



CITY OF ANAHEIM
PUBLIC UTILITIES
DEPARTMENT

Annual Report
Year Ended June 30
1980

101 Years of Water • 85 Years of Electricity

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Officials of the City of Anaheim

City Council

John Seymour, 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 Staff

William O. Talley, City Manager

William T. Hopkins, Assistant 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

1980 and 1979 Fiscal Year Highlights

	WATER		ELECTRIC	
	Year Ended June 30		Year Ended June 30	
	1980	1979	1980	1979
OPERATIONS				
Sales	17.1 billion gallons	16.1 billion gallons	1.7 billion kilowatt hours	1.7 billion kilowatt hours
System peak requirements	78.2 million gallons	79.9 million gallons	396,000 kilowatts	395,600 kilowatts
Customers (Average for the year)	49,205	48,451	82,571	80,038

FINANCIAL				
Revenue from water and electric sales	\$ 8,187,000	\$ 7,389,000	\$90,461,000	\$70,842,000
Water production and purchased power costs	\$ 4,095,000	\$ 3,294,000	\$71,929,000	\$59,198,000
Net income	\$ 1,272,000	\$ 1,197,000	\$11,741,000	\$ 4,799,000
Transferred to City of Anaheim general fund	\$ 306,000	\$ 384,000	\$ 2,963,000	\$ 3,624,000
Total assets	\$61,155,000	\$49,948,000	\$68,853,000	\$60,142,000

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Report of the General Manager

*To the
City Manager,
City Council,
Public Utilities Board
and People of the
City of Anaheim*

It is my pleasure to submit the 1979-80 Annual Report of the City of Anaheim Public Utilities Department, which includes a review of operations and financial results for the fiscal year ended June 30, 1980.

As we enter the decade of the 1980's our greatest challenge continues to be to secure reliable sources of water and electricity at the lowest practical cost in keeping with sound business practices. We took significant steps in 1979-80 toward achieving those goals as reviewed in this annual report.

In terms of dollars and cents, the most significant steps were taken in the electric power supply area. After receiving overwhelming voter support in a June 4, 1980 advisory election, the City Council unanimously approved signing of a power sales contract providing for purchase of 10.225 percent of the output from the Intermountain Power Project. The central Utah coal fueled project will save our community hundreds of millions of dollars in future power costs and will help our nation become less reliant on expensive imported fuel oil and become more energy independent.

The Department's first ownership generating resource will be its 36,520 kilowatt share of San Onofre Nuclear Generating Station, Units 2 and 3. At June 30, 1980, we were waiting for Nuclear Regulatory Commission action approving transfer of an ownership interest to Anaheim. In anticipation of that action, preparation began for issuance of \$84,000,000 of electric revenue bonds in the Fall to finance Anaheim's 1.66 percent ownership interest. At June 30, 1980 commercial operation of Unit 2 was scheduled for December 1981 and Unit 3 for February 1983.

Continued purchases of economy energy from Nevada Power Company resulted in a \$1.1 million power supply savings during 1979-80. Savings from such purchases compared to purchase of the same amount of electrical energy from Southern California Edison Company, our primary supplier, have totaled \$4.5 million through June 30, 1980.

Our forecast approved by the California Energy Commission projects that electric kilowatt hour use in Anaheim will increase at a compound rate of 3.39 percent and peak kilowatt demand at 3.26 percent annually through 1990.

While there is substantial potential for conservation and renewable energy sources in meeting Anaheim's projected energy needs, there continues to be a need for conventional generating capacity to meet our customers' needs and to reduce our reliance on expensive imported oil. In addition to the Intermountain Power Project and San Onofre, we are aggressively seeking to obtain electricity from other coal and nuclear resources as well as from geothermal and hydroelectric resources.

Construction of the Diemer Intertie, a major water supply pipeline which will transport treated Metropolitan Water District of Southern California (MWD) water to Anaheim and nine other Orange County water agencies, was nearly complete through Anaheim by June 30, 1980. Our share of this project will provide Anaheim with an added 30 cubic feet per second capacity beginning in 1981.

In February 1980, the Department issued \$7,350,000 of the \$14 million Water Revenue Bond authorization approved by Anaheim voters in November 1978. The bonds were sold at an effective interest rate of 8.6401%, which was below the then prevailing average bond interest rate and at a time when other public agencies throughout the United States did not obtain bids for their bonds, an acknowledgment of the financial strength of the Water Utility. Proceeds from the sale are being used to help finance water storage, supply and distribution projects.

In order to provide adequate revenues to pay debt service, costs of operations and help provide current revenues for capital improvements, rate action was requested both in the Water and Electric Utilities.

Public hearings were held by the Public Utilities Board in June 1980 on an application to increase water base rate and water commodity adjustment revenues an overall 20 percent. In spite of the increase, which was adopted by the City Council effective July 15, 1980, Anaheim water rates were still among the lowest in Orange County.

