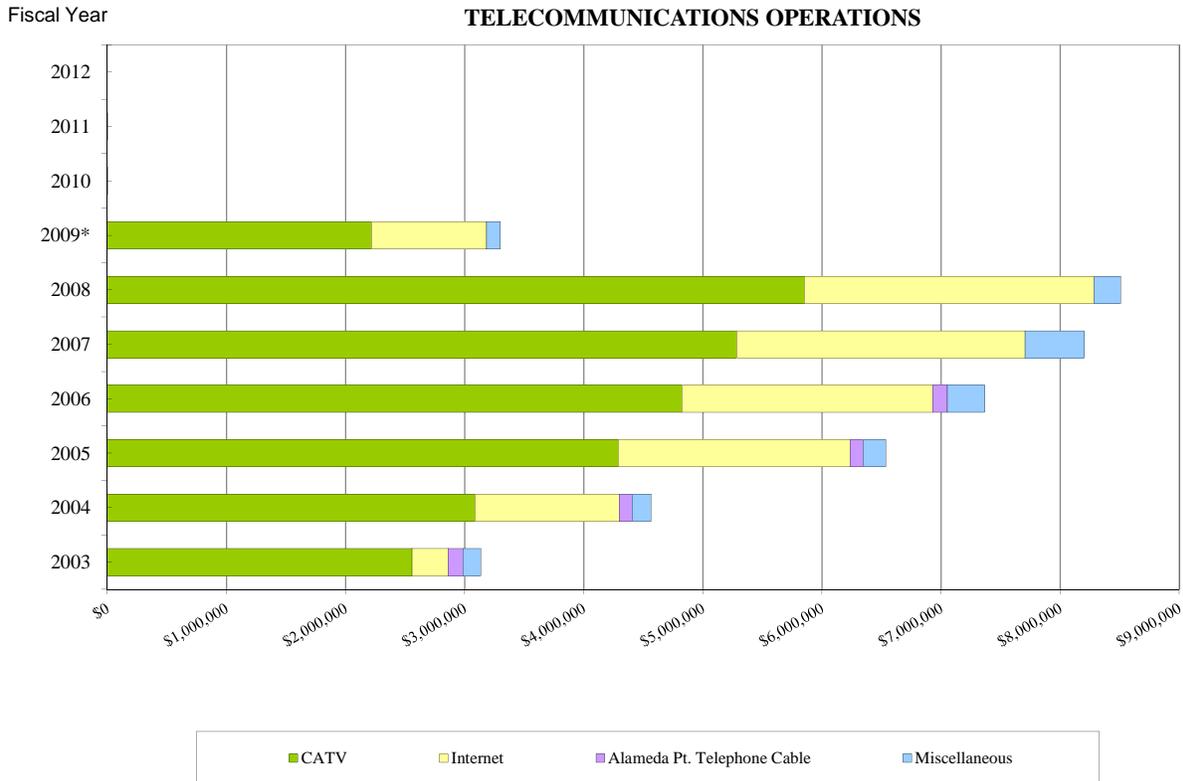
CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
ELECTRIC OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS



Fiscal Year	Sales of Electricity					Miscellaneous Services	Plant Lease & Jobbing Sales	Total
	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting/Other			
2003	\$15,451,373	\$19,608,930	\$3,296,965	\$1,359,912	\$454,776	\$165,881	\$40,337,837	
2004	\$16,285,182	\$23,345,609	\$4,586,893	\$1,580,285	\$398,729	\$176,025	\$46,372,723	
2005	\$16,509,804	\$23,540,842	\$4,542,208	\$1,673,971	\$403,318	\$147,435	\$46,817,578	
2006	\$16,812,415	\$22,840,128	\$5,039,371	\$1,634,793	\$368,496	\$145,097	\$46,840,300	
2007	\$17,786,579	\$24,129,480	\$4,720,055	\$1,847,716	\$444,985	\$140,531	\$49,069,346	
2008	\$17,783,232	\$24,021,704	\$4,982,103	\$1,897,547	\$456,320	\$168,761	\$49,309,667	
2009	\$17,365,563	\$23,644,464	\$5,175,117	\$1,820,996	\$451,524	\$603,419	\$50,210,280	
2010	\$17,647,604	\$23,090,891	\$5,026,286	\$1,749,835	\$461,947	\$643,929	\$48,948,051	
2011	\$18,257,650	\$23,352,114	\$5,861,554	\$1,753,399	\$641,967	\$613,426	\$50,769,687	
2012	\$18,488,086	\$23,964,056	\$5,666,350	\$1,793,977	\$464,788	\$687,220	\$51,434,869	

Fiscal Year	Kilowatt- Hour Sales					Total KWH	Peak Demand (KW)
	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting/Other		
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
2012	139,665,283	172,445,087	45,512,960	12,880,649	3,283,309	373,787,288	67,188

