CITY OF PASADENA

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Michele Beal Bagneris

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Gurcharan Bawa, *Assistant General Manager for Power Supply*
Joe Awad, *Assistant General Manager for Power Delivery*
Shan Kwan, *Assistant General Manager for Water Delivery*

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Fulbright & Jaworski L.L.P.
Los Angeles, California

FISCAL AGENT

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

Causey, Demgen & Moore Inc.
Denver, Colorado

INDEPENDENT AUDITOR

Mayer Hoffman McCann P.C.
Irvine, California

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2009 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This Official Statement is not to be construed as a contract with the purchasers of the 2009 Bonds. Statements contained in this Official Statement involving any estimates, forecasts or matters of opinion, whether or not expressly so stated, are intended solely as such and not as a representation of fact.

The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Electric System since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2009 BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE INITIAL PURCHASER IN CONNECTION WITH ANY REOFFERING MAY OFFER AND SELL THE 2009 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

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CITY OF PASADENA, CALIFORNIA
ELECTRIC REVENUE REFUNDING BONDS,
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INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the City of Pasadena, California Electric Revenue Refunding Bonds, 2009 Series to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings assigned to them in the Fiscal Agent Agreement.

Purpose

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information in connection with the issuance and sale by the City of Pasadena, California (the "City") of $_______* aggregate principal amount of its Electric Revenue Refunding Bonds, 2009 Series (the "2009 Bonds"). The 2009 Bonds are being issued for the purpose of providing moneys to (i) refund a portion of the City's outstanding Electric Revenue/Refunding Bonds, 1998 Series (the "Refunded 1998 Bonds") and (ii) pay the costs of issuance of the 2009 Bonds. See "PLAN OF REFUNDING" herein.

Authority for Issuance

The 2009 Bonds are authorized and will be issued pursuant to Article XIV of the Charter of the City, as amended (the "Charter"), an Ordinance adopted by the City Council of the City (the "City Council") on September ___, 2009, and an Electric Revenue Bond Fiscal Agent Agreement, dated as of August 1, 1998 by and between the City and The Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), as amended and supplemented, including as amended and supplemented by a Fifth Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of November 1, 2009, by and between the City and the Fiscal Agent (collectively, the "Fiscal Agent Agreement"). All Electric Revenue Bonds issued pursuant to the Fiscal Agent Agreement are collectively referred to herein as the "Bonds."

The City

The City is a charter city of the State of California (the "State"), comprising approximately 23 square miles, located in Los Angeles County in the northwestern portion of the San Gabriel Valley. See APPENDIX A – "THE CITY OF PASADENA" herein. The City owns and operates a municipal electric public utility (the "Electric System"), established by the Charter. The Electric System is managed and controlled by Pasadena Water and Power ("PWP") and supplies electricity to virtually all of the electric customers within the City limits. For the Fiscal Year ended June 30, 2009, the number of customers of the Electric System was comprised of 54,826 residential customers, 8,751 commercial and industrial customers, and 6 street lighting and traffic signals customers, the total quantity of energy generated and purchased was 1,579,703 megawatt hours ("MWh"), and the peak demand was 287 megawatts ("MW").

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* Preliminary, subject to change.

Security and Sources of Payment for the 2009 Bonds

The 2009 Bonds are an obligation payable only from the Net Income of the Electric System in the Light and Power Fund of PWP (the "Light and Power Fund") and amounts in the Parity Reserve Fund as provided in the Fiscal Agent Agreement. The 2009 Bonds are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and a pledge of amounts in the Parity Reserve Fund issued from time to time pursuant to the Fiscal Agent Agreement. Upon the issuance of the 2009 Bonds and the refunding of the Refunded 1998 Bonds, in addition to the 2009 Bonds, the City will have outstanding $________ principal amount of its Electric Revenue/Refunding Bonds, 1998 Series (such unrefunded portion being referred to as the "1998 Bonds"), $54,715,000 principal amount of its Electric Revenue Bonds, 2002 Series (the "2002 Bonds"), $7,395,000 principal amount of its Electric Revenue Bonds, 2003 Series (the "2003 Bonds") and $57,475,000 principal amount of its Electric Revenue Bonds, 2008 Series (the "2008 Bonds," and together with the unrefunded 1998 Bonds, the 2002 Bonds and the 2003 Bonds, the "Outstanding Bonds") See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS – Parity Reserve Fund" and "– Additional Bonds" herein.

The 2009 Bonds are limited obligations of the City and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Income of the Electric System. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2009 Bonds. No tax or other source of funds, other than the Net Income of the Electric System, is pledged to pay the principal of, premium, if any, or interest on the 2009 Bonds. Neither the payment of the principal of, nor the interest on, the 2009 Bonds constitutes a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

The general fund of the City (the "General Fund") is not liable for the payment of any 2009 Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any 2009 Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2009 Bond shall compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2009 Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and other funds, security or assets which are pledged to the payment of the 2009 Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

Parity Reserve Fund

Pursuant to Section 1413 of Article XIV of the Charter, the City has established the Parity Reserve Fund. The Parity Reserve Fund is required to be maintained in an amount equal to the Reserve Fund Requirement so long as any Bonds or Parity Obligations to be secured by the Parity Reserve Fund remain Outstanding. Moneys held in the Parity Reserve Fund are pledged to and may be used solely for payment of debt service on the Bonds or Parity Obligations secured thereby in the event that money in the Parity Obligation Payment Fund or any comparable fund established for the payment of principal and interest on the Parity Obligations secured thereby is insufficient therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS – Parity Reserve Fund" herein.

Rate Covenant

The City has covenanted in the Fiscal Agent Agreement to fix the rates for services furnished by the Electric System so as to provide Gross Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds, any Parity Obligations and all other obligations and indebtedness payable from the Light and Power Fund or from any fund derived therefrom, and also the necessary Maintenance and Operating Expenses, so that the Net Income of the Electric System will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Outstanding Bonds and Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS – Rate Covenant" herein.

Other Matters

This Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Electric System since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board. Forward looking statements in this Official Statement are subject to risks and uncertainties, including particularly those relating to competition and electric industry restructuring, and the economy of the City's service area.

This Official Statement includes summaries of the terms of the 2009 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Agreement and certain contracts and other arrangements for the supply of capacity and energy. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. Copies of the Fiscal Agent Agreement and the Continuing Disclosure Agreement are available for inspection at the offices of the City in Pasadena, California, and will be available upon request and payment of duplication costs from the Fiscal Agent. Additional information regarding this Official Statement may be obtained by contacting the Fiscal Agent or the City of Pasadena. The City's address and telephone number for such purpose are as follows: City of Pasadena, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91101-7215, (626) 744-4350, Attention: Director of Finance.