New electric base rates which had been put into effect a month prior to the start of

the 1979-80 fiscal year remained unchanged through June 30. However, the electric Energy Cost Adjustment Billing Factor (ECABF) was adjusted four times during the year to provide for appropriate recovery of changing power supply costs. At June 30, 1980, Anaheim residential customers, however, still enjoyed electric rates about 22 percent below those paid by residents in neighboring communities such as Santa Ana, Garden Grove, Buena Park, Fullerton, Placentia, and Yorba Linda. Anaheim commercial customers paid approximately 15 percent less than commercial customers in those communities while Anaheim industrial customers paid 18 percent less.

On June 2, 1980, Department administrative, engineering, customer service, and conservation personnel joined other City administrative and service personnel from a number of outlying locations in a move to offices in the new Anaheim Civic Center. Located at the hub of Anaheim's downtown redevelopment area, the seven-story office-tower, two-level public service building, and council chamber

will serve a projected population of 312,000 and will house more than 500 of the City's 1,900 employees. Public Utilities Department personnel occupy about 30 percent of the new building.

Our increased commitment to safety resulted in a Commendation Award from the Orange County/Los Angeles Chapter of the National Safety Council in May 1980. A new safety program was initiated which reduced on and off the job lost time, accidents, and lost time days from work from July 1, 1979 to December 30, 1979 to one-third of those experienced in the similar period one year earlier.

The Department is continuing aggressive programs to keep operating costs down in order to hold utility rates at minimum levels without impairing our ability to maintain reliable service. Staffing has been maintained at a relatively constant level as the water and electric systems have continued to grow. The Department employed 304 people in 1979-80 compared to 305 in 1975-76. During that same five year period more than 15,000

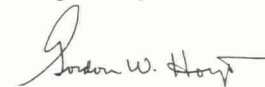
customers were added to the water and electric systems.

The accomplishments of the Department were possible because of the splendid professional work climate maintained by the City Manager who provides the leadership for Anaheim's executive management team.

I wish to specifically thank the Mayor and the members of the City Council for their encouragement and support and to thank the members of the Public Utilities Board for their contributions to the accomplishments of the past year.

Also, I am particularly proud of the outstanding service rendered to the people of Anaheim by the dedicated management team and personnel of the Public Utilities Department.

Respectfully submitted,



Gordon W. Hoyt
Public Utilities General Manager

Public Utilities Department Management

Gordon W. Hoyt, General Manager

Edward G. Alario, Assistant General Manager

Darrell L. Ament, Management Services Manager

Edward W. Dumon, Utilities Operations Manager

Ray A. Auerbach, Water Engineering Manager

George H. Edwards, Electrical Engineering Manager

Beatrice A. Butryn, Conservation Manager

John T. Salvinger, Utilities Field Superintendent

James E. Willis, Customer Service Manager

The 1979-80 Water Year

In fiscal year 1979-80, the water system marked the beginning of the second century of serving the water needs of Anaheim with installation of the 50 thousandth water service connection. Anaheim's growing water system now has 993 million gallons of water storage capacity, 34 active wells, and 624 miles of water main.

Water Use. The average number of customers served during the year grew by 754 to 49,205. Those customers used 17.1 billion gallons of water, an increase of 6 percent over the level of water used in 1978-79. Average per capita water use was 213 gallons daily based on a population served of 219,000. In spite of the increase over the prior year, conservation lessons learned during the drought helped hold daily use below the 1975-76 pre-drought average of 230 gallons per person.

Revenue Bonds. In order to help finance a number of production, transmission and distribution system capital improvements to help meet future customer requirements, the Department sold \$7,350,000 of the \$14,000,000 water revenue bond authorization approved by voters in November 1978. Proceeds from the bond sale were earmarked primarily for reservoir construction and to help pay for system improvements through mid-1983.

Even in the face of late February's record high interest rates and depressed bond market conditions, the Department was able to sell those bonds at an effective interest rate of 8.6401% — a rate below the average interest rate for comparable bond sales at that time. The Daily Bond

Buyer, a New York financial newspaper, reported on February 27, 1980 that the Department was selling bonds on a day when five other top borrowers had failed to sell their bonds.

Rates. In order to assure sufficient revenues for debt service payments, to pay the costs of operations and to help fund capital improvements, new rates based on an extensive cost of service study were proposed by the Department. The new rates, designed to provide a 20 percent overall increase in revenues were recommended by the Public Utilities Board after a public hearing and were sent to the City Council for final approval and implementation effective July 15, 1980.

Major Construction. The Department moved a million gallon buried concrete reservoir from the drawing board to the construction site next to the Lenain Filtration Plant below Walnut Canyon Reservoir. Financed from revenue bond proceeds, the reservoir is expected to cost \$1,300,000.

