UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

IN THE MATTER OF SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, CITY OF ANAHEIM, CALIFORNIA, CITY OF RIVERSIDE, CALIFORNIA (SAN ONOFRE NUCLEAR GENERATING STATION, UNITS 2 AND 3)	)	DOCKET NOS. 50-361 and 50-362

APPLICATION FOR PERMISSION TO TRANSFER AN ADDITIONAL OWNERSHIP INTEREST TO THE CITY OF ANAHEIM, CALIFORNIA AND FOR AMENDMENTS TO CONSTRUCTION PERMITS NOS. CPPR-97 AND CPPR-98.

Southern California Edison Company, San Diego Gas & Electric Company, the City of Riverside, California and the City of Anaheim, California (collectively "Applicants") pursuant to 10 C.F.R. Section 50.90, submit herewith this "Application for Permission to Transfer an Additional Ownership Interest to the City of Anaheim, California and for Amendments to Construction Permits Nos. CPPR-97 and CPPR-98." The purposes of this Application are to obtain permission for Southern California Edison Company ("Edison") to transfer to the City of Anaheim ("Anaheim") from Edison's undivided ownership interest in San Onofre Nuclear Generating Station Units 2 and 3 ("Units 2 and 3"), an additional undivided

1.50 percent co-tenancy ownership interest in Units 2 and 3 including an appropriate share of the accompanying easements thereto, an additional undivided 1.25 percent co-tenancy ownership interest in the San Onofre Nuclear Generating Station Common Facilities ("Common Facilities"), including an appropriate share of the accompanying easements thereto, and an additional 1.5 percent co-tenancy ownership interest in the nuclear fuel associated with Units 2 and 3; and to request appropriate amendment upon such transfer of Construction Permits Nos. CPPR-97 and CPPR-98. Permission to transfer such ownership interests is required under Section 101 of the Atomic Energy Act (42 U.S.C. Section 2131). In support of this Application, Applicants allege as follows:

1. By Application to this Commission dated July 17, 1979, ("1979 Application"), Edison and San Diego Gas & Electric Company requested permission for Edison to transfer to the City of Anaheim an undivided 1.66 percent co-tenancy ownership interest in Units 2 and 3, and an appropriate share of the easement appurtenant thereto, and an undivided 1.39 percent co-tenancy ownership interest in the Common Facilities, and an appropriate share of the the easements appurtenant thereto, and to transfer certain other percentage interests to the City of Riverside. The Nuclear Regulatory Commission ("the Commission") approved said 1979 Application and amended Construction Permits Nos. CPPR-97 and CPPR-98 accordingly on August 5, 1980. Said 1979 Application and all appendices and exhibits attached thereto are hereby incorporated in this Application by this reference.

2. Construction Permits Nos. CPPR-97 and CPPR-98 ("Construction Permits") were amended pursuant to the 1979 Application to reflect Anaheim's ownership participation in Units 2 and 3. Therefore, the amendments to the Construction Permits now requested would only reflect changes in Anaheim's percentage ownership interest in Units 2 and 3 pursuant to the transaction contemplated herein.

3. By a letter to Edison dated January 22, 1981, the Public Utilities General Manager of the City of Anaheim inquired whether Edison might wish to sell an additional interest in Units 2 and 3 to Anaheim. Pursuant to subsequent discussions between the respective staffs of Anaheim and Edison, Anaheim has offered to purchase from Edison, and Edison has agreed to sell to Anaheim: (i) an additional undivided 1.5 percent co-tenancy interest in Units 2 and 3, (ii) an additional undivided 1.25 percent co-tenancy interest in the Common Facilities, and (iii) an additional undivided 1.5 percent co-tenancy interest in the nuclear fuel associated with Units 2 and 3.

Edison and Anaheim have entered into a letter agreement dated July 28, 1981 which sets forth the terms and conditions for the purchase by Anaheim from Edison of the above-described additional ownership interests ("Letter Agreement"). A true and correct copy of the Letter Agreement is attached hereto as Appendix A and is incorporated herein by this reference.

4. On June 2, 1981, Anaheim held a special municipal election and received voter approval to issue electric revenue

bonds and other securities in an amount sufficient to pay Edison for the additional ownership interest contemplated herein and for the costs associated with the sale and issuance by Anaheim of such securities.

5. On September 17, 1981, Edison filed Application No. 60916 with the California Public Utilities Commission ("CPUC") for an order authorizing Edison to transfer to Anaheim , pursuant to the terms of the Letter Agreement, an additional undivided 1.5 percent co-tenancy interest in Units 2 and 3, including the accompanying easements thereto, and an additional 1.25 percent undivided co-tenancy interest in the Common Facilities, including the accompanying easements thereto. The order of the CPUC authorizing Edison to transfer to Anaheim the ownership interest contemplated herein is expected shortly.

6. Anaheim and Edison have agreed in the Letter Agreement that the transfer to Anaheim of an additional ownership interest in Units 2 and 3, as contemplated by the Letter Agreement, and the execution and delivery of the Amendment to the San Onofre Units 2 and 3 Participation Agreement ("Participation Agreement") are subject to prior receipt of authorization for the transfer of such ownership interest from the CPUC and the Commission.

7. Approval of the Commission to transfer such ownership interest is required by Section 101 of the Atomic Energy Act. Accordingly, Applicants hereby apply for Commission authorization for the transfer to Anaheim of the ownership interest hereinabove

described and for amendments to the Construction Permits to reflect the acquisition by Anaheim of the additional ownership interest contemplated herein upon notice to the Commission by Edison that said ownership interest has been transferred by Edison to Anaheim.

8. Anaheim underwent a thorough antitrust review by the Attorney General in conjunction with the 1979 Application. Anaheim represents that Anaheim's position with respect to the matters dealt with in that review has changed very little since the 1979 Application was filed and the approvals of the Commission and the Department of Justice were received. Anaheim further represents that the only significant change in Anaheim's position with respect to antitrust considerations since such approvals were obtained is its membership in the Southern California Public Power Authority ("SCPPA"). SCPPA is a public entity created pursuant to the Joint Exercise of Powers Act (California Government Code §6500 et seq.) and the Joint Powers Agreement between its members dated as of November 1, 1980. SCPPA's members include the following public entities in Southern California: the Cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside and Vernon, and the Imperial Irrigation District. SCPPA includes all public agencies in Southern California that are engaged in the sale of electric power and energy for use by others.

The Commission Staff has discussed the proposed transaction underlying this Application with the Attorney General. Anaheim represents that there have been no significant changes in

Anaheim's activities or proposed activities subsequent to the review undertaken in connection with the 1979 Application other than its membership in SCPPA. Applicants therefore request that the requirements of 10 C.F.R. Section 2.102(d)(1) be determined not applicable to this Application.

9. In view of the recent Commission approval of the transfer of an ownership interest in Units 2 and 3, the Common Facilities, and the easements appurtenant thereto to Anaheim (see Paragraph 1 above) and the incorporation herein by reference of the 1979 Application, the information attached to this Application will update, but will not repeat, the information contained in the 1979 Application. Updates to the following information are found attached hereto in the appendices referred to:

A. Appendix "B": The general information required by 10 C.F.R. Section 50.33(a)-(e) and (g)-(j);

B. Appendix "C": The financial information required by 10 C.F.R. Section 50.33(f) and 10 C.F.R., Part 50, Appendix C, and as provided in responses to questions supplied by the Commission Staff regarding municipal applicants for amendment to construction permits.

C. Appendix "D": The antitrust information required by 10 C.F.R. Section 50.33a and 10 C.F.R., Part 50, Appendix L and Commission Regulatory Guide 9.2 (Revision 1).

Each of the appendices referred to in this paragraph are by this reference incorporated herein.

10. Anaheim has formally resolved to acquire the additional ownership interest in Units 2 and 3, the Common Facilities and an appropriate share of the accompanying easements thereto contemplated herein and has, by resolution, verified that the information herein submitted and referred to in Paragraph 9 above is true and correct. Said Resolution of the City Council of Anaheim is attached as Appendix E hereto and is incorporated herein by this reference.

11. In the event that this Application is approved by the Commission, Applicants will amend the terms of the Participation Agreement, the Supplemental Agreement for the Integration of Anaheim's Entitlements in San Onofre Units 2 and 3, as modified ("Supplemental Agreement"), and the Edison-Anaheim San Onofre Transmission Service Agreement ("Transmission Service Agreement"), copies of which were submitted to the Commission in connection with the 1979 Application, to reflect the transfer of the additional ownership interest described herein. The aforementioned amendments shall not be executed until authorizations for the transfer of such ownership interest have been received from the Commission and the CPUC.

12. No unreviewed environmental impact requiring an environmental impact statement pursuant to 10 C.F.R., Part 51, is presented by the contemplated transfer of an additional undivided ownership interest in Units 2 and 3 by Edison to Anaheim because such transfer does not involve any design or other physical changes to Units 2 and 3, any changes in the transmission or other

facilities associated with Units 2 and 3, any increase in effluents created by Units 2 and 3, or any increase in the authorized power levels for Units 2 and 3.

13. The contemplated transfer of an additional undivided ownership interest to Anaheim does not involve any change whatsoever in the exclusive responsibility and control to be exercised by Edison over the physical construction, operation, and maintenance of Units 2 and 3. This being the case, the proposed amendments to the Construction Permits are deemed not to involve a "significant hazards consideration" as that phrase is used in 10 C.F.R. Sections 2.105 and 50.91, and Section 189(a) of the Atomic Energy Act (42 U.S.C. Section 2239(a)).

14. In the event that this Application is approved by the Commission, Anaheim, pursuant to 10 C.F.R. Section 50.37 and as evidenced by the resolution attached hereto as Appendix E, agrees that it will not permit any individual to have access to "Restricted Data", as that term is defined in 10 C.F.R. Section 50.2(o), until the Civil Service Commission shall have made an investigation and report to the Commission on the character, associations, and loyalty of such individual, and the Commission shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

WHEREFORE, Applicants request the following relief:

1. That Southern California Edison Company be granted permission to transfer to the City of Anaheim an additional undivided 1.50 percent co-tenancy ownership interest in Units 2 and

3, including an appropriate share of the accompanying easements thereto; an additional undivided 1.25 percent co-tenancy ownership interest in the Common Facilities, including an appropriate share of the accompanying easements thereto; and an additional 1.5 percent co-tenancy ownership interest in the nuclear fuel associated with Units 2 and 3.

2. That no antitrust review be held with respect to this Application on the ground that the Commission Staff has conferred with the Attorney General pursuant to the procedures set forth in 10 C.F.R. Sections 2.101 and 2.102 and no significant changes have occurred in Anaheim's activities or proposed activities subsequent to the previous review by the Attorney General and the Commission.

3. That upon transfer of said additional undivided ownership interest to Anaheim, and upon written notification to the Director of the Office of Nuclear Reactor Regulation by Edison that such transfer has been consummated, Construction Permits Nos. CPPR-97 and CPPR-98 be amended to provide that Anaheim owns an undivided 3.16 percent co-tenancy ownership interest in Units 2 and 3, including an appropriate share of the accompanying easements thereto, and an undivided 2.64 percent co-tenancy ownership interest in the Common Facilities, including an appropriate share of the accompanying easements thereto; and an undivided 3.16 percent co-tenancy ownership interest in the nuclear fuel associated with Units 2 and 3.

Subscribed on this 13th day of October 1981.

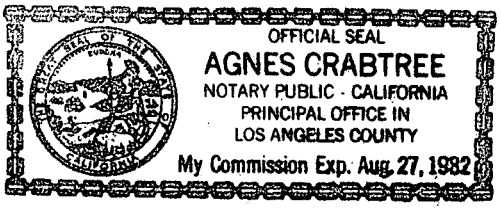
Respectfully submitted,

SOUTHERN CALIFORNIA EDISON COMPANY,

By Robert Ditch

Charles R. Kocher
James A. Beoletto
Attorneys for
Southern California Edison Company

By James A. Beoletto
James A. Beoletto



Subscribed and sworn to before me this 13th day of October 1981.

Agnes Crabtree
Notary Public in and for the County of Los Angeles, State of California

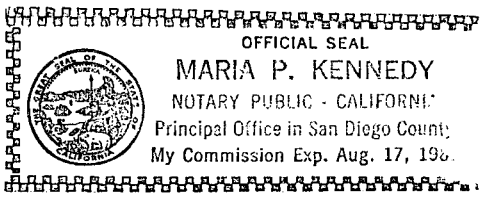
SAN DIEGO GAS & ELECTRIC COMPANY

By _____
Gary D. Cotton
Vice President

David R. Pigott
Samuel B. Casey
John A. Mendez
Of Orrick, Herrington & Sutcliffe
Attorneys for San Diego
Gas & Electric Company

By _____
David R. Pigott

Subscribed and sworn to before me
this 13th day of October 1981
(Notarization of Gary D. Cotton's signature only)



_____
Notary Public in and for the City and
County of San Diego, California

CITY OF ANAHEIM

By Gordon W. Hoyt

Alan R. Watts
Lydia S. Levin
Rourke & Woodruff
Attorneys for the City of Anaheim

By Alan R. Watts

Subcribed and sworn to before me
this 7 day of OCTOBER, 1981.

OFFICIAL SEAL
J. RICHARD SANTO
Notary Public-California
ORANGE COUNTY
My Commission Expires Aug. 13, 1982

J. Richard Santo
Notary Public in and for the County
of ORANGE,
State of California

CITY OF RIVERSIDE

By _____

Alan R. Watts
Lydia S. Levin
Rourke & Woodruff
Attorneys for the City of Riverside

By _____

Subscribed and sworn to before me
this 7th day of October, 1981.

OFFICIAL SEAL
LINDA L. NEWMAN
NOTARY PUBLIC-CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Expires May 27, 1985

_____
Notary Public in and for the County
of Los Angeles,
State of California

APPENDIX A

LETTER AGREEMENT DATED JULY 28, 1981
BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY
AND THE CITY OF ANAHEIM

ANAHEIM PUBLIC UTILITIES DEPARTMENT
Office of The General Manager

July 28, 1981

Mr. William R. Gould
Chairman of the Board
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770

Re: Purchase by the City of Anaheim of an Additional 1.5 Percent Ownership Interest in San Onofre Nuclear Generating Station Units 2 and 3 from Southern California Edison Company

Dear Mr. Gould:

By letter dated January 22, 1981, Gordon W. Hoyt, Public Utilities General Manager of the City of Anaheim (Anaheim), inquired as to whether Southern California Edison Company (Edison) might wish to sell to Anaheim an additional Ownership Interest (hereinafter defined) in each of Units 2 and 3 at the San Onofre Nuclear Generating Station (SONGS 2 and 3). Such Ownership Interest would be in addition to the 1.66 percent interest already owned by Anaheim. Pursuant to that letter, the respective staffs of Anaheim and Edison have had further discussions with respect to the acquisition by Anaheim of such an Ownership Interest.

As a result of such discussions, Anaheim hereby offers to purchase from Edison a 1.5 percent Ownership Interest in SONGS 2 and 3, including a 1.5 percent ownership interest in the nuclear fuel associated with SONGS 2 and 3, and a 1.25 percent ownership interest in the associated common facilities, such total purchase being defined herein as the Ownership Interest. Upon completion of this transaction, Anaheim's undivided ownership interest as a tenant in common in SONGS 2 and 3 will be 3.16 percent.

This offer is made subject to the following terms and conditions:

1. It is understood and agreed that transfer to Anaheim of an ownership interest, as that term has been defined by the Nuclear Regulatory Commission (NRC), in SONGS 2 and 3 and the

execution and delivery of the Amendment to the San Onofre Units 2 and 3 Participation Agreement (Participation Agreement) contemplated by Paragraph 9 hereof are subject to prior receipt of authorization for the transfer of such ownership interest from the California Public Utilities Commission (CPUC) and the NRC. It is intended that nothing contained in this agreement shall impose any obligations on either of the parties that would result in any violation of the Atomic Energy Act of 1954 or the regulations of the NRC.

2. At a special municipal election held on June 2, 1981, Anaheim received voter approval to issue electric revenue bonds and other securities pertaining to SONGS 2 and 3. Anaheim's obligations hereunder are subject to the issuance and sale of electric revenue bonds and/or other securities (Securities). Anaheim convenants and agrees that it will use its best efforts to issue and sell the Securities in an amount and at such time as will enable it to fulfill its agreement to pay Edison the Purchase Price (hereinafter defined) in accordance with this offer.

3. Anaheim shall pay Edison for such Ownership Interest an amount (Purchase Price) to be determined in accordance with the following formula:

$$PP = BC + CNF + ((BC - TB) \times TR + ITCR) \times \frac{1}{(1 - TR)}$$

Where:

PP = Purchase Price of the Ownership Interest.

BC = Book Cost, i.e., all recorded costs and expenses incurred by Edison in connection with the construction, ownership, and licensing of the Ownership Interest as of September 1, 1981, other than the cost of nuclear fuel associated with the Ownership Interest.

CNF = Cost of nuclear fuel for SONGS 2 and 3 associated with the Ownership Interest, including taxes arising from this transaction associated with the transfer of ownership of said Nuclear Fuel, as of September 1, 1981, as provided for in Section 11.2 of the Participation Agreement.

TB = The tax basis of the Ownership Interest exclusive of nuclear fuel prescribed by the Internal Revenue Code (IRC) for determining gain or loss in this transaction.

TR = The weighted average of composite federal and state statutory tax rates applicable to the sales proceeds received by Edison from the sale of the Ownership Interest to Anaheim.

ITC = Investment tax credit (4 percent only) associated with the Ownership Interest which Edison has previously passed on to its ratepayers.

ITCR = The amount of ITC required to be recaptured pursuant to the applicable provisions of the IRC.

Edison shall make a good faith effort to avoid recapture of the ITC and shall make a good faith effort to include the matter of recapture of such ITC in rate cases filed using a 1983 test year. However, Edison shall take no position on either its federal or state income tax return inconsistent with treatment for tax purposes of the transaction contemplated hereby as a transfer of the Ownership Interest on the date of payment by Anaheim of the Purchase Price. If it is determined by the Internal Revenue Service or any other administrative body having jurisdiction or, if judicial review is sought, by the final order of a court of competent jurisdiction, that the ITC is not recaptureable, or if the ITC is no longer subject to recapture because of the passage of time, Edison shall adjust the Purchase Price by the amount of any ITC included in the Purchase Price recovered by Edison. Such adjustment, if any, shall be made by Edison within sixty (60) days following such final determination or the date that the ITC becomes no longer subject to recapture because of the passage of time, as the case may be. If Edison is able to recover any ITCR through rate relief, Edison shall adjust the Purchase Price by the amount of any ITCR included therein and recovered by Edison. Such adjustment, if any, shall be made ratably during the period for which the rate relief is made effective.

4. The Purchase Price shall be determined as of September 1, 1981 in accordance with the formula set forth in Paragraph 3. No later than October 15, 1981, Anaheim shall pay to Edison the Purchase Price in accordance with Edison's latest estimate of the Purchase Price that is available as of the date of payment. The Purchase Price shall be adjusted to reflect recorded costs when data regarding such costs become available. During regular business hours, Anaheim shall have the right, at its own expense, to audit the books and records of Edison directly pertaining to the costs included in the Purchase Price. Anaheim hereby agrees that the results of any such audit and any information obtained

in connection herewith will be used solely for the purpose of verifying the costs included in the Purchase Price. Should such audit reveal errors, omissions or items not properly chargeable to the Purchase Price, each party shall pay to the other any amount found due and owing by it on the basis of such audit. Any such amount shall be paid within sixty (60) days after results of the audit are agreed upon by Edison and Anaheim. In the event that a dispute arises regarding the findings of such audit, Edison and Anaheim shall attempt in good faith to resolve the dispute between themselves.

5. If the Purchase Price is paid prior to September 1, 1981, Edison shall pay Anaheim interest on said Purchase Price from the date that Edison receives the funds to, but not including, September 1, 1981 at a rate equal to Anaheim's effective interest rate on the Securities. However, in no event shall such rate exceed the average of the one-month commercial paper rates published by the Board of Governors of the Federal Reserve System (such average being defined herein as the Commercial Paper Rate) during such period. If, pursuant to Paragraph 4, the Purchase Price is paid after September 1, 1981, and on or before October 15, 1981, Anaheim shall pay Edison interest on such Purchase Price during the period from September 1, 1981 to the date of Edison's receipt of payment at a rate equal to the Commercial Paper Rate during such period. If the Purchase Price is not paid to Edison by Anaheim on or before October 15, 1981, this agreement, unless extended by written agreement of Edison and Anaheim, shall terminate.

6. Anaheim shall commence making weekly progress payments associated with the Ownership Interest in accordance with Sections 6.7 and 6.9 of the San Onofre Units 2 and 3 Construction Agreement, as amended, and shall commence making payments for its share of nuclear fuel costs associated with the Ownership Interest on the first due dates for such payments after payment of the Purchase Price. However, if the Purchase Price is paid after September 1, 1981, the amount of any weekly progress payments and nuclear fuel payments due after September 1, 1981 but prior to the date of payment of the Purchase Price and not included in the Purchase Price shall be included in the first weekly progress payment made by Anaheim after payment of the Purchase Price. Such amounts shall bear interest at the Commercial Paper Rate from the date such payments were due to the date that Edison receives such funds, inclusive.

7. Anaheim and Edison each hereby represents that it is unaware of any reasonable basis for the CPUC or the NRC to deny authorization for the transfer from Edison to Anaheim of the Ownership Interest and each of them also represents that, barring unreasonable regulatory delay, it expects each such authorization will be obtained prior to March 31, 1982. Anaheim and Edison shall jointly seek authorization from the CPUC and the NRC for the transfer from Edison to Anaheim of the Ownership Interest. Edison and Anaheim shall cooperate fully in seeking said authorizations, and all other approvals, contract amendments, assignments of interest, and consents necessary to effect transfer of the Ownership Interest. Anaheim shall be responsible for and shall pay all costs incurred in obtaining necessary authorizations, approvals, assignments, amendments, and consents associated with the transfer of the Ownership Interest. Each party shall bear its own costs of preparing the amendments specified in Paragraph 8.

8. Upon execution and delivery of this letter agreement, both parties shall cooperate fully in preparing and agreeing to amendments to the Participation Agreement, the Supplemental Agreement for the Integration of Anaheim's Entitlements in San Onofre Units 2 and 3, as modified (Supplemental Agreement), and the Edison-Anaheim San Onofre Transmission Service Agreement (Transmission Service Agreement) to reflect the transfer of the Ownership Interest, so that, prior to the time Anaheim first markets its Securities for the payment of the Purchase Price, such amendments shall be in final, agreed upon form suitable for execution. However, said amendments shall not be executed until authorizations for such transfer have been received from the CPUC and NRC and the Purchase Price has been paid to Edison. Anaheim and Edison each hereby agree to fully cooperate to obtain, prior to the time Anaheim first markets Securities for the payment of the Purchase Price, the written consents of San Diego Gas & Electric Company (SDG&E) and the City of Riverside (Riverside) to such amendment to the Participation Agreement. Neither party is aware of any reasonable basis for either SDG&E or Riverside to refuse to give such consent.

9. In the event that payment of the Purchase Price by Anaheim to Edison has been made on or before October 15, 1981, and the authorizations of the CPUC and NRC for the transfer of the Ownership Interest are obtained on or before March 31, 1982, then within five (5) business days after the later of such

authorizations is so obtained, Edison and Anaheim shall each execute and deliver the amendments to the Participation Agreement, the Supplemental Agreement and the Transmission Service Agreement referred to in Paragraph 8. Upon execution and delivery of the amendment to the Participation Agreement, Anaheim shall own the Ownership Interest as a tenant-in-common and shall be responsible for its share of all nuclear fuel costs, including sales and use taxes, associated therewith, in accordance with Section 11 of the Participation Agreement.

10. If Anaheim pays Edison the Purchase Price pursuant to Paragraph 3 before the authorizations of the CPUC and NRC for the transfer of the Ownership Interest are obtained, during the period between payment of the Purchase Price to Edison and the execution and delivery of the amendment to the Participation Agreement contemplated by Paragraph 8, Anaheim shall be entitled to any energy generated by SONGS 2 and 3 which is associated with the Ownership Interest during such period less the energy associated with the Ownership Interest required for operation of all process and auxiliary equipment and systems used in connection with the operation and maintenance of SONGS 2 and 3 and be responsible for all of the obligations associated with the Ownership Interest, including but not limited to: (i) the treatment of the Ownership Interest as property of Anaheim for property tax purposes; (ii) the naming of Anaheim as a named insured with respect to the Ownership Interest on all insurance maintained by Edison, as Project Director, for SONGS 2 and 3, and (iii) the payment of all nuclear fuel and other costs associated with the Ownership Interest.

11. If Anaheim pays Edison the Purchase Price pursuant to Paragraph 3 before the authorizations of the CPUC and NRC for the transfer of the Ownership Interest are obtained, and such authorizations are not obtained on or before March 31, 1982, unless such date is extended by mutual agreement of the parties in writing, said agreement not to be withheld unless the non-agreeing party suffers economic detriment or increased risk, Edison's obligations to execute and deliver the amendments described in Paragraph 8 shall, on April 1, 1982, become null and void and Edison shall pay to Anaheim, on or before July 1, 1982, an amount equal to (i) the Purchase Price, plus (ii) an amount equal to Anaheim's interest cost, from the date the Purchase Price was received by Edison to the date such amount is paid by Edison to Anaheim, on the Securities issued to fund the Purchase Price, but in no event shall such cost exceed the amount that would have obtained had the interest rate on the Securities been the Commercial Paper Rate plus (iii) the weekly progress

payments made in accordance with Paragraph 6 and payments for nuclear fuel, plus (iv) an amount equal to Anaheim's interest costs, from the date such payments were received by Edison to the date such amounts are paid by Edison to Anaheim, on the Securities issued to fund the weekly progress payments and nuclear fuel payments but in no event shall such cost exceed the amount that would have obtained had the interest rate on the Securities been the Commercial Paper Rate, plus (v) an amount equal to the costs incurred by Anaheim in issuing, refunding, and redeeming the Securities; provided, that the amount to be paid pursuant to this clause (v) shall not exceed the sum of Four Hundred Thousand Dollars ($400,000). In no event shall the date for obtaining regulatory authorizations described herein, March 31, 1982, be extended to later than December 31, 1982. In the event the March 31, 1982 date is so extended, a like extension shall be provided for the April 1, 1982 and July 1, 1982 dates.

12. If authorizations of the CPUC and NRC are not obtained by March 31, 1982, or such other date as may be agreed upon by the parties as provided for in Paragraph 11, the rights and obligations of Edison and Anaheim pursuant to this letter agreement, except for the obligation to pay money, shall terminate.

If the terms and conditions of this letter agreement are satisfactory, would you please indicate your acceptance hereof by having an appropriate officer of Edison execute this letter agreement on behalf of Southern California Edison Company in the place provided at the bottom of this letter and return such copy to Gordon W. Hoyt, Public Utilities General Manager, City of Anaheim. The signatory of the City of Anaheim hereto represents that he has been appropriately authorized by the Anaheim City Council to execute this agreement on behalf of Anaheim.

Very truly yours,
CITY OF ANAHEIM

BY Gordon W. Hoyt
Public Utilities General Manager

AGREED AND ACCEPTED THIS
13th DAY OF August, 1981.

SOUTHERN CALIFORNIA EDISON COMPANY

BY

APPROVED AS TO FORM:
JOHN R. BURY
General Counsel
By
8/12, 1981

APPENDIX B

GENERAL INFORMATION REQUIRED PURSUANT TO 10 C.F.R. SECTION 50.33(a)-(e) AND (g)-(j)

APPENDIX B

GENERAL INFORMATION REQUIRED PURSUANT TO 10 C.F.R. SECTION 50.33(a)-(e) AND (g)-(j) (FINANCIAL INFORMATION REQUIRED PURSUANT TO 10 C.F.R. SECTION 50.33(f) AND 10 C.F.R. PART 50, APPENDIX C, IS PROVIDED IN APPENDIX C HERETO.)

With the exception of the following responses, the information supplied in the 1979 Application with regard to general information required pursuant to 10 C.F.R. Section 50.33(a)-(e) and (g)-(j) incorporated herein by reference, has not changed. 10 C.F.R. Section 50.33 provides, in part, that each application shall state:

(b) Address of Applicant:

The address of the City of Anaheim is 200 South Anaheim Boulevard, Anaheim, California 92805.

(d)(3)(ii) If Applicant is a corporation, state the names, addresses and citizenship of its directors and of its principal officers.

The address of all the officers of the City of Anaheim is 200 South Anaheim Boulevard, Anaheim, California 92805.

(e) The class of license applied for, the use to which the facility will be put, the period of time for which the license is sought, and a list of other licenses, except operator's licenses, issued or applied for in connection with the proposed facility.

10 C.F.R. Section 50.33(e) is not applicable to this Application.

(g) If the application is for an operating license for a nuclear power reactor, the applicant shall submit radiological emergency response plans of State and local governmental entities in the United States that are wholly or partially within the plume exposure pathway Emergency Planning Zone (EPZ) as well as the plans of State governments wholly or

partially within the ingestion pathway EPZ. Generally, the plume exposure pathway EPZ for nuclear power reactors shall consist of an area about 10 miles (16 km) in radius and the ingestion pathway EPZ shall consist of an area about 50 miles (80 km) in radius. The exact size and configuration of the EPZs surrounding a particular nuclear power reactor shall be determined in relation to the local emergency response needs and capabilities as they are affected by such conditions as demography, topography, land characteristics, access routes, and jurisdictional boundaries. The size of the EPZs also may be determined on a case-by-case basis for gas-cooled reactors and for reactors with an authorized power level less than 250 MW thermal. The plans for the ingestion pathway shall focus on such actions as are appropriate to protect the food ingestion pathway.

10 C.F.R. Section 50.33(g) is not applicable to this Application.

(h) If the applicant proposes to construct or alter a production or utilization facility, the application shall state the earliest and latest dates for completion of the construction or alteration.

10 C.F.R. Section 50.33(h) is not applicable to this Application.

(i) If the proposed activity is the generation and distribution of electric energy under a class 103 license, a list of the names and addresses of such regulatory agencies as may have jurisdiction over the rates and services incident to the proposed activity, and a list of trade and news publications which circulate in the area where the proposed activity will be conducted and which are considered appropriate to give reasonable notice of the application to those municipalities, private utilities, public bodies, and cooperatives, which might have a potential interest in the facility.

The City Council of the City of Anaheim is responsible for approving rates and services for the electric utility. Trade and news publications which circulate in and around Anaheim are:

The Register
625 N. Grand Ave.
Santa Ana, CA 92701

Anaheim Bulletin
1771 S. Lewis
Anaheim, CA 91805

Los Angeles Times
Times Mirror Square
Los Angeles, CA 90012

(j) If the application contains Restricted Data or other defense information, it shall be prepared in such manner that all Restricted Data and other defense information are separated from the unclassified information.

10 C.F.R. Section 50.33(j) is not applicable to this Application.

APPENDIX C

INFORMATION SUBMITTED BY THE CITY OF ANAHEIM PURSUANT TO 10 C.F.R. SECTION 50.33(f) AND 10 C.F.R. PART 50, APPENDIX C, RELATING TO FINANCIAL QUALIFICATIONS

APPENDIX C

INFORMATION SUBMITTED BY THE CITY OF ANAHEIM PURSUANT TO 10 C.F.R. SECTION 50.33(f) AND 10 C.F.R. PART 50, APPENDIX C, RELATING TO FINANCIAL QUALIFICATIONS

The following information is supplied by the City of Anaheim pursuant to the requirements of 10 C.F.R. Section 50.33(f) and 10 C.F.R. Part 50, Appendix C. 10 C.F.R. Section 50.33 provides, in part, that each application shall state:

> (f) Information sufficient to demonstrate to the Commission the financial qualifications of the applicant to carry out, in accordance with the regulations in this chapter, the activities for which the permit or license is sought. If the application is for a construction permit, such information shall show that the applicant possesses the funds necessary to cover estimated construction costs and related fuel cycle costs or that the applicant has reasonable assurance of obtaining the necessary funds, or a combination of the two. If the application is for an operating license, such information shall show that the applicant possesses the funds necessary to cover estimated operating costs or that the applicant has reasonable assurance of obtaining the necessary funds, or a combination of the two. With respect to any production or utilization facility of a type described in Section 50.21(b) or Section 50.22, or a testing facility, the following specific requirements shall apply:
>
> If the application is for an operating license, such information shall show that the applicant possesses or has reasonable assurance of obtaining the funds necessary to cover the estimated costs of operation for the period of the license or for 5 years, whichever is greater, plus the estimated costs of permanently shutting the facility down and maintaining it in a safe condition. Without limitation on the generality of the foregoing requirements, each application for a construction permit or an operating license submitted by an entity organized for the primary purpose of constructing or operating a facility shall include information showing the legal and financial

> relationships it has or proposes to have with its stockholders or owners, and their financial ability to meet any contractual obligation to such entity which they have incurred or propose to incur, and any other information necessary to enable the Commission to determine the applicant's financial qualifications.