PLAN OF REFUNDING

The 2009 Bonds are being issued for the purpose of providing moneys to (i) refund the Refunded 1998 Bonds and (ii) pay the costs of issuance of the 2009 Bonds.

Pursuant to an Escrow Agreement dated as of November 1, 2009 (the "Escrow Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), a portion of the proceeds of the 2009 Bonds, together with certain other available funds, will be deposited into an escrow fund and held as cash which will be an amount sufficient to pay the redemption price (100% of the principal amount) of the Refunded 1998 Bonds and accrued interest thereon to the redemption date, December ___, 2009.

On the date of delivery of the 2009 Bonds, the City will receive a report from Causey, Demgen & Moore Inc., verifying the adequacy of the cash on deposit in the escrow fund to pay the redemption price of and accrued interest on the Refunded 1998 Bonds on the redemption date therefor.

Upon such deposit, the Refunded 1998 Bonds will no longer be deemed to be outstanding under the Fiscal Agent Agreement, and all obligations of the City with respect to the Refunded 1998 Bonds shall cease and terminate, except for the obligation of the City to cause the amounts due on the Refunded 1998 Bonds to be paid from funds on deposit in the escrow fund.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the 2009 Bonds are as follows:

Sources:	
Principal Amount of 2009 Bonds	$
Transfer from Parity Reserve Fund	
Plus Net Original Issue Premium	
Total Sources	
Uses:	
Deposit to Escrow Fund	$
Deposit to Costs of Issuance Account (1)	
Initial Purchaser's Discount	
Total Uses	

(1) Includes fees of Bond Counsel and Disclosure Counsel, the Fiscal Agent, the Escrow Agent and financial advisory fees, verification agent fees. rating agencies' fees, printing costs and other miscellaneous expenses.

THE 2009 BONDS

General

The 2009 Bonds will be dated their date of delivery and will bear interest from that date at the rates per annum and will mature on August 1 in the years set forth on the inside cover page of this Official Statement. Interest on the 2009 Bonds will be payable semiannually on February 1 and August 1, commencing February 1, 2010, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2009 Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the 2009 Bonds, references herein to the owners or registered owners shall mean Cede & Co., and not the beneficial owners of the 2009 Bonds. See APPENDIX C – "BOOK-ENTRY SYSTEM" herein.

Redemption

Optional Redemption. The 2009 Bonds maturing on or prior to August 1, 2019 are not subject to redemption prior to maturity. The 2009 Bonds maturing on and after August 1, 2020 are subject to redemption prior to maturity, at the option of the City, as a whole or in part on August 1, 2019 or on any date thereafter, in any order of maturity and by lot within a maturity, from funds derived by the City from any legal source, at a redemption price equal to the principal amount of the 2009 Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Notice of Redemption. Notice of redemption shall be mailed, postage prepaid, to (i) the registered Owners of the 2009 Bonds and (ii) one or more Information Services, in each case at least 30 days but not more than 60 days prior to the redemption date. Notice of redemption shall also be given by telecopy, certified, registered or overnight mail to certain Securities Depositories one day prior to the mailing of notice of redemption to the Owners and the Information Services. The notice of redemption shall (a) state the redemption date; (b) state the distinguishing designation of the 2009 Bonds to which such notice relates; (c) state the redemption price; (d) state the numbers and the dates of maturity of the 2009 Bonds to be redeemed, provided, however, that whenever any call includes all of the Outstanding 2009 Bonds subject to call, the numbers of the 2009 Bonds need not be stated; (e) state the place where the redemption will be made; and (f) give notice that further interest on such 2009 Bonds will not accrue after the designated redemption date. If by the date of mailing of notice of any optional redemption of the 2009 Bonds, the City shall not have deposited with the Fiscal Agent moneys sufficient to redeem all the 2009 Bonds called for redemption, then such notice shall additionally state that it is expressly conditioned upon and subject to the availability of funds for such purpose not later than the opening of business on the redemption date and shall be of no effect unless funds sufficient for such purpose are available.

The actual receipt by the Owners of any 2009 Bond of notice of such redemption shall not be a condition precedent to the redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such 2009 Bonds or the cessation of interest on the redemption date.

So long as the DTC book-entry system is used for the 2009 Bonds, the Fiscal Agent will give any notice of redemption required to be given to the registered Owners of the 2009 Bonds only to DTC.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for the redemption of the 2009 Bonds called for redemption (principal and premium) is set aside for that purpose, the 2009 Bonds designated for redemption shall become due and payable on the redemption date, and upon presentation and surrender of said 2009 Bonds, at the place specified in the notice of redemption, such 2009 Bonds shall be redeemed and paid at said redemption price, and no interest shall accrue on such 2009 Bonds called for redemption after the redemption date.

SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS

General

The Bonds are an obligation payable only from the Net Income of the Electric System in the Light and Power Fund and amounts in the Parity Reserve Fund as provided in the Fiscal Agent Agreement. The 2009 Bonds are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and issued from time to time pursuant to the Fiscal Agent Agreement, including the Outstanding Bonds, and a pledge of amounts in the Parity Reserve Fund. See "– Parity Reserve Fund" and "– Additional Bonds" below.

"Net Income" is defined in the Fiscal Agent Agreement as Gross Revenues less Maintenance and Operating Expenses. "Gross Revenues" means all revenues (as defined in Section 54315 of the Government Code of California, which include all charges received for and all other income and receipts derived by PWP from the operation of the Electric System or arising from the Electric System) received by PWP from the services, facilities, energy and distribution of electric energy by PWP, including (i) income from investments, and (ii) for the purposes of determining compliance with the rate covenant in the Fiscal Agent Agreement only, the amounts on deposit in the Stranded Investment Reserve or in any other unrestricted funds of the Electric System designated by the City Council by resolution (or by approval of a budget of the Light and Power Fund providing for such transfer) and available for the purpose of paying Maintenance and Operating Expenses and/or debt service on the Bonds and/or any Parity Obligations, but excepting therefrom (a) all reimbursement charges and deposits to secure service and (b) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric

System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds or any Parity Obligations then outstanding, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

"Maintenance and Operating Expenses" is defined in the Fiscal Agent Agreement to mean the amount required to pay the reasonable expenses of management, repair and other costs, of the nature of costs which have historically and customarily been accounted for as such, necessary to operate, maintain and preserve the Electric System in good repair and working order, including but not limited to, the cost of supply and transmission of electric energy under long-term contracts or otherwise and the expenses of conducting the Electric System, but excluding depreciation. "Maintenance and Operating Expenses" includes all amounts required to be paid by the City under contract with a joint powers agency for purchase of capacity, energy, transmission capability or any other commodities or services in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operating Expenses.