Major construction was completed on the Hidden Canyon Reservoir and Pumping Station complex just before the close of the fiscal year. The reservoir will allow more efficient plant operations as well as provide added storage to help meet maximum flow conditions. This facility was not financed with revenue bond funds. It is part of the high elevation pumping and reservoir system serving hill and canyon areas where water cannot be delivered by gravity flow from the Lenain Filtration Plant. Land developers pay for the high elevation facilities as they are required. Developers are reimbursed through a 22 percent surcharge on water

bills of customers served by the high elevation facilities. Once installed, these facilities become the property of the water system. The Hidden Canyon project consists of a two million gallon buried concrete reservoir and pumping station, located at Serrano Avenue and Hidden Canyon Road.

Water Supply. A majority of the construction through Anaheim had been completed by the end of 1979-80 on the Diemer Intertie, an 8½ foot diameter water supply pipeline financed under a non-profit corporation agreement among Anaheim and nine other Orange County water agencies. Anaheim will receive 30 cubic feet per second (cfs) capacity in the line at a cost of approximately \$3.3 million. Anaheim's capacity will help meet future customer water requirements in the growing Santa Ana Canyon as well as provide an important backup source of supply to the area.

Water purchased from Metropolitan Water District of Southern California and Municipal Water District of Orange County (MWDOC) accounted for 53 percent of Anaheim's water supply in 1979-80. Water pumped from water system wells accounted for 47 percent of the water supply. Normally, the Department pumps more water than it buys from MWD. Increased purchases in 1979-80 were the result of a cooperative program whereby MWD sold surplus water to Anaheim and other agencies at a lower rate, roughly equal to the cost of pumping. The program helped improve supplies in the ground water basin which underlies much of Orange County. It also made effective use of MWD's surplus water supplies. Plans call for increased ground water pumping in 1980-81.

Water Quality. Continued monitoring is provided to protect Anaheim water sources against contamination. More than 3,500 physical, biological and chemical examinations and analyses of the Anaheim water supply were completed during the year by the Department's own water quality section. In addition to the Department's own testing, MWD, the Orange County Water District and the Orange County Health Department maintain rigorous sampling and testing programs of imported and ground water sources. Tests include routine checking for industrial, agricultural and organic compounds in water supply sources.

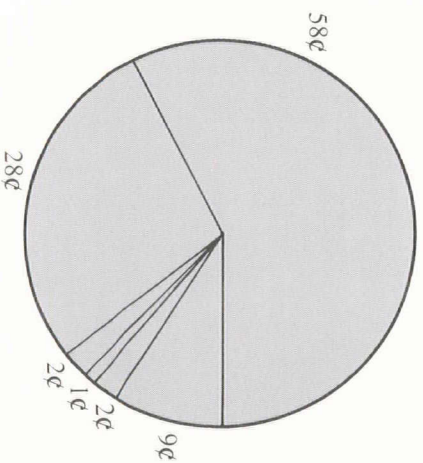
The Future. During the next five years, the water system plans to invest approximately \$11 million in new facilities. Construction of a 36 inch water main connecting the Diemer Inter tie with existing system transmission mains and a feasibility study for a cover over Olive Hills Reservoir will be financed from revenue bond funds during 1980-81. Design will begin in 1980-81 on Twin Peaks Reservoir, a one-million gallon high elevation system storage facility. Other facilities including a new 30-inch transmission main will be constructed as required by new development. These projects will be financed in part by bonds and in part by fees charged developers.

The Department, through its ongoing conservation program, will continue to seek effective ways to eliminate non-essential uses of water. Future increases in water needs will be met by purchasing additional MWD supplies and constructing new wells.

The 1979-80 Water Dollar

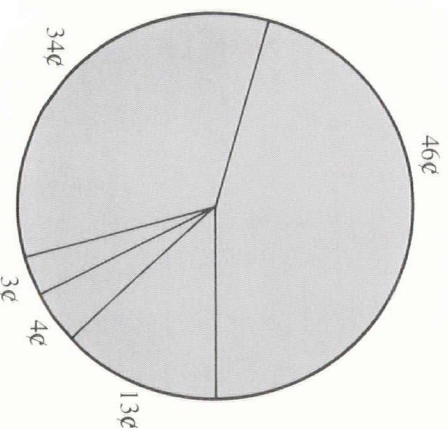
Source of Revenue:

- 58¢ Residential water sales
- 28¢ Commercial and Industrial water sales
- 2¢ Municipal water sales
- 1¢ Irrigation water sales
- 2¢ Other water sales
- 9¢ Other



Distribution of Revenue:

- 46¢ Water supply
- 34¢ Operation and maintenance
- 3¢ Transfer to City general fund
- 4¢ Debt service
- 13¢ Available for additions and replacements to the system



Water Statistics

	1979-80	1978-79	1977-78	1976-77	1975-76
USE OF WATER					
Anaheim Population Served	211,700	208,500	204,800	200,100	196,400
Population Served Outside City	7,300	7,300	7,300	6,000	5,600
Total Population Served	219,000	215,800	212,100	206,100	202,000
Services at Year End	50,036	49,253	48,493	47,495	45,709
Total Water Sales, billion gallons	17.1	16.1	14.1	15.8	17.0
Average Daily Sales Per Capita, gallons.	213	204	182	210	230

GROWTH OF SYSTEM

Utility Plant (less accumulated provision for depreciation)	\$49,261,000	\$45,590,000	\$43,145,000	\$41,123,000	\$39,424,000
Active Wells	34	35	35	35	36
Reservoirs	7	7	7	6	6
Untreated Water Storage, million gallons	920	920	920	920	920
Treated Water Storage, million gallons	73	73	73	72	72
Distribution Lines, miles	624	620	607	605	580
Fire Hydrants	5,748	5,600	5,354	5,306	5,288

WATER SUPPLY

Capacity —					
From Metropolitan Water District of Southern California Connections, GPM	43,875	43,875	43,875	43,875	43,875
From Water System Wells, GPM (annual average)	39,169	38,406	34,621	35,839	37,533
Filtration Plant Capacity, GPM	10,417	10,417	10,417	10,417	10,417
Total Supply Capacity, GPM	93,461	92,698	88,913	90,131	91,825
Maximum Daily Distribution, million gallons	78.2	79.9	77.3	77.0	77.0
Average Daily Distribution, million gallons	51.8	49.1	44.0	47.6	48.9

Water Sales Comparison

	Residential	Commercial and Industrial	Irrigation	Municipal	Other	All Classes Combined
Revenue from sales of water:						
Year ending June 30 —						
1980	\$ 5,234,000	\$2,500,000	\$ 70,000	\$203,000	\$180,000	\$ 8,187,000
1979	4,737,000	2,207,000	105,000	168,000	172,000	7,389,000
Increase (decrease)	\$ 497,000	\$ 293,000	(\$ 35,000)	\$ 35,000	\$ 8,000	\$ 798,000
Percent increase (decrease)	10.5	13.3	(33.3)	20.8	4.7	10.8
Units of 100 cubic feet sold:						
Year ending June 30 —						
1980	13,685,534	7,848,578	311,538	661,439	346,490	22,853,579
1979	12,931,949	7,310,694	428,816	593,219	288,226	21,552,904
Increase (decrease)	753,585	537,884	(117,278)	68,220	58,264	1,300,675
Percent increase (decrease)	5.8	7.4	(27.3)	11.5	20.2	6.0
Average billing price per 100 cubic feet:						
Year ending June 30 —						
1980	\$.3824	\$.3185	\$.2247	\$.3069	\$.5195	\$.3582
19793663	.3019	.2449	.2832	.5968	.3428
Increase (decrease)	\$.0161	\$.0166	(\$.0202)	\$.0237	(\$.0773)	\$.0154
Percent increase (decrease)	4.4	5.5	(8.2)	8.4	(13.0)	4.5
Average number of customers:						
Year ending June 30 —						
1980	43,136	4,597	84	411	977	49,205
1979	42,469	4,454	83	407	1,038	48,451
Increase (decrease)	667	143	1	4	(61)	754
Percent increase (decrease)	1.6	3.2	1.2	1.0	(5.9)	1.6
Average annual use per customer in units of 100 cubic feet:						
Year ending June 30 —						
1980	317	1,707	3,709			
1979	305	1,641	5,166			
Increase (decrease)	12	66	(1,457)			
Percent increase (decrease)	3.9	4.0	(28.2)			

The 1979-80 Electric Year

It has been 50 years since Anaheim's 85 year old municipally-owned and operated electric system has generated part of its own power supply. Anaheim has purchased most of its power supply during the past five decades from Southern California Edison Company and has operated fundamentally as a subtransmission and distribution system.

The Department is on the verge of once again generating its own power supply. Direct ownership of shares of projects with other utilities and long term contracts for purchase of the output from other projects will result in significantly lower overall power supply costs in coming years than if the Department continues to purchase power solely from Edison.

Purchased Power Supply. The Department purchased 1,834,788,614 kilowatt hours in 1979-80, an increase of 586,310 kilowatt hours or 0.03 percent over 1978-79 purchases. Combined customer electric requirements created a new system peak demand of 396,000 kilowatts, up 400 kilowatts or one-tenth of one percent over the 1978-79 peak. While conservation and generally milder summer weather resulted in a lower than usual rate of growth, the cost of purchased power in 1979-80 increased \$12,731,000, an increase of 21.5 percent over prior year costs. This substantial increase was largely due to the Edison Company's reliance on expensive imported oil.