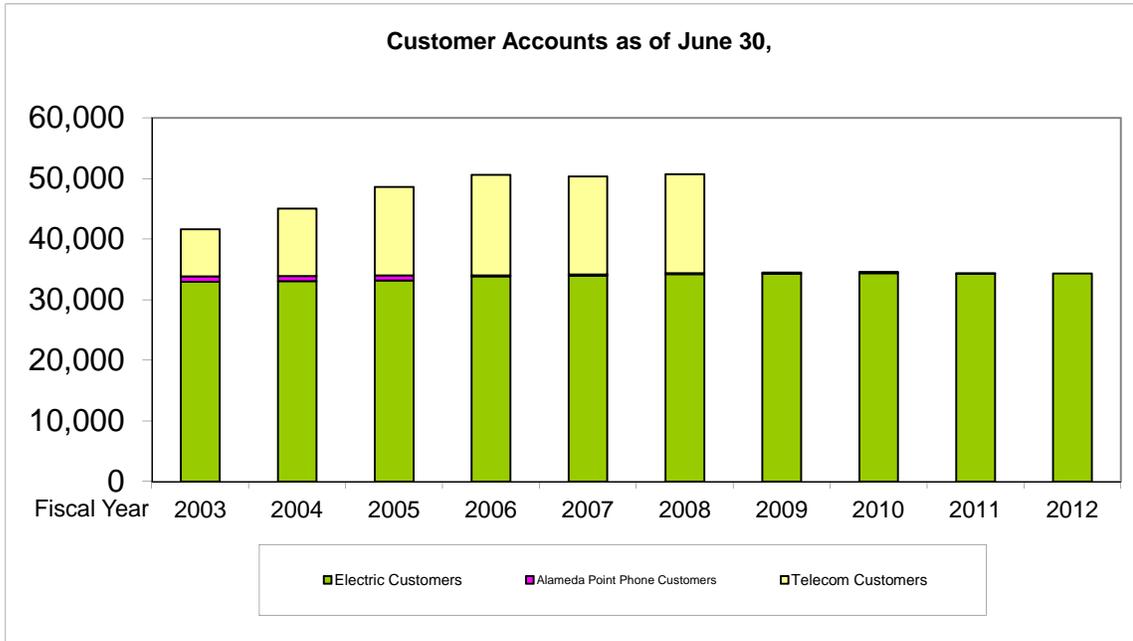
**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
TELECOMMUNICATIONS OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Cable Television</u>	<u>Internet</u>	<u>Alameda Point Telephone</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2012	\$0	\$0	Not Applicable	\$0	\$0

*Telecommunication operation was sold in November 2008

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



Number of Electric Customer Accounts:

Fiscal Year	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting & Other	Total Customer Accounts
2003	29,237	3,385	11	313	11	32,957
2004	29,310	3,418	11	308	12	33,059
2005	29,405	3,447	10	313	13	33,188
2006	30,021	3,485	10	321	32	33,869
2007	29,997	3,634	9	330	19	33,989
2008	30,084	3,750	12	333	38	34,217
2009	30,119	3,782	11	333	27	34,272
2010	30,191	3,818	18	342	30	34,399
2011	30,171	3,744	13	330	23	34,281
2012	30,194	3,776	12	327	29	34,338

Number of Telecommunications and Alameda Point Telephone Customer Accounts:

Fiscal Year	Cable TV	Internet Data	Telecommunications* Customer Accounts	Alameda Point Telephone** Customer Account
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
2012	-	-	-	135