Certain of the City's obligations to joint powers agencies, including obligations with respect to bonds issued by such joint powers agencies, are payable by the City from the Light and Power Fund, prior to the Bonds and all Parity Obligations, as Maintenance and Operating Expenses. See TABLE 10 – "OUTSTANDING DEBT OF JOINT POWERS AGENCIES" herein.

The General Fund of the City is not liable for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and other funds, security or assets which are pledged to the payment of the Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

Rate Covenant

The City has covenanted in the Fiscal Agent Agreement to fix the rates for services furnished by the Electric System so as to provide Gross Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds, including the Outstanding Bonds and Parity Obligations and all other obligations and indebtedness payable from the Light and Power Fund (including the payment of any amounts owing to any provider of any surety bond, insurance policy or letter of credit with respect to the Bonds or any Parity Obligations, which amounts are payable from the Light and Power Fund) or from any fund derived therefrom, and also the necessary Maintenance and Operating Expenses, and shall be so fixed that the Net Income of the Electric System will be at least equal to 1.10 times the amount necessary to pay principal and interest (including mandatory sinking account redemption payments) as the same become due on all Bonds, including the Outstanding Bonds and Parity Obligations.

The Light and Power Fund

The Charter establishes the Light and Power Fund and permits the establishment by ordinance of such funds as the City Council may deem necessary to facilitate the issuance and sale of the bonds or for the protection or security of the owners of the bonds.

Under the provisions of the Charter, all moneys and property received by the City in payment for electrical energy and for any service rendered in connection therewith, or from the sale, lease and other disposition of any property acquired with funds or property of the Electric System must be deposited in the Light and Power Fund. The Charter further provides that disbursement may be made directly from the Light and Power Fund for the following purposes:

(a) the necessary or proper expenses of conducting the Electric System, the operation and maintenance of its works, plants and distributing systems; the acquisition and improvement of facilities; and the publishing of reports;

(b) the payment of interest and principal on bonds issued for the purposes of the Electric System;

(c) the formation of surplus or reserves for the future needs of the Electric System and for unforeseen emergencies; and

(d) the repayment of advances made from other funds of the City.

The City Council shall transfer moneys from the Light and Power Fund not to exceed 16% of gross income received during the preceding Fiscal Year and not exceeding net income to the City's General Fund from the Light and Power Fund each year as follows:

(1) Pursuant to Section 1407 of the Charter, for the payment of principal and interest on the City's general obligation bonds wholly payable in such Fiscal Year or for municipal improvements, an amount equal to eight percent (8%) of the gross income of the Electric System received during the immediately preceding Fiscal Year from the sale of electric energy at rates and charges fixed by ordinance. The amount so transferred shall not exceed one-half of the net income of the Electric System as shown by the books of account of the power utility, after payment of the maintenance and operating expenses of the Electric System, the expense of conducting the power utility, depreciation and the principal, interest and premiums, if any, upon the redemption thereof, of Electric System revenue bonds.

(2) Pursuant to Section 1408 of the Charter, in addition to the amounts transferred pursuant to Section 1407, an amount equal to eight percent (8%) of the gross income of the Electric System received during the immediately preceding Fiscal Year from the sale of electric energy at rates and charges fixed by ordinance. The amount so transferred shall not exceed one-half of the net income (as described in subparagraph (1) above) of the Electric System. The amount so transferred may be expended for any municipal purpose.

The amount transferred from the Light and Power Fund to the City's General Fund annually may be adjusted by the City Council as described in subparagraphs (1) and (2) above. The following table sets out the transfers from the Light and Power Fund to the City's General Fund for the last five Fiscal Years and the amount budgeted for the current Fiscal Year.

TABLE 1
TRANSFERS TO THE GENERAL FUND
(Dollar Amounts in Thousands)

Fiscal Year	Transfer Amount	% of Prior Year Gross Income
2004-05	$16,658	12.42%
2005-06	21,167	16.00
2006-07	5,898	3.60
2007-08	11,341	8.00
2008-09(1)	13,475	8.00
2009-10(2)	13,543	8.00

(1) Unaudited.
(2) As budgeted.
Source: Finance and Administration Business Unit of PWP.

In addition to the transfers authorized pursuant to Sections 1407 and 1408, the Charter provides that whenever the City Council determines that the surplus or reserve in the Light and Power Fund is in excess of reasonable future needs of the power utility, such excess may be appropriated for other municipal purposes, but only by ordinance approved by a two-thirds vote of the electors.

The Charter also provides that any surplus or reserves in the Light and Power Fund may be temporarily used for other municipal purposes if there are insufficient funds in the City Treasury to pay the current expenses of the general government of the City before the collection of taxes levied in any Fiscal Year. Should moneys from said fund be used pending the receipt of taxes, the amount so used shall be repaid not later than February 15 of the same Fiscal Year.

Parity Reserve Fund

The Fiscal Agent Agreement establishes the Parity Reserve Fund to be held by the City pursuant to the Charter. The Parity Reserve Fund is required to be maintained in an amount equal to the Reserve Fund Requirement so long as any Bonds or Parity Obligations to be secured by the Parity Reserve Fund remain Outstanding. Upon the issuance of the 2009 Bonds, the Reserve Fund Requirement will be $___________, which amount is currently on deposit in the Parity Reserve Fund.

The term "Reserve Fund Requirement" is defined in the Fiscal Agent Agreement to mean, as of any date of determination and excluding therefrom any Parity Obligations for which no reserve fund is to be maintained or for which a separate reserve fund is to be maintained, the least of (a) ten percent of the initial offering price to the public of each Series of Bonds and Parity Obligations to be secured by the Parity Reserve Fund as determined under the Internal Revenue Code of 1986, as amended, or (b) the maximum Annual Debt Service on all Bonds and Parity Obligations to be secured by the Parity Reserve Fund, or (c) one hundred twenty-five percent of the Average Annual Debt Service on all Bonds and Parity Obligations to be secured by the Parity Reserve Fund, all as computed and determined by the City; provided that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer if the obligations insured by such insurer have ratings at the time of issuance of such policy equal to "Aaa" assigned by Moody's Investors Service ("Moody's") and "AAA" assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") (and if such insurance company is rated by A.M. Best & Company, such insurance company is rated in the highest rating category by A.M. Best & Company) or by a letter of credit issued by a bank or other institution if the obligations issued by such bank or other institution have ratings at the time of issuance of such letter of credit equal to "Aa" or higher assigned by Moody's or "AA" or higher assigned by Standard & Poor's.