The information requested in 10 C.F.R. Section 50.33(f) is supplied below in responses to the eleven questions provided by the Commission Staff relating to the financial qualifications of municipal applicants for construction permit amendments. Eight of the nine questions supplied to Anaheim by the Commission Staff in connection with the 1979 Application relating to Anaheim's financial qualifications remain part of the eleven questions currently being utilized by the Commission Staff in reviewing like Applications. With the exception of the previous Question 9, now renumbered as Question 8 (and the elimination of the previous Question 8), the first seven questions are numbered as before. Anaheim submitted responses to the previous nine questions during June, 1980. The questions supplied to Anaheim by the Commission Staff in connection with the 1979 Application and the responses thereto are incorporated herein by this reference. With the exception of the responses herein, Anaheim's responses have not changed since the previous nine questions were answered in connection with the 1979 Application.

QUESTION NO. 1: Provide a detailed statement of the projected sources of funds for each municipal applicant's capital contribution to the subject project showing both the timing and amounts that will be financed and advanced to Southern California Edison Company for the acquisition of the respective ownership interest in the facility. State in detail all other construction expenditures that are projected to be incurred during the acquisition period, including other capital requirements such as sinking fund requirements and redemptions of maturing bond issues. Indicate the expected breakdown between internally generated funds and external financing during the acquisition period in the meeting of total capital requirements. Provide a detailed explanation of the assumptions upon which the projected sources of funds statement is based.

RESPONSE NO. 1: It is expected that the necessary funds for acquisition by Anaheim of an additional undivided 1.5 percent ownership interest in Units 2 and 3 will be funded initially from tax-exempt commercial paper (additionally secured by a stand-by credit facility). It is expected that long-term financing will be provided through the sale of long-term, tax-exempt electric revenue bonds. The proceeds of the commercial paper will be advanced to Edison prior to Commission authorization of the transfer of the additional ownership interest described herein. In the event Commission authorization is received, proceeds of the bonds will be used to retire the commercial paper. If such authorization is not obtained, the proceeds of Edison's repayment as provided in the Letter Agreement will be used to retire the commercial paper. The following was assumed in calculating Anaheim's costs:

	Tax Exempt Commercial Paper	Electric Revenue Bonds
Date of Issue	9/1/81	3/1/82
Effective Rate of Interest	9%	12%
Estimated Cost of Issuance	.7%	3%
Reinvestment Rate	No Reinvestment	12%
Approximate Amount	$ 60,000,000	$ 85,000,000

The Project cash flow used was provided by Edison as of March, 1981. Utilizing the above assumptions and an estimated Purchase Price (as defined in the Letter Agreement) as provided by Edison, the amount of tax-exempt commercial paper expected to be issued by Anaheim is $60,000,000. The bond issue amount is expected to be $85,000,000.

While some scheduled capital improvements to Anaheim's electric distribution system may be financed by the issuance of securities, most will be financed directly from then current electric utility revenues. All existing debt service requirements are paid from electric utility revenues. Debt service payments on existing debt and projected capital improvements are shown in Table 1.

TABLE 1

(in Thousands)

Year Ending June 30	1981	1982	1983	1984	1985
Debt Service on Existing Debt	$1,064	$1,057	$3,570	$6,367	$8,968
Projected Capital Improvements	5,824	6,649	5,808	6,477	6,867
Amount Paid from Revenues (100%)	$6,888	$7,706	$9,378	$12,844	$15,835

QUESTION NO. 2: If any municipal applicant is to finance its ownership share with bonds, indicate the source of funds for payment of interest charges and principal. Indicate the legal authority by which each municipal applicant can issue bonds to provide financial support for the subject project. Show the effect of any restrictions on both project and total financing ability stating the amount of financing that may be presently performed under such restrictions.

RESPONSE NO. 2: Anaheim intends to finance its acquisition of an additional undivided 1.5 percent ownership interest in Units 2 and 3 with bonds and other securities. The source of payment for interest charges and principal will be Anaheim's electric revenue fund.

Anaheim issues revenue bonds pursuant to Section 1210 of its Charter, which also provides that no revenue bonds shall be issued without the assent of the majority of the voters voting upon the proposition for issuing such revenue bonds at an election. In 1975, the voters of Anaheim authorized the issuance of $150,000,000 of electric revenue bonds. At the present time, $102,500,000 of the $150,000,000 authorized issue have been issued, leaving an amount of $47,500,000 of electric revenue bonds authorized but unissued. In June 1981, the voters of Anaheim authorized the issuance of an amount not to exceed $92,000,000 of electric revenue bonds and bond anticipation notes to finance the acquisition of certain interests in Units 2 and 3.

A further restriction on Anaheim's total financing ability is contained in its bond covenants on electric revenue bonds heretofore issued by Anaheim. In order for Anaheim to issue parity bonds (i.e., those additional bonds which are on a parity

with respect to revenues as outstanding bonds) the net revenues of the electric utility for the last two fiscal years prior to the issuance of such additional bonds shall amount to at least 1.25 times the maximum annual debt service in any fiscal year thereafter on all indebtedness to be outstanding immediately subsequent to incurring such additional indebtedness. For the purpose of calculating the net revenues of the electric utility, the revenues may be increased for earnings arising from any increase in charges made for service which have become effective prior to incurring the additional indebtedness in an amount equal to 95% of the amount by which the gross revenues would have been increased if such increase in charges had been in effect during all of the two completed fiscal years. The effect of this coverage covenant ("Covenant 11(a)") upon the ability of Anaheim to issue additional electric revenue bonds is reflected in Table 2.

TABLE 2

CITY OF ANAHEIM
ELECTRIC UTILITY FUND
SCHEDULE OF ADDITIONAL PARITY
BOND CAPACITY FOR THE YEARS ENDED JUNE 30, 1980 AND 1979

	1980	1979
	(In Thousands)	
"Net Revenues" Before Covenant 11(a) Amounts	$ 14,323	$ 7,151
Add:		
Calculated Covenant 11(a) Amount	24,790	43,002
Total "Net Revenues"	39,113	50,153
Minimum "Net Revenues" Required for Outstanding Bonds	(11,241)	(11,241)
"Net Revenues" Available for Additional Parity Bonds	27,872	38,912
Additional Parity Bond Capacity (30 years at 11% Annual Interest)	$242,313	$338,293

QUESTION NO. 3: Describe the nature, amount, ratings and success of each municipal applicant's most recent Revenue and General Obligation Bond sales. Indicate the current total outstanding indebtedness in each category for each entity.

RESPONSE NO. 3: A copy of the Annual Report of the Public Utilities Department of the City of Anaheim ("Public Utilities Department") and a copy of the Annual Report of the City of Anaheim for the year ended June 30, 1980, which includes the financial results of operations of the Public Utilities Department, are attached to Response No. 5 herein. The information requested with respect to the nature, amount, ratings and success of the most recent electric revenue bonds sale is contained on page 24 of the Annual Report of the Public Utilities Department for the year ended June 30, 1980. In addition to the bonds listed in such Annual Report, Anaheim sold $84,000,000 of electric revenue bonds on October 10, 1980, to finance the construction and acquisition of Anaheim's undivided 1.66 percent ownership interest in Units 2 and 3 and undivided 1.39 percent ownership interest in the Common Facilities. The Official Statement for this bond issue is attached to Response No. 4 herein. With respect to Anaheim's most recent sale of general obligation bonds, a description of Anaheim's general long-term debt is provided on page 51 of the Annual Report of the City of Anaheim for the year ended June 30, 1980, attached to Response No. 5 herein.

QUESTION NO. 4: Provide copies of the Official Statement for the most recent bond issue. Provide copies of the Preliminary Statement for any pending security issue.

RESPONSE NO. 4: Attached hereto is a copy of the Official Statement pertaining to a bond issue of $84 million which is the most recent issue of electric revenue bonds sold by Anaheim.

NEW ISSUE

Interest on the 1980 Bonds is exempt, in the opinion of Bond Counsel, from income taxes of the United States of America under present federal income tax laws, and is also exempt from personal income taxes of the State of California under present state income tax laws.

$84,000,000
CITY OF ANAHEIM, CALIFORNIA
ELECTRIC REVENUE BONDS, ISSUE OF 1980

Dated: October 1, 1980 Due: October 1, as shown below

Interest is payable semi-annually on April 1 and October 1 in each year, commencing April 1, 1981. The 1980 Bonds are issuable as coupon bonds in the denomination of $5,000 registrable as to principal only or as to both principal and interest. Principal of, premium, if any, and interest on the 1980 Bonds are payable at the Corporate Agency Division of Bank of America NT&SA in Los Angeles or San Francisco, California, or at the option of the holders at any other paying agent of the City in Chicago, Illinois and New York, New York.

The 1980 Bonds maturing after October 1, 1990 are subject to redemption on or after October 1, 1990 at 100% of the principal amount thereof. In certain circumstances the 1980 Bonds maturing on or after October 1, 1996 are also subject to redemption on October 1, 1990 at less than 100%, but not less than 95%, of the principal amount thereof. See "Description of the 1980 Bonds" herein.

The 1980 Bonds are being issued for the primary purpose of acquiring a 1.66% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3, from the Southern California Edison Company, to pay 100% of the interest on the 1980 Bonds until October 1, 1982 and 50% of the interest on the 1980 Bonds thereafter until December 1, 1983, and to fund the Reserve Fund.

The 1980 Bonds are payable solely from the Gross Revenues of the Electric System of the City and do not constitute a general obligation or indebtedness of the City. The 1980 Bonds rank on a parity with $11,875,000 outstanding electric revenue bonds, and any additional parity bonds which may be issued in the future.

MATURITIES, AMOUNTS, RATES AND YIELDS OR PRICES

(Accrued interest to be added)

$30,475,000 Serial Bonds

Due October 1	Amount	Rate	Yield or Price	Due October 1	Amount	Rate	Price
1984	$1,250,000	8%	6.75%	1991	$2,150,000	8%	100 %
1985	1,375,000	8	7	1992	2,325,000	8	98⅛
1986	1,450,000	8	7.20	1993	2,525,000	8	96⅛
1987	1,600,000	8	7.40	1994	2,725,000	8	94¾
1988	1,700,000	8	7.60	1995	2,925,000	8	93⅜
1989	1,850,000	8	7.80	1996	3,175,000	8	92⅜
1990	2,000,000	8	100	1997	3,425,000	8	91⅜

$16,650,000 8% Term Bonds Due October 1, 2001 Price 89¾%

$36,875,000 8% Term Bonds Due October 1, 2007 Price 87¾%

The 1980 Bonds are offered when, as, and if issued subject to approval of legality by O'Melveny & Myers, Bond Counsel, Los Angeles, California. Certain legal matters will be passed upon for the City by its Special Counsel, Alan R. Watts, Esq. Certain legal matters will be passed upon for the Underwriters by their counsel, Mudge Rose Guthrie & Alexander. It is expected that the 1980 Bonds in definitive form will be available in New York, New York, on or about October 30, 1980.

Salomon Brothers

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Donaldson, Lufkin & Jenrette
Securities Corporation

October 10, 1980

SAN ONOFRE NUCLEAR GENERATING STATION

OFFICIALS OF THE CITY OF ANAHEIM

CITY COUNCIL

John F. Seymour, Jr., Mayor
E. Llewellyn Overholt, Jr., Mayor Pro tem
Ben W. Bay, Councilman
Miriam Kaywood, Councilwoman
Don R. Roth, Councilman

PUBLIC UTILITIES BOARD

Kenneth M. Keesee, Chairman
James H. Townsend, Vice Chairman
Wynn W. Anderson, Member
Richard L. Haynie, Member
Carl J. Kiefer, Member
S. Dale Stanton, Member
Joseph R. White, Member

CITY OFFICIALS

William O. Talley, City Manager
William T. Hopkins, Assistant City Manager
James D. Ruth, Deputy City Manager
George P. Ferrone, Finance Director
William P. Hopkins, City Attorney
Linda D. Roberts, City Clerk
Glenn E. Stewart, City Treasurer

PUBLIC UTILITIES DEPARTMENT

200 South Anaheim Blvd.
Anaheim, California, 92805

Gordon W. Hoyt, General Manager
Edward G. Alario, Assistant General Manager
Darrell L. Ament, Management Services Manager
Ray A. Auerbach, Water Engineering Manager
Edward E. Dumon, Operations Manager
George H. Edwards, Electrical Engineering Manager
Beatrice A. Staley, Conservation Services Manager
James E. Willis, Customer Service Manager

OTHER CITY DEPARTMENT HEADS

Philip M. Grammatica, Data Processing Director
William J. Griffith, City Librarian
Thomas F. Liegler, General Manager,
Stadium, Convention Center and Golf Courses
Garry O. McRae, Human Resources Director
Thornton E. Piersall,
Public Works Executive Director
Norman J. Priest, Executive Director,
Redevelopment Agency/Housing Authority
Bob D. Simpson, Fire Chief
Ronald L. Thompson, Planning Director
George P. Tielsch, Police Chief

BOND COUNSEL

O'Melveny & Myers

FINANCIAL ADVISOR

James J. Lowrey & Co. Incorporated

SPECIAL COUNSEL

Alan R. Watts

CONSULTING ENGINEER

R. W. Beck and Associates

No dealer, broker, salesman or other person has been authorized by the City of Anaheim or the Public Utilities Department or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by the City of Anaheim or the Public Utilities Department or the Underwriters. 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 1980 Bonds by any person in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

The information set forth herein has been furnished by the City of Anaheim and the Public Utilities Department and includes information obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Financial Advisor or the Underwriters. The information and expressions of opinion contained 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 of Anaheim or the Public Utilities Department since the date hereof.

In connection with the offering of the 1980 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 1980 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
OF THE
CITY OF ANAHEIM, CALIFORNIA
Relating to its
$84,000,000
Electric Revenue Bonds, Issue of 1980

INTRODUCTION

This Official Statement, including the Cover Page and Appendices hereto, is provided to furnish certain information in connection with the sale by the City of Anaheim, California (the "City") of $84,000,000 Electric Revenue Bonds, Issue of 1980 (the "1980 Bonds"). The 1980 Bonds are issued pursuant to City Charter Section 1210; procedural Ordinance No. 2980, as amended (the "Ordinance"), which incorporates certain provisions of the Revenue Bond Law of 1941 (Chapter 6, Part 1, Division 2, Title 5 of the California Government Code) (the "Bond Law"); and Resolution No. 80 R- 457 of the City Council adopted October 10, 1980 (the "Resolution"). The 1980 Bonds represent a portion of $150,000,000 principal amount of electric revenue bonds authorized by the voters of the City on March 4, 1975. The resolution calling the election established a maximum coupon rate of 8%. The Ordinance established the maximum discount rate at 10% of the principal amount of such electric revenue bonds.

The City previously has issued for the financing of its Electric System: (i) $8,000,000 Electric Revenue Bonds, Issue of 1972 (the "1972 Bonds") authorized by the voters at an election on January 18, 1972; (ii) $6,000,000 Electric Revenue Bonds, Issue of 1976 (the "1976 Bonds") representing a portion of $150,000,000 of electric revenue bonds authorized by voters at the election on March 4, 1975; and (iii) $12,500,000 Electric Revenue Bonds, Second Issue (Subordinated) of 1976 (the "1976 Subordinated Bonds") representing a portion of the same $150,000,000 authorized by voters in 1975. The 1980 Bonds together with the $11,875,000 outstanding balances of the 1972 Bonds and the 1976 Bonds and any future bonds issued on a parity with the outstanding Bonds (herein collectively referred to as the "Bonds") are equally and ratably secured by the security, interest, pledge and assignment created by and the covenants contained in the Resolution.

Purpose of the 1980 Bonds

The 1980 Bonds are being issued to acquire an ownership interest of 1.66 percent (36.5 megawatts) in the San Onofre Nuclear Generating Station, Units 2 and 3, and certain common facilities (collectively referred to herein as the "Project"). The Project is currently owned by the Southern California Edison Company ("Edison") and San Diego Gas and Electric Company ("San Diego"). Edison had been designated as project manager and operator. The City proposes to purchase its share of the Project from Edison. Edison has signed and the City, upon delivery of the Bonds, will sign the Participation Agreement which provides, among other things, for the City to own its share of the Project, for the City to pay Edison for the ownership share and for Edison to construct, operate and maintain the Project on its behalf and on behalf of the other owners of the Project. The City has also signed an Integrated Operations Agreement and upon delivery of the 1980 Bonds will sign a Supplemental Integration Agreement with Edison which agreements provide, among other things, integration of Project power and future City generating resources with those of Edison for operation, including the scheduling and dispatching of power from the City's ownership share of the Project with the scheduling and dispatching of output from Edison's other generating resources. Under the agreements, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's own resources and will credit the City on its monthly billing statements for the power and energy generated by the City's own resources that are integrated with Edison resources.

Use of Proceeds

It is estimated that proceeds of the 1980 Bonds (excluding accrued interest) will be allocated as follows: (i) $50,250,000 to the Construction Account which, together with investment income thereon (estimated to

be $4,172,000), will be used to pay the City's proportionate share of the cost of the Project ($54,422,000), (ii) $16,800,000 to the Interest During Construction Account (the "IDC Account") to pay 100% of the interest on the 1980 Bonds until October 1, 1982 and 50% of the interest on the 1980 Bonds thereafter until December 1, 1983, (iii) $8,000,000 to the Reserve Fund so that such Fund shall equal the Maximum Annual Debt Service on the Bonds to be outstanding and (iv) $8,950,000 to allow for certain costs of issuance including a maximum underwriting discount of $8,400,000.

Security and Rate Covenant

The 1980 Bonds will be special obligations of the City and will be secured by a pledge of and lien upon and shall be a charge upon, and shall be payable as to principal thereof and interest thereon and any premiums upon the redemption of any thereof solely from, the Gross Revenues of the Electric System of the City, such Gross Revenues being pledged, charged and assigned for the security of the Bonds. The Electric System of the City (sometimes herein referred to as the "Electric System") consists of the entire electric system of the City including all improvements and extensions later constructed or acquired. Gross Revenues of the Electric System are defined as all rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other income derived by the City from ownership, operation, use or services of the Electric System. (See "Security for and Sources of Payment for the Bonds").

The City is obligated by its Charter and by the Resolution to establish rates and collect charges in an amount sufficient to service the Electric System's indebtedness and to meet its expenses of operation and maintenance, with specified requirements as to priority and coverage. (See "Rate Covenant" under the section "Security for and Sources of Payment for the Bonds".) Electric rates are fixed by the City Council and are not subject to regulation by the California Public Utilities Commission or by any other state agency.

The Bonds do not constitute a general obligation of the City and neither the full faith and credit nor the taxing power of the City is pledged to the payment of principal of or interest on the Bonds.

The Electric System

The Electric System serves the entire area within the City limits of Anaheim. The City purchases at wholesale rates its firm power from Edison and economy energy from Nevada Power Company.

As of the end of fiscal year June 30, 1980, the average number of customers of the Electric System was 82,571 and the total kilowatt hours sold was 1,734,000,000.

Resource Planning

In 1969 R. W. Beck & Associates (the "Consulting Engineer"), as part of a power supply study conducted for the City, recommended the City immediately investigate and negotiate participation in large generating plants. It was concluded by the Consulting Engineer that such participation would result in the lowest cost of power supply for the City. The City has participated in feasibility studies of several large generating stations and the Project will be the first such station to be completed.

As discussed under the subcaption "Other Projects of the Electric System", in addition to the Project, the City has an ongoing program to investigate other potential power supply resources which could be used to serve a portion of its requirements which are currently being purchased from Edison. Of these potential resources, the most definitive is the coal-fired Intermountain Power Project to be located in Southwest Utah. Other possible projects include participation in the coal-fired White Pine Project, the California Coal Project, the North Brawley Geothermal Project and certain hydroelectric projects. Participation in such projects may be on a purchase or ownership basis, with the City's obligation for costs being payable, in certain instances, whether or not energy is received.

The Project

The Project will be owned as tenants-in-common by Edison (76.55%), San Diego (20.00%), City of Riverside (1.79%) and the City (1.66%).

Unit 2 is scheduled for commercial operation in December 1981 and Unit 3 is scheduled for commercial operation in February 1983. As of June 27, 1980, Edison has stated that the construction of Unit 2 was approximately 93% complete and Unit 3 was approximately 63% complete.

Edison has informed the City that all major required permits, except an operating license, have been granted. Edison's current schedule anticipates that the operating license will be received from the Nuclear Regulatory Commission (the "NRC") in sufficient time to meet the projected fuel loading and start up schedules. However, petitions have been granted to certain adverse parties to intervene in the operating license proceedings. The City cannot predict what impact, if any, such intervention will have upon the timing of issuance of, or the conditions included in, the operating license (See "Regulatory Matters").

Construction work on the Project is currently halted due to a strike as part of a western regional work stoppage by the International Brotherhood of Boilermakers. The City is unable to predict the duration of the stoppage, or its impact on the construction schedule or cost of the Project. See "The Project — Status and Schedule of Construction."

The City's share of the construction costs of the Project is currently estimated at $45,475,000, plus a payment to Edison for Edison's carrying costs equal to approximately $8,947,000 (total cost $54,422,000).

The City's ownership share of the Project is expected to provide approximately 8% of the Electric System's energy needs during its first full year of operation.

In the opinion of the Consulting Engineer, the forecasted overall revenue requirements from the sale of electricity by the City are reduced by the City acquiring an ownership share in the Project rather than continuing to purchase all of its power requirements from Edison. The estimated savings to the City resulting from Project ownership increase from $794,000 in the fiscal year ending June 30, 1982 to $9,510,000 in the fiscal year ending June 30, 1990. These projected savings will differ from actual savings to the extent that actual conditions differ from those assumed (See "Appendix A — Consulting Engineer's Report").

Brief descriptions of the 1980 Bonds, the security therefor and the Electric System, and summaries of the Resolution and other documents are included elsewhere in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 1980 Bonds, the Resolution and any other documents are qualified in their entirety by reference to each such document. Terms not defined herein shall have the meanings as set forth in the respective documents.

THE CITY'S PUBLIC UTILITIES DEPARTMENT

General Description

Under the provisions of the California Constitution, the Charter of the City and Title 10 of the Municipal Code of the City, the City owns and operates both electrical and water public utilities for the citizens of Anaheim. The Public Utilities Department (the "Department") exercises jurisdiction over both the electric and water systems of the City and is under the supervision of the Public Utilities General Manager (the "General Manager"). The General Manager is responsible for the supervision of the design, construction, maintenance, operation, and upkeep of both the electric and water utilities. The Director of Finance of the City is charged with the accounting and collection of all revenues as well as the administration of the financial affairs of the City. The General Manager and Finance Director are under the direction of the City Manager and the City Manager is appointed by the City Council.

The Department serves water as well as electricity to virtually all the residential, commercial and industrial customers within the City limits. The City has sold $9,350,000 of water revenue bonds, of which $8,505,000 are outstanding, for the purposes of expanding the water system. The City is obligated by its Charter and by the relevant bond resolutions to establish water rates and collect charges in an amount sufficient to service the water system indebtedness and to meet its expenses of operation and maintenance, with specific requirements as to priority and coverage. During fiscal year 1980 the water system sold over 17

billion gallons of water to over 49,000 customers. The funds and accounts of the Electric System and the water system are held separately and the funds and accounts of one system are not pledged to the other system's bonds.

Management of the Public Utilities Department

GORDON W. HOYT, General Manager, is in charge of the City's electric and water distribution systems and has been General Manager since 1964. He is an electrical engineering graduate of the University of Texas and a registered professional engineer. He has served as superintendent of the City of Santa Clara's Electrical Department, and as an Electrical Engineer for Pacific Gas & Electric Company. He is a Senior Member of the Institute of Electrical and Electronic Engineers. He is a member of the Executive Committee and Board of Directors of the Intermountain Power Project. He is a member of the Board of Directors of the American Public Power Association and of the Western Energy Supply and Transmission Associates (WEST). He is a past president of the California Municipal Utilities Association and served on its Board of Governors for six years. Mr. Hoyt's professional experience includes design, construction, and operation of electric generating, transmission, and distribution facilities, as well as management of municipal electric and water utilities.

EDWARD G. ALARIO, Assistant General Manager, is a Business Administration graduate of San Jose State University. In the 15 years prior to his employment with Anaheim, he served as the City Administrator of the City of Bellflower, City Manager and Finance Director of the City of South San Francisco, and Revenue Officer of the City of Sunnyvale.

DARRELL L. AMENT, Management Services Manager, has been with the Department since 1967, and is responsible for formation of overall financial policies and long-range financial plans for the Department, electric and water cost-of-service studies and rate design, utilities accounting and management information, public information, and systems analysis and design. He has a B.A. (1961) and M.A. (1963) in government from Kent State University and has completed additional graduate work in government and public administration at UCLA.

GEORGE H. EDWARDS, Electrical Engineering Manager, has had responsibility for Electric System engineering and planning since 1966. He earned a B.S. in electrical engineering from Texas Technological College in 1950. He is a Senior Member of the Institute of Electrical and Electronic Engineers and has been chairman of the American Public Power Association's Transmission and Distribution Committee. He is a registered professional engineer.

Public Utilities Board

The City Council, by Ordinance No. 3557 approved July 6, 1976, established a Public Utilities Board (the "Board") with the power and duty to make recommendations to the City Council; (i) for the operation and conduct of the electric and water systems, (ii) concerning the establishment of rules and regulations and rates for the operation of the electric and water systems, (iii) concerning the duties and qualifications of the General Manager and other employees of the Department, (iv) concerning the acquisition, construction, improvement, extension, enlargement, diminution, or curtailment of all or any part of the electric and water systems, (v) concerning the annual budget of the Department and (vi) concerning financing, including the issuance of bonds for the Electric System and the water system; and to exercise such other powers and duties as may be prescribed by ordinance not inconsistent with the City Charter.

The Board consists of seven members, none of whom may hold any paid office or employment in the City Government. The members of the Board are appointed by the City Council and may be removed by a majority vote of the City Council. Board members serve four-year terms except that for the initial appointment, three members were appointed for one year, two members were appointed for two years and two members were appointed for three years.

The present members of the Board and their terms of appointment are:

KENNETH M. KEESEE, Chairman, term expires June 30, 1981. Mr. Keesee is an industrialist and operates a steel tank manufacturing company and an industrial park.

JAMES H. TOWNSEND, Vice Chairman, term expires June 30, 1982. Mr. Townsend is the editor and publisher of "The National Educator," a monthly tabloid newspaper with worldwide distribution.

WYNN W. ANDERSON, term expires June 30, 1982. Mr. Anderson is a teacher in the Anaheim Elementary School District.

RICHARD L. HAYNIE, term expires June 30, 1981. Mr. Haynie is the Plant Superintendent for the Delco-Remy Division, General Motors Corporation operations in Anaheim.

CARL J. KIEFER, term expires June 30, 1983. Mr. Kiefer is employed by Rockwell International Corporation. He is in charge of industrial engineering and facilities for the Anaheim operations of Rockwell.

S. DALE STANTON, term expires June 30, 1981. Mr. Stanton is a consulting engineer.

JOSEPH R. WHITE, term expires June 30, 1983. Mr. White is a realtor and active in Chamber of Commerce activities and community activities.

DESCRIPTION OF THE 1980 BONDS

General

The 1980 Bonds are being issued in the aggregate principal amount of $84,000,000, are dated October 1, 1980, bear interest at the rates per annum set forth on the cover page of this Official Statement, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 1981, and mature on October 1 in the years and principal amounts set forth on the cover page of this Official Statement.

The 1980 Bonds are issuable in coupon form in the denomination of $5,000 each, registrable as to principal only or as to principal and interest, with the privilege of discharge from registration.

The principal of and premium, if any, and interest on the 1980 Bonds are payable at the Corporate Agency Division of Bank of America NT&SA in Los Angeles or San Francisco, California, or at the option of the holders at any other paying agent of the City in Chicago, Illinois or New York, New York.

Mandatory Redemption

The 1980 Bonds due October 1, 2001 and October 1, 2007 will be subject to mandatory redemption prior to maturity at a redemption price of 100% of the principal amount thereof plus interest accrued to the redemption date on October 1, 1998 and October 1, 2002, respectively and on each October 1 thereafter to maturity, in the following principal amounts in the years specified:

2001 Maturity	
Year	Amount
1998	$ 3,675,000
1999	4,000,000
2000	4,325,000
2001 (Maturity)	4,650,000

2007 Maturity	
Year	Amount
2002	$ 5,025,000
2003	5,425,000
2004	5,875,000
2005	6,325,000
2006	6,850,000
2007 (Maturity)	7,375,000

Optional Redemption

The 1980 Bonds maturing on or after October 1, 1991 are subject to redemption, at the option of the City, on and after October 1, 1990, in whole or in part on any interest payment date, at a redemption price of 100% of the principal amount thereof, together with accrued interest to the date of redemption.

All or any of the 1980 Bonds subject to call may be called for redemption at any one time. If less than all of the Bonds are redeemed at any one time, such Bonds shall be redeemed in inverse order of maturity and by lot within each maturity.

Special Refunding Call

If 1980 Bonds maturing after October 1, 1990 are defeased prior to October 1, 1983 in the manner described herein under the caption "Security for and Sources of Payment for the Bonds — Defeasance" and

are called for redemption on October 1, 1990, then the redemption price for the 1980 Bonds so to be redeemed shall be as follows, plus accrued interest to the date of redemption:

Maturity October 1	Special Refunding Redemption Price
1991	100 %
1992	100
1993	100
1994	100
1995	100
1996	99⅜
1997	98⅜
2001	96¾
2007	95

Notice of Redemption

The Resolution requires that notice of redemption of the 1980 Bonds be published in a newspaper of general circulation in the County of Los Angeles, California, and in a financial newspaper or journal of national circulation published in or near the City of New York, New York, said publications to be at least 30 days but not more than 60 days prior to the redemption date. If any of the 1980 Bonds designated for redemption be registered other than to bearer, the Registrar shall, on or before the dates of publication of said notices to such registered owners at the addresses appearing on the bond registry book.

SECURITY FOR AND SOURCES OF PAYMENT FOR THE BONDS

Pledge Under the Resolution

Pursuant to the City Charter, the Ordinance, which incorporates certain provisions of the Bond Law, and the Resolution, the Bonds are equally secured by a pledge, charge and lien upon the Gross Revenues of the Electric System. Gross Revenues are defined in the Resolution as rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other income derived by the City from the ownership, operation, use or services of the Electric System.

The General Fund of the City is not liable for the payment of the Bonds or their interest, nor is the credit or taxing power of the City pledged for the payment of the Bonds or their interest. The holder of the Bonds or coupons may 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 the Bonds and premiums upon the redemption of any thereof 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 Gross Revenues of the Electric System which are, under the terms of the Resolution, pledged to the payment of the Bonds.

Revenues and Flow of Funds Under the Resolution

Pursuant to the Resolution, all Gross Revenues are deposited with the City Treasurer to the credit of the Electric Revenue Fund. The City Finance Director shall allocate or transfer from the Electric Revenue Fund the following amounts in the order of priority as set forth below.

First, on or before the twentieth day of each calendar month so long as any of the 1980 Bonds are outstanding for deposit in the Bond Service Account (and, in the case of the 1972 Bonds, in the bond service fund created for that issue), the following: (i) one-sixth of the interest which will become due and payable on the outstanding Bonds within the next ensuing six months, except that for any interest payment due on or before April 1, 1984, the monthly sum allocated shall be the interest which will become due and payable less the amount of any funded interest placed in the IDC Account (see "Application of the 1980 Bond Proceeds") divided by the number of months remaining in said period, and (ii) one-twelfth of the principal amount which will mature and be payable on the outstanding serial Bonds within the next ensuing twelve

months. Commencing on or before October 1, 2001 and on or before each October 1 thereafter so long as any of the term 1980 Bonds are outstanding, the Finance Director shall allocate to the Sinking Account established pursuant to the Resolution sums sufficient to call and redeem said term Bonds in accordance with the schedule set forth under "Description of the 1980 Bonds — Mandatory Redemption."

Second, to the Maintenance and Operation Account, amounts sufficient for the payment of the maintenance and operation expenses of the Electric System. Maintenance and operations expenses are defined in the Resolution as the reasonable and necessary current expenses of maintaining, repairing and operating the Electric System, including City administrative expenses directly attributable to Electric System functions, but excluding depreciation, interest and amortization, all computed in accordance with sound accounting principles and consistent with existing accounting practices of the City.