*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

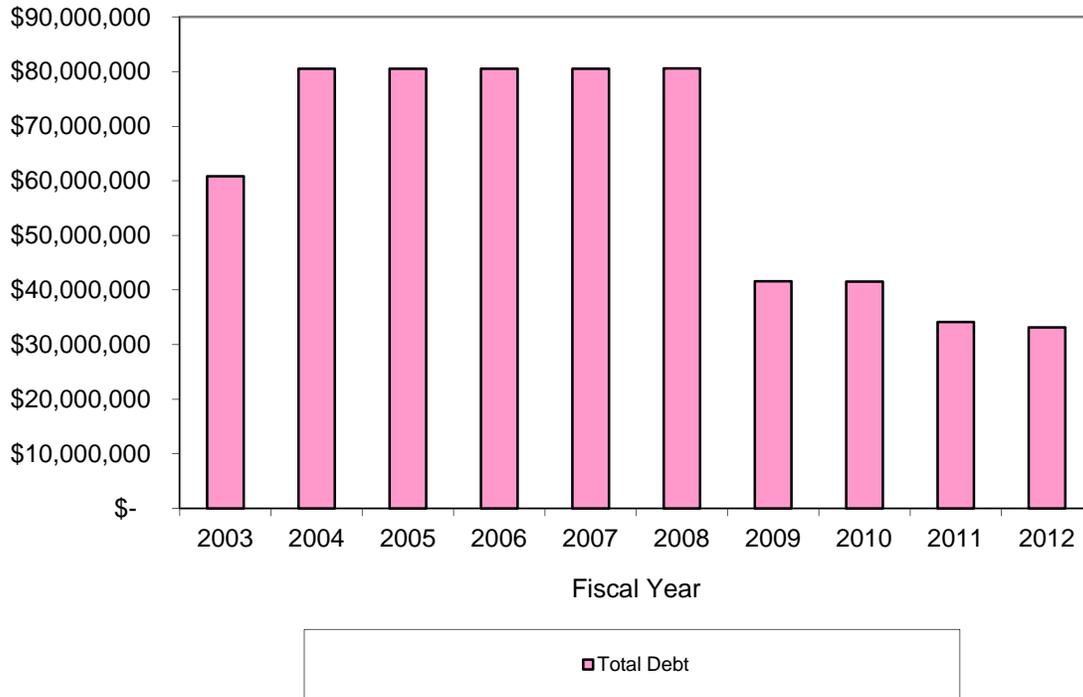
<u>Date</u>	<u>Percent Change</u>	
March 1, 1994	6.40%	
April 1, 1996	0.90%	
August 1, 2002	4.10%	
August 1, 2003	11.51%	
July 1, 2004	0.13%	
July 1, 2005	0.89%	
July 1, 2006	0.56%	
July 1, 2008	0.70%	(State Mandated Solar Program)
July 1, 2009	0.09%	(2.5% MU-1 rate increase)
July 1, 2010	3.75%	
July 1, 2011	3.85%	
July 1, 2012	3.25%	

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
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Fiscal Year	Certificates of Participation	Revenue Bonds/ Anticipation Notes	Loans and Lease Purchases	Total	Per Customer Accounts	Per Capita (a)
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
2012	\$ -	\$ 30,790,000	\$ 2,389,610	\$ 33,179,610	\$966.27	\$ 444.53

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

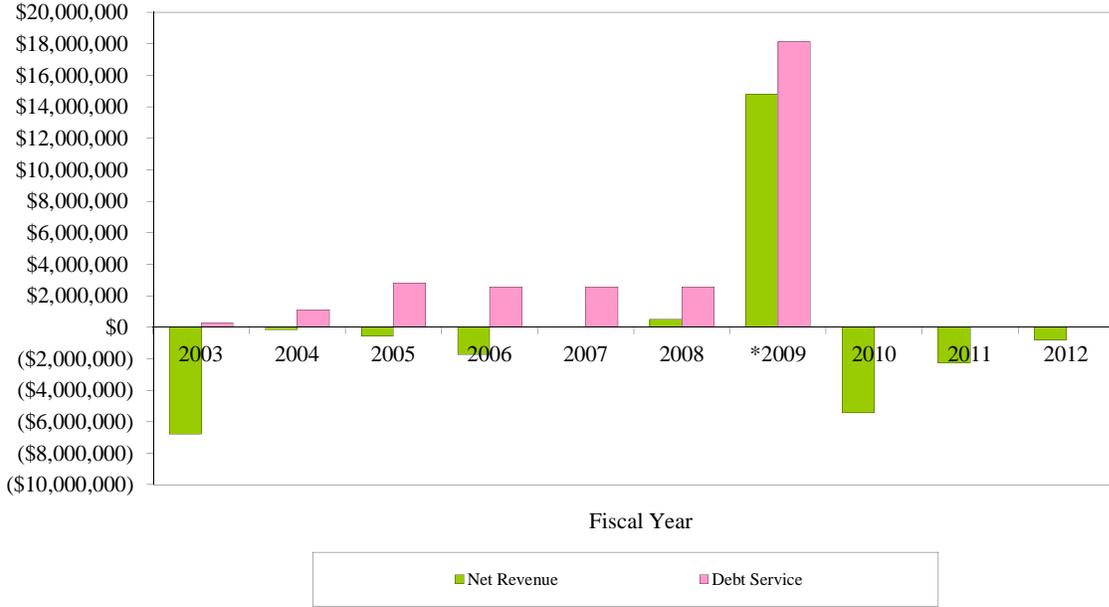


Fiscal Year	Electric Gross Revenue Including Non-Operating Revenue	Electric Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
				Principal	Interest and Fiscal Charges	Total	
2003	\$ 41,528,315	\$ 33,678,243	\$ 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	\$ 39,750,159	\$ 9,790,343	\$ 51,495	\$ 2,945,095	\$ 2,996,590	3.27
*2011	\$ 50,482,874	\$ 37,590,949	\$ 12,891,925	\$ 54,526	\$ 1,582,668	\$ 1,637,194	7.87
2012	\$ 51,698,976	\$ 43,284,441	\$ 8,414,535	\$ 952,770	\$ 1,677,854	\$ 2,630,624	3.20

*FY 2010 & 2011 were revised to exclude bond refunding activities and payment in-lieu of taxes to be consistent with 2010 A/B Bond operating expense definitions.