Money in the Parity Reserve Fund is pledged to, and shall be used solely for, the purpose of paying the principal of and interest on the Bonds, including the Outstanding Bonds, and Parity Obligations secured by the Parity Reserve Fund in the event that money in the Parity Obligation Payment Fund is insufficient therefor, and for that purpose money shall be transferred from the Parity Reserve Fund to the Parity Obligation Payment Fund. If and to the extent that the Parity Reserve Fund has been funded with a combination of cash and one or more surety bonds, insurance policies or letters of credit, except as provided below, all cash shall be used (including any investments purchased with such cash, which shall be liquidated and the proceeds thereof applied as required under the Fiscal Agent Agreement) prior to any drawing under a surety bond, insurance policy or letter of credit, and repayment of any amounts owing to any provider of such surety bond, insurance policy or letter of credit shall be made in accordance with the terms thereof prior to any replenishment of any such cash amounts. After first applying all cash and Investment Securities held in the Parity Reserve Fund to pay the principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund when required, the City or the Fiscal Agent, as applicable shall, on a *pro rata* basis with respect to the portion of the Parity Reserve Fund held in the form of surety bonds, insurance policies and letters of credit (calculated by reference to the maximum amounts of such surety bonds, insurance policies and letters of credit), draw under each surety bond, insurance policy or letter of credit issued with respect to the Parity Reserve Fund, in a timely manner and pursuant to the terms of such surety bonds, insurance policy or letter of credit to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bonds and Parity Obligations secured by the Parity Reserve Fund when due. Notwithstanding anything in the Fiscal Agent Agreement to the contrary, in the event a surety bond, insurance policy, letter of credit or cash deposit has been provided with respect to a specified Series of Bonds only, the Trustee shall draw on such insurance policy, surety bond or letter of credit in the amount equal to the *pro rata* amount of deficiency in the Parity Obligation Payment Fund allocable to such Series of Bonds at the same time that the Trustee applies any cash or Investment Securities held in the Parity Reserve Fund to the payment of the principal of and interest on any Bonds or Parity Obligations not so secured by such insurance policy, surety bond or letter of credit or with respect to which such cash deposit was not made. All amounts due and owing any provider of any such surety bond, insurance policy or letter of credit shall be paid in accordance therewith prior to any discharge of the Fiscal Agent Agreement pursuant to the defeasance of the Bonds. Amounts on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement shall be withdrawn from the Parity Reserve Fund and transferred to the Light and Power Fund. Whenever money is transferred from the Parity Reserve Fund an equal amount of money shall be transferred to the Parity Reserve Fund from the first available money in the Light and Power Fund if required to bring the balance on deposit in the Parity Reserve Fund up to the Reserve Fund Requirement.

Surety Bond Reserve Policy. In connection with the issuance of the 1998 Bonds, MBIA Insurance Corporation (now National Public Finance Guarantee Corporation) (the "Reserve Insurer") issued a surety bond (the "Reserve Policy") in an amount equal to the Reserve Fund Requirement for the 1998 Bonds. In connection with the issuance of the 2002 Bonds, the Reserve Insurer agreed to permit the Reserve Policy to also be applicable to the 2002 Bonds. Upon the issuance of the 2009 Bonds, the amount available under the Reserve Policy will be $5,662,619.95. The Reserve Policy provides that upon notice from the Fiscal Agent to the Reserve Insurer to the effect that insufficient amounts are on deposit in the Parity Obligation Payment Fund to pay the principal of (at maturity or pursuant to mandatory sinking account redemption requirements) and interest on the 1998 Bonds or the 2002 Bonds, the Reserve Insurer will promptly deposit with the Fiscal Agent an amount sufficient to pay the principal of and the interest on the 1998 Bonds or the 2002 Bonds or the available amount of the Reserve Policy, whichever is less. The Fiscal Agent will use all cash in the Reserve Fund prior to drawing on the Reserve Policy. Upon the later of: (i) three days after receipt by the Reserve Insurer of a Demand for Payment in the form attached to the Reserve Policy, duly executed by the Fiscal Agent; or (ii) the payment date of the 1998 Bonds or the 2002 Bonds as specified in the Demand for Payment presented by the Fiscal Agent to the Reserve Insurer, the Reserve Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Fiscal Agent, of amounts which are then due to the Fiscal Agent (as specified in the Demand for Payment) subject to the surety bond coverage. The surety bond coverage is the initial face amount of the Reserve Policy less the amount of any previous deposits by the Reserve Insurer with the Fiscal Agent which have not been reimbursed by the City.

Additional Bonds

Upon the issuance of the 2009 Bonds, in addition to the 2009 Bonds, the City will have $____________ of parity indebtedness outstanding, consisting of the Outstanding Bonds.

The Fiscal Agent Agreement provides that (except for bonds issued under Article XIV of the Charter, or otherwise, to refund Bonds or Parity Obligations, payable from the Light and Power Fund issued under Article XIV of the Charter which may be issued at any time without meeting the test set forth below) no additional indebtedness of the City payable out of the Light and Power Fund on a parity with the Bonds and any Parity Obligations (collectively referred to in the Fiscal Agent Agreement as "parity indebtedness") shall be created or incurred unless:

(1) The Net Income during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, plus, at the option of the City, any or all of the items designated in paragraphs (a) and (b) below, shall have amounted to at least equal to one hundred ten percent of the aggregate of the (i) amount of interest to accrue and (ii) payments of principal required to be made in that one of the Fiscal Years ending thereafter in which such aggregate will be the greatest on all Bonds and such Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional parity indebtedness, as certified by a Certificate of the City; or

(2) The projected Net Income during the first complete Fiscal Year following issuance of such parity indebtedness when the improvements to the Electric System financed with the proceeds of the parity indebtedness shall be in operation, plus, at the option of the City, any or all of the items designated in paragraphs (a) and (b) below, shall have amounted to at least one hundred ten percent of the aggregate of the (i) amount of interest to accrue and (ii) payments of principal required to be made in that one of the Fiscal Years ending thereafter in which such aggregate will be the greatest on all Bonds and such Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional parity indebtedness, as certified by a Certificate of the City.

The items any or all of which may be added to such Net Income for the purpose of meeting either of the requirements set forth in clauses (1) or (2) above are the following:

(a) An allowance for any increase in Net Income (including, without limitation, a reduction in Maintenance and Operating Expenses) which may arise from any additions to and extensions and improvements of the Electric System to be made or acquired with the proceeds of such additional parity indebtedness or with the proceeds of bonds previously issued, and also for Net Income from any such additions, extensions or improvements which have been made or acquired with moneys from any source but which, during all or any part of such Fiscal Year or such twelve consecutive calendar month period out of the immediately preceding eighteen calendar month period, were not in service, all in an amount equal to the estimated additional average annual Net Income (or estimated average annual reduction in Maintenance and Operating Expenses) to be derived from such additions, extensions or improvements for the first thirty-six month period in which each addition, extension or improvement is respectively to be in operation, all as shown by the Certificate of the City.