Third, on or before the twentieth day of each calendar month, for deposit in the Reserve Fund, the amount required, if any, for such Fund to equal the Maximum Annual Debt Service. (See "Reserve Fund" below).

Fourth, on or before the twentieth day of each calendar month, for deposit in the Renewal and Replacement Account, an amount equal to one percent (1%) of the Gross Revenues received in the preceding calendar month until a balance is established or reestablished therein equal to two percent (2%) of the depreciated book value of the land, general plant and equipment which constitute a portion of the Electric System. The moneys contained in such account may be used for extraordinary maintenance and repairs, renewals and replacements to the Electric System and may be transferred to the Bond Service Account to prevent default in payment of the principal and interest on outstanding Bonds. The balance in the Renewal and Replacement Account was $805,000 as of June 30, 1980. Since this account may be depleted at any time for the various purposes, no assurance can be given that moneys in said Account will be available at any particular time for transfer to the Bond Service Account.

All moneys remaining in the Electric Revenue Fund after the foregoing transfers have been made shall be transferred to the Electric System Surplus Revenue Fund. Such moneys have been pledged to the payment of principal of and interest on the outstanding 1976 Subordinated Bonds, the outstanding balance of which mature on December 1, 1980. As of the date hereof, the City has on deposit sufficient monies to pay at maturity the principal of and interest on the 1976 Subordinated Bonds. All moneys remaining in the Electric System Surplus Revenue Fund after satisfying the requirements of the resolution authorizing the issuance of the 1976 Subordinated Bonds shall, to the extent available, be transferred to the Construction Account on a monthly basis, up to and including the month of October, 1982 in an amount equal to 100% of the amount of income received during the preceding month from the investment of moneys in the Reserve Fund, and thereafter up to and including the month of December, 1983 in an amount equal to 50% of the amount of such income received during the preceding month, and any remaining moneys may be: (i) invested in any authorized investments, (ii) transferred to the Redemption Fund to be used for the redemption of Bonds which are subject to call or for purchase in the open market of any outstanding Bonds or (iii) used for any lawful purpose of the City.

Reserve Fund

The Resolution requires, in effect, that there be deposited into the Reserve Fund from the proceeds of the 1980 Bonds and any additional Bonds ranking on a parity with the Bonds the amount necessary so that such fund shall equal the Maximum Annual Debt Service calculated immediately after the issuance of such series of Bonds. Maximum Annual Debt Service is defined in the Resolution as the maximum sum obtained for any fiscal year of computation, or any fiscal year thereafter, by totaling the following for such fiscal year: (i) the principal amount of all outstanding serial Bonds payable in such fiscal year, (ii) the minimum principal amount of all outstanding term Bonds scheduled to be called and redeemed in such fiscal year, together with the premium thereon, if any be payable, and (iii) the interest which would be due during such fiscal year on the aggregate principal amount of Bonds which would be outstanding in such fiscal year if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds already retired.

The Reserve Fund is currently held and administered by the Bank of America NT & SA, the Fiscal Agent. After retirement of the 1972 Bonds, it will be held by the City Treasurer.

The Resolution requires that the Reserve Fund be maintained in an amount equal to Maximum Annual Debt Service. Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds in the event that the moneys in the Bond Service Account or Sinking Account (or the bond service fund in the case of the 1972 Bonds) are insufficient therefor, and for that purpose the Fiscal Agent or the City Treasurer, as the case may be, shall withdraw and transfer moneys from the Reserve Fund to the Bond Service Account (or the bond service fund, in the case of the 1972 Bonds). Whenever moneys are withdrawn from the Reserve Fund an equal amount of moneys shall be placed in the Reserve Fund by transfers from the first available moneys in the Electric Revenue Fund.

As of the date hereof, the balance in the Reserve Fund is equal to the Maximum Annual Debt Service on all outstanding Bonds.

Rate Covenant

The City has agreed under the Resolution to prescribe, revise and collect such charges for the services and facilities of the Electric System which, after making allowances for contingencies and errors in the estimates, shall be at least sufficient to pay the following amounts in the order set forth; (i) the interest on and principal payments (including any Sinking Account payments) of the outstanding Bonds as they become due and payable, (ii) all current expenses for the necessary and reasonable maintenance and operation expenses of the Electric System as said expenses become due and payable, (iii) all payments required for compliance with the Resolution including transfers required to be made from the Electric Revenue Fund to other funds and accounts, (iv) all payments required for compliance with the resolution providing for the issuance of the 1976 Subordinated Bonds and (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the revenues of the Electric System. Charges shall be so fixed that the Net Revenues shall be at least equal to the sum of 1.10 times the amounts payable under (i) above, provided that so long as any of the 1972 Bonds remain outstanding (the final scheduled maturity being July 1, 1992) such charges shall be so fixed that the Net Revenues shall at least equal 1.25 times the maximum amount payable under (i) above. Net Revenues are defined in the Resolution as the amount of Gross Revenues less the Maintenance and Operation Expenses.

Additional Debt

Under provisions of the Resolution, the City covenants that no additional indebtedness shall be incurred having any priority in payment of principal or interest out of the Gross Revenues of the Electric System over the Bonds.

Parity bonds may be issued to finance or refinance any repairs, improvements, enlargements or extensions of the Electric System and to refund any Bonds then outstanding, provided that the City covenants that, except for bonds issued to refund Bonds, no additional indebtedness evidenced by revenue bonds, revenue notes or any other evidences of indebtedness payable out of the Gross Revenues of the Electric System and ranking on a parity with the Bonds shall be created or incurred unless: (i) the City is not in default under the terms of the Resolution, (ii) the Net Revenues of the Electric System, calculated on sound accounting principles, as shown by the books of the City for each of the last two completed fiscal years prior to the adoption of the resolution approving the sale of such additional indebtedness as shown by an audit certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City, plus, at the option of the City, the allowance for earnings described in the next paragraph, shall have amounted to at least 1.10 times the amount of principal and interest which will become due and payable or accrue in the fiscal year next succeeding the fiscal year in which such additional indebtedness is incurred on all Bonds and, so long as any of the 1972 Bonds remain outstanding (the final scheduled maturity being July 1, 1992), at least 1.25 times the Maximum Annual Debt Service in any fiscal year thereafter on all indebtedness to be outstanding immediately subsequent to the incurring of such additional indebtedness.

For the purpose of applying the restriction contained in this covenant, Gross Revenues may include an allowance for earnings arising from any increase in the charges made for service from the Electric System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of said last two completed fiscal years, was not in effect, in an amount equal to 95% of the amount by which the Gross Revenues would have been increased if such increase in charges had been in effect during the whole of said last two completed fiscal years, as shown by the certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City.

In addition to the foregoing, under provisions of the resolution authorizing the issuance of the 1976 Subordinated Bonds, the City may not issue additional electric revenue bonds, whether parity or subordinated, unless (i) the City is not in default under the terms of the resolution authorizing the issuance of the 1976 Subordinated Bonds and (ii) the Net Revenues for each of the two preceding fiscal years shall have amounted to at least the amount of principal and interest which will become due and payable in the fiscal year next succeeding the fiscal year in which such additional indebtedness is incurred on all indebtedness payable out of the revenues of the Electric System.

Refunding Bonds

Parity bonds may also be issued to refund outstanding Bonds if, after giving effect to the application of the proceeds thereof either (i) Annual Debt Service will not be increased in any fiscal year in which Bonds (excluding such refunding parity bonds) not being refunded are to be outstanding, or (ii) the Net Revenues of the Electric System, calculated on sound accounting principles, as shown by the books of the City for each of the last two completed fiscal years prior to the adoption of the resolution approving the sale of such additional indebtedness as shown by an audit certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City, plus, at the option of the City, the allowance for earnings described in the third paragraph under "Additional Debt", shall have amounted to at least 1.10 times the amount of principal and interest which will become due and payable or accrue in the fiscal year next succeeding the fiscal year in which such additional indebtedness is incurred on all Bonds so to be outstanding.

The City may issue parity bonds to refund the $6,200,000 outstanding 1972 Bonds without compliance with the foregoing tests.

In June 1980, the electorate of the City rejected a proposal to amend the City Charter to permit the issuance of refunding revenue bonds by the City without an additional election. The Department intends to seek resubmission of this proposal to the electorate. The City is unable to predict whether or when such proposal will be resubmitted or adopted or whether or when, if adopted, the authority to refund would be exercised.

Insurance

Under the provisions of the Resolution, the City covenants that it shall at all times maintain with responsible insurers all such insurance on the Electric System as is customarily maintained by similar utilities systems with respect to works and properties of like character against accident to, loss of or damage to such works or properties and loss of revenues insurance. If any useful part of the Electric System shall be damaged or destroyed such part shall be restored to use. The money collected from insurance against accident, loss or damage shall be used for repairing or rebuilding the lost, damaged or destroyed works and properties, and to the extent not so applied, shall be applied to the retirement of Bonds and for such purpose paid into the appropriate funds or accounts. The money collected from loss of revenues insurance shall be deposited in the Electric Revenue Fund.

The City shall also maintain with responsible insurers worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City and the Bondholders.

Notwithstanding the foregoing, the City may provide any insurance required by this covenant through a self-insurance program.

Other Covenants

Other covenants of the City under the Resolution are summarized below:

(a) The City will punctually pay, or cause to be paid, the principal of and interest on the Bonds and will make all payments into the Bond Service Account, the Sinking Account and the Reserve Fund in conformity with the terms of the Bonds and the Resolution.

(b) The City will commence the accomplishment of the purposes for which the Bonds are being issued and will complete such purposes with all practicable dispatch and in an economical manner.

(c) The City will pay and discharge all lawful claims and any taxes, assessments or other governmental charges lawfully levied or assessed against the Electric System or the Gross Revenues which, if unpaid, might impair the security of the Bonds.

(d) The City will operate the Electric System in an efficient and economical manner and preserve the Electric System in good repair and working order.

(e) The City will not (except as expressly permitted by the Resolution) mortgage, encumber, sell, lease, pledge, place a charge on or otherwise dispose of the Electric System or the Gross Revenues and will not enter into any agreement which impairs the operation of the Electric System or otherwise impairs the rights of the Bondholders with respect to the Gross Revenues or operation of the Electric System without making adequate provision to protect the rights of the Bondholders.

(f) The City will keep proper books of records and accounts of the Electric System in which complete and correct entries will be made of all transactions relating to the Electric System and will cause the books and accounts of the Electric System to be audited annually by an independent certified public accountant and furnish a copy of the audit report, upon request, to any Bondholder.

(g) The City will maintain and enforce valid regulations for the payment of bills for electric service and will permit no free connections with, or use and services of, the Electric System.

(h) The City will not invest the proceeds of the Bonds in a manner which would result in the Bonds constituting taxable "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954 as amended, and the Income Tax Regulations issued thereunder.

Amendments to the Resolution

Any covenant of the City contained in the Resolution may be amended, waived or modified upon the consent of the holders of 60% of the bonds outstanding, exclusive of Bonds, if any, owned by the City. No such amendment, waiver or modification shall be made which will permit (i) a change in the maturity or term of redemption of the principal of any Bond or any installment of interest thereon or a reduction in the principal amount of or redemption price or redemption premium or rate of interest upon any Bond without the consent of the holder of such Bond; or (ii) a reduction of the percentage of the principal amount of Bonds the vote or consent of which is required to effect such amendment.

Investments

Moneys in the Construction Account, the IDC Account, the Bond Service Account, the Sinking Account and the Renewal and Replacement Account maintained by the City Treasurer and moneys in the Reserve Fund maintained by the Fiscal Agent may be invested in any obligations in which the City may lawfully invest its funds, provided that so long as any of the 1972 Bonds are outstanding, moneys in the Bond Service Account, the Sinking Account, the Reserve Fund and the Renewal and Replacement Account may be invested only in direct obligations or obligations guaranteed by the United States of America or Certificates of Deposit of recognized banks or trust companies fully secured by direct obligations of or obligations guaranteed by the United States of America.

Defeasance

The Resolution provides that 1980 Bonds shall no longer be deemed to be outstanding and unpaid if the City shall have made adequate provision for the payment, in accordance with the 1980 Bonds and the Resolution, of the principal and interest to become due thereon at maturity or upon call and redemption

prior to maturity. Such provisions shall be deemed to be adequate if the City shall have irrevocably set aside, in a special trust fund or account, moneys which when added to the interest earned or to be earned from the investment or deposit thereof shall be sufficient to make said payments as they become due. Moneys so set aside may be invested in any direct obligations of, or obligations guaranteed by, the United States of America, in which the City may lawfully invest its money.

APPLICATION OF THE 1980 BOND PROCEEDS

The City estimates that the proceeds of the 1980 Bonds (excluding accrued interest) will be applied as follows:

For payment of the City's share of Project Construction Costs (1)	$50,250,000
For deposit in the Reserve Fund	8,000,000
For payment of costs of issuance (including a bond discount of $8,400,000)	8,950,000
For deposit in the IDC Account (2)	16,800,000
Total 1980 Bonds	$84,000,000

(1) Includes an estimated $8,947,000 to be paid to Edison for interest charges prior to November 1, 1980. Excludes $4,172,000 of estimated investment income on Bond proceeds in the Construction Account, the IDC Account and the Reserve Fund.

(2) To pay 100% of the interest on the 1980 Bonds until October 1, 1982 and 50% of the interest on the 1980 Bonds thereafter until December 1, 1983.

Moneys in the Construction Account may be invested in any Authorized Investments, provided that the maturity or maturities thereof shall not be later than the date or dates on which moneys must be available to meet scheduled Construction Account expenditures. If any sum remains in the Construction Account after the full accomplishment of the purposes for which the 1980 Bonds were issued, it shall be transferred to and placed in the Electric Revenue Fund.

CITY OF ANAHEIM — THE ELECTRIC SYSTEM

History of the Electric System

As one of the first such municipally-owned systems in the State of California, the Electric System has been fundamentally a sub-transmission and distribution system, although it did generate all its own power from 1895 to 1916 and part of its own power from 1927 to 1930. The original City-owned generating plant was constructed in 1895 and consisted of a steam-driven generator of 500 lights capacity. By 1896, the maximum capacity of the generating plant had been reached and Anaheim voters passed authorization for bonds for the combined rebuilding of both the electric light plant and the City water system. In 1916 the City entered into an agreement to purchase electricity at wholesale rates from Edison rather than generate its own power. In 1934, the City, working with the Federal Public Works Administration, rebuilt and expanded the distribution system sufficiently to serve the needs of the citizens until the end of World War II.

The City has since continued to expand its distribution system to meet the growing demands of its customers. The Electric System serves the entire area within the City limits by receiving electricity at the 220 KV Lewis Receiving Station.

Estimated Financial Information

The Electric System, as well as the City, is currently undergoing its annual audit for the fiscal year ended June 30, 1980. Therefore, the financial information and statistics reflecting the status of the Electric System for the fiscal year ended June 30, 1980 and the ten months ended April 30, 1980 have been estimated by the Department and are preliminary and subject to adjustment.

Existing Facilities

The Electric System serves the entire area within the City limits of Anaheim, approximately 42 square miles. The principal facilities of the Electric System are transmission and distribution lines aggregating 1,211 circuit miles as of the fiscal year ended June 30, 1980. The Electric System comprises eight existing distribution substations with an additional distribution substation scheduled to be completed by late 1981. The following table sets forth statistical information relating to the facilities of the Electric System:

ELECTRIC SYSTEM STATISTICS

	Fiscal Year ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Utility Plant (less accumulated depreciation)(1)	$40,262,000	$37,102,000	$32,711,000	$33,428,000	$30,720,000
Transmission — 69 Kv Circuit Miles	51	44	44	44	44
Distribution					
Overhead Circuit Miles	871	871	870	869	863
Underground Circuit Miles	289	272	248	210	182
Transformer Capacity (in KVA)					
220 Kv to 69 Kv	840,000	840,000	840,000	840,000	840,000
69 Kv to 12 Kv	492,000	492,000	457,000	417,000	417,000
12 Kv to Customer	734,000	687,000	647,000	607,000	565,000

(1) During the year ended June 30, 1977, the City obtained an historical cost appraisal of its property, plant and equipment from a professional appraisal firm, Marshall and Stevens, Inc., which included a physical inventory of assets and a determination of their estimated remaining useful lives. Accordingly, utility plant (less accumulated depreciation) reflects adjustments at June 30, 1977 and 1976 and in subsequent years resulting from that appraisal. During the year ended June 30, 1979, the City elected to record its unamortized project costs as an other asset rather than utility plant. Accordingly, utility plant at June 30, 1980, 1979, and 1978 reflects this reclassification.

Power Supply

The electricity supplied to the City is purchased at wholesale rates from Edison or as economy energy from Nevada Power Company. In the fiscal year ended June 30, 1980, the Electric System purchased a total of 1,834,788,614 kilowatt hours of electricity for delivery to customers throughout the City. About 90 percent, or 1,657,880,614 kilowatt hours, was purchased from Edison. The remaining 10 percent, or 176,908,000 kilowatt hours, was purchased from Nevada Power Company.

On July 30, 1980, combined customer electric requirements created a new system peak demand of 408,000 kilowatts, up 12,000 kilowatts from the 1979-1980 peak.

The following table sets forth, in kilowatt hours of electricity, the total purchases of power and Electric System peak demand during the last 5 fiscal years.

TOTAL KILOWATT HOURS PURCHASED AND PEAK DEMAND

	Fiscal Year ended June 30				
	1980	1979	1978	1977	1976
From Edison(kWh)	1,657,880,614	1,501,098,304	1,472,686,902	1,305,991,471	1,541,609,451
From Nevada Power Company(kWh)	176,908,000	333,104,000	250,049,000	355,347,000	41,651,000
System Total	1,834,788,614	1,834,202,304	1,722,735,902	1,661,338,471	1,583,260,451
System peak demand (Kw)	396,000	395,600	347,600	328,000	330,400

The Electric System purchases power from Edison pursuant to the Integrated Operations Agreement whereby Edison agrees to furnish the capacity and energy necessary to meet the City's load, to the extent not provided by City integrated resources. The term of such agreement is 50 years commencing November, 1977. (See Appendix D — "Summary of the Integrated Operations Agreement"). In addition, the Electric System purchases power from Nevada Power Company pursuant to an agreement negotiated in 1976 which provides for purchase of a minimum of 250,000,000 kilowatt hours of economy energy per year for a minimum of four years. Proceeds of the 1976 Subordinated Bonds were used to fund such purchase. The Nevada Power agreement ends in December 1980. In June 1980, a subsequent agreement was executed between the City and Nevada Power Company providing for economy energy exchanges and energy banking arrangements. (See "Future Plans of the Electric System.")

The following table sets forth the annual power costs for purchased power during the last five fiscal years.

ANNUAL PURCHASED POWER COSTS

	Fiscal Year ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Annual Power Costs	$71,930,000	$59,198,000	$51,747,000	$45,842,000	$39,347,000
Unit Power Costs (mills per kilowatt hour)	39.20	32.27	30.04	27.59	24.85

For a discussion of recent increases in power costs see "Operation and Maintenance of the Electric System."

Customers

The following tables set forth the average number of customers and total kilowatt hours sold during the last five fiscal years.

AVERAGE NUMBER OF CUSTOMERS

	Fiscal Year ended June 30				
	1980	1979	1978	1977	1976
Residential	72,426	70,386	68,380	66,957	63,772
Commercial	9,507	9,029	8,457	8,002	7,347
Industrial	451	438	407	383	365
Other	187	185	195	197	200
Total — all classes	82,571	80,038	77,439	75,539	71,684

TOTAL KILOWATT HOURS SOLD

(Millions of kWh)

	Fiscal Year ended June 30				
	1980	1979	1978	1977	1976
Residential	434	423	389	377	356
Commercial	391	379	357	338	307
Industrial	879	894	846	827	814
Other	30	31	29	33	34
Total Kilowatt Hours sold (1)	1,734	1,727	1,621	1,575	1,511

(1) The difference between the total kilowatt hours purchased and total kilowatt hours sold is due to system losses.

The following table sets forth the ten major commercial and industrial customers and the three major public agency customers of the Electric System in terms of total energy sales and total billings for the fiscal year ended June 30, 1980. The major commercial and industrial customers accounted for 19.8% of total energy sales and 18.2% of total annual billings of the Electric System. The largest of such industries accounted for 6.3% of total energy purchases and 5.7% of total annual billings, respectively, of the Electric System. The major public agencies noted below account for 4.2% of total energy purchases and 4.4% of total annual billings.

MAJOR ELECTRIC CUSTOMERS

Customer	Type of Business
Rockwell International Corporation	Aircraft, Aerospace and Electronics
Disneyland	Recreation and Entertainment
Delco-Remy Division, General Motors Corporation	Batteries
Pacific Telephone and Telegraph Company	Telephone Service
Wrather Corporation	Hotels, Restaurants, Shops (Includes Disneyland Hotel and Inn at the Park)
Northrop Electro-Mechanical Division, Northrop Corporation	Aerospace Electronics
Kwikset Division, Emhart Industries, Inc.	Residential Locksets and Powdered Metal Parts
Interstate Electronics Corp., Division of A-T-O, Inc.	Electronic Equipment
Monsanto Company—Packaging Division	Plastic Containers, Film and Sheeting
Lear Siegler, Inc.	Electronic Equipment

Public Agencies

City of Anaheim (including Water System and Street Lights)
Anaheim Union High School District
Anaheim Convention Center

Electric Rates and Charges

The City is obligated by its Charter and by the Resolution to establish rates and collect charges in an amount sufficient to service the Electric System's indebtedness and to meet its expenses of operation and maintenance, with specified requirements as to priority and coverage. (See "Rate Covenant" under the section "Security for and Sources of Payment for the Bonds".) Electric rates are fixed by the City Council and are not subject to regulation by the California Public Utilities Commission or by any other state agency.

Although its rates are not subject to approval by any federal agency, the City is subject to certain ratemaking provisions of the Public Utility Regulatory Policies Act of 1978. The City is operating in compliance with that Act. The City Charter requires that electric rates (as well as water rates) shall be based upon the cost of service to the various customer classes.

At present, the Electric System has 25 rate schedules in effect. The City provides no free electric service. All retail electric rates are subject to adjustment by an Energy Cost-Adjustment Billing Factor ("ECABF") applicable to each kWh to cover the variable cost of energy purchased from Edison above or below Edison's base rate. The ECABF is evaluated monthly and may be changed administratively. The ECABF effective May 1, 1980 (not reflected in the rate schedules below) is .572¢ for residential service (lifeline) and 1.485¢ for residential service (non-lifeline) and for all other classes of service. The following table sets forth the principal rate schedules for the residential, commercial and industrial customers.

RATE SCHEDULES FOR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS

Type and Description of Service	Per Meter Per Month Charge
Domestic Service Single Family Customers	
Applicable where the customer is entitled to only the Basic Residential Use Lifeline allowance	
Customer Charge	$ 2.00
Energy Charge (to be added to Customer Charge):	
First 300 kWh, per kWh	3.912¢
All Excess kWh, per kWh	4.356¢
General Service Small Commercial and Industrial Customers	
Customer Charge	$ 4.50
Energy Charge (to be added to Customer Charge):	
All kWh, per kWh	5.820¢
General Service Large Commercial and Industrial Customers	
Demand Charge:	
First 200 KW or less of billing demand	$1,020.00
All Excess KW of billing demand, per KW	5.10
Energy Charge (to be added to Customer Charge):	
All kWh, per kWh	2.571¢

Electric System rates have been changed 12 times over the last five fiscal years, the current rates having become effective May 1, 1980. The following table sets forth the percentage changes in rates for the indicated customer classes.

AVERAGE PERCENTAGE INCREASE OR (DECREASE) IN ELECTRIC RATES

Effective Date	Overall System	Residential	Commercial	Industrial
July 15, 1975	(1.0)	—	(0.7)	(2.0)
February 4, 1976	5.1	1.9	4.9	7.7
July 1, 1976	(0.03)	—	(0.02)	(0.06)
September 1, 1976	5.0	5.0	5.0	5.0
December 29, 1976	(1.7)	(5.0)	(1.0)	—
July 1, 1977	5.7	2.5	7.0	7.0
September 21, 1977	13.5	13.0	9.5	15.5
June 1, 1979	5.3	(1.7)	3.9	9.3
September 1, 1979*	15.4	7.7	15.4	19.8
December 1, 1979*	10.3	6.1	10.1	12.5
March 1, 1980*	17.8	14.6	16.5	20.0
May 1, 1980*	(13.5)	(7.8)	(13.7)	(16.1)

* ECABF adjustment.

The Department is currently planning to present an application to the City Council for an increase in base electric rates to be effective January 1981. As of the date hereof, the expected overall increase in base electric rates to be requested is 10%. The ECABF will change from time to time.

The electric rates now in effect in the City compare favorably with those of other cities in the area. The following table sets forth electric billings of eight cities, of which three are served directly as retail customers

of Edison. Edison sells power and energy wholesale to both Riverside and Anaheim, while Los Angeles, Pasadena and Glendale generate their own power.

ELECTRIC RATE COMPARISON BY MONTHLY BILL

(As of June 1, 1980)

	Residential			Commercial			Industrial	
	200 kWh	500 kWh	1100 kWh	500 kWh(1)	3000 kWh(1)	100 KW(2) 43,800kWh	200 KW(3) 87,600 kWh	5,000 KW(4) 2,555,000 kWh
ANAHEIM(5)	$ 10.97	$ 27.13	$ 62.18	$ 41.03	$ 223.65	$ 2,283.47	$ 4,573.06	$ 129,130.80
Santa Ana(6)	11.71	34.89	83.91	47.11	260.16	2,827.32	5,570.67	158,144.60
Fullerton(6)	11.71	34.89	83.91	47.11	260.16	2,827.32	5,570.67	158,144.60
Orange(6)	11.71	34.89	83.91	47.11	260.16	2,827.32	5,570.67	158,144.60
Riverside(5)	13.39	30.19	68.15	42.30	235.77	2,508.05	4,625.47	130,576.15
Los Angeles (DWP)(5)(7)	14.54	36.36	79.99	36.16	201.96	2,720.20	4,982.24	144,825.45
Pasadena(5)(7)	16.26	38.94	84.30	46.83	257.98	2,972.82	5,808.00	164,295.00
Glendale(5)(7)	21.02	48.30	101.46	59.05	319.55	3,806.28	7,442.56	203,878.00

(1) General Service — Single Phase less than 20 KW demand.

(2) Assumes 50% load factor.

(3) Assumes 60% load factor.

(4) Assumes 70% load factor.

(5) Served by municipal electric system.

(6) Served by Edison at retail.

(7) Generates own power supply.

The Electric System's Gross Revenues from the sale of electricity have increased from $48,509,000 in fiscal year ended June 30, 1976 to $90,461,000 in the fiscal year ended June 30, 1980, an increase of 86%. The following table sets forth such Gross Revenues during the last five fiscal years.

GROSS REVENUES FROM SALE OF ELECTRICITY

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Residential	$21,708,000	$19,407,000	$17,289,000	$15,431,000	$14,330,000
Commercial	23,490,000	18,110,000	16,471,000	13,488,000	11,578,000
Industrial	43,699,000	32,091,000	29,178,000	23,619,000	21,616,000
Other	1,564,000	1,234,000	1,100,000	987,000	985,000
Total	$90,461,000	$70,842,000	$64,038,000	$53,525,000	$48,509,000

The table below sets forth the average billing price per kilowatt hour of the various customer classes during the last five years.

AVERAGE BILLING PRICE PER KILOWATT HOUR

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Residential	$.0501	$.0459	$.0445	$.0410	$.0403
Commercial	.0602	.0478	.0461	.0400	.0378
Industrial	.0497	.0359	.0345	.0286	.0266
Other	.0523	.0393	.0376	.0300	.0293
Average All Classes Combined	.0522	.0410	.0395	.0340	.0321

Operation and Maintenance of the Electric System

A staff of approximately 195 persons is employed by the City to operate and maintain the Electric System. During the fiscal year ended June 30, 1980 the total operating expenses of the Electric System were $78,250,000 excluding depreciation. Operating expenses have increased from $43,215,000 in the fiscal year ended June 30, 1976 to $78,250,000 in fiscal year ended June 30, 1980, an increase of approximately 81%. While system growth and general inflation has had some impact on operating expenses, the impact of increased prices paid by Edison for imported low sulphur fuel oil on Edison's resale power rates has been the primary cause of increased operating expenses. Edison's wholesale electric rates were increased 2.8% on August 16, 1980 subject to refund. Purchased power expense increased from $39,347,000 for fiscal year ended June 30, 1976 to $71,930,000 for fiscal year ended June 30, 1980, an increase of approximately 83%.

The following table sets forth the Operating Expenses of the Electric System (excluding depreciation) during the last five fiscal years.

OPERATING EXPENSES (EXCLUDING DEPRECIATION)

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Cost of Purchased Power	$71,930,000	$59,198,000	$51,747,000	$45,842,000	$39,347,000
Maintenance and Operations	6,320,000	5,693,000	4,658,000	4,463,000	3,868,000
Total	$78,250,000	$64,891,000	$56,405,000	$50,305,000	$43,215,000

Accounting records, financial transactions, and billing, including all billing and accounting for the Electric System, are computerized. Annual audits of the City's electric and water utilities are made separately by the City's independent certified public accountant. The audits are made simultaneously with the audits of the non-utility financial activity of the City.

Prior to July 1971, the Electric System was treated, for accounting purposes, as an account in the City's General Fund. Since July 1971, funds of the Electric System have been separated from the General Fund of the City and the books and records are maintained separate and apart from all other funds and accounts of the City.

Transfers to the General Fund of the City of surplus funds of the Electric System (after payment of operation and maintenance expenses and debt service on the Bonds) are made annually. Prior to June 30, 1977, there were no restrictions on the maximum amount that could be transferred annually from the Electric Utility Fund to the General Fund of the City. The amount of these transfers, to and including the year ended June 30, 1977, was determined by the City Council through the budgeting process. As a result of an amendment to the City Charter, approved by the voters on November 11, 1976, annual transfers after June 30, 1977 were limited to a percentage of gross utility fund revenues of the prior fiscal year remaining after payment of debt service payments on outstanding Bonds, operation and maintenance expenses and

other payments required by the Resolution. In fiscal year 1979, the maximum amount that could be transferred was 6% of the prior year's adjusted gross revenue and all subsequent transfers are limited to 4%. Such transfers may be further limited as a result of the enactment of Article XIIIB of the California Constitution. (See "Constitutional Limitation on Governmental Spending" below and "Constitutional Amendments Affecting City Revenues" in Appendix H).

For further information concerning the Electric System's financial position, see the audited financial statements for the fiscal years ended June 30, 1979 and 1978 and the unaudited financial statements for the ten months ended April 30, 1980 and 1979 attached hereto as Appendices F and G, respectively.

Outstanding Debt Service Requirements

The following table indicates the actual debt service on the outstanding Bonds of the Electric System and debt service on the 1980 Bonds, at interest rates as set forth on the cover page of this Official Statement.

DEBT SERVICE REQUIREMENTS*

Fiscal Year Ending June 30	Outstanding 1972 Bonds and 1976 Bonds			1980 Bonds			Total Debt Service
	Principal	Interest	Total	Principal	Interest**	Total	
1981	$ 425,000	$ 639,000	$ 1,064,000		$ 3,360,000	$ 3,360,000	$ 4,424,000
1982	450,000	607,375	1,057,375		6,720,000	6,720,000	7,777,375
1983	475,000	575,500	1,050,500		6,720,000	6,720,000	7,770,500
1984	500,000	546,675	1,046,675		6,720,000	6,720,000	7,766,675
1985	525,000	522,975	1,047,975	$ 1,250,000	6,670,000	7,920,000	8,967,975
1986	550,000	497,125	1,047,125	1,375,000	6,565,000	7,940,000	8,987,125
1987	600,000	468,913	1,068,913	1,450,000	6,452,000	7,902,000	8,970,913
1988	625,000	438,150	1,063,150	1,600,000	6,330,000	7,930,000	8,993,150
1989	650,000	405,512	1,055,512	1,700,000	6,198,000	7,898,000	8,953,512
1990	700,000	371,100	1,071,100	1,850,000	6,056,000	7,906,000	8,977,100
1991	750,000	332,925	1,082,925	2,000,000	5,902,000	7,902,000	8,984,925
1992	775,000	292,450	1,067,450	2,150,000	5,736,000	7,886,000	8,953,450
1993	825,000	260,750	1,085,750	2,325,000	5,557,000	7,882,000	8,967,750
1994	175,000	245,300	420,300	2,525,000	5,363,000	7,888,000	8,308,300
1995	200,000	234,975	434,975	2,725,000	5,153,000	7,878,000	8,312,975
1996	225,000	223,175	448,175	2,925,000	4,927,000	7,852,000	8,300,175
1997	250,000	209,675	459,675	3,175,000	4,683,000	7,858,000	8,317,675
1998	275,000	194,675	469,675	3,425,000	4,419,000	7,844,000	8,313,675
1999	300,000	178,175	478,175	3,675,000	4,135,000	7,810,000	8,288,175
2000	325,000	160,175	485,175	4,000,000	3,828,000	7,828,000	8,313,175
2001	350,000	140,350	490,350	4,325,000	3,495,000	7,820,000	8,310,350
2002	350,000	119,000	469,000	4,650,000	3,136,000	7,786,000	8,255,000
2003	375,000	97,650	472,650	5,025,000	2,749,000	7,774,000	8,246,650
2004	400,000	74,400	474,400	5,425,000	2,331,000	7,756,000	8,230,400
2005	400,000	49,600	449,600	5,875,000	1,879,000	7,754,000	8,203,600
2006	400,000	24,800	424,800	6,325,000	1,391,000	7,716,000	8,140,800
2007				6,850,000	864,000	7,714,000	7,714,000
2008				7,375,000	295,000	7,670,000	7,670,000
	$11,875,000	$7,910,400	$19,785,400	$84,000,000	$127,634,000	$211,634,000	$231,419,400

* The table excludes the currently outstanding $2,225,000 of 1976 Subordinated Bonds due December 1, 1980. The City has on hand funds sufficient to pay such bonds together with interest thereon.