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

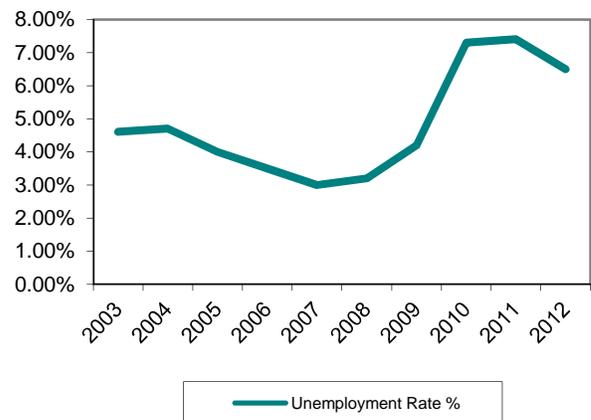
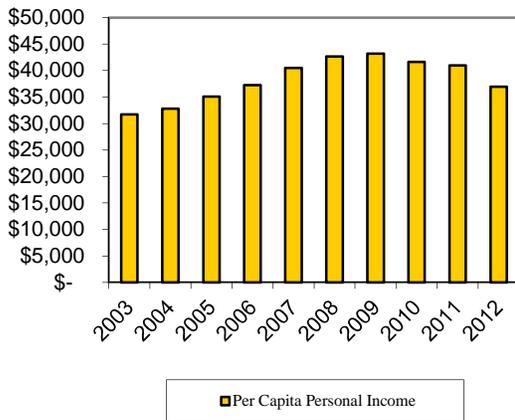
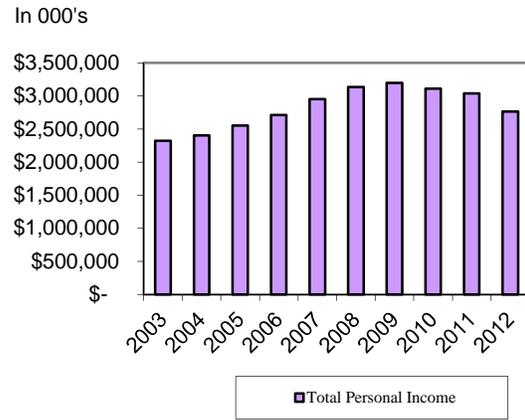
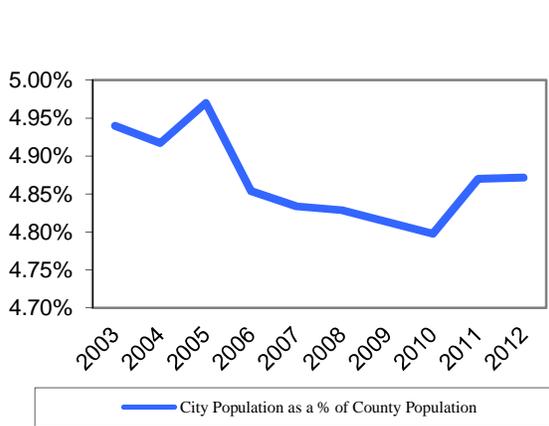
TELECOMMUNICATIONS OPERATIONS



Fiscal Year	Gross Revenue Including Non-Operating Revenue	Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, and Additions	Debt Service			Coverage
				Principal	Interest and Fiscal Charges	Total	
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
2012	\$ 1,060	\$ 814,557	\$ (813,497)	\$ -	\$ -	\$ -	Not Applicable

*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
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%
2012	74,640	\$ 2,763,776	\$ 36,962	6.5%	1,532,137	4.87%

Source: City of Alameda

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
Top 10 Customers
For the Fiscal Year Ended June 30, 2012**

<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	18,671,289	5.00%
2	US Coast Guard Integrated Support	Regulation, Admin. of Transportation	17,456,966	4.67%
3	Legacy Partners I Alameda, LLC	Lessors of Nonresidential Building	8,060,081	2.16%
4	Alameda Waterfront Investors	Lessors of Nonresidential Building	7,517,920	2.01%
5	Alameda Unified School District	Public School District	6,677,002	1.79%
6	Wind River	Computer Programming Services	5,773,217	1.54%
7	Celera Corp	Research and Development - Life Science	4,653,888	1.25%
8	Safeway Stores Inc.	Grocery Retailer	4,445,928	1.19%
9	GSA - Federal Government	Food & Drug Administration	4,259,800	1.14%
10	Alameda Hospital	Hospital, Medical and Emergency Services	4,240,476	1.13%
Top 10 Customers KWHS			81,756,567	21.87%
Total Kilowatt Hour Sales			373,787,288	100%