(b) An allowance for earnings arising from any increase in the charges made for the use of the Electric System which has become effective prior to the incurring of such additional parity indebtedness but which, during all or any part of such Fiscal Year or such twelve consecutive calendar month period out of the immediately preceding eighteen calendar month period, was not in effect, in an amount equal to the amount by which the Net Income would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such twelve consecutive calendar month period out of the immediately preceding eighteen (18) calendar month period, as shown by the Certificate of the City.

Nothing in the Fiscal Agent Agreement limits the ability of the City to issue or incur obligations which are junior or subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Net Income after the prior payment of all amounts then due and required to be paid or set aside under the Fiscal Agent Agreement from Net Income for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable and at the times and in the manner as required in the Fiscal Agent Agreement or any documents providing for the issuance or incurrence of Parity Obligations.

Investment of Funds

All moneys held in the funds and accounts established pursuant to the Fiscal Agent Agreement will be invested solely in Investment Securities, which include:

(i) any permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law;

(ii) a repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that the following conditions are satisfied:

> (1) The agreement is secured by any direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment and principal of and interest on which are directly or indirectly guaranteed by the United States of America;
>
> (2) The underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars and which is independent of the issuer of the repurchase agreement; and
>
> (3) The underlying securities are maintained at a market value, as determined on a market-to-market basis calculated at least weekly, of not less than 104 percent of the amount so invested; and

(iii) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution the long-term unsecured obligations of which are rated in the top two rating categories by Moody's and Standard & Poor's at the time of initial investment.

For a discussion of the City's current investment policy, practices and investment portfolio see "CITY FINANCIAL INFORMATION – Investment Practices," "– Pooled Investment Portfolio" and "– The Investment Policy" in APPENDIX A – "THE CITY OF PASADENA" herein. The City's investment policy may be changed at any time by the City Council (subject to the State law provisions relating to authorized investments). There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under State law or the Investment Policy or that the objectives of the City with respect to investments or its investment holdings at any point in time will not change.

Limitations on Remedies

The ability of the City to comply with its covenants under the Fiscal Agent Agreement and to generate Net Income of the Electric System sufficient to pay principal of and interest on the 2009 Bonds may be adversely affected by actions and events outside of the control of the City. Furthermore, any remedies available to the owners of the 2009 Bonds upon the occurrence of an event of default are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. The rights of the Owners of the 2009 Bonds are subject to the limitations on legal remedies against cities and other public agencies in the State. Additionally, enforceability of the rights and remedies of the Owners of the 2009 Bonds, and the obligations incurred by the City, may become subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2009 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

PASADENA WATER AND POWER

The City is a charter city of the State. Under the provisions of the California Constitution and Article XIV of the Charter, the City owns and operates both water and electric public utilities for the benefit of its residential and business community. PWP is under the management and control of the City Manager, subject to the powers and duties vested in the City Council, and is supervised by the General Manager who is responsible for design, construction, maintenance and operation of the water and electric utilities. PWP is responsible for the Electric System and the City's water system (the "Water System").

In addition to the Electric System and the Water System divisions, PWP is organized into five separate business units. This structure allows for a higher level of accountability as well as the creation of individual cost centers and profit centers. This information is used for tracking costs and supplying detailed information in rate design decisions. These business units are briefly described as follows:

General Manager's Office-Customer Relations & Legislative Business Unit – This Unit is part of the General Manager's Office and is responsible for customer relations, regulatory affairs, and strategic planning and long-term resources. This Unit is also responsible for environmental and legislative matters impacting the utility.

Finance, Administration and Customer Service Business Unit – This Unit develops and executes PWP's overall financial strategy and ensures its financial integrity. This Unit is responsible for the financial resources of PWP and for providing relevant information to the operating units for decision making purposes. This Unit plans and oversees the financial aspects, administrative support functions and all cross-functional operations and systems for PWP. The responsibilities of this Unit include the operating budget, capital budget and financing, financial analysis and planning, financial management, administration, billing, call center, meter reading and customer care services, risk management, information systems and technology and materials management.

Power Supply Business Unit – This Unit is responsible for effectively managing PWP's energy portfolio, including power generation, long-term power contracts, short-term electric energy and ancillary services transactions and natural gas procurement to provide competitively-priced energy to PWP's electric customers. This Unit is also responsible for energy scheduling and load dispatch operations to ensure reliable delivery of electricity.

Power Delivery Business Unit – This Unit is responsible for the operation and maintenance of the local power distribution system to provide the safe and reliable delivery of electricity, and provides engineering and construction management services of the local power distribution and is responsible for implementing the Power Master Plan. This Unit is also responsible for the operations and maintenance of the City's fiber optic network.

Water Delivery Business Unit – This Unit is responsible for the procurement, production and delivery of water. This Unit operates and maintains the local water supply resources and distribution system.

The following are biographical summaries of PWP's senior management:

PHYLLIS E. CURRIE, General Manager. Ms. Currie joined PWP in 2001 as General Manager. She previously worked for the City of Los Angeles for 32 years in various capacities. Prior to coming to PWP, she was, and had been for seven years, Chief Financial Officer for the Los Angeles Department of Water and Power ("LADWP") where she managed its financial affairs, including LADWP's joint ventures and partnerships, such as the Southern California Public Power Authority (SCPPA) and the Intermountain Power Agency (IPA) in Utah. She led the development of financial strategies to position LADWP to compete in a deregulated industry. From 1984 to 1992, she was Assistant City Administrative Officer overseeing development of the annual operating and capital budgets, including debt finance. Ms. Currie earned a bachelor of arts degree in Political Science and a master's degree in Business Administration from the University of California at Los Angeles. She also completed the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University.

ERIC KLINKNER, Assistant General Manager. Mr. Klinkner has been with PWP since 1995. He served as PWP's manager of power resources and Business Unit Director for Power Supply and was appointed to his present position in August 2004. In his current position, he is responsible for regulatory affairs, strategic planning and long-term resource and environmental issues. Mr. Klinkner is also responsible for legislative issues impacting PWP. Mr. Klinkner previously worked at LADWP where he started in power resource planning. He has a master's degree in mechanical engineering from California State University-Northridge and is a state registered professional engineer.