** Interest capitalized on 100% of the interest on the 1980 Bonds until October 1, 1982 and 50% of the interest on the 1980 Bonds thereafter until December 1, 1983.

Coverage of Debt Service

The following table shows the historical coverage of debt service by the Net Revenues of the Electric System for the last five fiscal years as calculated in accordance with the flow of funds in the Resolution.

SUMMARY OF COVERAGE OF DEBT SERVICE
(000)

	Fiscal Year Ended June 30				
	1980	1979	1978	1977	1976
	(Unaudited)				
Operating Revenues:					
Sales of Electric Energy	$90,461	$70,842	$64,038	$53,525	$48,509
Other Operating Revenues (including interest income)	2,074	1,200	1,261	1,141	784
Total Operating Revenues	$92,535	$72,042	$65,299	$54,666	$49,293
Operating Expenses (excluding depreciation):					
Cost of Purchased Power	$71,930	$59,198	$51,747	$45,842	$39,347
Maintenance and Operations	6,320	5,693	4,658	4,463	3,868
Total Operating Expenses	$78,250	$64,891	$56,405	$50,305	$43,215
Net Revenues	$14,285	$ 7,151	$ 8,894	$ 4,361	$ 6,078
Debt Service Requirements (excluding Subordinated Bonds)	$ 1,069	$ 1,072	$ 1,072	$ 1,072	$ 644
Times Debt Service Covered By Net Revenues	13.4	6.7	8.3	4.1	9.4

Energy Conservation

Since the OPEC Oil Embargo, industry and large commercial customers generally have made the greatest strides in reducing electric energy consumption.

Through printed materials mailed with utility billings, the Department continues to promote consumer awareness of the need for conservation measures and effective steps which can be taken by individual customers to reduce their electric use. The Department emphasized its commitment to effective conservation programs with the establishment of the Conservation Services Division.

The Electric System is subject to the National Energy Conservation Policies Act, and is in the process of implementing conservation programs required by the Act. A residential conservation service plan has been prepared and submitted in a timely manner to the Department of Energy for approval as required by the Act.

Constitutional Limitation on Governmental Spending

Article XIIIB of the California Constitution (adopted by a vote of the people in November, 1979) limits the annual appropriations of State and local governmental entities to the amount of appropriations of the entity for the prior fiscal year, as adjusted for changes in the cost of living, changes in population and changes in services rendered by the entity.

Pending clarification of certain of its provisions by the courts, or by the Legislature, the full impact of Article XIIIB on the amounts and uses of moneys to be deposited in the Electric Revenue Fund is not clear. However, to the extent moneys in the Electric Revenue Fund are used to pay the costs of maintaining and operating the Electric System and debt service on the Bonds (including the funding of the Reserve Fund, as required by the Resolution), such moneys should not, under the terms of Article XIIIB as supplemented by recent legislation and based upon the official ballot argument supporting the measure at the November 1979 election, be held to be subject to the appropriation limit.

SUMMARY PROJECTION OF OPERATING RESULTS OF THE ELECTRIC SYSTEM

Based on the forecast of power costs by the Consulting Engineer and on certain data supplied by the City and certain considerations and assumptions (see "Considerations and Assumptions of the Consulting Engineer"), the Consulting Engineer has prepared a projection of operating results of the City's Electric System for the fiscal years ending 1981 through 1985. Increases in revenue requirements are projected beyond those generated by the City's existing rates. The required revenues are based on covering projected

operating expenses, debt service on the 1980 Bonds and previous bonds issued by the City, and on meeting the City's projected capital improvement program and other non-operating financial commitments. The additional revenues required are primarily to meet future capital improvements and escalating purchased power costs from Edison.

PROJECTED OPERATING RESULTS

(000)

	Fiscal Year Ending June 30				
	1981	**1982**	**1983**	**1984**	**1985**
Gross Revenues:					
Revenues from Sales of Electricity:					
At 1980 Average Charges	$100,280	$105,217	$110,864	$116,545	$121,731
Additional Revenues Required (1)	11,240	32,992	55,454	85,775	110,510
Subtotal	$111,520	$138,209	$166,318	$202,320	$232,241
Miscellaneous Operating Revenue (2)	274	263	275	287	303
Interest Income (3)	723	922	1,116	1,359	1,576
Interest Income (Reserve Fund) (4)	478	727	727	727	727
Total Estimated Gross Revenues	$112,995	$140,121	$168,436	$204,693	$234,847
Operating Expenses:					
Power Production — San Onofre Units 2 and 3	$ 0	$ 692	$ 2,179	$ 3,885	$ 4,684
Purchased Power — Edison	96,632	114,502	139,153	169,473	195,265
Other Operation and Maintenance Expense (2)	9,443	10,294	11,431	12,303	13,205
Total Estimated Operating Expenses Excluding Depreciation and Amortization	$106,075	$125,488	$152,763	$185,661	$213,154
Total Estimated Net Revenues	$ 6,920	$ 14,633	15,673	$ 19,032	$ 21,693
Debt Service on the Bonds:					
Outstanding Bonds	1,064	1,057	1,050	1,047	1,048
The 1980 Bonds (5)	0	0	2,520	6,258	7,989
Total Debt Service on the Bonds	$ 1,064	$ 1,057	$ 3,570	$ 7,305	$ 9,037
Balance for Other Purposes (6)	$ 5,856	$ 13,576	$ 12,103	$ 11,727	$ 12,656
Debt Service Coverage by Net Revenues on the Bonds (7)	6.50	13.84	4.39	2.61	2.40

(1) Additional revenues required primarily to meet costs of future capital improvements and escalating purchased power costs from Edison.

(2) Estimated by the City.

(3) Estimated by the City. Includes interest earnings on existing Reserve Fund at an assumed 8.5% interest rate and interest earnings on other funds at an assumed 7% interest rate.

(4) For the 1980 Bonds only at an assumed investment rate of approximately 9.0%.

(5) Based on 100% of interest capitalized to October 1, 1982; 50% of interest capitalized to December 1, 1983.

(6) Includes, among other things, payments to renewal and replacement account as required by the Bond Resolution, payments to the general fund, funds for Electric System capital improvements and a payment of $2,280,000 in 1981 on subordinated bonds. In addition the balances shown include interest earnings on the Reserve Fund expected to be available for transfer to Construction Account:

Year Ending June 30	1981	1982	1983	1984
Interest Earnings (000)	$478	$727	$452	$148

(7) Ratio of total estimated Net Revenue to total debt service on the Bonds.

THE PROJECT

General

Pursuant to a Settlement Agreement dated August 4, 1972 with Edison, the City was granted the right to acquire a 1.66% ownership interest in the Project, with Edison providing the necessary transmission services to the City to deliver the output of the Project to the Electric System. Edison has signed and the City upon delivery of the Bonds will sign the San Onofre Units 2 and 3 Participation Agreement (the "Participation Agreement") with Edison which sets forth the terms and conditions under which the City will participate in the ownership and output of the Project and the Transmission Service Agreement (the "Transmission Service Agreement") whereby Edison agrees to provide transmission of the City's share of the output of the Project to the City's point of delivery at the Lewis Substation. The City has also signed an Integrated Operations Agreement (the "IOA") and will sign upon delivery of the 1980 Bonds a Supplemental Agreement for the integration of Anaheim's entitlements in San Onofre Units 2 and 3 (the "Supplemental Agreement") with Edison which provides, among other things, for the operation of the Project by Edison for the benefit of the City. Under the IOA, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's share of the Project and any future City owned resource and credit the City on its monthly billing statements for the power and energy generated by such resources that are integrated with Edison's resources. The City and Edison have agreed in the Supplemental Agreement that the Project will be included as an integrated resource pursuant to the IOA. (For a summary description of the Participation Agreement, the Transmission Service Agreement, the IOA and the Supplemental Agreement, see Appendices B, C, D and E attached hereto.)

Description of the Project

The San Onofre Nuclear Generating Station consists of two 1,100-MWe nuclear generating units currently under construction and an existing nuclear generating unit No.1 (not a part of the Project) rated at 450-MWe. The station is located on an 84-acre site approximately three miles south of San Clemente, California and within the U.S. Marine Corps Base at Camp Pendleton. Except for certain common facilities shared with Unit 1, the Project consists of the two units under construction. These units, Units 2 and 3, are essentially identical in design and will share certain common facilities including the control room and certain other facilities.

The nuclear steam supply systems for the Project, supplied by Combustion Engineering, Inc., are closed-cycle pressurized water reactor systems rated at 3,410 MWt each. The turbine generators are tandem compound units supplied by GEC Turbine Generators, Ltd. (formerly English Electric). The main condensers are being supplied by Ingersoll Rand and will be cooled by circulating seawater obtained through large intake lines extending out 5,200 feet into the ocean.

The main generators are rated at 1,312,950 kVA. The main transformers will consist of banks of three single-phase transformers designed to step-up the output voltage of each generator to 220 kV for interconnection into the facilities of Edison's transmission network.

The Project is being designed and the construction is being managed by the Bechtel Power Company for Edison. Edison is managing the start-up program and will operate the two units upon receiving a commercial operating license.

It is currently planned that the Project will be owned as tenants-in-common by the following investor owned and publicly owned utilities:

Participants	Ownership Interest
Edison	76.55%
San Diego	20.00
City of Riverside	1.79
City of Anaheim	1.66
Total	100.00%

Estimated Financing Requirements for the Project

The following table shows the estimated cost of constructing and financing the Project:

	Total Project(1)	City's Share
Land and Land Rights	$ 3,270,000	$ 54,000
Structures and Improvements	680,928,000	11,304,000
Reactor Plant Equipment	811,009,000	13,463,000
Turbogenerator	460,008,000	7,636,000
Accessory Electrical Equipment	195,485,000	3,245,000
Miscellaneous Power Plant Equipment	58,500,000	971,000
Subtotal Direct Construction Costs	$2,209,200,000	$36,673,000
Ad Valorem Taxes(2)		648,000
Nuclear Fuel(1)		4,798,000
City's Contingency(3)		3,356,000
Total Construction Costs		$45,475,000
Interest Payable To Edison(4)		8,947,000
Reserve Fund(5)		8,000,000
Interest Funded During Construction(6)		16,800,000
Financing Costs(7)		8,950,000
Gross Requirements		$88,172,000
Less: Interest Income(8)		4,172,000
Net Financing Requirements		$84,000,000

(1) Estimated by Edison.
(2) Estimated share of tax to be paid by City.
(3) Additional contingency not included in Edison's estimated costs to allow funds for uncertainties in the licensing schedule and possible additional design changes in the future.
(4) City's share of estimated interest costs paid by Edison through October 1, 1977 and City's interest costs at 9% per year on funds expended by Edison from November 1, 1977 to October 31, 1980.
(5) Approximate maximum annual debt service.
(6) Based on 8.0% annual interest rate on the 1980 Bonds. 100% of the interest on the 1980 Bonds is capitalized until October 1, 1982 and 50% of the interest on the 1980 Bonds is capitalized until December 1, 1983.
(7) Includes maximum allowable Bond discount of $8,400,000 and costs of issuance of $550,000.
(8) From temporary investment at an assumed interest rate of 7% of the 1980 Bond proceeds deposited in the Construction Account and the IDC Account. Also included are 100% of investment income on the Reserve Fund until October, 1982 and 50% of such interest income until December, 1983 estimated at a rate of approximately 9.0%. The interest earnings on the Reserve Fund are presumed to reach the Electric System Surplus Revenue Fund and as such, subject to the pledge of the 1976 Subordinated Bonds, are required by the Resolution to be deposited in the Construction Account to the extent not otherwise needed in accordance with such Resolution.

Edison has estimated that certain design changes resulting from the accident analysis of the Three Mile Island Unit No. 2 ("TMI-2") will result in an additional $30,000,000 plus overhead costs to the Project and have included such costs in their estimate of the total direct construction costs.

Status and Schedule of Construction

Construction of Unit 2 began in March 1974 after receipt of a construction permit from the NRC in October 1973, and the major construction of Unit 3 started in June 1975. Fuel loading for Unit 2 is scheduled for the second quarter of 1981 with commercial operation in December 1981. Fuel loading for Unit 3 is scheduled for the third quarter of 1982 with commercial operation scheduled for February 1983. An operating license must be issued for each unit before fuel loading may begin for that unit. As of June 27, 1980, Edison has stated that the construction of Unit 2 was approximately 93% complete and Unit 3 was approximately 63% complete.

Various locals of the International Brotherhood of Boilermakers have begun work stoppages at projects in certain western states, after the expiration on September 30, 1980 of their regional contract. Local 92 of the Boilermakers halted work on the Project on October 7, 1980 and, with other trade unions honoring the stoppage, construction work on the Project has stopped. The City is unable to predict the duration of the stoppage and therefore the impact the stoppage will have on the construction schedule or cost of the Project.

Nuclear Fuel

The nuclear fuel cycle consists of four basic elements prior to insertion of the fuel assemblies in a nuclear reactor. These elements include acquisition of uranium concentrates, conversion of the uranium concentrates to uranium hexafluoride, enrichment of the uranium hexafluoride and fabrication of the enriched uranium into fuel assemblies. After the fuel has been used in the reactor, it is removed for reprocessing or disposal.

The following table shows the amount of coverage of the necessary materials and services Edison has acquired for the Project:

	Unit 2		Unit 3	
	Full Coverage Through	% Coverage Through 1990	Full Coverage Through	% Coverage Through 1990
Uranium	1985	85	1985	52
Conversion	1990	100	1990	100
Enrichment	2009	100	2009	100
Fabrication	1984	25	1985	55
Storage	1991	100	1992	100

At the present time, no operating facilities for the reprocessing of spent fuel are available, and in April 1977 the President of the United States announced an indefinite deferral of reprocessing spent fuel and the use of plutonium. In October 1977, the United States Department of Energy (the "DOE") announced its intent to accept and take title to spent fuel from utilities upon payment of a one time storage fee. The details of this DOE program are currently being formulated. Edison is providing on-site spent fuel storage capacity for the Project estimated to be sufficient to accommodate storage of the discharges of all spent fuel from Unit 2 through 1991 and from Unit 3 through 1992. By then it is assumed that an appropriate program will have been implemented to accept spent fuel for placement in a suitable repository.

Permits and Approvals

Edison has informed the City that all major required permits, except an operating license, have been granted. Edison's current schedule anticipates that the operating license will be received from the NRC in sufficient time to meet the projected fuel loading and start up schedules. However, petitions have been granted to certain adverse parties to intervene in the operating license proceedings. The City cannot predict what impact, if any, such intervention will have upon the timing of issuance of, or the conditions included in, the operating license. (See "Regulatory Matters").

City's Future Power Supply Requirements and Future Power Supply Resources

Pending further development of other generating resources the City may acquire (see "Other Projects of the Electric System"), it is assumed that the City's power requirements not produced by the Project will be met by purchases from Edison through the IOA. The compound annual growth rate for peak demand is 3.3% and for energy requirements is 3.5% for the ten years projected. The following table shows the annual peak and energy requirements as estimated by the City and the estimated amounts of power and energy expected to be supplied from the Project and from Edison purchases.

Fiscal Year Ended June 30	Peak (MW)			Energy (Millions of kWh)		
	Requirements	Purchased from Edison	Capacity from the Project	Requirements	Purchased from Edison	Generated by the Project
1981	415.0	415.0	—	1,905	1,905	—
1982	428.0	428.0	—(1)	1,999	1,967	32
1983	450.0	435.5	14.5(1)	2,107	2,005	102
1984	473.0	444.1	28.9	2,215	2,048	167
1985	496.0	467.1	28.9	2,313	2,114	199
1986	515.0	486.1	28.9	2,399	2,187	212
1987	532.0	503.1	28.9	2,478	2,256	222
1988	547.0	518.1	28.9	2,551	2,329	222
1989	562.0	533.1	28.9	2,622	2,400	222
1990	576.0	547.1	28.9	2,688	2,466	222

(1) The City will receive certain capacity credits for the Project for the years ending June 30, 1982 and

1983 from Edison, however, not all capacity from the City's share of the Project will be available to meet the City's forecast peak load for those years.

Estimated Cost of Power from the Project

The following table shows the estimated annual costs of power from the Project as it is delivered to the City's system for the years 1982 through 1990 based on Edison's estimate of energy generation by the Project.

ESTIMATED ANNUAL COST TO THE CITY OF POWER FROM THE PROJECT
($000)

	Fiscal Year Ending June 30								
	1982	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**
Interest and Amortization(1)	—	2,520	6,258	7,989	7,969	7,986	7,973	7,977	7,982
Land Easement(2)	1	2	3	3	4	4	4	4	4
Operation and Maintenance(2)	245	500	925	1,337	1,471	1,612	1,767	1,937	2,123
Administrative and General(2)	143	299	375	416	452	492	535	582	634
Nuclear Insurance(2)	48	115	157	174	190	206	224	244	266
Nuclear Fuel(3)	103	837	1,763	2,052	1,890	2,347	2,889	2,493	2,588
Renewals and Replacements(4)	107	270	412	445	481	519	561	606	654
Taxes(5)	5	56	107	112	112	112	112	112	112
Transmission(6)	40	100	143	145	147	149	152	154	156
Subtotal	692	4,699	10,143	12,673	12,716	13,427	14,217	14,109	14,519
Less: Interest Earnings(7)	—	275	579	727	727	727	727	727	727
Total	692	4,424	9,564	11,946	11,989	12,700	13,490	13,382	13,792
Energy Delivered (Millions of kWh)(8)	32	102	167	199	212	222	222	222	222
Cost (Mills per kWh)	21.6	43.4	57.3	60.0	56.6	57.2	60.8	60.3	62.1

(1) Based on 100% of interest capitalized until October 1, 1982 and 50% of the interest capitalized until December 1, 1983. Remaining interest to be paid from revenues.

(2) As estimated by Edison.

(3) Based on Edison nuclear fuel costs.

(4) Estimated at 1% of capital costs and escalated at 8% per year.

(5) Based on the City's share of ad valorem taxes at the time of acquiring its ownership share.

(6) Based on the Transmission Service Agreement.

(7) Earnings on the Reserve Fund not deposited in the Construction Account at an assumed interest rate of approximately 9%.

(8) Computed as the City's share of estimated total generation at the Project site, less energy transmission losses estimated at approximately 1%.

Considerations and Assumptions of the Consulting Engineer

The estimates and projections of the Consulting Engineer are based upon, among other things, information from Edison, as manager of the Project and from the City. Such estimates and projections are also based upon the considerations and assumptions reflected in "Appendix A — Consulting Engineer's Report."

Conclusions of the Consulting Engineer

R. W. Beck and Associates, Consulting Engineer to the City, has prepared "The Consulting Engineer's Report" concerning the Project. Based upon the studies, investigations, analyses and assumptions set forth and the information supplied by the City and Edison with respect to the proposal by the City to acquire an ownership interest in the Project, the Consulting Engineer is of the opinion that:

1. The acquisition of an ownership interest in the Project by the City and the operation of the Project under the provisions of the IOA will provide the City with an economical long-range source of power that will result in lower power supply costs than would result from the continued purchase of all its power requirements from Edison.

2. The forecasted overall revenue requirements from the sale of electricity by the City are reduced by the City acquiring an ownership share in the Project rather than continuing to purchase all of its power requirements from Edison.

3. The estimated cost of power from the Project compares favorably with forecast purchase power rates from Edison and with available cost projections of other generating resources potentially available to the City in the 1980's.

4. The construction cost estimates by Edison for the Project are comparable with the costs expected for similar projects being developed within the same time frame.

Certain Factors Affecting the Electric Utility Industry and Effects of the Three Mile Island Accident

The electric utility industry is currently experiencing problems in a number of areas including, among others, the effects of inflation upon the costs of operations and construction, availability and high cost of capital, availability and increased cost of fuel for the generation of electric energy, long construction periods for new generating units, licensing and other delays affecting the construction of new facilities, and compliance with environmental regulations and Federal energy legislation, including the National Energy Act of 1978. The City is unable to predict the extent to which the Electric System will be affected by such factors.

In addition, following the accident at TMI-2, the NRC has undergone a reorganization and an interruption of its licensing efforts. The licensing requirements for nuclear plants are continually being re-evaluated in light of the TMI-2 accident which has resulted in some uncertainty in the licensing schedules for all plants approaching completion of construction.

The TMI-2 accident analysis of the NRC has resulted in additional design change requirements by the NRC. Edison has estimated that these design changes will result in an additional $30,000,000 plus overhead costs to the Project and have included such costs in their estimate. There is the possibility that additional design changes may be required in the future.

REGULATORY MATTERS

The California Public Utilities Commission has issued an order authorizing Edison to transfer an ownership interest in the Project to the City. It is not necessary that either the Federal Energy Regulatory Commission ("FERC") or the California Energy Commission approve the transfer of an ownership interest to the City. The City has complied with the California Environmental Quality Act insofar as it is applicable to the transfer of an ownership interest to the City. To the extent that additional permits or approvals (other than the NRC operating permit discussed below) may be required, the City believes that such will be obtained in due course.

Nuclear Regulatory Commission

The Atomic Energy Act (42 USC 2131; Title 10 CFR 50.10(a)) provides that it is unlawful for any person within the United States to transfer or receive in interstate commerce, manufacture, produce, transfer, acquire, possess, use any utilization of production facility equipment except under and in accordance with a license issued by the NRC. A Construction Permit was issued on October 18, 1973 to Edison and San Diego. Therefore, while the City will not operate the facility, it has been concluded that it will be necessary for the Construction Permit to be amended by adding the City as an owner thereto. On July 19, 1979, Edison, San Diego, Anaheim and Riverside filed an Application with the NRC to amend the Construction Permit. On August 5, 1980, the NRC approved the Application to amend the Construction Permit thereby adding Anaheim and Riverside as owners of the Project.

Edison and San Diego have applied for an Operating Permit. Petitions to Intervene have been granted to several adverse parties. Primary issues raised relate to seismic and geologic conditions and to emergency planning. As part of the proceedings, the United States Geological Survey is preparing a report on seismic and geologic matters for submission to the NRC for its consideration. Edison has advised the City that, based on studies conducted by or on behalf of Edison, it believes that the Project is designed to be able to withstand maximum adverse seismic conditions it considers credible for the Project area. Discovery has commenced and is presently proceeding. It is anticipated that the Atomic Safety and Licensing Board will set dates for hearings on this matter in early 1981. The Licensing Board has indicated that when the Cities acquire their ownership interest in the Project they will be consolidated with applicants Edison and San Diego for the Operating Permit proceedings. An Operating Permit has not yet been granted for this facility. It will be necessary for the City to apply for, and be granted, an Operating Permit for Units 2 and 3. It is not anticipated that the City will have any different problems with obtaining an Operating Permit than will Edison and San Diego.

FUTURE PLANS OF THE ELECTRIC SYSTEM

The City currently purchases all of its firm electrical power requirements from Edison at Edison's wholesale rates and purchases certain amounts of economy energy, pursuant to an Economy Energy Agreement dated May 25, 1976 from Nevada Power Company. The Economy Energy Agreement will terminate in December 1980. In June 1980, the City and Nevada Power Company executed an agreement which provides for economy energy exchanges and energy banking arrangements. In addition, in June 1980, the City and the DOE executed a letter agreement whereby the City may purchase fuel replacement interruptible energy from relatively low cost DOE resources when such energy is available.

The increased cost of fuel oil has resulted in higher wholesale power costs to the City. The cost of electricity purchased by the City increased by 22% for the fiscal year ended 1980. In order to lessen the impact of the continually rising power costs, the Department is actively pursuing alternate sources of power including joint participation in coal and other electric generating projects.

OTHER PROJECTS OF THE ELECTRIC SYSTEM

In addition to the Project, the City has an ongoing program to investigate other potential power supply resources which could be used to serve a portion of its requirements which are currently being purchased from Edison. Of these potential resources, the most definitive is the Intermountain Power Project ("IPP") to be located in Southwest Utah.

Intermountain Power Project

In 1974, the City entered into a Membership and Study Agreement with the California cities of Riverside, Burbank, Glendale, Pasadena and the Department of Water and Power of The City of Los Angeles ("LADWP") and with the Intermountain Consumer Power Association, composed of a group of Utah municipalities and rural electric cooperatives. The purpose of the membership and study agreement was to investigate the feasibility of constructing and operating the project. The proposed project is a 3,000-megawatt coal-fired electric-generating plant consisting of four 750-megawatt generators, to be located in

Southwest Utah. The presently projected commercial operation date of the first unit is July 1986 with other units following at one-year intervals. A feasibility study has been completed by LADWP pursuant to an agreement between IPP and LADWP.

In May 1977, several Utah municipalities, which are members of the Intermountain Consumer Power Association, agreed to organize the Intermountain Power Agency ("IPA"), a political subdivision of the State of Utah created pursuant to the provisions of the Interlocal Cooperation Act of the State of Utah, for the express purpose of undertaking and financing IPP. It is currently contemplated that IPA will issue long-term bonds (estimated to aggregate $8 billion) to finance the construction of IPP, with said bonds secured by "take-or-pay" power sales contracts between IPA and purchasers of power from IPP obligating those purchasers to pay whether or not power is produced. On August 6, 1980, the City entered into such a power sales contract obligating it to purchase a 10.23% share of IPP capacity and energy. Payments by the City of its share of IPP power costs (including debt service) are expected to commence in the fiscal year ending 1987. Based upon preliminary estimates, the Consulting Engineer expects that participation in IPP will result in lower costs of power to the City than purchasing the equivalent amount of power from Edison. Pursuant to the IOA, Edison has agreed to integrate IPP as a resource and to provide transmission services to the City's point of delivery.

An environmental impact statement has been prepared by the United States Bureau of Land Management. On December 19, 1979, the Secretary of the Interior announced his approval of the project following the completion of the environmental impact statement. IPA is entering into contracts to acquire approximately 39,500 acre feet of surface water annually from the Sevier River and 5,500 acre feet of ground water annually from wells located in the vicinity of the proposed plant site. IPA has commenced negotiations to acquire a coal supply but no contracts have been executed to obtain coal for the project.

White Pine Project

The City, together with other public and private utilities in California and Nevada, has begun preliminary studies to explore the feasibility of constructing a coal-fired generating station near Ely, Nevada. This generating station would provide approximately 1,500 megawatts of electrical capacity. It is contemplated that White Pine County would finance and construct this project. The bonds issued by White Pine County would be secured by power sales contracts executed with the various purchasers of power from the project. The City's entitlement percentage share for feasibility studies is currently expected to be approximately 3.6%. It is currently anticipated that the electric utilities referred to above will enter into a power supply development agreement with White Pine County in the fall of 1980 for the purpose of conducting further feasibility and environmental studies and obtaining permits and licenses for constructing and operating the project. It is anticipated that White Pine County will issue notes not exceeding $30,000,000 for such purposes. Such notes will be payable from the proceeds of long term bonds issued by the County or from payments by the participants under such agreements on the basis of entitlement shares. The estimated commercial operation dates for each of three 500 megawatt generating units are: 1989, 1990 and 1991, respectively.

California Coal Project

The City has entered into a letter agreement with Edison and other utilities to endeavor to obtain necessary regulatory approvals required to construct and operate the California Coal Project. The project is a proposed 1,500-megawatt plant consisting of three 500-megawatt generating units planned to be located in the eastern desert in Southern California. A Notice of Intent for certification and approval of a plant site was filed with the California Energy Commission on December 28, 1979. Proceedings are currently being held before that Commission with respect to the Notice of Intent. A decision by the California Energy Commission is expected by January 15, 1981. The City's entitlement percentage share for the feasibility studies currently is 3.38%. The project is planned to be in operation in the early 1990's with Edison acting as the project manager.

North Brawley Geothermal Project

Union Oil Company ("Union") has entered into an agreement with Edison wherein Union agreed to construct a 10 megawatt demonstration plant and a separate agreement wherein Union agreed to sell geothermal energy to Edison to operate the 10 megawatt demonstration plant. It has been proposed that the City, along with other public agencies in Southern California, agree to acquire a 50% ownership interest in the demonstration plant for the purpose of studying the technological developments and operating experience obtained in the operation of the demonstration plant, all for the purpose of constructing additional geothermal units.

The City is studying whether or not to enter into an agreement with LADWP, Burbank, Glendale, Pasadena, Riverside and the Imperial Irrigation District to acquire ownership rights in the demonstration plant and the right to acquire options to purchase geothermal energy from Union in the North Brawley Geothermal Field for approximately 450 megawatts of geothermal energy. The City's proposed entitlement percentage share would be approximately 7%.

Other Possible Resources

The City is also studying the feasibility of participating in the acquisition of some hydroelectric resources in the State of California. Along with the City of Riverside, the City has filed an application for a preliminary permit to study a proposed 140 megawatt hydroelectric project at Balsam Meadows, FERC Project No. 2858. The City has also filed, along with the cities of Azusa, Banning, Colton and Riverside and the Northern California Power Agency, a competing application with Pacific Gas and Electric Company for a license to operate the existing hydroelectric facilities at Cresta and Rock Creek powerhouses on the Feather River, FERC Project No. 1962.

It is unknown whether either of these applications will be granted by FERC.

Southern California Public Power Authority

The City and other public agencies in Southern California are members of a joint powers authority. As currently contemplated, such authority would provide for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the City participates in any project developed by the authority, it is anticipated that the City would be obligated for its share of cost on a "take-or-pay" basis whether or not power is generated or delivered.

LITIGATION

Relating to the City and the 1980 Bonds

There is no litigation pending or, to the knowledge of the City, threatened, questioning the corporate existence of the City, or the title of the officers of the City to their respective offices, or the validity of the 1980 Bonds or the power and authority of the City to issue the 1980 Bonds, or the validity of the IOA, Participation Agreement, Supplemental Agreement, and Transmission Service Agreement, except as noted below. There is no litigation pending, or to the knowledge of the City, threatened, questioning the authority of the City to fix, charge and collect rates for the sale of power and energy by the City as provided in the Resolution.

Other Litigation

City of Anaheim, Et Al. v. So. California Edison Company

On March 2, 1978 the Cities of Anaheim, Riverside, Banning, Colton and Azusa filed an action in the Federal District Court for the Central District of California alleging that Edison was involved in a conspiracy to restrain and monopolize trade and price discrimination all in violation of the Sherman Antitrust Act and the Robinson-Patman Price Discrimination Act. On or about May 5, 1978 Edison filed motions for a more definite statement, to dismiss the complaint for failure to state a claim, or in the alternative, to stay the action. The District Court denied Edison's Motion to Dismiss, but stayed the case

pending FERC's decision in Docket No. ER 76-205, E-7796 and E-7777. The District Court lifted the stay on September 10, 1979 to permit discovery on certain matters. On February 10, 1980 the District Court vacated the stay entirely. On November 29, 1979 Edison filed its Answer and Counterclaim requesting damages in an unspecified amount. A status conference is scheduled for February 1981. Counsel to the City believes, based upon the allegations contained in the Counterclaim, which allegations constitute the factual basis for such belief that the counterclaim of Edison is without merit.

The City is a party plaintiff or intervenor in various rate cases and other proceedings affecting the Electric System. The City does not believe that any of these proceedings will have an adverse effect upon the financial condition of the Electric System.