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

<u>No.</u>	<u>Business Name</u>	<u>2011-2012</u>			<u>2002-2003</u>	
		<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage % of Total City Population</u>	<u>Number of Employees</u>	<u>% of Total Employment</u>
1	Telecare Corp	2,100	1	2.81%	(A)	(A)
2	Alameda Unified School District	1,330	2	1.78%	(A)	(A)
3	North Face Inc.	600	3	0.80%	(A)	(A)
4	City of Alameda	502	4	0.67%	(A)	(A)
5	Alameda Hospital	492	5	0.66%	(A)	(A)
6	Celera Corp	490	6	0.66%	(A)	(A)
7	Associated Third Party Administrators	450	7	0.60%	(A)	(A)
8	Bay Ship & Yacht Co.	250	8	0.33%	(A)	(A)
9	College of Alameda	216	9	0.29%	(A)	(A)
10	Bay View Nursing & Rehab Center	180	10	0.24%	(A)	(A)
	Subtotal	6,610		8.86%		
	Total City Population	74,640				

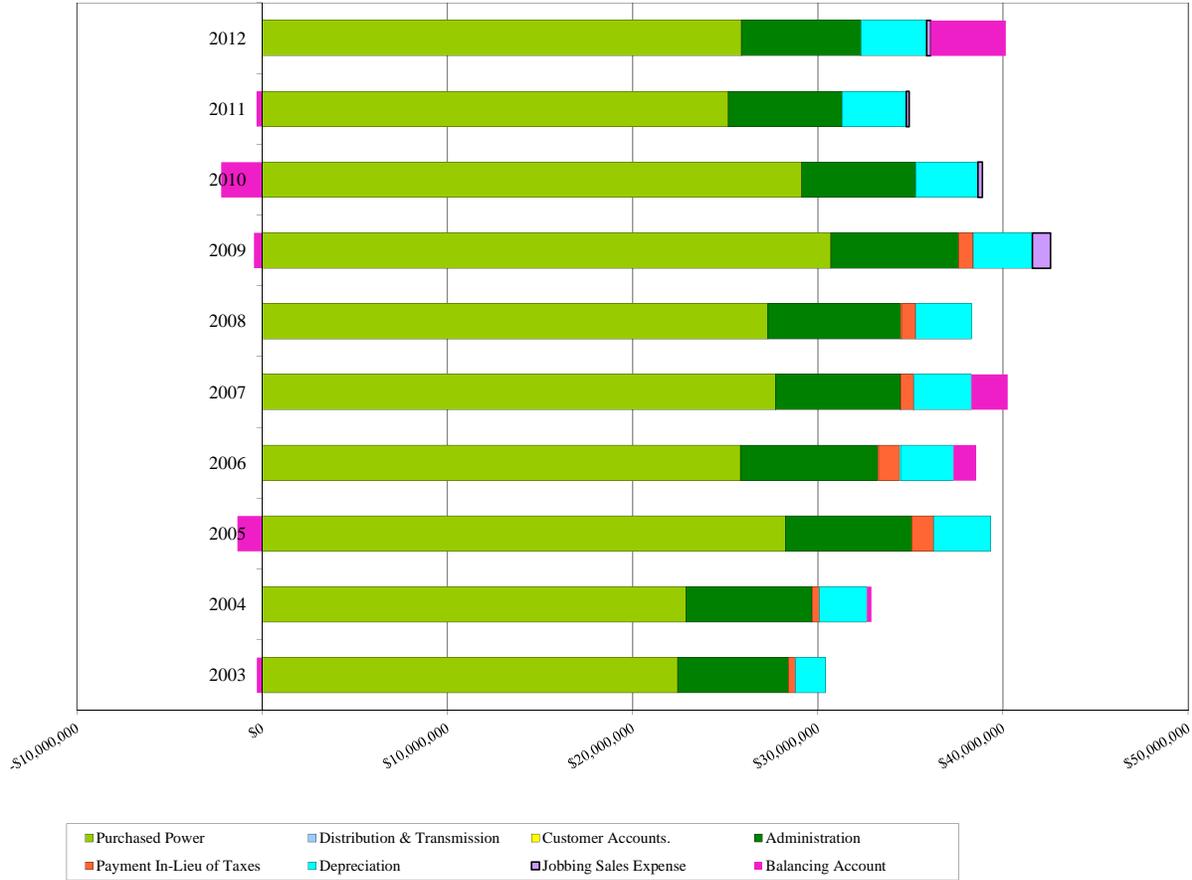
Source: City of Alameda

(A) Employment information not available

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

Fiscal Year

ELECTRIC OPERATIONS



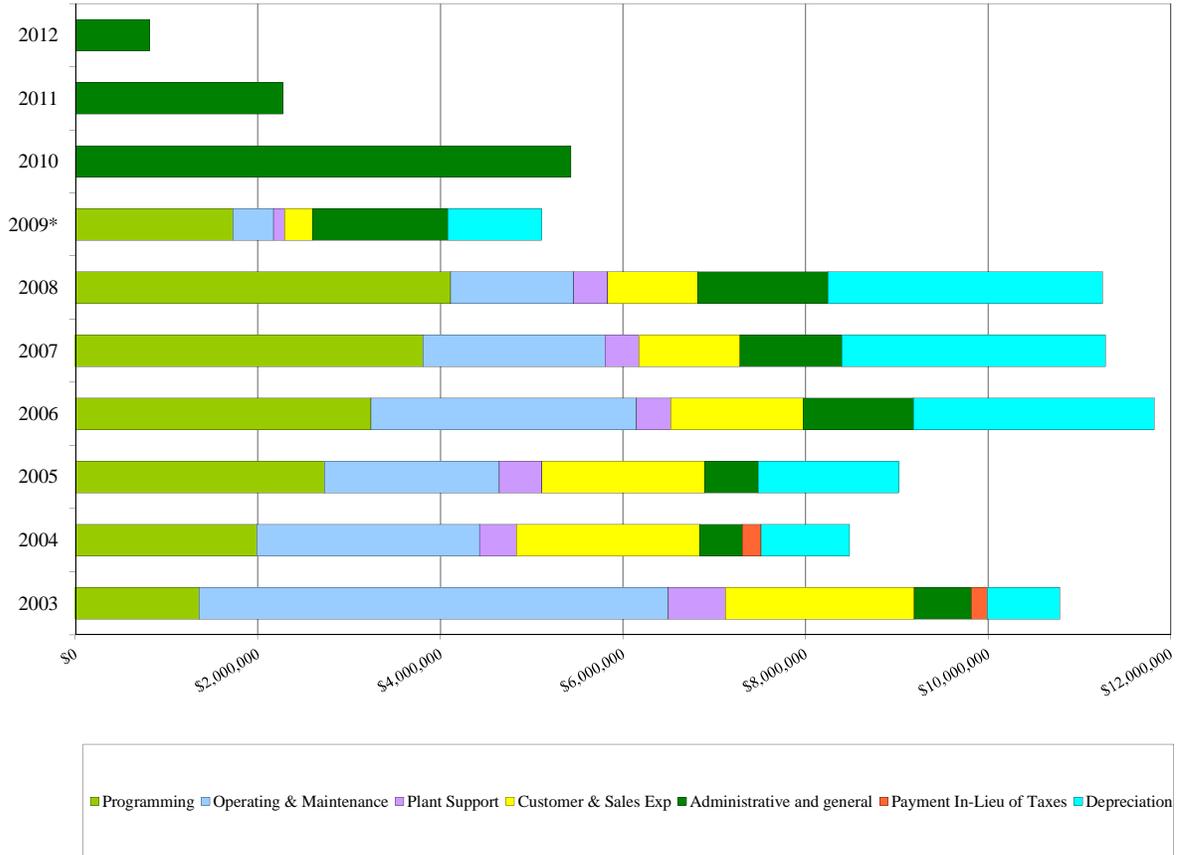