Rates. Base rates implemented as part of a 5.3% general retail rate increase effective June 1, 1979, just one month prior to the start of the fiscal year, remained effective through June 30, 1980. However, the Energy Cost Adjustment Billing Factor (ECABF) was adjusted four times during the year to produce revenue necessary for proper recovery of fluctuating purchased power costs. The combined result of the base rate and ECABF rate actions was to produce a 27.3 percent increase in average revenue per kilowatt hour over the 1978-79 average.

Generation. In order to ease the long-term impact of continually rising power supply costs on retail rates, the Department continued efforts to obtain electricity from reliable sources other than Edison at the lowest available cost.

The first available resource will be a 36,500 kilowatt share of San Onofre Nuclear Generating Station, Units 2 and 3. San Onofre Units 2 and 3 consist of two 1,100,000 kilowatt generating units which are now under construction on an 84-acre site approximately three miles south of San Clemente, California, within the U.S. Marine Corps Base at Camp Pendleton. At June 30, 1980 full commercial operation of Units 2 and 3 was scheduled for December 1981 and February 1983 respectively. R. W. Beck and Associates, consulting engineers, estimates that Anaheim's power supply costs will be \$48 million less over the nine year period from 1982 to 1990 as a result of the City's ownership interest in San Onofre compared to Anaheim purchasing the same amount of power from Edison. At year end Anaheim was waiting for the Nuclear Regulatory Commission (NRC) to approve the ownership interest transfer from Southern California Edison to Anaheim before taking final steps to issue \$84,000,000 in electric revenue bonds to finance Anaheim's 1.66 percent share of project costs.

On June 4, 1980, Anaheim voters approved by a 3 to 1 margin the Department obtaining a share of electricity produced by the Intermountain Power Project (IPP). The following week, in response to the overwhelming go ahead advisory vote, the City Council unanimously authorized signing of a power sales contract with the Intermountain Power Association (IPA) to purchase a 10.225 percent share of capacity and energy from the central Utah coal fueled project. IPA is expected to issue the first revenue bonds in January 1981 to begin financing construction of the 3,000,000 kilowatt plant and transmission lines. Projected commercial operation of the first of four 750,000 kilowatt units is July 1986. Anaheim

will purchase 76,687.5 kilowatts from each unit.

Preliminary feasibility studies were completed by Anaheim with other public and private utilities in Nevada and California for the White Pine Power Project, a 1,500,000 kilowatt coal fueled project in White Pine County, near Ely, Nevada. Preliminary study agreements provided that Anaheim will have a 3.621 percent entitlement or about 54,315 kilowatts. White Pine County will issue revenue notes to finance detailed feasibility and environmental studies and to obtain permits and licenses which will be necessary for construction of the project. If the project goes forward to actual construction, the County then would issue revenue bonds backed by power sales contracts signed by the participants. At this time, Anaheim is not committed beyond regulatory approval.

Other power supply sources under study by Anaheim and others include: Rock Creek and Cresta hydro-electric projects on the Feather River in northern California; North Brawley Geothermal Project, located east of the New River near Brawley, California; Balsam Meadows Hydroelectric Project, near Fresno, California; California Coal Project, proposed for the Eastern desert of Southern California; reallocation of existing capacity from Hoover and Parker-Davis dams and allocation of new capacity and energy from modifications presently underway on generators at Hoover Dam.

Energy Use. Kilowatt hour use by Anaheim residential and commercial customers increased in 1979-80. However, average kilowatt hour use per customer dropped 0.3 percent and 2.1 percent for residential and commercial customers respectively, compared to the previous fiscal year. Industrial energy use fell 14,419,415 kilowatt hours in 1979-80 from the prior year. This represents a 4.4 percent drop in average annual kilowatt hour use per customer from the prior fiscal year. Conservation efforts appear to have played a significant role in this de-

crease; however, the economic downturn also is believed to have been a contributing factor.

Conservation. Through printed materials mailed with utility bills and direct customer contact the department continued to promote customer awareness of the need for conservation.

The Department developed and submitted, prior to the close of the fiscal year, a Residential Conservation Service (RCS) Plan to the Department of Energy for review and final approval. As spelled out in the National Energy Conservation

Policies Act of 1978, the RCS Plan will make comprehensive energy audits and renewable resource audits available for single family residential customers. New legislation signed into law on June 30, 1980 will expand coverage of the program to multi-family and small commercial customers in one to two years.