SHARI M. THOMAS, Assistant General Manager for Finance, Administration and Customer Service. Ms. Thomas joined PWP in January 2006. She began her career with the City of Pasadena in 2002 as the Deputy Director of Finance. She previously worked for the City of Riverside for nearly 15 years in various financial positions. Ms. Thomas is currently responsible for financial planning and budgeting, cost of service analysis and rate setting, information technology for PWP and customer service. She completed her bachelor of science degree with majors in Accounting and Finance in Minnesota and has also completed the University of Wisconsin's Advanced Governmental Finance Institute.

GURCHARAN BAWA, Assistant General Manager for Power Supply. Mr. Bawa has been with Pasadena Water and Power for 17 years working in the Power Production field managing regulatory and environmental issues. He most recently has been responsible for evaluating renewable energy resources and incorporating these assets into Pasadena's overall energy resource portfolio. He received his Mechanical Engineering degree from S.V.R. College of Engineering and Technology, Surat, India. He is a licensed Professional Engineer in the State of California.

JOE AWAD, Assistant General Manager for Power Delivery. Mr. Awad joined PWP in July 1998 as the Customer Service Manager. He is currently responsible for managing the power engineering program for capital improvement and maintenance programs at PWP. He worked for 18 years for LADWP in engineering, marketing and customer service functions. Mr. Awad obtained his master's degree in Mechanical Engineering from the University of Michigan and is a Certified Professional Engineer in the State of California.

SHAN KWAN, Assistant General Manager for Water Delivery. Mr. Kwan has been with PWP since 1985. Prior to his appointment as Assistant General Manager for Water Delivery, Mr. Kwan was a principal engineer in the Water System. He worked in water distribution, plant and facilities, quality and supply and resource planning. Prior to his employment with PWP, he was a construction inspector for Caltrans. Mr. Kwan holds a bachelor's degree in civil engineering from UCLA and a master's degree in business administration from Claremont Graduate University.

THE ELECTRIC SYSTEM OF PWP

General

The Electric System of PWP began generating its own electric energy and distributing power in 1906. Electric service was previously supplied by Edison Electric Company, predecessor to Southern California Edison Company ("SCE"). PWP has continued to expand its electric distribution system to meet the demands of its residential, commercial, industrial and public sector customers. The Electric System provides service to virtually all of the electric customers within the limits of the City. For the Fiscal Year ended June 30, 2009, the customer base was comprised of 54,826 residential customers, 8,751 commercial and industrial customers, and 6 street lighting and traffic signals customers. The service area is approximately 23 square miles, with a current estimated population of approximately 150,000.

The Electric System includes generation, transmission and distribution facilities. The City also purchases power and transmission service from others. The Electric System's current 397 MW resource mix includes 197 MW of local steam and gas turbines, 15 MW small hydroelectric (Azusa Hydroelectric) and 185 MW of long-term purchase contracts (remote generation) from a variety of sources including hydroelectric, coal and nuclear generating units. Although these resources are more than sufficient to meet the City's loads, a portion of the Electric System's energy supply is purchased when it is more economical, on the wholesale hourly, daily and month-ahead spot markets. See "Purchased Power – Bilateral (Spot Market) Energy Purchases" herein.

Legislation affecting the electric utility industry is routinely introduced or enacted by the federal government and the California Legislature. Most recently, these bills have required reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives through more stringent renewable resource portfolio standards. PWP's generation and transmission facilities and planning are implemented in accordance with existing law and in response to pending legislation. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS" and "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

Valuation of Electric System Facilities

The following table sets forth the valuation of the Electric System facilities during the five Fiscal Years shown.

TABLE 2
ELECTRIC SYSTEM FACILITIES

	Fiscal Year Ended June 30,				
	2005	**2006**	**2007**	**2008**	**2009**
Utility Plant	$437,091,925	$450,259,070	$482,290,266	$512,909,436	$534,700,130
Less Accumulated Depreciation	(206,348,635)	(220,212,241)	(234,339,955)	(249,283,033)	(264,810,163)
Construction in Progress	23,323,483	31,987,377	31,791,674	34,036,325	43,707,039
Total Facilities	$254,066,773	$262,034,206	$279,741,985	$297,662,728	$313,597,006

Source: Finance and Administration Business Unit of PWP.

Power Supply Resources

The Electric System increased its power production for several consecutive years primarily as a result of increased energy sales to the California Independent Service Operator ("ISO") and also to meet moderately increasing energy demand.

In Fiscal Year 2008-09, PWP generated 120 GWh from its local resources and purchased 1,429 GWh from long-term contracts and the spot market. The PWP's total supply remained relatively stable as it experienced a 4% decline in Fiscal Year 2008-09. The system peak demand in Fiscal Year 2008-09 was 287 MW. Utilization of local generation has decreased in recent years due to relatively high costs of generation and is subject to market and load conditions.

The following table sets forth the total power generated and purchased and peak demand during the five Fiscal Years shown.

TABLE 3
TOTAL POWER GENERATED AND PURCHASED: PEAK DEMAND (MWh)

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Generated	79,273	78,816	57,562	86,898	119,556
Purchased	1,342,791	1,516,273	1,494,597	1,526,635	1,429,363
Total Supply	1,422,064	1,595,088	1,552,159	1,613,533	1,548,919
Wholesale Sales and Losses	(209,203)	(335,614)	(269,945)	(315,484)	(263,288)
Net System Load	1,212,861	1,259,474	1,282,214	1,298,049	1,285,631
System Peak Demand (MW)	277	291	316	313	287

Source: Finance and Administration Business Unit of PWP.

The following table sets forth information concerning the City's power supply resources and the energy supplied by each resource during the Fiscal Year ended June 30, 2009.

TABLE 4
POWER SUPPLY RESOURCES

Source	Name-plate Capacity (MW)	Rated Capacity (MW)[1]	Actual Energy (GWh)[2]	Percent of Total Energy
Pasadena-Owned Generating Facilities:				
Steam (Broadway)	75	65	67	4.33%
Combustion Turbines (Glenarm)	156	132	53	3.42
Hydroelectric (Azusa)	3	15	0	0.00
Joint Power Agency/Remote Ownership Interests:				
Intermountain Power Project (IPP)	--	108	727	46.93
Palo Verde Nuclear Gen. Station (SCPPA)	--	10	73	4.71
Magnolia Power Project (SCPPA)	--	19	96	6.20
Hoover Project	--	20	51	3.29
Green Power	--	13	94	6.07
Purchased Power[3]				
Bonneville Power Administration Contract	--	15	13	0.84
Market	--	N/A	375	24.21
Total	--	397	1,549	100.00%
Wholesale Sales and Losses	--	N/A	(263)	(16.98)%
Net System Load	--	N/A	1,286	83.02%

Source: Finance and Administration Business Unit of PWP.
(1) Rated net capacities as of June 30, 2009. For Broadway and Glenarm – ISO rated, for all others maximum contractual entitlement during summer peak.
(2) Gigawatt hours provided during the twelve-month period ended June 30, 2009.
(3) Entitlements, firm allocations and contract amounts.