Fiscal Year	Purchased Power	Distribution Operation	Transmission-Maintenance	Customer Accounts	Administration	*Payment In-lieu of Taxes	Depreciation	Jobbing Sales Expenses	Balancing Account	Total
2003	\$22,442,223	\$2,012,163	\$25,244	\$3,111,319	\$5,967,191	\$411,145	\$1,599,777		\$ (291,042)	\$35,278,020
2004	\$22,884,895	\$2,337,269	\$36,460	\$2,465,471	\$6,806,595	\$417,000	\$2,544,026		\$ 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		\$ (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		\$ 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		\$ 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		\$ -	\$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	\$ (434,508)	\$48,510,671
2010	\$29,147,084	\$3,005,612	\$57,486	\$3,359,085	\$6,160,199		\$3,343,601	\$232,121	\$ (2,211,428)	\$43,093,760
2011	\$25,159,235	\$3,219,257	\$29,744	\$3,167,469	\$6,164,149		\$3,461,276	\$154,501	\$ (303,406)	\$41,052,225
2012	\$25,878,402	\$3,159,241	\$33,852	\$3,464,843	\$6,476,238		\$3,525,265	\$216,243	\$ 4,055,622	\$46,809,706

*Payment-in-lieu of taxes is included in non-operating revenues (expenses) to conform with 2010 A/B Bond operating expense definitions.