Load Management. One very important aspect of electric conservation is to reduce peak electric demand. By shifting electric use to the morning and evening hours, thus avoiding afternoon periods when electric use generally is heaviest, savings can be achieved in the form of reduced power supply costs. An ongoing program of removing selected water system pumps from service during afternoon peak demand periods eliminated more than 37,000 kilowatts from monthly peaks during 1979-80 and saved over \$175,000 in demand charges alone. The Department continued to encourage customers with swimming pools and spas to shift operation of their pool motors to off peak hours. As of June 30, more than 47 percent of Anaheim's swimming pools were being operated off peak, representing a load of more than 5,100 kilowatts, saving the Department over \$171,000 in demand charges during 1979-80.

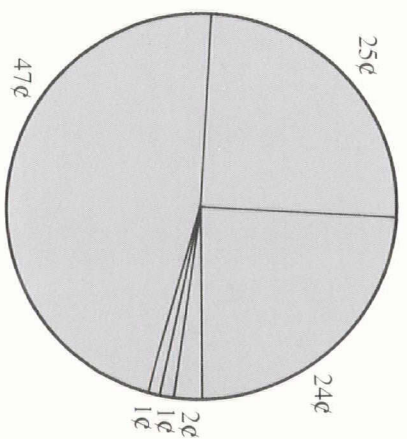
System Construction. The electric system added 17 circuit miles of 12,000 volt underground distribution lines during the fiscal year. Over 47,000 kilovolt amperes of distribution transformer capacity was installed and 170 new street lights were added to the City's system.

Construction was completed on a seven mile portion of a new 69,000 volt transmission line which will deliver electricity to new substations in the rapidly developing Santa Ana Canyon area. Engineering design work was initiated for site development of Fairmont Substation, a new 69,000/12,000 volt distribution substation. The facility is expected to be in service by the summer of 1982. Construction also was completed on the 12,000 volt underground distribution system which will serve new customers in the downtown redevelopment area of Project Alpha.

The 1979-80 Electric Dollar

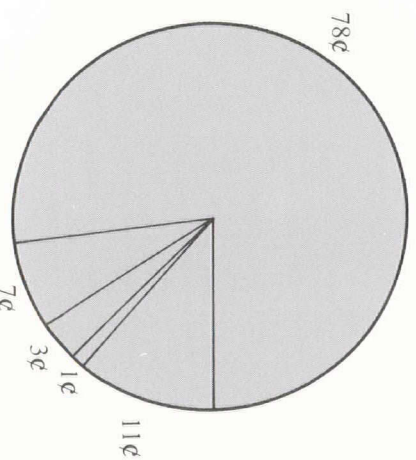
Source of Revenue:

- 24¢ Residential kwh sales
- 25¢ Commercial kwh sales
- 47¢ Industrial kwh sales
- 1¢ Street lighting kwh sales
- 1¢ Other kwh sales
- 2¢ Other



Distribution of Revenue:

- 78¢ Purchased power supply
- 7¢ Operation and maintenance
- 3¢ Transfer to City general fund
- 1¢ Debt service
- 11¢ Available for additions and replacements to the system



Electric Statistics

	1979-80	1978-79	1977-78	1976-77	1975-76
PURCHASED POWER SUPPLY					
From Southern California					
Edison Company (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 (KWH)	1,834,788,614	1,834,202,304	1,722,735,902	1,661,338,471	1,583,260,451
System Peak Demand (Kilowatts)	396,000	395,600	347,600	328,000	330,400
Cost of Power Supply (Dollars)	\$ 71,929,000	\$ 59,198,000	\$ 51,747,000	\$ 45,842,000	\$ 39,347,000
Cost of Power Supply (Cents per KWH)	3.920¢	3.227¢	3.004¢	2.759¢	2.485¢

ELECTRIC USE

Average Number of Customers:					
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
Kilowatt Hour Sales:					
Residential KWH sales	433,676,176	422,803,010	388,637,804	376,795,404	355,796,136
Commercial KWH sales	390,505,361	378,858,412	357,013,516	337,510,168	306,531,296
Industrial KWH sales	879,274,245	893,693,660	846,012,531	827,016,260	813,658,320
All other KWH sales	29,909,963	31,399,789	29,268,877	32,847,677	33,592,052
Total — all classes	1,733,365,745	1,726,754,871	1,620,932,728	1,574,169,509	1,509,577,804
Average Annual Kilowatt Hours per Residential Customer	5,988	6,007	5,684	5,627	5,579