City-Owned Generating Facilities

The Electric System's resource mix includes local steam and gas turbines, a hydroelectric plant and long-term purchase contracts from a variety of sources including hydroelectric, gas-fired, coal and nuclear generating units. In recent years, PWP has developed programs in response to regional power shortages, energy price volatility, and stricter emissions control requirements adopted by the South Coast Air Quality Management District ("SCAQMD"). Currently, PWP owns and operates one natural gas steam generating unit at the Broadway facility, and four gas-fired combustion turbines ("GTs") located at the adjacent Glenarm facility. In addition to the Broadway and Glenarm facilities, the City owns the Azusa Hydroelectric Plant, which is interconnected to the SCE power distribution system. Each of these resources is more fully described below.

Broadway Power Plant. There is one steam generating unit located at this facility (Broadway 3). This unit is connected to the ISO control center via remote intelligent gateway and is certified to provide spin, non-spin, and replacement reserves. Due to system constraints and the age of the Broadway 3 generator, the City is considering the replacement of this unit with more efficient, cleaner, and reliable generation in or around 2010-11. The exact nature of that generation replacement is still under consideration. The current Broadway 3 generator is expected to remain in service until about 2014.

Glenarm Power Plant. The Glenarm Power Plant includes two 23 MW (rated net output) gas-fired combustion turbines designated as Glenarm 1 and 2 generators. Historically, operation of these units was limited to high peak or emergency conditions. In the past few years, these units were retrofitted to improve their reliability. However, due to the ages of the Glenarm 1 and 2 generators, the City is considering upgrading the generators to extend their operating lives for the next 20 years.

The Glenarm Power Plant also includes two 45 MW simple-cycle combustion turbines located on PWP's Glenarm property (adjacent to Broadway) and designated as Gas Turbine Unit 3 and Unit 4 (GT3 and GT4). GT3 and GT4 turbines were added as part of PWP's Local Generation Repowering Project, and provide higher efficiency, superior operational flexibility, and 98% reduction in NOx emission rates. These units are primarily scheduled to economically meet PWP's intermediate and peaking loads. Excess capacity, operating under the ISO Participating Generator Agreement, provides ancillary services and energy to the California ISO market. See "– Inter-Utility Sales Transactions – California ISO-Participating Generator Agreement" herein. When imports are limited due to tie-line outages, or when loads reach about 200 MW, at least one unit is put on line for reliability purposes. Due to their relatively high cost of generation, utilization of these units is typically limited to when energy and ancillary service prices are strong. The value provided by these units is in their "optionality." "Optionality" refers to the ability to quickly adjust operating levels to changing market and load conditions. Due to system constraints, the City will need to maintain at least 200 MW of generation at its Broadway and Glenarm plants site.

Azusa Hydroelectric Plant. The Azusa Hydroelectric Plant is a 3 MW hydroelectric plant located in the San Gabriel River Basin. The Azusa Hydroelectric Plant is interconnected to the SCE power distribution system. Energy is accumulated and delivered to the City by SCE through an agreement which provides for deliveries at rates up to 15 MW. The Azusa Hydroelectric Plant has historically delivered approximately 10 gigawatt hours ("GWh") of energy to the City annually. In 2003, extensive blockage of, and damage to the plant's conduit system was discovered, requiring the plant to be taken out of service. Repair and restoration of the plant was completed in 2004 and the plant returned to full service. However, deliveries in recent years have decreased to minimal volumes due to adverse water flow conditions.

Joint Powers Agency Generation Resources/Remote Ownership Interests

General

The City has purchased ownership interests in the Intermountain Power Project ("IPP") of the Intermountain Power Agency, a political subdivision of the State of Utah ("IPA"). In addition, the City and other public agencies in Southern California are members of the Southern California Public Power Authority ("SCPPA"), a joint powers agency created for planning, financing, developing, acquiring, constructing, operating and maintaining electric generating and transmission projects for participation by some or all of its members. The City is a participant in the SCPPA portion of the Palo Verde Nuclear Generating Station ("PVNGS"), in the SCPPA Magnolia Power Project and in the SCPPA Prepaid Natural Gas Project. The City also has a remote ownership interest in the Hoover Hydroelectric Project and, through SCPPA, a Natural Gas Project relating to natural gas fields located in Wyoming and Texas. In most cases, staff unrelated to the City's bargaining units provide operating, maintenance, engineering, energy management and administrative services for such projects. Labor and related costs are charged to the related joint power or other public agency. The City is informed that labor agreements are in place with each respective bargaining group but cannot give any assurances as to future agreements or the status of negotiations. Each of these resources is briefly described below.

Intermountain Power Agency

The following information has been obtained from the IPA and sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

IPA Intermountain Power Project Interest. The purpose of the IPA is to provide for the financing, construction and operation of the IPP. The City has entered into certain power purchase contracts with the IPA and others to purchase certain entitlements of IPP and related facilities. The IPP consists of (a) a two unit, 1,800 MW net coal-fired, steam electric generation station and a switchyard located near Lynndyl, Utah and operated by the LADWP; (b) the Southern Transmission System (see "–Transmission Resources" below); (c) two 50-mile 345 kilovolt alternate current ("kV AC") transmission lines from the generation station to a switchyard in the vicinity of Mona, Utah and a 144-mile 230 kV AC transmission line from the generation station to a switchyard near Ely, Nevada (collectively, the "Northern Transmission System"); (d) a railcar service center; (e) a microwave communications system; and (f) certain water rights and coal supplies. The City has two separate contracts with the IPA and certain Utah participants which currently provide the City a 108 MW (6%) entitlement in the facility. After accounting for transmission losses, the City receives approximately 103 MW of generating capacity. Approximately 750 GWh of energy are delivered to the City from IPP each year. See "TABLE 4 – POWER SUPPLY RESOURCES" herein.

Transmission of the output from IPP to the City and the other IPP California participants is provided by the Southern Transmission System (see "–Transmission Resources" below).

IPP has been financed entirely with debt issued by IPA, of which approximately [$2.4 billion] principal amount was outstanding as of September 1, 2009, with a final maturity date of ________, ____. Debt service, net of projected investment earnings, constitutes in excess of 50% of IPA's total annual costs of owning, operating and maintaining IPP and is the major factor in IPP's power and energy costs. PWP is currently responsible for approximately [$145] million or 6.00% of the IPA's debt service. See TABLE 10 – "OUTSTANDING DEBT OF JOINT POWERS AGENCIES" herein for details of the City's share of this debt. See also "– Reserve Policies" below for information regarding certain recent actions taken by the City with respect to its share of IPP debt service.