AVAILABLE INFORMATION REGARDING EDISON AND SAN DIEGO

Information at various dates concerning, among other things, the respective financial positions of Edison and San Diego and their respective abilities to pay their proportionate shares of capital and other costs of the Project and otherwise to perform their obligations under the various Project agreements is contained in reports and other information filed by each of such companies pursuant to the informational requirements of the Securities Exchange Act of 1934. Such reports and other information on file can be inspected and copied at the office of the Securities and Exchange Commission at Room 6101, 1100 L Street, N.W., Washington, D.C.; Room 1228, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois; Room 1100, Federal Building, 26 Federal Plaza, New York, New York; and Suite 1710, Tishman Building, 10960 Wilshire Boulevard, Los Angeles, California. Copies of such materials can also be obtained at prescribed rates from the Commission at its principal office at 500 North Capitol Street, N.W., Washington, D.C. 20549. Certain securities of each of such companies are listed on the New York, American and Pacific Stock Exchanges and information on file can be inspected at the respective offices of these Exchanges at Room 401, 20 Broad Street, New York, New York; 86 Trinity Place, New York, New York; and 301 Pine Street, San Francisco, California.

LEGALITY FOR INVESTMENT BY SAVINGS AND COMMERCIAL BANKS IN CALIFORNIA

The Superintendent of Banks of the State of California has certified that the 1980 Bonds will, when issued, constitute legal investments for savings and commercial banks in California.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 1980 Bonds are subject to the unqualified approving opinion of O'Melveny & Myers, Los Angeles, California, Bond Counsel. Said opinion in substantially the form attached as Appendix I will be printed on the Bonds. Certain legal matters will be passed upon for the City by Alan R. Watts, Esq., Special Counsel, and for the Underwriters by their counsel, Messrs. Mudge Rose Guthrie & Alexander.

UNDERWRITING

The Underwriters have jointly and severally agreed to purchase all, but not less than all, of the 1980 Bonds at a price representing an aggregate discount of 1.712% from the initial public offering prices set forth on the cover page hereof.

The Underwriters may offer and sell the 1980 Bonds to certain dealers and others at prices lower than the initial public offering prices and the initial public offering prices may be changed from time to time by the Underwriters.

TAX EXEMPTION

In the opinion of Bond Counsel, interest on the 1980 Bonds is exempt from income taxes of the United States of America under present federal income tax laws, and is also exempt from personal income taxes of the State of California under present state income tax laws.

Bond Counsel is further of the opinion that the amount of original issue discount, if any, in the selling price of the 1980 Bonds (which original issue discount with respect to each maturity of the 1980 Bonds equals, at a minimum, the lesser of (i) the difference between the principal amount of such 1980 Bonds and the price paid to the underwriters by the original purchasers of a substantial portion of the 1980 Bonds of such maturity, and (ii) the difference between the principal amount of such 1980 Bonds and the price paid by the Underwriters, calculated in each case without regard to accrued interest) represents interest which is exempt from federal income taxation to the same extent expressed in the preceding paragraph; provided, however, that in the case of a sale or exchange of such 1980 Bonds or the redemption of such 1980 Bonds prior to maturity such original issue discount is apportioned among such original purchaser of such 1980 Bonds and subsequent holders, and each respective holder is entitled to treat as exempt from federal income taxation, at a minimum, that portion of his gain, if any, which does not exceed the amount of such original issue discount with respect to such 1980 Bonds multiplied by a fraction the numerator of which is the number of days (computed on an actual calendar day basis) such 1980 Bonds were owned by him and the denominator of which is the total number of days from the date of issuance of such 1980 Bonds to the date of maturity of such 1980 Bonds.

This Official Statement has been approved by the City Council of the City of Anaheim

CITY OF ANAHEIM, CALIFORNIA

/s/ John Seymour
Mayor

/s/ W.O. Talley
City Manager

/s/ Gordon W. Hoyt
Public Utilities General Manager

October 10, 1980

R. W. BECK AND ASSOCIATES

ENGINEERS AND CONSULTANTS

PLANNING
DESIGN
RATES
ENVIRONMENTAL
ECONOMICS
MANAGEMENT

TOWER BUILDING
7TH AVENUE AT OLIVE WAY
SEATTLE, WASHINGTON 98101
206-622-5000

GENERAL OFFICE
SEATTLE, WASHINGTON
206-622-5000

October 10, 1980

City of Anaheim
Civic Center
200 South Anaheim Blvd.
Anaheim, California 92805

Gentlemen:

Subject: Consulting Engineer's Report
Anaheim Electric System

Presented herewith is a summary of our analyses, investigations and studies with respect to the proposal by the City of Anaheim, California (the "City") to issue $84,000,000 of Electric Revenue Bonds, Issue of 1980 (the "1980 Bonds") for the purpose of paying a portion of the cost of acquiring an ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3 and certain common facilities (together referred to herein as the "Project"). The Project is being constructed by the Southern California Edison Company ("Edison") and San Diego Gas and Electric Company. Edison has been designated as Project manager and operator. The City proposes to purchase its ownership share from Edison. Based on estimated costs of the Project, the City expects that the Bonds will be sufficient to acquire a 1.66% ownership interest in the Project. However, the City's present financing program provides that additional bonds could be issued at later dates if necessary to pay any remaining cost of acquiring its ownership interest in the Project.

The City entered into a Settlement Agreement dated August 4, 1972 with Edison which provided, among other things, that the City may acquire a 1.66% ownership interest in the Project and that Edison will provide the necessary transmission services to the City to deliver the output of the Project to the City's system. The City has signed an Integrated Operations Agreement ("IOA") and will sign upon delivery of the 1980 Bonds a Supplemental Agreement for the Integration of Anaheim's Entitlement in San Onofre Units 2 and 3 ("Supplemental Agreement") with Edison which provide, among other things, for the operation of the Project by Edison for the benefit of the City. Under the IOA, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's share of the Project and any future City owned resource and credit the City on its monthly billing statements for the power and energy generated by such resources that are integrated with Edison's resources. The Supplemental Agreement provides that the Project will be included as an integrated resource pursuant to the IOA. Further, Edison has signed and, upon delivery of the 1980 Bonds, the City will sign the San Onofre Units 2 and 3 Participation Agreement which sets forth the terms and conditions under which the City will participate in the ownership and output of the Project, and the Transmission Service Agreement in which Edison agrees to provide Transmission of the City's share of the output of the Project to the City's point of delivery. For a summary of the San Onofre Units 2 and 3 Participation Agreement, the Transmission Service Agreement, the IOA and the Supplemental Agreement, see Appendices B, C, D, and E respectively to the Official Statement to which this report is attached ("Official Statement").

Currently all of the City's power and energy is purchased at wholesale rates from Edison except for interruptible energy which is purchased from other public and private electric utilities and governmental agencies when it is available at an economically attractive price. The City expects to use its share of the output of the Project to replace a portion of the power and energy currently being purchased from Edison, with resulting long-term economic benefits to the City.

THE PROJECT

San Onofre Nuclear Generating Station

The San Onofre Nuclear Generating Station consists of two 1,100 MWe nuclear generating units currently under construction and an existing nuclear generating unit No. 1 (not part of the Project) rated at 450 MWe. The station is located on an 84-acre site approximately three miles south of San Clemente, California and within the U.S. Marine Corps Base at Camp Pendleton. Except for certain common facilities shared with the existing unit, the Project consists of the two units under construction. These units, Units 2 and 3, are essentially identical in design and will share certain common facilities including the control room and certain other facilities.

The nuclear steam supply systems for the Project, supplied by Combustion Engineering, Inc., are closed-cycle pressurized water reactor systems rated at 3,410 MWt each with two reactor coolant loops. The turbine generators are tandem compound units supplied by GEC Turbine Generators, Ltd. (formerly English Electric). The main condensers are being supplied by Ingersoll Rand and will be cooled by circulating seawater obtained through large intake lines extending out 5,200 feet into the ocean.

The main generators are rated at 1,312,950 kVA. The main transformers will step up the output voltage of each generator to 220 kV for interconnection into the facilities of Edison's transmission network.

The Project is being designed and the construction is being managed by the Bechtel Power Company for Edison. Edison is managing the startup program and will operate the two units upon receiving a commercial operating license.

It is currently planned that the Project will be owned as tenants-in-common by the following utilities.

	Ownership Interest
Edison	76.55%
San Diego Gas & Electric Company	20.00
City of Riverside	1.79
City of Anaheim	1.66
Total	100.00%

Status and Schedule

Construction of Unit 2 began in March 1974 after receipt of a construction permit from the Nuclear Regulatory Commission ("NRC") in October 1973, and the major construction of Unit 3 started in June 1975. Fuel loading for Unit 2 is scheduled for the second quarter of 1981 with commercial operation in December 1981. Fuel loading for Unit 3 is scheduled for the third quarter of 1982 with commercial operation scheduled for February 1983. An operating license must be issued for each unit before fuel loading may begin for that unit. As of June 27, 1980, construction of Unit 2 was approximately 93% complete and Unit 3 was approximately 63% complete. Edison's current schedule anticipates that the operating license will be received from the NRC in sufficient time to meet the projected fuel loading and startup schedules. For a discussion of the status of the operating license, see the caption "Regulatory Matters — Nuclear Regulatory Commission" in the Official Statement.

Construction work on the Project is currently halted due to a strike as part of a western regional work stoppage by the International Brotherhood of Boilermakers. The City is unable to predict the duration of the

stoppage, or its impact on the construction schedule or cost of the Project. For a further discussion, see the caption "The Project — Status and Schedule of Construction" in the Official Statement.

Estimated Financing Requirements for the Project

The following table shows the estimated cost of constructing and financing the Project:

	Total Project(1)	City's Share
Land and Land Rights	$ 3,270,000	$ 54,000
Structures and Improvements	680,928,000	11,304,000
Reactor Plant Equipment	811,009,000	13,463,000
Turbogenerator	460,008,000	7,636,000
Accessory Electrical Equipment	195,485,000	3,245,000
Miscellaneous Power Plant Equipment	58,500,000	971,000
Subtotal Direct Construction Costs	$2,209,200,000	$36,673,000
Ad Valorem Taxes (2)		648,000
Nuclear Fuel (1)		4,798,000
City's Contingency (3)		3,356,000
Total Construction Costs		$45,475,000
Interest Payable to Edison(4)		8,947,000
Reserve Fund(5)		8,000,000
Interest Funded During Construction(6)		16,800,000
Financing Costs(7)		8,950,000
Gross Requirements		$88,172,000
Less: Interest Income (8)		4,172,000
Net Financing Requirements		$84,000,000

(1) Estimated by Edison.

(2) Estimated share of tax to be paid by City.

(3) Additional contingency not included in Edison's estimated costs to allow funds for uncertainties in the licensing schedule and possible additional design changes.

(4) City's share of estimated interest costs paid by Edison through October 1977 and City's interest costs at 9% per year on funds expended by Edison from November 1, 1977 to October 31, 1980.

(5) Approximate maximum annual debt service.

(6) Based on 8.0% annual interest rate on the 1980 Bonds. 100% of the interest on the 1980 Bonds is capitalized until October 1, 1982 and 50% of the interest on the 1980 Bonds is capitalized until December 1, 1983.

(7) Includes maximum allowable Bond discount of $8,400,000 and $550,000 for costs of issuance.

(8) From temporary investment at an assumed interest rate of 7% of the 1980 Bond proceeds deposited in the Construction Account and in the Interest During Construction account. Also included are 100% of investment income on the Reserve Fund, invested at an assumed interest rate of approximately 9.0%, until October 1982 and 50% of such interest income until December 1983. The interest earnings on the Reserve Fund are presumed to reach the Electric System Surplus Revenue Fund and as such, subject to the pledge of the 1976 Subordinated Bonds, are required by the Resolution authorizing the 1980 Bonds to be deposited in the Construction Account to the extent not otherwise needed in accordance with such Resolution.

Effects of the Three Mile Island Accident

Following the accident at the Three Mile Island Unit No. 2, ("TMI-2"), the NRC has undergone a reorganization and an interruption of its licensing efforts. The licensing requirements for nuclear plants are continually being re-evaluated in light of the TMI-2 accident which has resulted in some uncertainty in the licensing schedules for all plants near the completion of construction.

The TMI-2 accident analysis of the NRC has resulted in additional design change requirements by the NRC. Edison has estimated that these design changes will result in an additional $30,000,000 plus overhead costs to the Project and have included such costs in their estimate of the total direct construction costs. Additional design changes may be required in the future.

Nuclear Fuel

The nuclear fuel cycle consists of four basic elements prior to insertion of the fuel assemblies in a nuclear reactor. These elements include acquisition of uranium concentrates, conversion of the uranium concentrates to uranium hexafluoride, enrichment of the uranium hexafluoride and fabrication of the enriched uranium into fuel assemblies. After the fuel has been used in the reactor, it is removed for reprocessing or disposal.

The following table shows the amount of coverage of the necessary materials and coverage Edison has acquired for the Project:

	Unit No. 2		Unit No. 3	
	Full Coverage Through	% Coverage Through 1990	Full Coverage Through	% Coverage Through 1990
Uranium	1985	85	1985	52
Conversion	1990	100	1990	100
Enrichment	2009	100	2009	100
Fabrication	1984	25	1985	55
Storage	1991	100	1992	100

At the present time, no operating facilities for the reprocessing of spent fuel are available, and in April 1977 the President of the United States announced an indefinite deferral of reprocessing spent fuel and the use of plutonium. In October 1977, the United States Department of Energy ("DOE") announced its intent to accept and take title to spent fuel from utilities upon payment of a one-time storage fee. The details of this DOE program are currently being formulated. Edison is providing on-site spent fuel storage capacity for the Project estimated to be sufficient to accommodate storage of the discharges of all spent fuel from Unit No. 2 through 1991 and from Unit No. 3 through 1992. By then it is assumed that an appropriate program will have been implemented to accept spent fuel for placement in a suitable repository.

Estimated Cost To The City of Power from the Project

The following table shows the estimated annual costs of power from the Project as it is delivered to the City's system for the years ending June 30, 1982 through 1990 based on Edison's estimate of energy generation by the Project.

ESTIMATED ANNUAL COST TO THE CITY OF POWER

FROM THE PROJECT

(000)

	Fiscal Year Ending June 30								
	1982	1983	1984	1985	1986	1987	1988	1989	1990
Interest and Amortization(1)	$ —	$2,520	$ 6,258	$ 7,989	$ 7,969	$ 7,986	$ 7,973	$ 7,977	$ 7,982
Land Easement(2)	1	2	3	3	4	4	4	4	4
Operation and Maintenance(2)	245	500	925	1,337	1,471	1,612	1,767	1,937	2,123
Administrative and General(2)	143	299	375	416	452	492	535	582	634
Nuclear Insurance(2)	48	115	157	174	190	206	224	244	266
Nuclear Fuel(3)	103	837	1,763	2,052	1,890	2,347	2,889	2,493	2,588
Renewals and Replacements(4)	107	270	412	445	481	519	561	606	654
Taxes(5)	5	56	107	112	112	112	112	112	112
Transmission(6)	40	100	143	145	147	149	152	154	156
Subtotal	$ 692	$4,699	$10,143	$12,673	$12,716	$13,427	$14,217	$14,109	$14,519
Less: Interest Earnings(7)	—	275	579	727	727	727	727	727	727
Total	$ 692	$4,424	$ 9,564	$11,946	$11,989	$12,700	$13,490	$13,382	$13,792
Energy Delivered (Millions of kWh)(8)	32	102	167	199	212	222	222	222	222
Cost (Mills per kWh)	21.6	43.4	57.3	60.0	56.6	57.2	60.8	60.3	62.1

(1) Based on 100% of interest capitalized until October 1, 1982 and 50% of the interest capitalized until December 1, 1983. Remaining interest to be paid from revenues.

(2) Estimated by Edison.

(3) Based on Edison nuclear fuel costs.

(4) Estimated at 1.0% of capital costs and escalated at 8.0% per year.

(5) Based on the City's share of ad valorem taxes at the time of acquiring its ownership share.

(6) Based on the Transmission Service Agreement.

(7) Earnings on the Reserve Fund not deposited in the Construction Account at an assumed interest rate of approximately 9%.

(8) Computed as the City's share of estimated total generation at the Project site, less energy transmission losses estimated at approximately 1%.

ENERGY AND CAPACITY REQUIREMENTS

During the last five fiscal years, the City's electric customers have increased by 15.2%, from 71,684 customers in 1976 to 82,571 customers in 1980.

During the same period of time, the City's electric energy requirements have increased from 1,583,260,000 kilowatt-hours in 1976 to 1,834,789,000 kilowatt-hours in 1980, a 15.9% total increase and a 3.8% increase per year. Peak demand increased from 330,400 kilowatts in 1976 to 396,000 kilowatts in 1980 and 408,000 kilowatts in July 1980.

Historical Number of Customers and Load Requirements

Fiscal Year Ending June 30	Average Number of Customers	% Increase (1)	Energy Requirements (MWh)	% Increase (1)	Peak Demand (MW)	% Increase (1)
1976	71,684	—	1,583,260	—	330.4	—
1977	75,539	5.4	1,661,338	4.9	328.0	(0.7)
1978	77,439	2.5	1,722,736	3.7	347.6	6.0
1979	80,038	3.4	1,834,202	6.5	395.6	13.8
1980	82,571	3.2	1,834,789	0.0	396.0	0.1

(1) Over previous year.

The City's load growth between 1979 and 1980 was lower than that experienced in prior years with only a slight increase in energy requirements. The City feels the slower growth rate can primarily be attributed to milder than average temperatures during the year and to the City's ongoing conservation efforts. The City's forecast load requirements, shown on the following table, are based on a forecast the City has submitted to the California Energy Commission. The forecast shows a higher rate of growth than that experienced in the 1979-1980 period but less than that experienced over the previous five-year period. The load forecast, as developed by the City, was prepared considering, among other things, economics of the region, price elasticity and the City's ongoing conservation programs.

Forecast Peak and Energy Requirements(1)

Fiscal Year Ending June 30	Peak Demand (MW)	% Increase (2)	Energy Requirements (MWh)	% Increase (2)
1981	415	—	1,905,000	—
1982	428	3.1	1,999,000	4.9
1983	450	5.1	2,107,000	5.4
1984	473	5.1	2,215,000	5.1
1985	496	4.9	2,313,000	4.4
1986	515	3.8	2,399,000	3.7
1987	532	3.3	2,478,000	3.3
1988	547	2.8	2,551,000	2.9
1989	562	2.7	2,622,000	2.8
1990	576	2.5	2,688,000	2.5

(1) Estimated by the City.

(2) Over previous year.

POWER SUPPLY PLANNING

Currently, all of the City's electricity is purchased at wholesale rates from Edison except for interruptible energy which is purchased from other public and private electric utilities and governmental agencies when it is available at an economically attractive price. For a discussion of the contractual arrangements between the City and Edison and the City and the Nevada Power Company which has provided certain economy energy to the City (See the subcaption, "Power Supply" under the caption "City

of Anaheim — The Electric System" in the Official Statement). The capacity and energy expected to be received from the Project will be used to displace a portion of the power currently purchased from Edison.

Future Power Supply Resources

The City has an ongoing program to investigate potential power supply resources, in addition to the Project, which could be used to offset purchases of power from Edison as well as to meet all or some portion of forecast load growth. The City has contracted to purchase power from the Intermountain Power Project ("IPP") and is involved in the feasibility studies of other projects. The City plans on evaluating each of these potential future resources on the basis of providing an economically reliable supply of electric power to its customers. The status of IPP and other projects under consideration are described herein.

Intermountain Power Project

In 1974 the City entered into a membership and study agreement with the California cities of Riverside, Burbank, Glendale, Pasadena and the Department of Water and Power of The City of Los Angeles ("LADWP") and with the Intermountain Consumer Power Association, composed of a group of Utah municipalities and rural electric cooperatives. The purpose of the membership and study agreement was to investigate the feasibility of constructing and operating IPP. The proposed IPP is a 3,000-megawatt coal-fired electric-generating plant consisting of four 750-megawatt generators, to be located in Millard County in central Utah. The presently projected commercial operation date of the first unit is July 1986 with other units following at one-year intervals. The IPP plan includes construction of two 500± kV direct-current transmission lines from the plant site to the Leon Substation in the vicinity of Victorville, California where the lines will be connected to the LADWP transmission grid. The City will receive its power over this transmission line. A feasibility study has been completed by LADWP pursuant to an agreement between IPP and LADWP. As currently contemplated, LADWP will act as project manager.

In May 1977, several Utah municipalities, which are members of the Intermountain Consumer Power Association, organized the Intermountain Power Agency ("IPA"), a political subdivision of the State of Utah, for the express purpose of financing and constructing IPP. It is proposed that IPA issue long term bonds (estimated to aggregate approximately $8 billion) to finance construction of IPP with said bonds secured by "take or pay" power sales contracts between IPA and purchasers of power from IPP obligating the purchasers to pay whether or not power is produced. The City has entered into such a contract to purchase a 10.23% share of IPP capacity and energy. Payments by the City of its share of IPP costs (including debt service) are expected to commence in 1987. Based on preliminary estimates, it is expected that participation in IPP will result in lower costs of power to the City than purchasing the equivalent amount of power from Edison. Pursuant to the IOA, Edison has agreed to integrate IPP as a resource and to provide transmission services to the City's point of delivery.

An environmental impact statement has been prepared by the United States Bureau of Land Management. On December 19, 1979, the Secretary of the Interior announced his approval of the project following the completion of the environmental impact statement. IPA is entering into contracts to acquire approximately 39,500 acre feet of surface water annually from the Sevier River and 5,500 acre feet of ground water annually from wells located in the vicinity of the proposed plant site. IPA has commenced negotiations to acquire a coal supply but no contracts have been executed to obtain coal for the project.

White Pine Project

The City, together with other public and private utilities in California and Nevada, has begun preliminary studies to explore the feasibility of constructing a coal-fired generating station near Ely, Nevada. This generating station would provide approximately 1,500 megawatts of electrical capacity. It is contemplated that White Pine County would finance and construct this project. The bonds issued by White Pine County would be secured by power sales contracts executed with the various purchasers of power from the project. The City's percentage share for feasibility studies is currently expected to be approximately 3.6%. It is currently anticipated that the electric utilities referred to above will enter into a power supply development agreement with White Pine County in the fall of 1980 for the purpose of conducting a study to

determine the feasibility of constructing and operating the project. The estimated commercial operation dates for each of three 500 megawatt generating units are: 1989, 1990 and 1991, respectively. It is anticipated that White Pine County will issue notes not exceeding $30,000,000 for conducting a feasibility study and licensing of the Project.

California Coal Project

The City has entered into a letter agreement with Edison and other utilities to endeavor to obtain necessary regulatory approvals required to construct and operate the California Coal Project. The project is a proposed 1,500-megawatt plant consisting of three 500-megawatt generating units planned to be located in the eastern desert in Southern California. A Notice of Intent for certification and approval of a plant site was filed with the California Energy Commission on December 28, 1979. Proceedings are currently being held before that Commission with respect to the Notice of Intent. A decision by the California Energy Commission is expected by January 15, 1981. The City's entitlement percentage share for the feasibility studies currently is 3.38%. The project is planned to be in operation in the early 1990's with Edison acting as the project manager.

North Brawley Geothermal Project

Union Oil Company ("Union") has entered into an agreement with Edison wherein Union agreed to construct a 10 megawatt demonstration plant and a separate agreement wherein Union agreed to sell geothermal energy to Edison to operate the 10 megawatt demonstration plant. It has been proposed that the City, along with other public agencies in Southern California, agree to acquire a 50% ownership interest in the demonstration plant for the purpose of studying the technological developments and operating experience obtained in the operation of the demonstration plant, all for the purpose of constructing additional geothermal units.

The City is studying whether or not to enter into an agreement with LADWP, Burbank, Glendale, Pasadena, Riverside and the Imperial Irrigation District to acquire ownership rights in the demonstration plant and the right to acquire options to purchase geothermal energy from Union in the North Brawley Geothermal Field for approximately 450 megawatts of geothermal energy. The City's proposed entitlement percentage share would be 7%.

Other Possible Resources

The City is also studying the feasibility of participating in the acquisition of some hydroelectric resources in the State of California. Along with the City of Riverside, the City has filed an application for a preliminary permit to study a proposed 140 megawatt hydroelectric project at Balsam Meadows, Federal Energy Regulatory Commission, ("FERC") Project No. 2858. The City has also filed, along with the cities of Azusa, Banning, Colton and Riverside and the Northern California Power Agency, a competing application with Pacific Gas and Electric Company for a license to operate the existing hydroelectric facilities at Cresta and Rock Creek powerhouses on the Feather River, FERC Project No. 1962.

It is unknown whether either of these applications will be granted by FERC.

Southern California Public Power Authority

The City and other public agencies in Southern California are members of a joint powers authority. As currently contemplated, such authority would provide for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the City participates in any project developed by the authority, it is anticipated that the City would be obligated for its share of costs on a "take or pay" basis whether or not power is generated or delivered.

PROJECTED RESOURCES AND POWER COSTS

City's Power Supply

Pending further development of IPP or other generating resources the City may acquire, we have assumed herein that the City's power requirements above that produced by the Project will be met by

purchases from Edison through the IOA. The following table shows the annual peak and energy requirements as estimated by the City and the estimated amounts of peak and energy expected to be supplied from the Project and from Edison purchases.

Fiscal Year Ending June 30	Peak (MW)			Energy (Millions of kWh)		
	Requirements	Purchased from Edison	Capacity from the Project	Requirements	Purchased from Edison	Generated by the Project
1981	415.0	415.0	—	1,905	1,905	—
1982	428.0	428.0	—(1)	1,999	1,967	32
1983	450.0	435.5	14.5(1)	2,107	2,005	102
1984	473.0	444.1	28.9	2,215	2,048	167
1985	496.0	467.1	28.9	2,313	2,114	199
1986	515.0	486.1	28.9	2,399	2,187	212
1987	532.0	503.1	28.9	2,478	2,256	222
1988	547.0	518.1	28.9	2,551	2,329	222
1989	562.0	533.1	28.9	2,622	2,400	222
1990	576.0	547.1	28.9	2,688	2,466	222

(1) The City will receive certain capacity credits for the Project for the years ending June 30, 1982 and 1983 from Edison; however, not all capacity from the City's share of the Project will be available to meet the City's forecast peak load for those years.

Under the provisions of the IOA, the City will receive credit for the amount of capacity of its integrated resources less transmission losses and less the City's share of Edison system reserves. For purposes of our analyses, we have assumed the transmission losses would be approximately 1% and that Edison system capacity reserves would be 20% for each year of the study.

Cost of Power to the City

We have projected the costs of power to the City for the period 1982 through 1990 on the basis that the City would purchase from Edison all power requirements not supplied from the Project. In accordance with the IOA, the City will purchase power from Edison at Edison's partial requirements rates. In addition, when a City Capacity Resource, such as the Project, is not available, the City shall purchase Contract Energy, which is the amount of energy capability associated with the capacity credit, less energy received from City Integrated Resources.

During the study period Contract Energy is estimated to average less than 5% of all energy purchased from Edison by the City. The Contract Energy cost is determined by multiplying Edison's cost of fuel for conventional oil-fired combustion turbine and combined-cycle generating resources measured in dollars per Btu by the weighted heat rate of these generating resources measured in Btu's per kilowatt-hour. This rate plus a charge for certain other costs associated with fuel is then adjusted for transmission losses to the City's point of delivery.

Should extended outages occur at the City Integrated Resource, the City will be required to provide or purchase from Edison Replacement Capacity, in accordance with the IOA. The amount of Replacement Capacity that the City must purchase is the greater of (i) the maximum kilowatt difference (rated generating capability of the City's Integrated Resource for a given day less the capacity available from the resource that day) which has existed for 70 or more consecutive days immediately preceding that day, or (ii) the maximum kilowatt difference which exists for that day and has existed for 100 or more non-consecutive days during the 180 consecutive-day period immediately preceding that day. The City will not be required to purchase Replacement Capacity until a generating unit has been out or partially out of operation for more than 70 consecutive days or more than 100 days out of 180 consecutive days and the City has exhausted its maintenance reserve for each unit for that year. The maintenance reserve is an amount of megawatt-days

established for each City's Integrated Resource each year from which the City may withdraw megawatt-days to be credited against City's Replacement Capacity obligation for each unit.

The cost of Replacement Capacity, measured in dollars per kilowatt-day, is based on the costs of electric generating facilities installed during the five years just prior to the current year. However, the City expects to be required to pay the cost of Replacement Capacity only under unusual circumstances arising from extended outages of its Integrated Resources. Therefore, we have not considered the effects of Replacement Capacity costs on the City's power supply costs.

Based upon the foregoing assumptions, forecast wholesale power rates from Edison and forecast Project costs, the following table shows the estimated power supply costs for the City for the period from 1982 through 1990, with and without Project ownership. The savings to the City resulting from Project ownership as shown on that table increase from $794,000 in the fiscal year ending June 30, 1982 to $9,510,000 in the fiscal year ending June 30, 1990. However, these projected savings will differ from actual savings to the extent that actual conditions differ from those assumed.

ESTIMATED POWER SUPPLY COSTS AND SAVINGS TO THE CITY
Fiscal Year Ending June 30
(000)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
ANNUAL POWER COSTS WITH THE PROJECT									
San Onofre Project Costs	$ 692	$ 4,424	$ 9,564	$ 11,946	$ 11,989	$ 12,700	$ 13,490	$ 13,382	$ 13,792
Purchased Power Costs (1)	114,502	139,153	169,473	195,265	217,086	240,026	265,880	287,111	307,793
Total Annual Power Costs	$115,194	$143,577	$179,037	$207,211	$229,075	$252,726	$279,370	$300,493	$321,585
Total Energy Requirements (GWh)	1,999	2,107	2,215	2,313	2,399	2,478	2,551	2,622	2,688
Unit Power Costs (Mills/kWh)	57.6	68.1	80.8	89.6	95.5	102.0	109.5	114.6	119.6
ANNUAL POWER COSTS WITHOUT THE PROJECT									
Purchased Power Costs	$115,988	$144,884	$180,862	$210,839	$235,139	$260,338	$287,538	$309,638	$331,095
Unit Power Costs (Mills/kWh)	58.0	68.8	81.7	91.2	98.0	105.1	112.7	118.1	123.2
Savings to the City (2)	$ 794	$ 1,307	$ 1,825	$ 3,628	$ 6,064	$ 7,612	$ 8,168	$ 9,145	$ 9,510

(1) Based on projected Edison energy and capacity rates and projected Edison contract energy costs.

(2) Estimated savings to City are calculated from estimates of Project costs and Edison wholesale power rates which are based on the assumptions set out in this report. The savings to the City resulting from Project ownership shown above will differ from actual savings to the extent that actual conditions differ from those assumed.

PROJECTED OPERATING RESULTS

Based on the foregoing forecast of power costs and on certain data supplied by the City, we have prepared a projection of operating results of the City's electric system for the fiscal periods ending 1981 through 1985. In these projections, we show increases in revenue requirements beyond those generated by the City's existing rates. Required revenues are based on covering projected operating expenses, debt service on the 1980 Bonds and previous bonds issued by the City, and on meeting the City's projected capital improvement program and other non-operating financial commitments. The additional revenues required are primarily to meet future capital improvements and escalating purchased power costs from Edison.

PROJECTED OPERATING RESULTS
(000)

	Fiscal Year Ending June 30				
	1981	1982	1983	1984	1985
Gross Revenues:					
Revenues from Sales of Electricity:					
At 1980 Average Charges	$100,280	$105,217	$110,864	$116,545	$121,731
Additional Revenues Required (1)	11,240	32,992	55,454	85,775	110,510
Subtotal	$111,520	$138,209	$166,318	$202,320	$232,241
Miscellaneous Operating Revenues (2)	274	263	275	287	303
Interest Income (3)	723	922	1,116	1,359	1,576
Interest Income (Reserve Fund) (4)	478	727	727	727	727
Total Estimated Gross Revenues	$112,995	$140,121	$168,436	$204,693	$234,847
Operating Expenses:					
Power Production — San Onofre Units 2 and 3	$ 0	$ 692	$ 2,179	$ 3,885	$ 4,684
Purchased Power — Edison	96,632	114,502	139,153	169,473	195,265
Other Operation and Maintenance Expense (2)	9,443	10,294	11,431	12,303	13,205
Total Estimated Operating Expenses Excluding Depreciation and Amortization	$106,075	$125,488	$152,763	$185,661	$213,154
Total Estimated Net Revenues	$ 6,920	$ 14,633	$ 15,673	$ 19,032	$ 21,693
Debt Service on the Bonds:					
Outstanding Bonds	$ 1,064	$ 1,057	$ 1,050	$ 1,047	$ 1,048
Proposed Bonds (5)	0	0	2,520	6,258	7,989
Total Debt Service on the Bonds	$ 1,064	$ 1,057	$ 3,570	$ 7,305	$ 9,037
Balance for Other Purposes (6)	$ 5,856	$ 13,576	$ 12,103	$ 11,727	$ 12,656
Debt Service Coverage on the Bonds (7)	6.50	13.84	4.39	2.61	2.40

(1) Additional revenues required primarily to meet costs of future capital improvements and escalating purchased power costs from Edison.