GROWTH OF SYSTEM

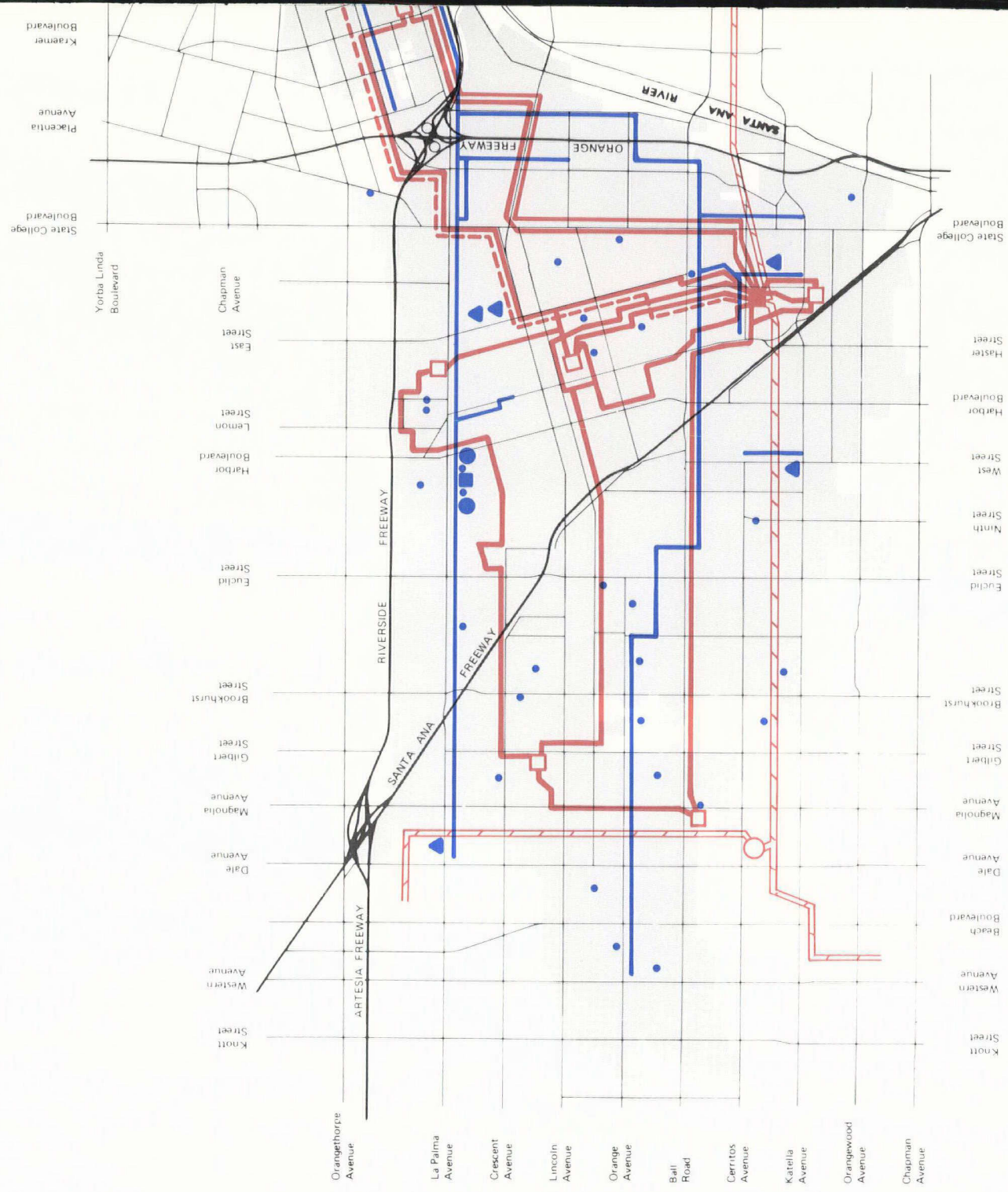
Utility Plant (less accumulated provision for depreciation)	\$ 40,172,000	\$ 37,102,000	\$ 32,711,000*	\$ 30,990,000*	\$ 28,464,000*
Transmission—69 Kv Circuit Miles	51	44	44	44	44
Distribution—					
Overhead Circuit Miles	871	871	870	869	863
Underground Circuit Miles	289	272	248	210	182
Transformer 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