**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	Administration	Payment In-lieu of Taxes	Depreciation	Sales Expense	Total
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
2012	\$ -	\$ -	\$ -	\$ -	\$ 814,557	\$ -	\$ -	\$ -	\$ 814,557

*Telecommunication operation was sold in November 2008

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

ELECTRIC OPERATIONS

<u>Fiscal Year</u>	<u>Plant</u>	<u>Service Center Building</u>	<u>Land, Rights & Easements</u>	<u>Machinery & Equipment</u>	<u>Transportation Equipment</u>	<u>Computer Equipment</u>	<u>Furniture & Fixtures</u>	<u>Construction in Progress</u>	<u>Less: Accumulated Depreciation</u>	<u>Net Electric Capital Assets</u>
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	\$ 70,314,925	\$ 7,843,636	\$ 339,144	\$ 8,739,161	\$ 2,593,727	\$ 3,256,643	\$ 599,107	\$ 1,719,491	\$ (56,419,296)	\$ 38,986,538
2012	\$ 71,900,364	\$ 7,843,636	\$ 339,143	\$ 8,915,622	\$ 2,738,514	\$ 3,288,430	\$ 606,182	\$ 1,501,292	\$ (59,916,840)	\$ 37,216,343

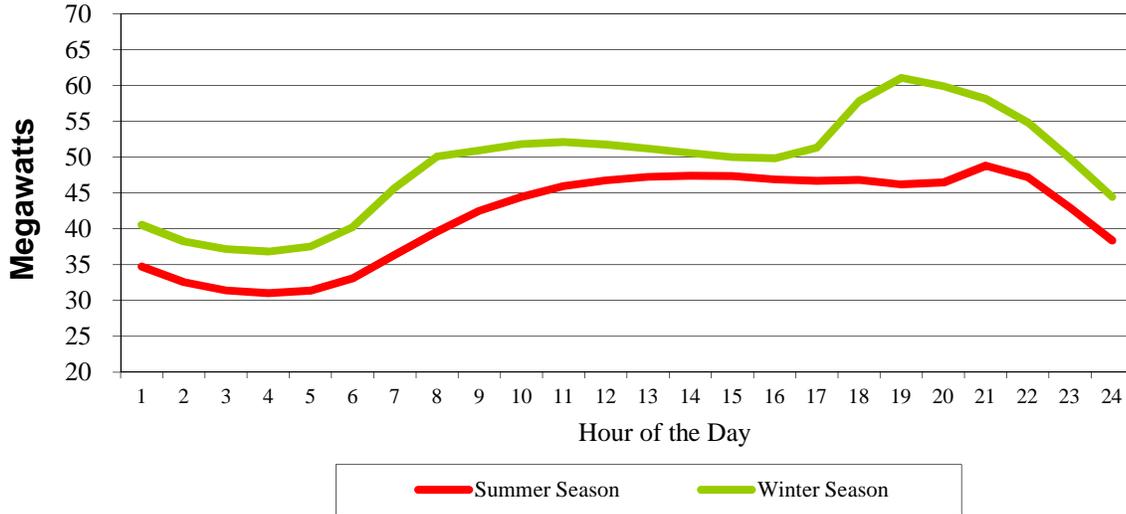
TELECOMMUNICATIONS OPERATIONS

<u>Fiscal Year</u>	<u>Plant</u>	<u>Service Center Building</u>	<u>Land & Rights</u>	<u>Machinery & Equipment</u>	<u>Transportation Equipment</u>	<u>Computer Equipment</u>	<u>Furniture & Fixtures</u>	<u>Construction in Progress</u>	<u>Less: Accumulated Depreciation</u>	<u>Net Telecommunications Capital Assets</u>
2003	\$ (2,882,402)	\$ -	\$ 605,029	\$ (1,185,708)	\$ (66,403)	\$ 62,499	\$ (119,813)	\$ 11,977,197	\$ 4,285,755	\$ 12,676,154
2004	\$ 13,549,465	\$ -	\$ 605,029	\$ 134,096	\$ 3,965	\$ 369,435	\$ 738	\$ 11,946,878	\$ 3,825,984	\$ 30,435,590
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