(2) Estimated by the City.

(3) Estimated by the City. Includes interest earnings on existing Reserve Fund at an assumed 8.5% interest rate and interest earnings on other funds including unrestricted cash and investments at an assumed 7% interest rate.

(4) For the 1980 Bonds only at an assumed reinvestment rate of approximately 9.0%.

(5) Based on 100% of interest capitalized to October 1, 1982; 50% of interest capitalized to December 1, 1983.

(6) Includes, among other things, payments to renewal and replacement account as required by the Bond Resolution and a payment to the general fund, funds for electric system capital improvements and a payment of $2,280,000 in 1981 on subordinated bonds. In addition, the balances shown include interest earnings on the Reserve Fund expected to be available for transfer to the Construction Fund.

Year Ending June 30	1981	1982	1983	1984
Interest Earnings (000)	$478	$727	$452	$148

(7) Ratio of total estimated net revenues for other purposes to total debt service on the bonds.

CONSIDERATIONS AND ASSUMPTIONS

The estimates and projections, contained herein, of the operations of the electric system of the City are based upon, among other things, information made available to us by Edison, as manager of the Project, and from the City. These estimates and projections are also based upon the following principal considerations and assumptions which in light of inflation rates and other conditions presently prevailing in the economy appear to be reasonable:

1. The forecast power and energy requirements were estimated by the City.

2. The capital expenditures and operation and maintenance expenses of the City's electric system will follow historical trends and have been estimated by the City.

3. Commercial operation for Units 2 and 3 of the Project, respectively, will be December 1981 and February 1983 as estimated by Edison.

4. Based on Edison's estimate of Total Direct Construction Costs of the Project, the City's share of such costs will be $36,673,000.

5. Nuclear fuel costs, ad valorem taxes and all other operating costs of the Project were estimated by Edison.

6. Each unit of the Project will have a plant factor of 35% during the first year of operation, 60% in the second and third years of operation, and 70% thereafter as estimated by Edison.

7. Power and energy requirements of the City beyond that provided by the Project will be purchased from Edison in accordance with the principles of the Integrated Operations Agreement. The City's participation in the Intermountain Power Project or other potential resources available during the forecast period have not been included in forecast power costs to the City.

8. The Bonds will be amortized over 24 years at an annual interest rate of 8%. Reinvestment rate for the Reserve Fund is approximately 9.0%. Reinvestment rate in all other funds is 7%. 100% of the interest on the Bonds is capitalized until October 1, 1982 and 50% of the interest on the Bonds is capitalized until December 1, 1983. 100% reinvestment earnings on the Reserve Fund will be deposited in the Construction Fund until October 1, 1982 and 50% of reinvestment earnings on the Reserve Fund will be deposited in the Construction Fund until December 1, 1983.

9. During the study period, the City will finance the estimated costs of the electric system capital improvement program from current revenues.

10. Transmission for Project power will be provided by Edison at a rate of $3.71 per kilowatt escalated at 1.5% per year with losses from the Project to the City at 1.09% per year.

11. Renewals and replacements are assumed to be 1% of direct construction costs escalated at 8.0% per year.

12. Projected wholesale power and energy rates for Edison are based on recent rate filings, electric system plans and forecasts and their generation resource program. Annual escalation factors for coal and nuclear fuel were 8.0% per year. Fuel oil and natural gas were escalated at 25% from 1980 to 1981, 20% per year from 1981 to 1983, 16% from 1983 to 1984, and 10% thereafter, utilizing a base rate for

fuel oil of $28.00 per barrel in 1980. Operation and maintenance expenses were escalated at approximately 10.0% per year. The resulting average wholesale power rate during our study increased at an average annual rate of 9.3%.

CONCLUSIONS

Based upon our studies, investigation and analyses, the assumptions set forth in this letter and the information supplied by the City and Edison with respect to the proposal by the City to acquire an ownership interest in the Project, we are of the opinion that:

1. The acquisition of an ownership interest in the Project by the City and the operation of the Project under the principles of the Integrated Operations Agreement will provide the City with an economical long-range source of power that will result in lower power supply costs than would result from the continued purchase of all its power requirements from Edison.

2. The forecast overall revenue requirements from the sale of electricity by the City are reduced by the City acquiring an ownership share in the Project rather than continuing to purchase all of its power requirements from Edison.

3. The estimated cost of power from the Project compares favorably with forecast purchase power rates from Edison and with available cost projections of other generating resources potentially available to the City in the 1980's.

4. The construction cost estimates provided by Edison for the Project are comparable with the costs expected for similar projects being developed within the same time frame.

Information appearing in the Official Statement which was taken from or based upon data prepared by us, is properly and accurately reflected in the Official Statement.

Respectfully submitted,

/s/ R. W. BECK AND ASSOCIATES

SUMMARY OF THE SAN ONOFRE UNITS 2 AND 3 PARTICIPATION AGREEMENT

The following is a general summary of certain provisions of the Participation Agreement. Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Participation Agreement, copies of which may be obtained from the City, upon written request.

Purpose

Edison and the Cities of Riverside, Anaheim and Banning entered into a Settlement Agreement, dated August 4, 1972, under which Edison offered to said Cities participation in the ownership and output of Units 2 and 3 at San Onofre. Anaheim and Riverside have indicated their intent to participate in Units 2 and 3. The purpose of the Participation Agreement is to provide for the terms and conditions under which the Parties will participate in the ownership and output of Units 2 and 3.

Parties

The parties to the Participation Agreement are Edison, San Diego, Riverside and Anaheim. Edison and San Diego have signed the Participation Agreement and the City will sign upon delivery of the 1980 Bonds.

Ownership

Upon execution of the Participation Agreement Edison, San Diego, Riverside and Anaheim shall own facilities as tenants-in-common as follows:

	Edison	San Diego	Riverside	Anaheim
Units 2 and 3	76.55%	20.00%	1.79%	1.66%
Common Facilities	77.12	20.00	1.49	1.39
Project Easements				
Unit 1	80.00	20.00	0	0
Units 2 and 3	76.55	20.00	1.79	1.66
Switchyard Area	80.00	20.00	0	0

Construction Agreement

Edison assigns to Riverside and Anaheim, respectively, an undivided 1.79% and 1.66% interest in the Construction Agreement as it pertains to Units 2 and 3. Riverside and Anaheim acquire all rights and assume all duties and obligations of a "company" under the Construction Agreement, which shall be amended to provide for payment by Riverside and Anaheim of their proportionate shares of expenses.

Operating Agreement

The parties shall execute an Operating Agreement, covering the operation and maintenance of Units 2 and 3, which shall be accomplished in substantially the same manner and terms and conditions as the Unit 1 Operating Agreement provides for Unit 1. Edison will be operating agent for Units 2 and 3 and shall act as principal on its own behalf and as agent for the other parties.

Each of the parties shall be entitled to their proportionate share of the benefits and bear their proportionate share of the burdens incurred by Edison and San Diego in the performance of their duties under the agreements entered into by them for the construction, operation and maintenance of Units 2 and 3 and the common facilities.

Billing and Payment

Riverside and Anaheim will reimburse Edison within fifteen (15) days after receipt of invoice for construction costs incurred prior to execution of the Participation Agreement. Construction costs incurred after date of execution shall be paid in the manner prescribed in the Construction Agreement. Until such

time as direct payment arrangements are made, Edison will bill Riverside and Anaheim for their proportionate share of costs of all project easements, plant site easements, the Units 2 and 3 Off-Shore Land Easement Lease and taxes and assessments.

Riverside and Anaheim will reimburse Edison for production costs of the common facilities paid by Edison and for the acquisition, rental and development expenses incurred by Edison within ten (10) days after execution of the Participation Agreement.

Riverside and Anaheim will reimburse Edison for costs incurred to effect their participation in Units 2 and 3 each month within fifteen (15) days after receipt of invoice.

Payments not made on or before the due date will be payable, with interest accrued at a rate of 10% per annum or the maximum rate of interest, whichever is less.

Administration

Anaheim and Riverside shall designate representatives in accordance with Section 7 of the Construction Agreement within ten (10) days after execution of the Participation Agreement. Rights and obligations set forth in Section 7 will become effective when Riverside and Anaheim begin paying funds pursuant to the billing and payment procedures set out above.

Liability and Insurance

The provisions of Sections 8 and 9 of the Construction Agreement shall apply to the Participation Agreement except as follows:

The term "company" shall include Edison, San Diego, Riverside, and Anaheim. The percentages to be paid as set forth in Sections 9.5 and 9.7 of the Construction Agreement shall be changed to Edison — 76.55%, San Diego — 20.00%, Riverside — 1.79%, and Anaheim — 1.66%.

Riverside and Anaheim will be added as named insureds on those policies of insurance presently in effect. Each will make application to Nuclear Mutual Limited, to become member insureds under the policies of insurance presently in effect for San Onofre Units 2 and 3 for (a) all risk-builders' risk insurance covering loss or damage to project work under course of construction, and (b) nuclear property damage insurance. If application for such insurance is accepted, Riverside and Anaheim shall maintain the policies through the term of the Participation Agreement. If the application is not accepted, Riverside and Anaheim will each secure and maintain insurance coverage from the Nuclear Energy Liability-Property Insurance Association and the Mutual Atomic Energy Reinsurance Pool, or their equivalent.

Riverside and Anaheim agree to release Edison and San Diego from any and all liability resulting from damage to, or loss or use of, Units 2 and 3, which is a result of the construction, operation or maintenance of Unit 1, the Edison Switchyard, the San Diego Switchyard, the Interconnection Facilities, or any additional generating units. Edison and San Diego release Riverside and Anaheim from any and all liability resulting from damage to or loss of use of Unit 1, which is the result of the construction, operation or maintenance of Units 2 or 3, or any additional generating units.

Nuclear Fuel

The Project Director, Edison, will make arrangements for the supply of nuclear fuel. In doing so, it will negotiate, execute, administer, perform and enforce nuclear fuel agreements as its deems necessary or appropriate. The proposed Nuclear Fuel Agreements will be submitted to the coordinating representatives for approval prior to execution; provided, that any Nuclear Fuel Agreement may be executed by the Project Director without its being submitted to the coordinating representatives as long as obligations of the parties are consistent with the Nuclear Fuel Budget.

Except as otherwise provided in the Participation Agreement, costs incurred by the Project Director in connection with the nuclear fuel shall be shared by each party in proportion to its generation entitlement share. Each party will own an undivided interest in all nuclear fuel equal to its generation entitlement share and may determine its own method of financing. With certain limitations, any party may elect to provide

directly all or a portion of its share of natural uranium (U_3O_8) concentrates if the election is communicated to the Project Director sufficiently in advance.

One year prior to each date on which natural uranium (U_3O_8) concentrates are scheduled to be delivered, the Project Director will notify all parties of the quantity and specifications of uranium concentrates required. Within one month of such notification each party will provide the Project Director with evidence that the party has firm commitments for providing the required uranium. If such evidence is not satisfactory, the Project Director may proceed to arrange for delivery of the deficient party's uranium concentrates and the cost shall be billed to the deficient party as incurred. If the Project Director is unable to arrange for the uranium to cover a deficient party's commitment, then party shall be subjected to an appropriate reduction in its entitlement to the Net Energy Generation during the cycle. Each party shall pay its proportionate share of the total amount due for the purchase of nuclear fuel in advance of the date of which payments therefor by the Project Director become due.

Taxes

All taxes or assessments levied against each party's ownership or beneficial interest in San Onofre shall be that party's sole responsibility. Riverside and Anaheim shall reimburse Edison or San Diego for all taxes which are levied against Edison or San Diego as a result of the transfer to Riverside and Anaheim of a portion of Edison's ownership interest in Units 2, 3 or the common facilities. These taxes shall not include any tax on capital gains which may result from such transfer.

Termination

Riverside and/or Anaheim may terminate the Participation Agreement if unable to attain any required approval from regulatory and other authorities. If construction of Units 2 and 3 is not continued by the remaining parties, the accumulated construction costs incurred by the terminating party shall be borne by such terminating party. If construction is continued Edison shall acquire the terminating party's interest in San Onofre and shall reimburse such terminating party for its incurred construction costs.

Additional Generating Units

The parties reserve any right to participate in any additional generating unit at San Onofre, provided, that Riverside and Anaheim shall neither be granted nor denied participation rights by reason of any provision of the Participation Agreement. If additional generating units are constructed, interests in the project easements shall be reallocated among the participants.

Uncontrollable Forces

No party will be considered in breach of any obligation other than the obligation to pay money, to the extent failure of performance is due to an uncontrollable force as defined in the Participation Agreement. Any party unable to fulfill obligations by reason of an uncontrollable force shall exercise diligence to remove the inability with all reasonable dispatch.

Miscellaneous Provisions

Edison shall, within 12 months after receipt of payment from Riverside and Anaheim of Edison's costs in connection with the construction of Units 2 and 3, procure releases of the interest transferred from the lien of Edison's trust indenture and deliver to Riverside and Anaheim a bill of sale covering their respective ownership interests in Units 2 and 3.

Each party will be responsible for making arrangements necessary to transmit its entitlement of San Onofre power from San Onofre to its electric system. Except as provided in the Participation Agreement, Riverside and Anaheim are each responsible for obtaining from all regulatory authorities such authorizations and approvals as are necessary for its participation in the construction and operation of San Onofre and its performance of the provisions of the Participation Agreement.

Each party waives the right to seek partition of San Onofre and the Project Easements. Each further agrees that it will not resort to any action at law or in equity to partition the same. Before any party may

assign to any entity, other than another party, any or all its interests in Units 2 or 3, the other parties each shall have the right of first refusal.

Riverside and Anaheim have the right to audit the books and records of Edison directly pertaining to Units 2 and 3, the common facilities and the plant site. If any errors are revealed by such inspection appropriate adjustments will be made.

SUMMARY OF THE EDISON-ANAHEIM SAN ONOFRE TRANSMISSION SERVICE AGREEMENT

The following is a general summary of certain provisions of the Edison-Anaheim San Onofre Transmission Service Agreement (the "Agreement"). Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Agreement, copies of which may be obtained from the City, upon written request.

Purpose

The purpose of the Agreement is to provide transmission of Anaheim's share of the energy from the Edison Switchyard at San Onofre Nuclear Generating Station to Anaheim's point of delivery.

Term

The Agreement shall become effective on the date following execution by the parties when accepted for filing by the Federal Energy Regulatory Commission. The Agreement shall remain in effect for 50 years unless terminated sooner by (i) written agreement of the Parties; (ii) termination of the Integrated Operations Agreement; or (iii) termination of Units 2 and 3 ownership or operating agreements. If notice of termination of the Integrated Operations Agreement is given by either party, the parties shall take actions to develop a new agreement for furnishing the services referred to in the Settlement Agreement. Edison has signed the Agreement and the City will sign upon delivery of the 1980 Bonds.

Transmission Service

Except as modified in the Agreement, transmission service shall be provided in accordance with the Contract Rate TN. Service shall commence on the Date of Firm Operation for Unit 2 at which time Contract Capacity shall be 18.26 megawatts, the City's share of the expected maximum rated capacity for Unit 2. On the Date of Firm Operation for Unit 3, Contract Capacity shall be increased by 18.26 megawatts, the City's share of the expected maximum rated capacity for Unit 3, and Contract Capacity shall, for each unit, be 18.26 megawatts.

Edison will accept delivery of Anaheim's Unit 2 and Unit 3 energy at Edison's 220-kV buses at San Onofre at rates of delivery not exceeding Contract Capacity, and will simultaneously deliver a like amount of energy less transmission losses to Anaheim at the Point of Delivery. The Point of Delivery is Anaheim's Lewis Substation. During times when Anaheim may be required to provide its share of the auxiliary power requirement at San Onofre, Edison will accept deliveries from Anaheim at the Point of Delivery and simultaneously deliver the like amount less transmission losses to Edison's 220-kV buses at San Onofre to enable Anaheim to meet its requirements.

Edison reserves the right to temporarily interrupt or curtail services (1) upon reasonable advance notice to Anaheim to make repairs or modifications or to perform maintenance work, (2) without notice to Anaheim if such interruption or curtailment is because of an Uncontrollable Force.

Charges and Transmission Losses

Charges will be made in accordance with the rates set forth in Contract Rate TN. Circuit mileage is agreed to be 47.4 miles, subject to change. No additional charge shall be made for auxiliary power requirements.

Transmission losses will be determined in accordance with the rates set forth in Contract Rate TN and using the circuit mileage agreed to above.

Edison reserves the right in furnishing transmission service to file with the Federal Energy Regulatory Commission for changes in rates, charges, classification, or services, or any rule, regulation or contract as provided in the Integrated Operations Agreement.

Billing and Payment

Prior to the 15th day of December of each year, Edison will render a bill to Anaheim for services to be provided during the following year. One-twelfth of such annual charge shall be due amd payable by Anaheim on the 15th day of each month. Payments which are not made in full by the due date shall accrue interest at 10% per annum on the unpaid balance.

Integration Agreement Provisions

Provisions of the Integrated Operations Agreement covering liability, arbitration, regulatory authority, uncontrollable forces, governing law, notices, and other matters, apply also to this Agreement.

SUMMARY OF THE INTEGRATED OPERATIONS AGREEMENT

The following is a general summary of certain provisions of the Integrated Operations Agreement (the "Agreement"). Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Agreement, copies of which may be obtained from the City, upon written request.

Purpose

The City has executed the Agreement with Edison pursuant to which the Project will be integrated and operated for the benefit of the City. In order to more efficiently meet the power requirements and obtain operational economies on their respective systems, the City and Edison agreed to integrate their present and future Resources. The Agreement is intended to provide for Edison to furnish the capacity and energy necessary to meet the City's load, to the extent not provided by City integrated resources.

Term

The Agreement was signed by Edison and the City on November 29, 1977 and became effective on the date it was accepted for filing by the Federal Energy Regulatory Commission and shall remain in effect for 50 years, unless terminated (i) by written agreement of the parties, (ii) upon 30 days' advance written notice by the City, to Edison, if no City Capacity Resource has been accepted for integration, (iii) upon not less than 10 years advanced written notice from one party to the other, or (iv) upon 5 years advance written notice from the City to Edison if Edison tenders for filing a change in rates which effects Integrated Operations, and which creates a substantial detriment to the City. If notice of termination is given by either party, the parties shall commence to negotiate in good faith a new arrangement for the furnishing of services, to become effective upon termination of the Agreement.

Integration of Resources

The City may construct or acquire and integrate a Resource as a City Capacity Resource to meet all or part of its Firm Load, and Edison shall use its best efforts to intergrate such proposed City Capacity Resource in accordance with the qualifications contained in the Agreement.

Scheduling and Dispatching

Edison, acting as the City's agent, shall provide scheduling and dispatching services for City Capacity Resources and City Transmission Facilities.

Reserve Obligations

City's contribution to installed reserves required to provide reliable electric service to the combined electrical requirements of the parties is deemed to be a percentage of the sum of the kilowatt capability of City Capacity Resources. The percentage for any year shall be equal to the arithmetic average of the five annual reserve margins planned by Edison for its resources for the next five consecutive years.

Partial Requirements Service

Edison shall make available and deliver capacity and energy to the City under the Partial Requirements Rate then in effect with the Federal Energy Regulatory Commission. The City is billed under the Partial Requirements Rate for its maximum peak demand during the billing period, less the Capacity Credit in effect at the time such maximum peak demand occurs. The Capacity Credit is equal to the rated capabilities of the City Capacity Resources minus the City contribution to installed reserves. The amount of the partial requirements energy to be purchased in any billing period shall equal the total energy requirement of the City's load, minus the greater of the amount of energy scheduled and dispatched from City Capacity Resources, or the amount of energy capability associated with the effective Capacity Credit.

Replacement Capacity and Contract Energy

If a City Capacity Resource is unavailable for 70 or more consecutive days, or for 100 or more non-consecutive days during a 180 consecutive day period, the City must provide replacement capacity by first withdrawing a number of kilowatt-days from the Scheduled Maintenance Account for that City Capacity Resource. After the scheduled maintenance account for a City Capacity Resource is exhausted, the City may obtain replacement capacity by purchase from one or more third parties outside the Edison Control Area, or Edison, or both. When a City Capacity Resource is not available, the City shall purchase Contract Energy from Edison, which is the amount of energy capability associated with the capacity credit, less the amount of energy received from City Integrated Resources. The Cost of Contract Energy is derived by utilizing Edison's fuel cost for conventional oil-fired, combustion turbine and combined-cycle generation plus the operating and maintenance costs associated with the production of such energy.

Surplus Capacity and Excess Energy from City Capacity Resources

Edison shall purchase from the City surplus capacity and associated energy from any City Capacity Resource when the City, upon 12 months advanced written notice to Edison, shall declare such capacity and energy to be surplus to the City's estimated load during the period of sale. Edison shall pay the City for such capacity and associated energy at a price which shall fully compensate City for its costs associated with such City Capacity Resources.

When energy is dispatched from one or more City Capacity Resources which exceeds the requirements of City's load in any hour, such excess energy shall be purchased by Edison. The charge for such energy shall be City's incremental costs of that City Capacity Resource, plus 15% of such costs.

To the extent a City Capacity Resource is available, but not dispatched by Edison, City may sell energy associated with such City Capacity Resource to third parties outside the Edison Control Area.

Transmission Service

Edison shall provide, upon City's request, firm transmission service for capacity or energy, or both, associated with City Capacity Resources. Transmission Service shall be provided either on Edison's 220 kV network or on a point-to-point basis where transmission service is to be provided outside the 220 kV network but within Edison's Certificated Service Area. Edison shall use its best efforts to provide transmission service where a City requests transmission service outside of Edison's Certificated Service Area.

Transmission service shall be provided in accordance with rates on file, and approved by the Federal Energy Regulatory Commission.

Change of Rates

In general, with respect to the rates charged by Edison for Partial Requirements Service, Replacement Capacity and Contract Energy, and Transmission Service, Edison reserves the right to file with the Federal Energy Regulatory Commission for a change in rates, charges and conditions of service provided that no change shall be made which is inconsistent with the Agreement or any Integration Agreement. Edison's right to file for a change in rates with respect to Partial Requirements Service is subject to certain limitations when the Partial Requirements Rate becomes different from the All Requirements Rate. Thereafter, changes in the rate design of the Partial Requirements Rate are also subject to certain limitations. Edison has the right to change the rates, charges and conditions relating to Replacement Capacity and Contract Energy, provided that no change shall be inconsistent with the Agreement or any Integration Agreement. Edison may also change the wording contained in the Agreement which describes how Replacement Capacity and Contract Energy charges are calculated, but such changes may not become effective for 3 years after the filing or a Final Order of the Commission, whichever occurs first.

Edison reserves the right to change the rates, charges and conditions of service with respect to the furnishing of Transmission Service, provided that no change shall be inconsistent with the Agreement or any Integration Agreement. Moreover, any change as to wording in any Transmission Service Agreement may not become effective for 2 years after the filing or until a Final Order of the Commission, whichever occurs first.

SUMMARY OF THE SUPPLEMENTAL AGREEMENT FOR THE INTEGRATION OF ANAHEIM'S ENTITLEMENTS IN SAN ONOFRE UNITS 2 AND 3

The following is a general summary of certain provisions of the Supplemental Agreement for the Integration of Anaheim's Entitlements in San Onofre Units 2 and 3 (the "Supplemental Agreement"). Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Supplemental Agreement, copies of which may be obtained from the City, upon written request.

The Supplemental Agreement between the City and Edison is supplemental to the Integrated Operations Agreement and does not amend or supersede it except to the extent that terms therein are inconsistent. The Supplemental Agreement provides that the City's entitlements in the San Onofre Nuclear Generating Station, Units 2 and 3 will be integrated.

Integration

Anaheim's entitlements in Units 2 and 3 shall be integrated and Anaheim shall receive capacity credit in accordance with the Integrated Operations Agreement. Anaheim's Unit 2 entitlement shall become a source of Rated Capability on October 1, 1980, or the Date of Firm Operation for Unit 2, whichever is later and Anaheim's Unit 3 entitlement shall become a source of Rated Capability on January 1, 1982, or the Date of Firm Operation for Unit 3, whichever is later.

Determination of Anaheim's Rated Capability

Rated Capability of Anaheim's entitlements shall be equal to 1.66% of the Rated Capability rating of Units 2 and 3, respectively. The Rated Capability shall be equal to the effective operating capacity of each unit, and is planned for 1,100 megawatts for each unit.

Anaheim's Election to Pay for Energy When Units Are Available But Not Dispatched

To the extent that Units 2 and 3 are available, but not dispatched by Edison, the City may elect to pay for the amount of energy associated with its capacity credit at the cost of Contract Energy or the Incremental Cost of Unit 2 and 3 energy. Anaheim has elected to pay for energy associated with its entitlements in Unit 2 and 3 at City Incremental Cost. Anaheim may change its election to pay at Contract Energy Cost or City Incremental Cost upon either three years notice to Edison or when a change in a Contract Energy Cost formula has become effective. The City Incremental Cost is derived by adding the cost of fuel to other production costs and subtracting transmission losses.

Effective Date, Term and Termination

The Supplemental Agreement is effective on the date following the execution by both parties when accepted for filing by the Commission. The Supplemental Agreement has been signed by Edison and the City will sign upon delivery of the 1980 Bonds. The Supplemental Agreement is to remain effective for 50 years, except that it shall terminate sooner upon, (1) written agreement of the parties to terminate the Supplemental Agreement, or (2) termination of the Integrated Operations Agreement, or (3) termination of the Units 2 and 3 ownership or operating agreements.

If notice of termination of the Integrated Operations Agreement is given by either party, the parties shall take actions to develop a new arrangement for furnishing the services which are provided for in the Supplemental Agreement.

Price Waterhouse & Co.

660 NEWPORT CENTER DRIVE
NEWPORT BEACH, CALIFORNIA 92660
714-640-9200

APPENDIX F

REPORT OF INDEPENDENT ACCOUNTANTS

To The Honorable City Council
City of Anaheim, California

In our opinion, the accompanying balance sheet and the related statements of income, changes in retained earnings and of changes in financial position present fairly the financial position of the Electric Utility Fund of the City of Anaheim at June 30, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
November 16, 1979
Newport Beach, California

CITY OF ANAHEIM
ELECTRIC UTILITY FUND
BALANCE SHEET

	June 30, 1979	June 30, 1978
	(In thousands)	
ASSETS		
Utility plant:		
Transmission	$11,058	$11,039
Distribution	37,231	32,183
General	1,708	1,670
Construction work in progress	1,890	1,452
	51,887	46,344
Less — accumulated depreciation	14,785	13,633
	37,102	32,711
Restricted cash and investments (Note 3)	4,724	4,521
Current assets:		
Cash and investments	7,894	4,121
Customer and other accounts receivable, less allowance for doubtful accounts of $180,000 in 1979 and $160,000 in 1978	4,425	4,728
Accrued interest receivable	186	
Materials and supplies, at average cost	870	1,479
Prepayments (Note 6)	2,457	3,885
	15,832	14,213
Other assets:		
Prepaid electric power (Note 6)		4,838
Unamortized project costs (Note 5)	2,427	2,851
Unamortized debt expenses	57	68
	2,484	7,757
Total assets	$60,142	$59,202
EQUITY, LIABILITIES AND OTHER CREDITS		
Equity:		
Fund balance transferred	$14,629	$14,629
Retained earnings	14,845	13,670
Total equity	29,474	28,299
Revenue bonds, less current portion (Note 3)	14,100	18,100
Total capitalization	43,574	46,399
Current liabilities (payable from restricted assets):		
Current portion of revenue bonds	300	579
Accrued interest on bonds	248	273
	548	852
Current liabilities (payable from current assets):		
Current portion of revenue bonds	3,700	3,221
Accounts payable and accrued expenses	10,330	8,290
Customer deposits	392	386
	14,422	11,897
Total current liabilities	14,970	12,749
Contributions in aid of construction	1,598	54
Total equity, liabilities and other credits	$60,142	$59,202

See accompanying Notes to Financial Statements

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

STATEMENT OF INCOME

	Year ended June 30, 1979	Year ended June 30, 1978
	(In thousands)	
Operating revenues:		
Sales of electric energy (Note 7)	$70,842	$64,038
Other operating revenues	331	815
Total operating revenues	71,173	64,853
Operating expenses:		
Cost of purchased power	59,198	51,747
Other operations	3,657	2,981
Maintenance	2,036	1,677
Depreciation	1,358	1,395
Amortization of project costs (Note 5)	302	118
Total operating expenses	66,551	57,918
Operating income	4,622	6,935
Other income (expense):		
Interest income	869	446
Interest expense, including amortization of debt expenses	(692)	(725)
	177	(279)
Net income	$ 4,799	$ 6,656

STATEMENT OF CHANGES IN RETAINED EARNINGS

Balance at beginning of year	$13,670	$ 9,582
Net income for the year	4,799	6,656
	18,469	16,238
Transfer to the general fund of the City	(3,624)	(2,568)
Balance at end of year	$14,845	$13,670

See accompanying Notes to Financial Statements

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended June 30, 1979	Year ended June 30, 1978
	(In thousands)	
Financial resources were provided by:		
Operations —		
Net income	$ 4,799	$ 6,656
Charges to income not involving working capital —		
Provision for depreciation	1,358	1,395
Amortization of project costs	302	118
Amortization of debt expenses	11	11
Resources provided by operations	6,470	8,180
Decrease in prepaid electric power	4,838	4,412
Contributions in aid of construction	1,544	
Decrease in unamortized project costs	122	
Disposal of plant and equipment		496
Decrease in restricted cash and investments		41
	12,974	13,129
Financial resources were used for:		
Expenditures for plant and equipment	5,665	4,143
Revenue bonds becoming current	4,000	3,800
Transfer to the general fund of the City	3,624	2,568
Increase in restricted cash and investments	203	
Other	84	
	13,576	10,511
Increase (decrease) in working capital	($ 602)	$ 2,618
Increase (decrease) in components of working capital:		
Cash and investments	$ 3,773	$ (116)
Customer and other accounts receivable	(303)	1,538
Accrued interest receivable	186	
Materials and supplies	(609)	299
Prepayments	(1,428)	619
Net change in current assets	1,619	2,340
Current portion of revenue bonds	(200)	(200)
Accrued interest on bonds	25	21
Accounts payable and accrued expenses	(2,040)	529
Customer deposits	(6)	(72)
Net change in current liabilities	(2,221)	278
Increase (decrease) in working capital	($ 602)	$ 2,618

See accompanying Notes to Financial Statements

CITY OF ANAHEIM

ELECTRIC UTILITY FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — Summary of Significant Accounting Policies:

Basis of accounting

The Electric Utility Fund was established June 30, 1971, at which time the portion of the City of Anaheim's General Fund equity relating to electric utility operation was transferred to Electric Utility equity. The financial statements of the Electric Utility are presented in conformity with generally accepted accounting principles and accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC). The Electric Utility is not subject to the regulations of such commission.

Utility plant and depreciation

The cost of additions to utility plant and of replacements of retirement units of property is capitalized. Utility plant is recorded at cost, or in the case of contributed plant, at fair value at the date of the contribution, except that assets acquired prior to July 1, 1977, are recorded at appraised historical cost. Cost includes labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits, and; certain administrative and general expenses. The cost of relatively minor replacements is included in maintenance expense. When assets are retired the remaining net book value or any excess or deficiency of sales proceeds over (or under) net book value at the date of sale is recorded in accumulated depreciation.

Depreciation of utility plant is provided by the straight line method based on the estimated service lives of the properties:

Transmission and distribution plant	20 to 75 years
Other plant and equipment	3 to 50 years

Depreciation on contributed assets is charged directly to contributions in aid of construction.

Cash and investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at cost, which approximates market value. Interest income on investments is allocated to the various funds of the City on the basis of average daily cash and investment balances.

Revenue recognition

Revenues are recognized as billed to customers. Billings are on a cyclical basis and the Electric Utility does not accrue revenues for electricity sold but not billed at the end of a fiscal period. Residential and the smaller commercial accounts are billed on a bimonthly basis; all others are billed monthly.

Shared operating expenses

The Electric Utility shares certain administrative functions with the Water Utility. Generally, the cost of these functions is allocated on the basis of benefits provided to the Electric and Water Utilities.

Debt expenses

Debt premiums, discount and issue expenses are deferred and amortized to income over the lives of the related bond issues.