Details of the contracts relating to the IPP are as follows:

Power Sales Entitlement. The City contracted with IPA to purchase a 54.5 MW (3.409%) entitlement to the IPP plant. The original plan called for four 800 MW units, providing the City with a 109 MW entitlement, but this was later scaled back to two 800 MW units as load-growth forecasts were moderated throughout the western states. This contract obligates the City to pay its proportional share of the plant costs (including debt and other fixed expenses), regardless of the amount of energy scheduled to the City, for the life of the facility.

Layoff Contract. The City contracted with Scottish Power, as successor to the obligations of Utah Power and Light ("UP&L"), and IPA to purchase a 16 MW (1.00%) entitlement of the IPP plant from UP&L. The term of this contract extends until all bonds issued by IPA to finance the project are defeased.

Excess Sales Contract. The City and the cities of Burbank and Glendale and LADWP (the "California Purchasers") contracted with 27 sellers (the "Utah Participants") and IPA (acting as agent for the sellers) to purchase a 273 MW (17.057%) entitlement of the IPP plant which was deemed in excess of the sellers' needs. The California Purchasers agreed to split the excess among themselves in proportion to their original entitlements. The City's current share of the excess is 29 MW (7.556%). This contract also provides for access to the Northern Transmission System, which was built with IPA funds in order to deliver power from the IPP to the Utah Participants. The term of this contract extends until the IPA bonds are defeased or the sellers' load requirements meet certain specified conditions; however, the Utah Participants have the unilateral right to recall their original entitlements at any time.

IPP Coal Requirement. The annual coal requirement for the IPP is approximately 6 million tons. As part of IPA's fuel supply management program, IPA owns various mineral interests, including a 50% undivided interest in the Crandall Canyon Mine in Emery County, Utah and a 50% undivided interest in the West Ridge Mine in Carbon County, Utah. IPA has entered into arrangements for the management of the mines. IPA uses a portion of the coal taken from the mines for fuel. The Crandall Canyon Mine is currently idle. The West Ridge Mine supplies the IPP with approximately 20% of its annual coal requirements. In addition, long-term coal supply agreements can provide in excess of 70% of the coal requirements for the IPP. Spot market and opportunity purchases provide the balance of the fuel requirements for the facility. IPA has stated that coal presently under contract from mines located in central Utah is sufficient, with the exercise of available options, to meet the IPP's annual coal requirements through 2009, with lesser amounts of coal under contract for an additional seven years. IPA has indicated that the costs to fulfill IPP's annual coal supply requirements are expected to be significantly higher than its current contract costs due to closures of several mines in Utah, difficult mining conditions at other mines and the significant increase in rail transportation costs, among other things.

IPP Water Supply. IPA owns off-site water rights that yield approximately 45,000 acre-feet per year. This amount exceeds the annual water requirements of the Intermountain Generating Station and the Intermountain Converter Station. A reservoir at the Intermountain Generating Station, in combination with groundwater wells, can provide sufficient water to operate for approximately three months at average plant loads.

Permits, Licenses and Approvals. According to the IPA, the IPP has been designed, constructed and operated in compliance with all applicable federal, state and local regulations, codes, standards and laws, and all principal permits, licenses and approvals required to construct and operate the IPP have been acquired, including permits relating to air quality and rights-of-way on federally-owned land.

Emissions. The Intermountain Generating Station's boiler and flue-gas cleaning facilities have been designed and constructed to meet applicable federal and state emission regulations. The boilers have been designed to meet stringent regulatory emission limits for oxides of nitrogen. The flue-gas desulfurization equipment (scrubber) for each unit consists of a wet scrubber system using a limestone reagent designed and constructed to remove at least 90% of the sulfur dioxide before discharge to the atmosphere from a chimney 710 feet in height. The flue-gas particulate control (baghouse) equipment for each unit consists of three modular fabric filters utilizing reverse air for cleaning. The equipment has been designed and constructed to remove at least 99.75% of the particulate material.

Waste Management. Substantial federal, state and local legislation and regulations regarding various aspects of waste management are in effect. Federal laws as set forth in acts such as the Federal Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, impose strict liability for cleanup costs and damages regardless of time or location on generators, transporters, storers and disposers of hazardous waste. Many day-to-day activities connected with the generation and transmission of electricity generate both non-hazardous and hazardous wastes. Intermountain Power Service Corporation, under the direction of LADWP, has established a waste management plan for the IPP. The plan is designed to assure that the IPP's present and future operations conform to applicable waste disposal regulations. LADWP has also assessed IPP properties for potential liability arising from past, latent contamination. LADWP has indicated that its waste management program complies with all federal, state and local statutes and guidelines and all applicable permit requirements.

Operating Experience. The IPP facilities have operated to date with a high degree of availability, exceeding the average of coal-fired generating units of comparable size. During the most recent Fiscal Year, the IPP operated at a net capacity factor, through April 2009, of 88.6%. In the Fiscal Year ended June 30, 2009, the IPP Generating Station provided 726,798 MWh of energy to the City at an average cost for delivered power of $47 per MWh (excluding transmission costs).

Southern California Public Power Authority

The following information has been obtained from SCPPA and sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

SCPPA Palo Verde Nuclear Generating Station ("PVNGS") Interest. The City has contracted with SCPPA for a 9.9 MW (4.4%) entitlement of 225 MW SCPPA PVNGS Interest (as defined herein). This resource provides the City with approximately 65-75 GWh of base-load energy annually. The City has entered into a power sales agreement with SCPPA which obligates the City to pay the cost of its share of capacity and energy on a "take-or-pay" basis. For the Fiscal Year ended June 30, 2009, PVNGS provided 72,606 MWh of energy to the City at an average cost for delivered power of $80 per MWh. SCPPA has issued bonds for PVNGS of which $89,470,000 aggregate principal amount was outstanding as of September 1, 2009. SCPPA has undertaken certain actions, including collections of amounts in excess of operating and maintenance expenses and current debt service on its bonds for PVNGS to reduce the cost of power from this project. The City, as well as the Cities of Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Riverside and Vernon and the Imperial Irrigation District ("IID") are PVNGS project participants.

The SCPPA PVNGS Interest consists of a 5.91% ownership interest in the Palo Verde Nuclear Generating Station, Units 1, 2 and 3, and certain associated facilities and contractual rights relating thereto, a 5.56% ownership interest in the Arizona Nuclear Power Project ("ANPP") High Voltage Switchyard and contractual rights relating thereto and a 6.55% share of the rights to use certain portions