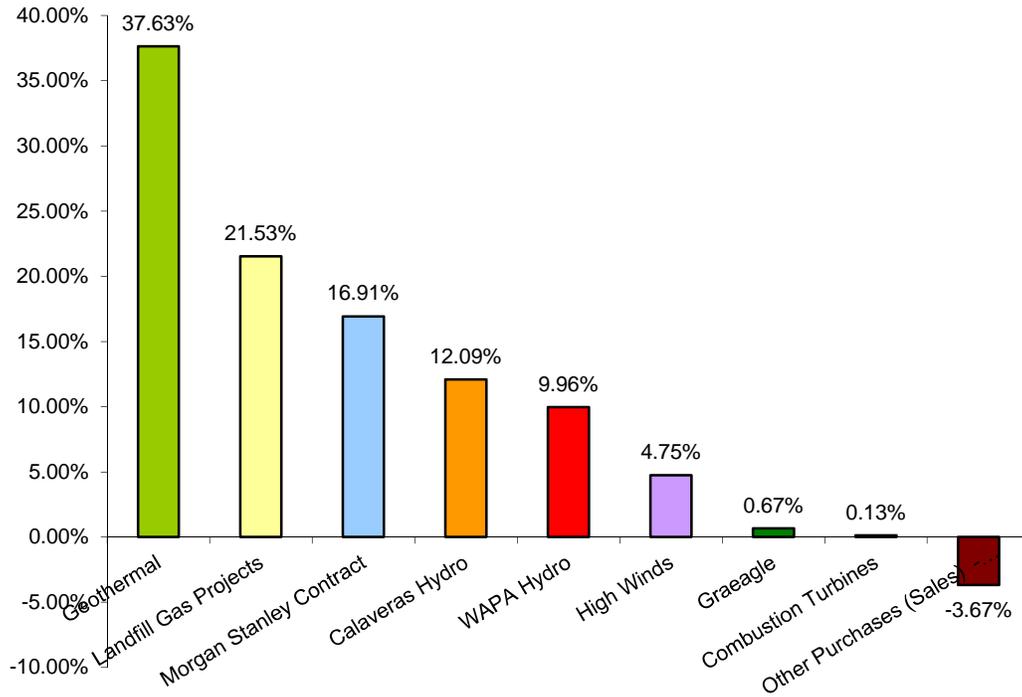
*Telecommunications operation was sold in November 2008

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

AVERAGE DAILY LOADS FY 2012



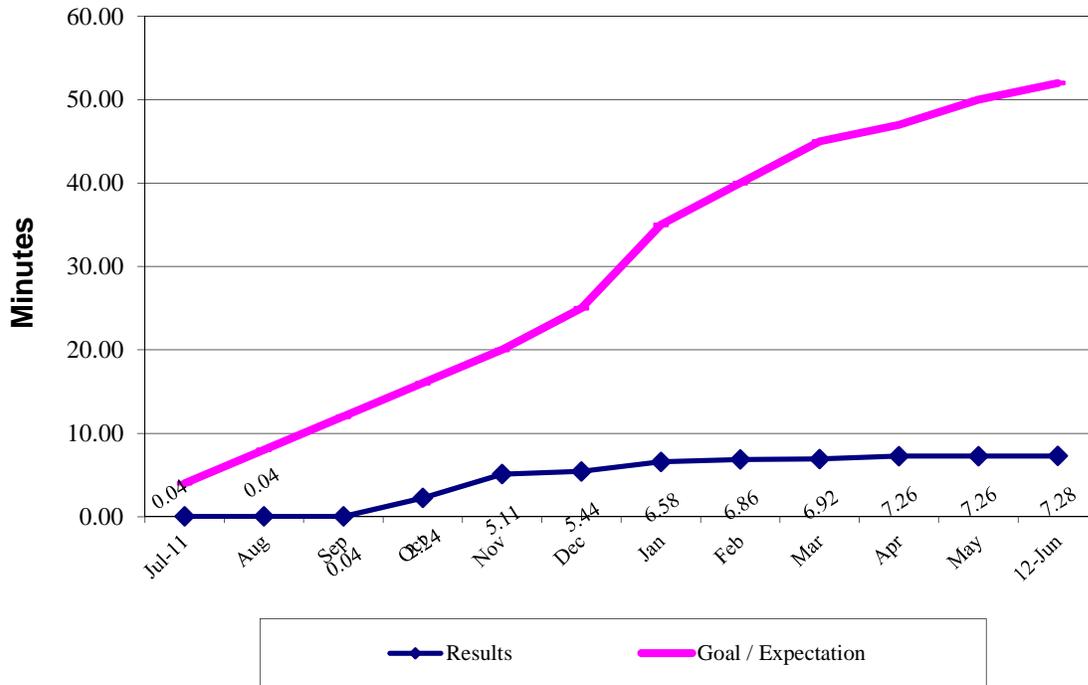
ENERGY BY SOURCE - FY 2012



**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:	86.08
Underground Circuit Miles:	172.53
Street Lights (excluding inactivated lights):	5,593

Outage Minutes / Customers (SAIDI)



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