Pension plan

All full-time City employees are members of the State of California Public Employee's Retirement System. The City's policy is to fund all pension cost accrued; such costs to be funded are determined

annually as of July 1 by the System's actuary. Unfunded prior service cost is being funded over 25 years ending June 30, 2000.

Vacation and sick leave

The City does not accrue accumulated vacation or sick leave, but rather expenses these costs as paid. It is the policy of the City to pay all accrued vacation pay when an employee retires or is terminated, and one-fourth of the accrued sick leave when an employee retires. At June 30, 1979, accumulated unused vacation and sick leave did not exceed a normal year's accumulation.

Transfers to the general fund of the City

Article XII of the City Charter was amended by a vote of the electorate effective December 27, 1976 to provide that transfers to the General Fund of the City in fiscal year 1977-78 shall be equal to, or less than 8% of the gross revenue earned in fiscal year 1976-77. This percentage was reduced to 6% in fiscal year 1978-79 for gross revenue of 1977-78, and to 4% in fiscal year 1979-80 and succeeding years. Such transfers are not in lieu of taxes and are recorded as distributions of retained earnings.

NOTE 2 — Accounting and Classification Changes:

As of July 1, 1978, the City elected to report its Electric Utility Fund under FERC industry accounting guidelines. In accordance with the guidelines, depreciation on assets acquired from contributions in aid of construction is not reflected in net income but rather is charged directly to contributions in aid of construction. This change had no cumulative effect on retained earnings and an insignificant effect on net income for the current year.

For the year ended June 30, 1979, certain other account classifications have been changed to reflect recommendations set forth in the FERC guidelines. For comparative purposes, prior year balances have been reclassified to conform to the 1978-79 presentation.

NOTE 3 — Revenue Bonds

The Electric Utility Fund is indebted under three revenue bond issues as follows:

	June 30, 1979	June 30, 1978
Electric Revenue Bonds, Issue of 1972, 4.9263%, issued March 28, 1972 in the amount of $8,000,000, maturing serially to July 1, 1992, in annual principal installments of $300,000 to $675,000, total debt service of $8,914,000 to maturity	$ 6,525,000	$ 6,800,000
Electric Revenue Bonds Issue of 1976, 6.07%, issued April 27, 1976 in the amount of $6,000,000, maturing serially to May 1, 2006, in annual principal installments of $100,000 to $400,000, total debt service of $11,939,975 to maturity	5,750,000	5,850,000
Electric Revenue Bonds, Second Issue (Subordinated) of 1976, 4.8259%, issued June 8, 1976 in the amount of $12,500,000, maturing serially to December 1, 1980 with remaining principal installments of $3,600,000 and $2,225,000 in fiscal years 1980 and 1981, total debt service of $6,119,038 to maturity	5,825,000	9,250,000
	18,100,000	21,900,000
Less current portion	4,000,000	3,800,000
	$14,100,000	$18,100,000

In accordance with the 1972 bond resolution, a reserve for maximum annual debt service has been established and a reserve for renewal and replacement is being accumulated to a maximum of 2% of the book value of the utility plant.

The three bond issues require the establishment of a bond payment reserve by accumulating monthly, one-sixth of the interest which will become due and payable on the outstanding bonds within the next ensuing six months and one-twelfth of the principal amount which will mature and be payable on the outstanding bonds within the next twelve months (six months for the $12,500,000 issue).

Restricted cash and investments includes reserved amounts as well as undisbursed bond proceeds as follows:

	June 30,	
	1979	1978
Held by fiscal agent:		
Maximum annual debt service reserve	$ 682,000	$ 682,000
Bond service account	418,000	449,000
Other:		
Maximum annual debt service	404,000	404,000
Bond service account	682,000	402,000
Renewal and replacement reserve	742,000	712,000
Restricted bond proceeds	1,796,000	1,872,000
	$ 4,724,000	$ 4,521,000

NOTE 4 — Operating Expenses

Operating expenses shared with the Water Utility amounted to $3,823,000 and $2,662,000 for the years ended June 30, 1979 and June 30, 1978, respectively, of which $2,553,000 and $1,624,000 was allocated to the Electric Utility.

NOTE 5 — Unamortized Project Costs

The City plans to participate in various power generation projects with other agencies. Unamortized project costs includes $1,213,000 which represents advance payments to participating agencies for preliminary engineering and environmental impact studies for the related projects.

During 1978, two projects to which the City had advanced $1,382,000 were terminated without benefits accruing to the City. The $1,382,000 is being amortized to expense over the ensuing five years, of which $1,214,000 remained unamortized at June 30, 1979.

NOTE 6 — Prepaid Electric Power

The City entered into an agreement with Nevada Power Company on May 25, 1976 to purchase electric power over the next four years. On July 1, 1976 the City used $12,500,000 of revenue bond proceeds to make a partial prepayment to Nevada Power Company for energy to be supplied. In accordance with the terms of the agreement, beginning July 1, 1977, the prepayment has been offset against billings from Nevada Power Company for electric power purchases.

NOTE 7 — Sales of Electric Energy

Effective June 1, 1979, rates for all classes of service were increased approximately 4.7 percent. The rate resolution established for the first time an energy cost adjustment formula by which billings to customers are subject to adjustment, up or down, to reflect variations in the cost of wholesale power to the Electric Utility.

NOTE 8 — Pension Plan

The Electric Utility has a contributory pension plan for its full-time employees under the State of California Public Employee's Retirement System. The Electric Utility's cost of benefits funded for 1979 and 1978 were approximately $282,000 and $293,000, respectively. Information as to the actuarially computed value of vested benefits over the related pension fund assets is not available.

NOTE 9 — Self-Insurance Programs

Effective September 1, 1974, the Electric Utility became part of a City of Anaheim-adopted self-insured workers' compensation program which is administered by a service agent. Effective July 1, 1977, the City (including the Electric Utility) became self-insured for the first $500,000 on each general liability claim. Costs relating to the litigation of claims are charged to expenditures as incurred.

NOTE 10 — Commitments and Contingencies

The Electric Utility's budget for the fiscal year 1979-80 provides for capital expenditures of approximately $6,468,000 and substantial commitments have been made in connection therewith. The Electric Utility plans to sell bonds of approximately $55,000,000 to finance its participation in the San Onofre Nuclear Generating Station.

A number of claims and suits are pending against the Electric Utility for alleged damages to persons and property and for other alleged liabilities arising out of matters usually incident to the operations of a utility business such as that of the Electric Utility. In the opinion of management, the uninsured liability under these claims and suits would not materially affect the financial position of the Electric Utility as of June 30, 1979.

CITY OF ANAHEIM ELECTRIC UTILITY FUND

Unaudited Financial Statements for the 10 Months Ended April 30, 1980 and 1979.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND
BALANCE SHEET
(Unaudited)

	April 30, 1980	April 30, 1979
	(In thousands)	
ASSETS		
Utility plant:		
Transmission	$ 11,075	$ 11,054
Distribution	40,396	36,174
General	1,715	1,677
Construction work in progress	2,068	1,753
	55,254	50,658
Less — accumulated depreciation	(15,990)	(14,752)
	39,264	35,906
Restricted cash and investments	6,007	5,899
Current assets:		
Cash and investments	13,469	6,010
Customer and other accounts receivable, less allowance for doubtful accounts	5,429	3,960
Accrued interest receivable	412	87
Materials and supplies, at average cost	981	974
Prepayments	7	3,759
	20,298	14,790
Other assets:		
Unamortized project costs	2,327	2,417
Unamortized debt expenses	48	59
	2,375	2,476
Total assets	$ 67,944	$ 59,071
EQUITY, LIABILITIES AND OTHER CREDITS		
Equity:		
Fund balance transferred	$ 14,629	$ 14,629
Retained earnings	21,908	14,459
Total equity	36,537	29,088
Revenue bonds, less current portion	11,550	16,000
Total capitalization	48,087	45,088
Current liabilities (payable from restricted assets):		
Current portion of revenue bonds	325	300
Accrued interest on bonds	504	598
	829	898
Current liabilities (payable from current assets):		
Current portion of revenue bonds	4,125	3,600
Accounts payable and accrued expenses	11,827	7,800
Customer deposits	468	328
	16,420	11,728
Total current liabilities	17,249	12,626
Contributions in aid of construction	2,608	1,357
Total equity, liabilities and other credits	$ 67,944	$ 59,071

CITY OF ANAHEIM
ELECTRIC UTILITY FUND
STATEMENT OF INCOME
(Unaudited)

	Ten Months ended April 30, 1980	1979
	(In thousands)	
Operating revenues:		
Sales of electric energy	$74,599	$59,193
Other operating revenues	227	255
Total operating revenues	74,826	59,448
Operating expenses:		
Cost of purchased power	59,307	49,116
Other operations and maintenance	5,442	4,589
Depreciation	1,165	1,132
Amortization of project costs	268	251
Total operating expenses	66,182	55,088
Operating income	8,644	4,360
Other income (expense):		
Interest income	1,472	602
Interest expense, including amortization of debt expenses	(550)	(573)
	922	29
Net income	$ 9,566	$ 4,389

STATEMENT OF CHANGES IN RETAINED EARNINGS

Balance at beginning of year	$14,845	$13,670
Net income for the period	9,566	4,389
	24,411	18,059
Transfer to the general fund of the City	(2,503)	(3,600)
Balance at April 30	$21,908	$14,459

CITY OF ANAHEIM — ECONOMIC BACKGROUND AND FINANCIAL INFORMATION

ECONOMIC BACKGROUND

The Bonds will not be secured by any pledge of ad valorem taxes or General Fund revenues but will be payable solely from the Gross Revenues of the City's Electric System. The financial and economic position of the City of Anaheim set forth below and on the following pages is included in the Official Statement for information purposes only, in the interest of giving a more complete description of the City.

General

The community of Anaheim was founded and incorporated in 1857, disincorporated in 1872, reincorporated in 1876, and reorganized in 1888. No change in organization took place until June 1964, when the local voters approved a City Charter. The City operates under the Charter and with a Council-Manager form of government. The five City Council members are elected to four-year terms in alternate slates of three and two every two years, with the Mayor being elected every two years. The Mayor presides over meetings of the Council and has one vote.

The Council appoints the City Manager, who heads the executive branch of government, implements Council directives and policies, and manages the administrative and operational functions through the various departmental heads, who are appointed by the City Manager.

Anaheim is located in northwestern Orange County, about 28 miles southeast of downtown Los Angeles and about 90 miles north of San Diego. The City lies on a coastal plain which is bordered by the Pacific Ocean on the west and the Santa Ana Mountains on the east.

The climate is generally characterized as sunny and mild with mean temperatures ranging between 53° in January and 72° in July. Rainfall averages about 14 inches per year. Afternoon humidity averages 45%-52% throughout the year.

Anaheim, Orange County's oldest and most populous city, is strategically situated in relation not only to Orange County's population but also to the economies of San Diego, Los Angeles, Riverside and San Bernardino Counties. Major freeways in and through the City conveniently locate industry to labor markets and recreation and commerce to consumers of a much broader area. The Santa Ana Freeway (Interstate 5) connecting Los Angeles and San Diego is the main artery traversing the City, and it connects in or near the City with the Artesia/Riverside (State Route 91), the Garden Grove (State Route 22), the Orange (State Route 57), and the Costa Mesa (State Route 55) freeways.

Anaheim is also served by three railroads, the Southern Pacific, the Santa Fe, and the Union Pacific, and numerous truck carriers in Southern California.

The major airports in the area include John Wayne (14 miles south), Ontario International (20 miles northeast), Los Angeles International (30 miles northwest) and Long Beach (14 miles west).

The City is served daily by various bus lines including the Orange County Transit District, the Southern California Rapid Transit District, Greyhound Lines, and Airport Coach Services, Inc.

City Council

JOHN F. SEYMOUR, JR., Mayor, was elected to his second two year term as Mayor of the City by a popular vote of the people in April of 1980. He was elected to a second consecutive four year term on the City Council in April of 1978. He has served his community as a planning commissioner and was president of the Anaheim Chamber of Commerce. He currently is President of the California Association of Realtors.

E. LLEWELLYN OVERHOLT, JR., Mayor *Pro Tem,* was elected to his first four year council term in April 1978. He has been a practicing attorney in Anaheim for 21 years and has served his community on a variety of special study committees and on commissions. He also has been active in civic affairs and is a past trustee of the Anaheim City School District.

BEN W. BAY, Councilman, elected to his first four year term on the City Council in April 1980. He had been unanimously appointed to the City Council on May 8, 1979 to fill an unexpired term. He was a member of the Anaheim Redevelopment Commission, served his community as chairman of the Charter Review Committee and has been active in a variety of community affairs.

MIRIAM KAYWOOD, Councilwoman, began her second term in April 1978. Mrs. Kaywood served as a planning commissioner and was active in civic affairs ranging from the cultural arts to municipal capital improvements prior to her initial four year council term which began in April 1974.

DON R. ROTH, Councilman, elected to his second four year term on the City Council in April 1980. He was elected to his first council term April 1976. He has been active in civic affairs and was one of the original voting members of the City of Anaheim Charter Committee which authored the current City Charter.

City Management

WILLIAM O. TALLEY, City Manager, was named to the City's top administrative post July 9, 1976. Previously he was Assistant City Manager and was responsible for installation of Anaheim's "Management by Objectives" program. Mr. Talley came to the City in December, 1975 from a 20-year career with the City of Long Beach. His responsibilities in Long Beach included budget and research, data processing, intergovernmental relations, and a wide range of administrative services in such areas as transportation, oil properties and utilities.

GEORGE P. FERRONE, Finance Director, joined the City in August of 1977 with an extensive accounting background which included two years as vice president of financial affairs at Chapman College, Orange, California, controller of Lightcraft of California and management consulting supervisor for the accounting firm of Ernst & Whinney in Los Angeles. Mr. Ferrone is a member of the American Institute of Certified Public Accountants, the Municipal Finance Officer's Association of the United States and Canada, where he serves on the National Committee on Accounting, Auditing and Financial Reporting and the California Society of Municipal Finance Officers, where he serves on the Professional and Technical Standards Committee. The Finance Director's overall responsibilities are the following: centralized accounting functions; collecting all electric and power, water, sanitation and industrial waste charges; control and preparation of the City payroll; the budget; and purchasing and warehousing.

WILLIAM P. HOPKINS, JR., City Attorney, heads the legal staff representing the City. He was appointed by the City Council in October 1976. Mr. Hopkins joined the City as a Deputy City Attorney in 1968 and became an assistant in November of 1973. Mr. Hopkins has a law degree from the University of Southern California. He is a member of the American, California, Orange County and Los Angeles County bar associations. He also is a member of the Bar of the Supreme Court of the United States.

Population

Anaheim's land area remained at 3.7 square miles from 1900 through 1940. From 1940 to 1979, that area multiplied by 11.36 times to 42.04 square miles. Since World War II, immigration and, to a lesser extent, annexation have produced major population growth in Anaheim. The growth multiple was about 14.5 from 14,556 in 1950 to about 211,700 in 1980. Anaheim is California's eighth most populous City. The following chart indicates the growth in the area and population of the City since 1900 as well as that of the County.

CITY OF ANAHEIM AND ORANGE COUNTY
Area and Population

Year	City of Anaheim		Average Annual Population Per Cent Change	Orange County Population	City Population Per Cent of County	Rank in Size of California Cities
	Square Miles	Population				
1900	3.70	1,456	— %	19,696	7.4%	51
1910	3.70	2,628	8.1	34,436	7.6	66
1920	3.70	5,526	11.0	61,375	9.0	42
1930	3.70	10,995	9.9	118,674	9.3	44
1940	3.70	11,031	—	130,760	8.4	NA
1950	4.40	14,556	3.2	216,224	6.7	68
1960	27.34	104,184	61.6	703,925	14.8	12
1970	33.10	166,701	6.0	1,420,386	11.8	8
1973	37.98	186,200	7.9	1,584,259	11.8	8
1974	38.62	187,400	0.6	1,646,314	11.4	8
1975	38.84	191,800	2.3	1,684,462	11.4	8
1976	38.97	196,400	2.4	1,722,100	11.4	8
1977	39.40	200,100	1.9	1,768,000	11.3	8
1978	39.95	204,800	2.3	1,808,200	11.3	8
1979	42.04	208,500	1.8	1,851,000	11.3	8
1980	42.05	211,700	1.5	1,896,200	11.2	8

SOURCES: United States Bureau of the Census; California Department of Finance; City of Anaheim Planning Department.

Building Activity

According to the *1976 Anaheim Census*, prepared by the City Planning Department, the total number of dwelling units in the City increased from 56,216 in 1970 to 73,606 in 1976, an increase of 17,390 (31%). The trend toward a greater percentage of renter-occupied units has continued during the 1970's. In 1970 only 37.1% of all units were multiple; by 1976 approximately 47% of all dwelling units were multiple units.

The median listing price of owner-occupied single-family structures in 1979 in Anaheim was $122,900, compared to the County median of $155,670, according to the Walker and Lee Real Estate Research Section survey on residential resales, calculated from multiple listings. The *1976 Anaheim Census* indicated a median monthly payment for owner-occupied households enumerated of $209; median contract rent of $175 represented an increase of 28% from the 1970 median of $137.

During the five years 1975 through 1979, total valuation of all building permits issued by the City of Anaheim Building Division averaged about $171.8 million; total permits averaged 5,961 per year.

CITY OF ANAHEIM
Building Activities

	1979	1978	1977	1976	1975
Total Valuation (thousands)	$177,457	$155,031	$251,983	$175,162	$99,524
Total Permits Issued	4,882	6,036	7,301	6,516	5,073
New Construction					
Residential (thousands)	$ 67,166	$ 70,735	$152,997	$109,108	$64,616
Permits	365	625	1,775	1,652	1,277
Non-Residential (thousands)	$161,351	$138,391	$ 83,685	$ 52,838	$25,787
Permits	1,238	1,353	1,346	958	732
Additions and Alterations					
Residential (thousands)	$ 7,111	$ 7,529	$ 7,505	$ 6,174	$ 4,093
Permits	2,513	3,142	3,413	3,091	2,427
Other (thousands)	$ 8,696	$ 8,969	$ 7,796	$ 7,042	$ 5,028
Permits	642	792	767	815	637
New Dwelling Units					
Total Residential Units	984	1,396	2,919	2,847	1,795

SOURCE: City of Anaheim Planning Department, Building Division.

Employment

No annual information is regularly compiled on employment and unemployment for the City alone. Employment in Orange County increased from about 773,000 in 1976 to about 1,019,000 in 1979, at an average annual rate of about 8.0%. The County unemployment rate was lower than that in the State in each of the past four years. The mobile resident labor force of Orange County is employed not only in the County but also in adjacent counties, such as Los Angeles. 1970 Census data indicated that about 44.9% of the City's population was in the civilian labor force, and that about 94.2% of that labor force was employed. The County by comparison had about 41.5% of its population in the civilian labor force and 94.7% of that labor force was employed.

ORANGE COUNTY
Employment, Unemployment and Labor Force(1)
Averages: 1976-79
(thousands)

	1979	1978	1977	1976
Employment	1,019.0	953.7	864.4	773.0
Unemployment	44.1	48.9	53.6	64.8
Civilian Labor Force	1,063.1	1,002.6	918.0	837.8
Unemployment Rate	4.1%	4.9%	5.8%	7.7%
State Unemployment Rate	6.2%	7.1%	8.2%	9.2%

(1) By place of residence, including workers involved in labor disputes.

SOURCE: State Employment Development Department.

The *1976 Anaheim Census* prepared by the City Planning Department, indicated a civilian labor force living within the City of 92,863. The percentages of Anaheim workers in different industries so reported were:

Industry	Per Cent of Workers
Services	24.4%
Manufacturing	23.7
Wholesale and Retail Trade	16.7
Government	10.1
Transportation, Communications and Utilities	9.0
Construction	8.5
Finance, Insurance and Real Estate	6.0
Agriculture	1.1
Mining	0.4

CITY OF ANAHEIM
Major Private Employers

Company	Number of Employees	Products
Rockwell International Corporation	8,000	Aircraft, Aerospace and Electronics
Disneyland	6,000	Recreation and Entertainment
Carl Karcher Enterprises	2,300	Fast Food Restaurants
Wrather Corporation	2,300	Hotels
Kwikset Division, Emhart Industries, Inc.	1,800	Residential Locksets and Powdered Metal Parts
Northrup Electro-Mechanical Division, Northrup Corporation	1,800	Aerospace Electronics
Interstate Electronics Corp., Division of A-T-O, Inc.	1,700	Electronics
Disneyland Hotel	1,400	Hotel, Restaurants and Shops
Anaheim Memorial Hospital	1,000	Hospital
General Automation, Inc.	900	Mini-Computers
California Computer Products, Inc.	800	Computer Products
United Parcel Service	800	Mail Delivery, Pick-Up
Anaconda Telecommunications	725	Telephone Equipment
Altec Division of Altec Corporation	700	Sound Products
Kaiser-Canyon General Hospital	700	Hospital
Taylor Bus Service	700	Transportation
Van Doren Rubber	700	Tennis Shoes
Martin Luther Hospital Medical Center	651	Hospital
Data Products Division of Lear Siegler, Inc.	630	Data Products
Southern California Gas Company	622	Natural Gas Distribution
Laura Scudders Division of Pet, Inc.	545	Snack Food Products
Topmost Foods, Inc., Division of Pinata Foods	500	Frozen and Convenience Foods
Unitax Division of Tymshare, Inc.	500	Computerized Income Tax Service

SOURCE: "Orange County Business", February/March, 1980.

Income

Total personal income of Orange County residents increased 60.4% from over $7.4 billion in 1971 to over $11.9 billion in 1975, the latter year being the most recent for which the U.S. Department of Commerce has published such data. The County share of total personal income in California increased from 7.8% in 1971 to 8.6% in 1975. On a per capita basis, the average annual rate of Orange County increase was

8.5% over the four-year period, from $5,040 in 1971 to $6,995 in 1975. The latter figure was approximately $400 greater than the State per capita income of $6,596.

The 1970 U.S. Census indicated that 11.2% of Anaheim families received income under $5,000 in 1969; 13.2% received $5,000-$7,999; 45.9% received $8,000-$14,999; and 29.7% received $15,000 and over. Comparable percentages reported in the *1976 Anaheim Census*, prepared by the City Planning Department, were 14.3%, 11.6%, 33.6%, and 40.4%. In 1975, 1970 Census comparison of Anaheim with Orange County and California shows the City to have had a significantly larger proportion of middle income families than both the other areas.

ORANGE COUNTY
Resident Personal Income
($000)

Source	1975	1974	1973	1972	1971
Net Labor and Proprietor's Income(1)	$ 6,515,602	$ 5,918,411	$ 5,329,193	$ 4,651,046	$ 4,104,118
Resident Adjustment(1)	2,560,182	2,268,503	1,929,167	1,820,082	1,707,497
Dividends, Interest, Rent	1,605,032	1,445,286	1,207,556	1,084,571	983,621
Transfer Payments	1,282,220	1,004,975	832,183	732,060	661,373
Total Resident Personal Income	$ 11,963,036	$ 10,637,175	$ 9,298,099	$ 8,287,759	$ 7,456,609
Per Capita	$6,995	$5,427	$5,809	$5,418	$5,040
California Resident Personal Income	$139,388,100	$126,955,682	$113,514,529	$102,949,604	$95,335,940
Per Capita	$6,596	$6,090	$5,497	$5,044	$4,711

(1) Net Labor and Proprietor's Income is by place of work and includes wage and salary and proprietor's income earned in Orange County, less personal contributions for social insurance. The Residence Adjustment, when added to Net Labor and Proprietor's Income by place of work, provides the net labor and proprietor's income by place of residence (i.e., Orange County).

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce; Regional Economics Information System.

Tourism and Community and Recreational Facilities

Tourism is a major industry in Anaheim. Much of that industry, including about 120 hotels and motels and over 275 restaurants, is located for convenience to the major local attractions: the Anaheim Stadium, the Anaheim Convention Center and Disneyland.

The Anaheim Stadium, financed and built by a non-profit corporation and leased to the City, has been expanded and consists of a 70,500 seat athletic stadium and supportive facilities. The stadium is the home of the California Angels, an American League baseball team, the Los Angeles Rams, a National Football League team, and the California Surf, a North American Soccer League team. The City also rents the stadium to others for concerts and exhibitions and utilizes it for civic events.

The Anaheim Convention Center, largest such facility west of the Mississippi River, is a multi-purpose convention/sports/concert hall complex covering approximately 53 acres of land.

The Anaheim Convention Center Betterment II Program represents the second major addition to this important convention center. This single-story, Type I construction addition, with 185,990 square feet of gross floor area, is on a 12.5 acre site to the south of the existing Anaheim Convention Center property. The facility includes a third exhibit hall of 100,000 sq. ft.; plus 21,000 sq. ft. for meeting rooms; ancillary space for a concession stand, storage areas, restrooms and a satellite kitchen; and offices. Movable wall panels are utilized to separate the meeting rooms so that various room configurations may be arranged to suit the exhibitors. This second addition, providing approximately 1,000 more parking spaces, will bring the total parking for the facility to approximately 4,000 spaces. Total square footage for the entire complex is now approximately 867,193 sq. ft.

The following table summarizes the number of conventions held at the Center, as well as estimated attendance and delegate expenditures for the past six years.

ANAHEIM CONVENTION CENTER

Year	Conventions	Attendance	Delegate Expenditures
1975	191	490,000	$ 98,000,000
1976	181	517,000	142,000,000
1977	161	475,000	166,000,000
1978	174	674,000	201,000,000
1979	147	476,000	178,500,000
1980(Actual and Estimated	149	675,000	270,000,000

SOURCE: Anaheim Area Visitor and Convention Bureau.

Disneyland occupies a 180 acre site in the City and is one of the major tourist attractions in the nation. Opened in 1955 with an original investment of $17,000,000, Disneyland today has a total capital investment exceeding $200,000,000. Approximately 10.8 million visitors passed through its gates in 1978.

The Disneyland Hotel has just completed a 450 room expansion for a total of 1,350 rooms. Construction is now under way for an 750 room Marriott Hotel across from the Convention Center, to be completed in 1981.

On May 6, 1980 the City of Anaheim entered into an agreement for exclusive right to negotiate with Hilton Hotels Corporation/Wrather Corporation for the construction of a four-story convention center hotel of approximately 1,500 guest rooms (including the approximately 500 guest rooms at the current Inn at the Park Hotel) located on property adjacent to the Anaheim Convention Center. Construction costs are currently estimated at $100,000,000. The parties anticipate the lease and development agreements for the hotel project will be executed no later than November 6, 1980.

Orange County is a major tourist center of Southern California. Forty-four miles of shorelines with more than twenty publicly maintained beach areas provide year-round aquatic activities.

In Anaheim, there are two 18-hole golf courses, ten community parks, four of which contain major athletic facilities, and 32 neighborhood parks and playgrounds.

Within an hour's drive from the City of Anaheim are Knott's Berry Farm in the adjacent City of Buena Park, the Los Alamitos Race Course, the renowned Spanish Mission of San Juan Capistrano, and the Art Colony at Laguna Beach with its annual art festival. Within two hours' drive are the numerous summer and winter resort areas in the San Bernardino and San Jacinto mountains. The Newport Harbor area, a few miles south of the City, provides anchorage facilities for over 5,000 private boats. Boat launching ramps, deep sea fishing, skin-diving, and other related water activities are readily accessible.

Other Anaheim facilities include a main public library and four branch libraries. Within the City, there are eight general hospitals with a capacity of 841 beds, four AM or FM radio stations, 32 banks and 14 savings and loan associations, and 80 churches of all major denominations.

Retail Sales

The table below presents the City's taxable retail sales for various years since 1975 in comparison to other cities in Orange County, Orange County and the State of California:

ANAHEIM, MAJOR ORANGE COUNTY CITIES, ORANGE COUNTY, CALIFORNIA
Taxable Retail Sales, All Outlets(1)
(000)

	1979	1978	1977	1976	1975
ANAHEIM	$ 1,526,416	$ 1,260,683	$ 1,086,585	$ 886,008	$ 766,615
Buena Park	522,520	436,426	383,468	338,440	299,196
Costa Mesa	875,306	815,022	698,038	575,742	476,960
Fullerton	562,669	500,784	445,159	371,480	299,552
Garden Grove	554,627	464,878	434,803	365,357	309,886
Huntington Beach	732,364	623,047	548,657	438,178	359,266
Orange	799,670	697,247	625,790	510,406	415,749
Santa Ana	1,325,754	1,163,460	1,008,058	837,445	684,956
Westminster	444,769	400,786	360,953	284,229	230,854
Major Cities	7,344,095	6,362,333	5,591,511	4,607,285	3,843,034
All Other	4,244,687	3,602,096	3,066,617	2,358,609	1,908,399
Orange County	11,588,782	9,964,429	8,658,128	6,965,894	5,751,433
California	$131,678,257	$113,467,724	$99,481,969	$83,822,020	$73,475,703

(1) Owing to changes in the sales tax base for retail goods, the years are not totally comparable between years, but the trend in relative magnitude of retail sales tax bases are exhibited.

SOURCE: California State Board of Equalization, *Trade Outlets and Taxable Retail Sales in California* for 1975, 1976, 1977, 1978 and 1979.

Following is the breakdown of 1979 sales tax permits in the City by type of outlet, and the percentage of each type's total taxable dollar transactions:

Type of Outlet	Permits	Per Cent of Transactions
Apparel Stores	113	2.0%
General Merchandise Stores	38	4.6
Drug Stores	28	1.1
Food Stores	155	4.9
Packaged Liquor Stores	55	1.0
Eating and Drinking Places	455	10.0
Home Furnishings and Appliances	165	3.7
Building Materials and Farm Implements	77	7.8
Auto Dealers and Auto Supplies	96	10.7
Service Stations	151	6.0
Other Retail Stores	462	7.3
All Other Outlets	4,260	40.9

SOURCE: Taxable Sales in California, 18th Annual Report, State Board of Equalization.

Education

The City is served by five elementary, two union high, and three unified school districts, and two community college districts. However, almost all of the City lies within eight districts: the Anaheim City,

Magnolia, Savanna and Centralia Elementary School Districts, the Anaheim Union High School District, the Placentia Unified School District, the Orange Unified School District, and the North Orange County Community College District.

There are eleven institutions of higher learning in Orange County and an additional twelve in adjacent areas of southern Los Angeles County. Within Orange County are the University of California, Irvine; California State University, Fullerton; Chapman College; Southern California College; and public community colleges with grade 13 and 14 enrollments totalling nearly 120,000.

FINANCIAL INFORMATION

Certain Financial Information

The following unaudited summaries of certain Funds of the City have been prepared by the City of Anaheim Finance Department from audited financial statements.

CITY OF ANAHEIM
ALL GOVERNMENTAL FUND TYPES(1)
SUMMARY OF REVENUE AND TRANSFERS

Years Ended June 30,

	1975	1976	1977	1978	1979
			(Thousands)		
Property taxes	$ 6,644	$ 7,180	$ 7,793	$ 8,453	$ 5,187
Other taxes (including Sales and Use Taxes)	8,129	8,989	10,557	12,594	15,001
Licenses, fees and permits	1,716	2,432	2,889	3,938	2,931
Fines, forfeits and penalties	578	670	669	867	1,018
From other governmental agencies	8,311	11,538	14,256	26,286	23,544
Interest and rental	1,122	896	920	1,268	1,532
Charges for services	2,599	2,725	4,223	4,542	7,971
Other revenues	319	157	464	1,536	1,403
Revenue before transfer from other funds	29,418	34,587	41,771	59,484	58,587
Transfers from other funds	5,128	5,801	4,416	7,009	6,340
Total revenue and transfers	$34,546	$40,388	$46,187	$66,493	$64,927

SUMMARY OF EXPENDITURES

Years Ended June 30,

	1975	1976	1977	1978	1979
			(Thousands)		
General government	$ 3,385	$ 3,845	$ 4,490	$ 5,671	$ 8,564
Non departmental	2,289	3,661	4,960	6,357	5,254
Public safety	13,450	14,919	16,874	19,609	21,476
Public works	9,759	10,382	11,978	16,201	28,629
Parks and recreation	3,621	4,351	4,820	6,044	4,935
Library	1,308	2,126	1,792	1,766	1,667
Total operating expenditures	33,812	39,284	44,914	55,648	70,525
Redemption of serial bonds, general obligation	1,260	1,085	1,085	1,045	1,045
Interest expense general obligations	305	269	233	196	161
Total expenditures	$35,377	$40,638	$46,232	$56,889	$71,731

(1) Includes the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Excludes Enterprise and internal service funds.

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June of the following year.

At such date as the City Manager determines, each board or commission and each department head must furnish to the City Manager an estimate of revenues and expenditures for such department, board or commission for the ensuing fiscal year, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences thereon with the respective department heads, boards or commissions as necessary, and may revise the estimates as he or she deems advisable.

At least sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council the proposed budget as prepared by him or her. After reviewing and making such revisions as it deems advisable, the City Council determines the time for the holding of a public hearing thereon and causes to be published a notice thereof not less than ten days prior to the hearing date. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk at least ten days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the proposed budget and makes any revisions thereof that it deems advisable and on or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the Council.

From the effective date of the budget, the several amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer funds from one object or purpose to another within the same department, office or agency. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered.

At any public meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of at least a majority of the total members of the City Council.

Under the City charter, the City may not incur indebtedness evidenced by general obligation bonds which would in the aggregate exceed fifteen percent of the total assessed valuation, for purposes of City taxation, of all the real and personal property within the City, and no bonded indebtedness which shall constitute a general obligation of the City may be created unless authorized by the affirmative votes of two-thirds of the electors voting on such proposition at any election at which the question is submitted to the electors. At present the City has no authorized but unissued general obligation bonds, and future authorizations are precluded as a result of the passage of Article XIIIA of the California Constitution.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. Separate financial statements are prepared for the Electric System and the water system.

Assessed Valuation and Tax Collections

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 6% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 6% penalty attaches to delinquent taxes on property of the unsecured roll, and an additional penalty of 1% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the assessee.

Total assessed valuation for revenues purposes in the City increased from $545,374,168 to $1,308,557,841 at an average annual rate of approximately 14.0% from 1971-72 to 1980-81. Such assessed valuations include secured and unsecured properties assessed by the Orange County Assessor, and secured utility properties assessed by the State Board of Equalization. Such assessed valuations are before deduction of State-reimbursed homeowner's and business inventory exemptions but exclude veterans, religious, charitable, and other such nonrecoverable exemptions. Excluded also are the incremental assessed valuations within redevelopment project areas, the tax revenues from which were allocated to the Anaheim Redevelopment Agency in the years beginning with 1974-75.

The tax roll for 1980-81 indicates a Full Market Valuation of $5,234,231,364 for the City.

In addition to a 10-year record of assessed and estimated full market valuations, the table below shows the City tax levies, collections, and delinquency percentages for the last nine completed fiscal years.

CITY OF ANAHEIM

Assessed Valuation and Tax Collection Record

Fiscal Year Ended June 30	Estimated Full Market Valuation(1)	Assessed Valuation For Revenue Purposes(2)	Total City Tax Levy	Total Current Tax Levy Collections	Per Cent of Levy Uncollected	Population	Per Capita Estimated Full Market Valuation
1972.....	$ 2,166,388,000	$ 545,374,168	$5,418,580	$5,336,373	1.5%	180,000	$ 12,035
1973.....	2,423,495,000	608,099,032	6,049,488	5,900,915	2.5	186,200	13,016
1974.....	2,661,901,000	665,475,350	6,115,299	5,879,795	3.9	187,400	14,204
1975.....	2,919,524,000	729,881,000	6,642,416	6,359,885	4.3	191,800	15,222
1976.....	3,172,463,000	807,673,074	7,378,264	6,934,601	6.0	197,200	16,088
1977.....	3,590,239,000	914,230,624	7,751,993	7,482,161	3.5	200,100	17,942
1978.....	4,169,099,000	1,042,274,804	8,384,523	8,232,390	1.8	204,800	20,357
1979.....	4,352,207,000	1,088,051,689	5,359,430	4,952,832	7.6	208,500	20,874
1980.....	4,923,566,000	1,230,891,544	5,799,946	5,439,736	6.2	211,700	23,346
1981.....	5,234,231,364	1,308,557,841	6,674,640	N.A.	N.A.	217,800(3)	24,032(3)

(1) Estimated full market valuation is based on the Orange County Assessor's ratio of 25%, effective since 1961-62, for all property except public utilities property. Estimated full market valuation for public utilities property is based on the ratio used each year by the State Board of Equalization.

(2) Consists of gross assessed valuation, less redevelopment project area incremental assessed valuations, the taxes on which are payable to the Anaheim Redevelopment Agency, without deduction for homeowners and business inventory exemptions.

(3) Estimated.

SOURCE: City of Anaheim Annual Financial Reports and City Finance Director.

Summarized below is a ten-year history of property tax rates levied by the City and overlapping taxing agencies in a typical tax code area in Anaheim.

CITY OF ANAHEIM TYPICAL TAX CODE AREA

Property Tax Rate History

Fiscal Year Ended June 30	Basic County, City, School Levy	City	County of Orange	School Districts	Orange County Sanitation District	Orange County Flood Control	Metropolitan Water District	Other	Total Tax Rate Per $100 Assessed Valuation
1971	—	1.0500	1.7160	6.5633	.4256	.2505	.1700	.1365	10.3119
1972	—	1.0500	2.0688	6.5185	.4255	.2481	.1700	.2072	10.6881
1973	—	1.0500	2.1950	6.6102	.4254	.2395	.1500	.0925	10.7626
1974	—	1.0500	1.7344	6.3384	.4206	.2332	.1400	.2742	10.1908
1975	—	1.0500	1.6582	6.1420	.3825	.2222	.1400	.2585	9.8534
1976	—	1.0500	1.6875	6.1294	.3793	.2169	.1300	.1865	9.7796
1977	—	.9500	1.4854	5.7992	.3467	.1872	.1200	.2827	9.1712
1978	—	.8800	1.3761	5.8589	.2988	.1888	.2000	.2518	9.0544
1979	4.000	.1470	.0032	.5312	.0215	.0171	.1000	—	4.8200
1980	4.000	.0950	.0028	.4640	.0240	.0146	.1000	—	4.7004

SOURCE: County *Tax Rates* (various years). Auditor-Controller, County of Orange.

Direct and Overlapping Debt

Although the 1980 Bonds will be payable from Gross Revenues of the Electric System, the direct and overlapping bonded debt of the City as of October 1, 1980 is shown below for informative purposes.

CITY OF ANAHEIM

STATEMENT OF DIRECT AND OVERLAPPING DEBT*

As of October 1, 1980

1980-81 Assessed Valuation: $1,308,557,841 (after deducting redevelopment tax allocation increment)

DIRECT AND OVERLAPPING BONDED DEBT:

	% Applicable	Debt 10/1/80
Orange County	10.525%	$ 342,588(1)
Orange County Building Authorities	10.525	2,047,401
Orange County Flood Control	10.525	1,843,980
Metropolitan Water District	2.000	10,094,380
County Sanitation Dist. #2 (Various Issues)	34.251-34.270	1,082,400
County Sanitation Dist. #3	9.309	451,393
North Orange County Community College District	50.537	1,440,304
Fullerton Comm. College and Union High School Dists.	0.263	12,055
Anaheim Union High School Dist. (Various Issues)	62.847-62.869	16,244,082
Orange Unified School District (Various Issues)	17.699-18.373	3,385,236
Placentia Unified School District (Various Issues)	29.066-30.160	6,752,635
Anaheim School District (Various Issues)	99.493-99.498	1,527,293
Centralia School District (Various Issues)	14.419-14.606	177,618
Magnolia School District	65.675	13,135
Savanna School District	46.583	261,330
Other School Districts	Various	61,313
City of Anaheim	100.	2,515,000
City of Anaheim Building Authorities	100.	94,460,000(2)
Municipal Water Dist. of Orange Co. Water Facilities Corporation	11.876	9,429,544
Other Special Districts	Various	36,200
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		$152,177,887(3)
Less: Water and electric bonds (100% self-supporting)		1,410,421
Convention Center bonds (Series A, B, C and D 100% s-s)		50,405,000
Water Facilities Corporation (100% s-s)		9,429,544
Stadium Inc. (100% s-s)		44,055,000
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		$ 46,877,922

(1) Excludes share of Orange County lease-purchase obligations.
(2) Includes approximately $24,340,000 Anaheim Community Center Authority Bonds to be sold.
(3) Excludes revenue and tax allocation bonds.

Ratios to Assessed Valuation:

Gross Direct Debt ($96,975,000)	**7.41%**	**Total Gross Debt**	**11.63%**
Net Direct Debt ($1,104,579)	**0.08%**	**Total Net Debt**	**3.58%**

SHARE OF AUTHORIZED AND UNSOLD BONDS:

Metropolitan Water District	$7,300,000
Placentia Unified School District	$4,224,743
Centralia School District	$ 249,449

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/80: $31,356,346

* SOURCE: City of Anaheim Finance Department and California Municipal Statistics Inc.

Constitutional Amendments Affecting City Revenues

On June 6, 1978, California voters approved Proposition 13, a statewide initiative relating to the taxation of real property which added Article XIIIA to the California Constitution. Among other things, the Proposition: (a) Limits ad valorem property taxes of all real property to one percent (1%) of the full cash value of the property; (b) Exempts existing voter approved bonded indebtedness from the 1% limitation; (c) Defines "full cash value" as the Assessor's appraised value of real property as of March 1, 1975, adjusted by changes in the Consumer Price Index — not to exceed 2% per year; (d) Permits establishment of a new "full cash value" when there is new construction or a change in ownership; (e) Permits the reassessment, up to the March 1, 1975 value, of property which was not current on the 1975-76 assessment roll; (f) Requires counties to collect 1% property tax and to "apportion it according to law to the districts within the counties"; (g) Prohibits new ad valorem taxes on real property, or sales taxes, or transaction taxes, on the sales of real property; (h) Permits the imposition of special taxes by local agencies; and (i) Requires a two-thirds (⅔) vote of all members of both houses of the Legislature for any changes in State taxes which would result in increased revenues.

Various legislative measures have been adopted by the California legislature since the passage of Proposition 13 to reduce its impact on local governments. The net effect of Proposition 13 and such measures in the fiscal year ended June 30, 1979 was a reduction of City budget resources of approximately $3.0 million from the prior year level. The City has taken various steps to restrict spending and adjust fees and service charges in light of Proposition 13. It is unable to predict whether state assistance will continue at recent levels or whether further budgetary and other measures will be required in the future to offset the effects of the Proposition.

A special election was held on November 6, 1979, at which time the voters of the State of California approved the Initiative Constitutional Amendment — Limitation of Government Appropriations ("Proposition 4") which added Article XIIIB to the California Constitution. The details are complex and will require clarification from subsequent legislation or judicial decisions. The City cannot predict whether the Amendment will, if challenged, be upheld, in whole or in part, by the courts.

Proposition 4 went into effect on July 1, 1980 and provides that state and local government appropriations from certain revenue sources each year may not exceed the appropriations limit related to such revenue sources set for the fiscal year 1978-79, with certain adjustments made for changes in the cost of living and population. Any surplus revenues will be required to be returned to the taxpayers through downward revision of tax rates and fee schedules during the subsequent two fiscal years. The measure also contains provisions relating to emergency situations, revision of the appropriations limit by a majority vote of the people, reorganizations of governments, savings by government, nonimpairment of bonds, allocation of funding of state-mandated programs, and various exemptions.

The City is subject to Proposition 4. Based on certain assumptions (which will require clarification as discussed above), the City believes that the limitations imposed on it by Proposition 4 will have the effect of reducing the funds expected (in the absence of Proposition 4) to be available for the payment of various anticipated City expenditures.

Largest Taxpayers

The nine largest taxpayers in Anaheim and their 1979-80 assessed valuations are as follows:

CITY OF ANAHEIM
Major Taxpayers, 1979-80

Taxpayer	Assessed Valuations for Revenue Purposes	Number of Employees
Disneyland	$ 34,768,680	6,000
Rockwell International Corporation	32,964,640	8,000
Disneyland Hotel	15,061,040	1,400
Delco-Remy Division, General Motors Corporation	8,486,370	475
Northrop Electro-Mechanical Division, Northrop Corporation	6,928,555	1,800
Kwikset Division, Emhart Industries, Inc.	6,674,685	1,800
California Computer Products, Inc.	6,109,270	800
Interstate Electronics Corp., Division of A-T-O, Inc.	3,560,260	1,700
Monsanto Plastic and Resins Company — Packaging Division	3,213,520	350
	$117,767,020	22,325

SOURCE: Orange County Assessors Office and "Orange County Business", February/March, 1980.

Pension

City personnel belong to the State Public Employees Retirement System (P.E.R.S.). As of June 30, 1976, P.E.R.S. had separate contracts with the State of California and 944 local public agencies, including coverage for 1,109 school and community college districts. Membership includes safety, state industrial, and miscellaneous groups. Each group has somewhat differing programs and amounts of actuarial liabilities. For the Public Employees' Retirement Fund as a whole, net assets available for benefits on June 30, 1976, according to the annual audit were $7,858,768,931, while the unfunded obligation was $6,753,964,123. The latter is the amount by which the excess of the present value of total projected benefits over the sum of the present values of future employer normal costs and future member contributions exceeds the amount of available net assets at carrying value. Based on the latest actuarial valuation, the City's unfunded prior service cost relating to the City's participation in P.E.R.S. was $976,000, which is being funded over 25 years ending June 30, 2000.

Contributions to P.E.R.S. of 7% of the miscellaneous employees' earnings, and 9% of the public safety employees' earnings, are accomplished through automatic paycheck deductions. The City's contribution rate is determined by periodic actuarial valuations based on the benefit formula and the number of employees and their respective salary schedules. For 1979-80, the City's contribution rate was 14.126% for miscellaneous employees and 27.905% for public safety employees. The rates for 1980-81 are 14.498% and 27.905% for miscellaneous and public safety employees respectively. City contributions totaled $5,875,000 for 1978-79.

Labor Relations

City employees are represented by various unions, and labor relations have been generally amicable in that there have been no major strikes, work stoppages, or other incidents. Currently, 68.3% of all city employees are represented by unions, including the Anaheim Municipal Employees Association; the Anaheim Police Association; the Anaheim Fire Association; the International Brotherhood of Electrical Workers, Local 47 (IBEW) (utility department employees); the Hospital and Service Employees Union, Local 399 and the General Truck Drivers Union, Local 952. The preceding are designated representatives under the Meyer-Milias-Brown Act (Section 3510 *et seq.* of the Government Code of California) and are covered by memoranda of understanding for periods expiring October 9, 1980, except for the memoranda with the latter two unions, which expire February 6, 1983. Negotiations are currently being conducted to renew memoranda of understanding which expire on October 9, 1980. There are no other organized employee groups.

LAW OFFICES OF
O'MELVENY & MYERS
611 WEST SIXTH STREET
LOS ANGELES, CALIFORNIA 90017
TELEPHONE (213) 620-1120
TELEX 67-4122
CABLE ADDRESS "MOMS"

PROPOSED FORM OF LEGAL OPINION

....., 1980

We have examined certified copies of the proceedings taken for the issuance of $84,000,000 electric revenue bonds (the "1980 Bonds") of the City of Anaheim, California, and the sale of the 1980 Bonds to the underwriters thereof. We have also examined executed 1980 Bond No. 1. The 1980 Bonds are part of a total issue of $150,000,000 authorized at an election held March 4, 1975, are issued pursuant to Section 1210 of the City Charter, City Ordinance No. 2980, as amended, and Resolution No. 80R-457 (the "Resolution") of the City Council of said City, are designated "Electric Revenue Bonds, Issue of 1980", consist of 14,600 bonds, numbered 1 to 14,600 inclusive, in the denomination of $5,000 each, dated October 1, 1980, bear interest payable semiannually thereafter at the rate of 8% per annum and mature in consecutive numerical order on October 1 in each of the years and in the amounts, as follows:

Year	Principal Amount	Year	Principal Amount
1984	$1,250,000	1992	$2,325,000
1985	1,375,000	1993	2,525,000
1986	1,450,000	1994	2,725,000
1987	1,600,000	1995	2,925,000
1988	1,700,000	1996	3,175,000
1989	1,850,000	1997	3,425,000
1990	2,000,000	2001	16,650,000
1991	2,150,000	2007	36,875,000

The 1980 Bonds maturing on or after October 1, 1991 are subject to call and redemption prior to maturity on the dates, at the prices and in the manner set forth in the Resolution.

Our services as bond counsel to the City were limited to an examination of the transcript of legal proceedings referred to above, to a review of the description of the issue, statements of law and legal conclusions set forth in the Official Statement for this issue under the captions "Security for and Sources of Payment for the Bonds" and "Description of the 1980 Bonds", and to the rendering of the opinions set forth below.

From such examination, we are of the opinion that:

1. The proceedings have been taken in accordance with the laws and Constitution of the State of California and the Charter and Ordinance No. 2980, as amended, of said City, and that the 1980 Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by said underwriters, constitute the legally valid and binding obligations of said City, payable from the gross revenues of the Electric System of the City as set forth in the Resolution and not out of any other fund or moneys of said City, but said provision for such payment out of said fund does not preclude payment from certain other sources mentioned in the Resolution.

2. The 1980 Bonds, and any parity bonds (as defined in the Resolution), are equally secured by a valid pledge, charge and lien upon said gross revenues, as provided in the Resolution.

3. The Resolution has been duly adopted, and the agreements and covenants contained in the Resolution are authorized by law and are legally valid and binding.

4. The form and execution of 1980 Bond No. 1 are regular and proper.

The agreements, covenants, and obligations described in the foregoing paragraphs, however, may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights.

We are further of the opinion that interest on the 1980 Bonds is exempt from income taxes of the United States of America under present federal income tax laws and such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

We are further of the opinion that the amount of original issue discount, if any, in the selling price of the 1980 Bonds (which original issue discount with respect to each maturity of the 1980 Bonds equals, at a minimum, the lesser of (i) the difference between the principal amount of such 1980 Bonds and the price paid to the underwriters by the original purchasers of a substantial portion of the 1980 Bonds of such maturity, and (ii) the difference between the principal amount of such 1980 Bonds and the price paid by the underwriters, calculated in each case without regard to accrued interest) represents interest which is exempt from federal income taxation to the same extent expressed in the preceding paragraph; provided, however, that in the case of a sale or exchange of such 1980 Bonds or the redemption of such 1980 Bonds prior to maturity such original issue discount is apportioned among such original purchaser of such 1980 Bonds and subsequent holders, and each respective holder is entitled to treat as exempt from federal income taxation, at a minimum, that portion of his gain, if any, which does not exceed the amount of such original issue discount with respect to such 1980 Bonds multiplied by a fraction the numerator of which is the number of days (computed on an actual calendar day basis) such 1980 Bonds were owned by him and the denominator of which is the total number of days from the date of issuance of such 1980 Bonds to the date of maturity of such 1980 Bonds.

Respectfully submitted,

O'MELVENY & MYERS

QUESTION NO. 5: Provide copies of the most recent annual financial report and the most recent interim financial statements for each municipal applicant. Continue to submit copies of the annual financial report for each year thereafter as required by 10 C.F.R. Part 50.71(b).

RESPONSE NO. 5: Attached hereto are copies of the Annual Report of the Public Utilities Department for the year ended June 30, 1980 and the Annual Report of the City of Anaheim for the year ended June 30, 1980, which includes the financial results of operations of the Public Utilities Department. Copies of the following unaudited documents of the Public Utilities Department are also attached hereto: a balance sheet as of June 30, 1981; a statement of income for the twelve months ended June 30, 1980 and June 30, 1981; and a statement of changes in financial position as of June 30, 1980 and June 30, 1981.

CITY OF ANAHEIM
ELECTRIC UTILITY
BALANCE SHEET
(Unaudited)

	April 30, 1981 (In Thousands)
ASSETS	
Utility Plant:	
Transmission	$ 11,335
Distribution	41,958
General	3,658
Construction work in Progress	56,060
	113,011
Less - accumulated depreciation	(17,579)
	95,432
Restricted cash and investments	33,663
Current Assets:	
Cash and Investments	12,063
Customer and other accounts receivable, less allowance for doubtful accounts	6,170
Accrued interest receivable	1,163
Materials and supplies, at average cost	1,186
Prepayments	16
	20,598
Other Assets:	
Unamortized project costs	850
Unamortized debt expenses	8,182
	9,032
Total Assets	$158,725
EQUITY, LIABILITIES, AND OTHER CREDITS	
Equity:	
Fund balance transferred	$ 14,629
Retained earnings	26,924
Total equity	41,553
Revenue bonds, less current portion	95,000
Total capitalization	136,553
Current liabilities (payable from restricted assets):	
Current portion of revenue bonds	292
Accrued interest on bonds	1,066
	1,358
Current liabilities (payable from current assets):	
Current portion of revenue bonds	158
Accounts payable and accrued expenses	15,024
Customer deposits	410
	15,592
Total current liabilities	16,950
Note payable, Civic Center	2,069
Contributions in aid of construction	3,153
Total equity, liabilities, and other credits	$158,725

CITY OF ANAHEIM
ELECTRIC UTILITY
STATEMENT OF INCOME
(Unaudited)

	Ten Months Ended April 30, 1981 (In Thousands)
Operating Revenues:	
Sales of electric energy	$ 84,430
Other operating revenues	283
Total operating revenues	84,713
Operating Expenses:	
Cost of purchased power	73,373
Other operations	5,043
Maintenance	1,694
Depreciation	1,333
Amortization of project costs	268
Total operating expenses	81,711
Operating income	3,002
Other income (expense):	
Interest income	4,075
Interest expense, including amortization of debt service	(653)
	3,422
Net income	$ 6,424

STATEMENT OF CHANGES IN RETAINED EARNINGS

Balance at beginning of year	$ 23,623
Net income for the year	6,424
	30,047
Transfer to the general fund of the City	(3,123)
Balance at April 30, 1981	$ 26,924

CITY OF ANAHEIM
ELECTRIC UTILITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
(Unaudited)

	April 30, 1981 (In Thousands)
Financial resources were provided by:	
Operations	
Net income	$ 6,424
Changes to income not involving working capital	
Provision for depreciation	1,333
Amortization of project costs	268
Amortization of debt expense	263
Resources provided by operations	$ 8,288
Increase in long-term debt electric bond	84,000
Decrease in prepaid electric power	-0-
Contributions in aid of construction	320
Salvage proceeds, and other credits to accumulated depreciation	-0-
Decrease in unamortized project costs	1,503
Decrease in restricted cash	-0-
Increase in note payable, Civic Center	2,069
	96,180
Financial resources were used for:	
Expenditures for plant and equipment, net	56,539
Revenue bonds becoming current	450
Transfers to the general fund of the City	3,123
Increase in restricted cash	29,096
Increase in unamortized project costs	41
Cost of removing facilities returned from service, and increase in unamortized debt expense	8,399
Other charges to accumulated depreciation	54
	97,702
Increase (decrease) in working capital	($ 1,522)
Increase (decrease) in components of working capital:	
Cash and investments	($ 3,201)
Customer and other accounts receivable	1,491
Accrued interest receivable	747
Materials and supplies	68
Prepayments	5
Net change in current assets	(890)
Current portion of revenue bonds	2,200
Accrued interest on bonds	(845)
Accounts payable and accrued expenses	(1,979)
Customer deposits	(8)
Net change in current liabilities	(632)
Increase (decrease) in working capital	($ 1,522)

QUESTION NO. 6: Is each Participant's percentage ownership share in the facility equal to its percentage entitlement in the electrical capacity and output of the plant? If not, explain the difference(s) and any resultant effect on any Participant's obligation to provide its share of design, construction and operating costs.

RESPONSE NO. 6: Anaheim's percentage ownership share in Units 2 and 3 will be 3.16 percent. Anaheim's entitlement to electrical capacity and output of those two units will be equal to its percentage ownership share.

Units 1, 2 and 3 share the Common Facilities. However, Anaheim's ownership interest in the Common Facilities is reduced because Anaheim has no ownership interest in Unit 1. Anaheim's ownership of different percentage interests in the Common Facilities and Units 2 and 3 will have no effect upon Anaheim's obligation to provide its share of design, construction and operating costs.

QUESTION NO. 7: Describe the rate-setting authority of each municipal applicant and how that authority may be used to ensure the satisfaction of financial obligations related to both capital and operating costs of the facility. Describe any restrictions on such rate-setting authority and how this may affect the applicant's ability to satisfy its obligations to the project. Describe the nature and amount of each municipal applicant's most recent rate relief action and the anticipated effect on revenues. Indicate the nature and amount of any pending rate relief action(s).

RESPONSE NO. 7: Section 1221 of Anaheim's Charter provides that the Anaheim City Council shall establish rates, rules and regulations for the water and electric utilities. It further provides that the rates shall be based upon cost of service and shall be sufficient to pay: (a) for operations and maintenance of the system; (b) for payment of principal and interest on debt; (c) for creation and maintenance of financial reserves adequate to assure debt service on bonds outstanding; (d) for capital construction for new facilities and improvement of existing facilities, or maintenance of a reserve fund for that purpose. Anaheim's Charter requires rates to be established in amounts adequate to pay for both capital and operating costs of any facilities which are part of Anaheim's electric utility. Anaheim's additional ownership interest in Units 2 and 3 would be a part of the Anaheim electric utility. Thus, Anaheim believes its financial position with respect to payment of its Units 2 and 3 capital and operating costs is sound and it can meet its associated financial obligations. Anaheim is not aware of any restrictions on its rate-setting authority which might interfere with its ability to satisfy its obligations to pay its Units 2 and 3 costs.

Anaheim's most recent rate relief action, approved on July 1, 1981 by the Anaheim City Council, increased the annual revenue from electric sales by approximately 10.3 percent ($11.0 million). The new rate increases for each customer class are approximately as follows:

Customer Class	Percentage Change
Residential	16.5%
Small Commercial	10.1
Large Commercial	7.7
Industrial	8.6
Agricultural and Pumping	14.7
Street Lights	11.6
Municipal	7.8

QUESTION NO. 8: What is the estimated dollar amount that will be payable by the applicant at the date of closing the sale? What is the total estimated dollar amount that the applicant will pay to the lead applicant after closing the sale and through completion of the units?

RESPONSE NO. 8: The final amount payable to Edison for the Purchase Price (as defined in the Letter Agreement) has not been determined; however, the following amounts are estimated based on preliminary information available:

Estimated Purchase Price For The City

(in Thousands)

Plant Construction Costs	$41,200
Nuclear Fuel Under Lease	4,234
Miscellaneous	7,771
Total Estimated Purchase Price	$53,205

The estimated Purchase Price was determined as of September 1, 1981 in accordance with the formula set forth in the Letter Agreement and based on Edison's latest estimate of construction costs as of that date. The final Purchase Price will be determined when data regarding recorded costs become available.

Remaining construction and nuclear fuel costs to be paid by Anaheim, excluding any associated interest, from September 1, 1981 to the completion of construction of Units 2 and 3, are estimated to be approximately $6,615,000. Costs from the date for determination of the Purchase Price to completion of construction of Units 2 and 3 are based on estimates and preliminary data available at this time.

QUESTION NO. 9: Provide copies of the joint ownership agreement. The Staff will require copies of the executed agreement as a condition of the CP amendment.

RESPONSE NO. 9: As indicated in Paragraph 11 of this Application, a copy of the San Onofre Units 2 and 3 Participation Agreement Among Southern California Edison Company, San Diego Gas & Electric Company, the City of Riverside and the City of Anaheim was attached to the 1979 Application. The amendment to the Participation Agreement, as well as the amendments to the Supplemental Agreement and the Transmission Service Agreement, will not be executed until authorizations for the transfer of the ownership interest described herein have been obtained from the Commission and the CPUC.

QUESTION NO. 10: If a membership organization is participating in the joint ownership, explain the contractual arrangement among the members that assures that funds will be available to meet the entity's obligations to the project. Provide copies of the power sales contract.

RESPONSE NO. 10: Question No. 10 is not applicable to this Application.

QUESTION NO. 11: Explain the procedure to be used by the lead applicant for billing the municipals for construction progress payment subsequent to closing the sale. This may be answered by reference to pertinent portions of the joint ownership agreement that is submitted to the Staff.

RESPONSE NO. 11: See Section 8 of the Participation Agreement,

a copy of which was submitted with the 1979 Application.

APPENDIX D

ANTITRUST INFORMATION REQUIRED BY 10 C.F.R. SECTION 50.33(a) AND 10 C.F.R., PART 50, APPENDIX L

APPENDIX D

ANTITRUST INFORMATION REQUIRED BY 10 C.F.R. SECTION 50.33(a) AND 10 C.F.R., PART 50, APPENDIX L

Anaheim has electrical generating capacity of less than 200 MW(e) and, therefore, pursuant to 10 C.F.R. Section 50.33(a)(3), Anaheim is not required to submit the information described in 10 C.F.R., Part 50, Appendix L.

APPENDIX E

RESOLUTION OF THE CITY COUNCIL OF ANAHEIM

RESOLUTION NO. 81R- 328

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ANAHEIM AUTHORIZING AND DIRECTING THAT AN APPLICATION BE FILED WITH THE NUCLEAR REGULATORY COMMISSION SEEKING TO OBTAIN PERMISSION FOR SOUTHERN CALIFORNIA EDISON COMPANY TO TRANSFER AN ADDITIONAL UNDIVIDED OWNERSHIP INTEREST IN SAN ONOFRE NUCLEAR GENERATING STATION UNITS 2 AND 3 TO THE CITY OF ANAHEIM.

WHEREAS, Southern California Edison Company ("Edison"), San Diego Gas & Electric Company ("San Diego"), the City of Anaheim ("Anaheim"), and the City of Riverside ("Riverside") presently own, as tenants in common, the nuclear generating station known as the San Onofre Nuclear Generating Station ("San Onofre"); and

WHEREAS, on August 5, 1980, the Nuclear Regulatory Commission approved the transfer by Edison of a 1.66% undivided ownership interest in San Onofre to Anaheim (and a different undivided ownership interest to Riverside); and

WHEREAS, Anaheim desires to acquire an additional 1.5% ownership share in San Onofre; and

WHEREAS, in order to accomplish such additional participation, the approval of the Nuclear Regulatory Commission to transfer to Anaheim an undivided ownership interest in San Onofre must be obtained; and

WHEREAS, an application to the Nuclear Regulatory Commission seeking such permission has been prepared and reviewed by the City Council and is on file in the office of the City Clerk.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Anaheim as follows:

1. The application, including the exhibits attached thereto pertaining to Anaheim, for permission to transfer an additional ownership interest to the City of Anaheim and for amendment to Construction Permit No. CPPR-97 and CPPR-98 and to the application for an operating license on file with the City Clerk of the City of Anaheim be, and the same is hereby, approved.

2. The General Manager of the Public Utilities Department, on behalf of Anaheim, is authorized and directed to execute the application, including the exhibits attached

thereto, pertaining to Anaheim. The General Manager, on behalf of Anaheim, is also authorized to make such nonsubstantive changes or modifications to the application as the General Manager believes are appropriate and are approved by legal counsel for Anaheim, and the General Manager is authorized to verify the information contained in said application.

3. The City of Anaheim agrees, pursuant to the requirements contained in 10 C.F.R. Section 50.37 that in the event said application is approved by the NRC, Anaheim will not permit any individual to have access to "Restricted Data", as that term is defined in 10 C.F.R. Section 50.2(o), until the Civil Service Commission shall determine that permitting such person to have access to Restricted Data will not endanger the common defense and security.

BE IT FURTHER RESOLVED, that the General Manager of the Public Utilities Department is authorized and directed to submit the filing fee in connection with said application to the Nuclear Regulatory Commission.

THE FOREGOING RESOLUTION is approved and adopted by the City Council of the City of Anaheim this 14th day of July, 1981

Don R. Roth

MAYOR Pro Tem OF THE CITY OF ANAHEIM

ATTEST:

Linda D. Roberts

CITY CLERK OF THE CITY OF ANAHEIM

IN:jh

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF ANAHEIM)

I, LINDA D. ROBERTS, City Clerk of the City of Anaheim, do hereby certify that the foregoing Resolution No. 81R-328 was introduced and adopted at a regular meeting provided by law, of the City Council of the City of Anaheim held on the 14th day of July, 1981, by the following vote of the members thereof:

AYES: COUNCIL MEMBERS: Overholt, Kaywood, Bay and Roth

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: Seymour

AND I FURTHER CERTIFY that the Mayor Pro Tem of the City of Anaheim signed said Resolution No. 81R-328 on the 14th day of July, 1981.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City of Anaheim this 14th day of July, 1981.

Linda D. Roberts
CITY CLERK OF THE CITY OF ANAHEIM

(SEAL)

I, LINDA D. ROBERTS, City Clerk of the City of Anaheim, do hereby certify that the foregoing is the original of Resolution No. 81R-328 duly passed and adopted by the Anaheim City Council on July 14, 1981.

Linda D. Roberts
CITY CLERK

THE FOREGOING INSTRUMENT IS A FULL, TRUE AND CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE. ATTEST: October 5 19 81
LINDA D. ROBERTS, CITY CLERK OF THE CITY OF ANAHEIM
BY Leonora M Sahl
Deputy City Clerk