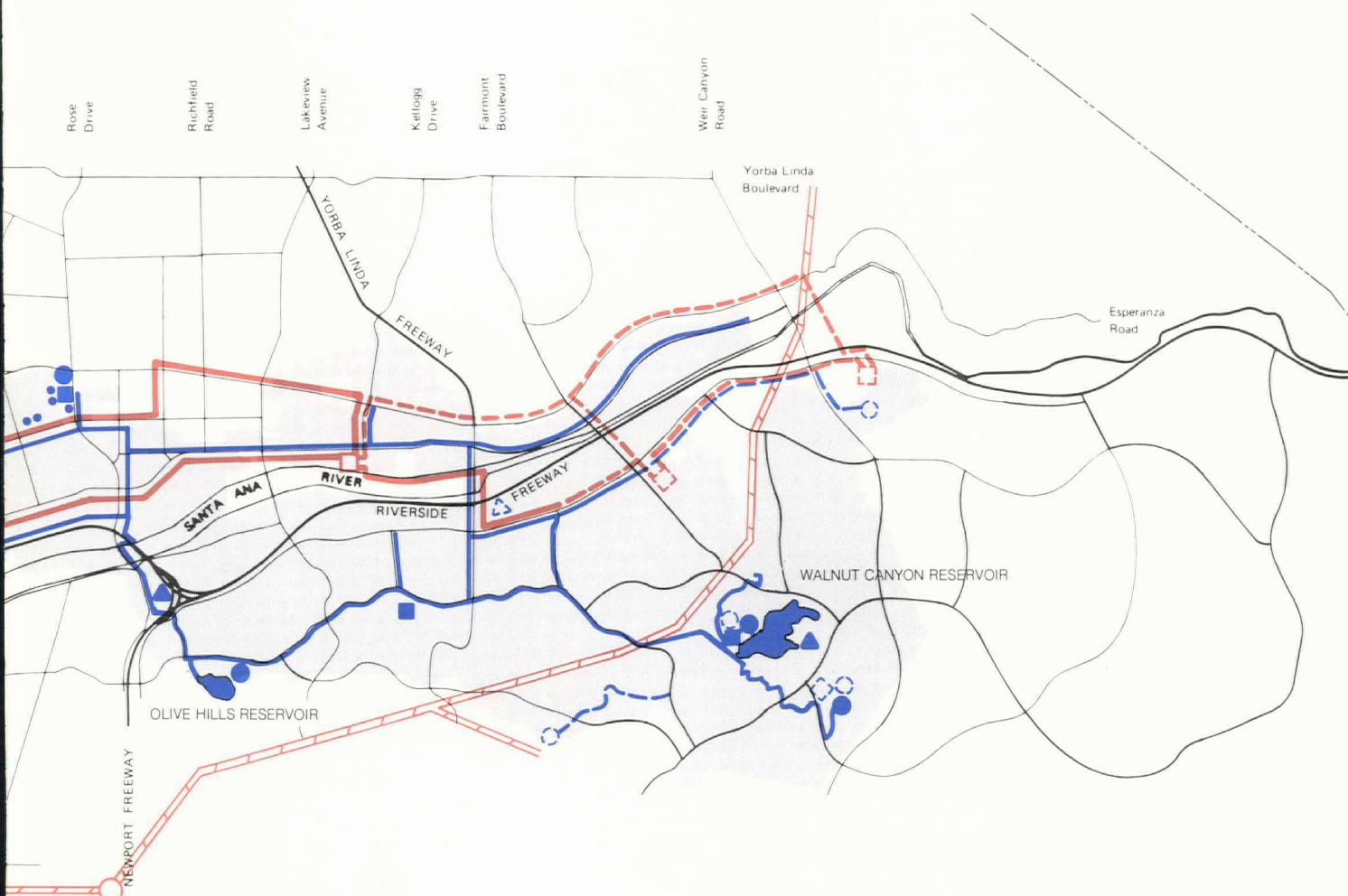
*During the year ended June 30, 1979, the City elected to record its unamortized project costs as an other asset rather than utility plant. Accordingly, Utility Plant at June 30, 1978, 1977 and 1976 has been adjusted to exclude the unamortized project costs.

Electric Sales Comparison

Revenues from sales of electricity:	Public street and highway lighting					Other	All classes combined
	Residential	Commercial	Industrial	Public street and highway lighting	Other		
Year ending June 30—							
1980	\$21,708,000	\$23,490,000	\$43,699,000	\$ 960,000	\$ 604,000	\$ 90,461,000	
1979	19,407,000	18,110,000	32,091,000	694,000	540,000	70,842,000	
Increase	\$ 2,301,000	\$ 5,380,000	\$11,608,000	\$ 266,000	\$ 64,000	\$ 19,619,000	
Percent increase	11.9	29.7	36.2	38.3	11.9	27.7	
Kilowatt hours sold:							
Year ending June 30—							
1980	433,676,176	390,505,361	879,274,245	17,207,118	12,702,845	1,733,365,745	
1979	422,803,010	378,858,412	893,693,660	17,088,408	14,311,381	1,726,754,871	
Increase (decrease)	10,873,166	11,646,949	(14,419,415)	118,710	(1,608,536)	6,610,874	
Percent increase (decrease) .	2.6	3.1	(1.6)	0.7	(11.2)	0.4	
Average billing price per kilowatt hour:							
Year ending June 30—							
1980	\$.0501	\$.0602	\$.0497	\$.0558	\$.0475	\$.0522	
19790459	.0478	.0359	.0406	.0377	.0410	
Increase	\$.0042	\$.0124	\$.0138	\$.0152	\$.0098	\$.0112	
Percent increase	9.2	25.9	38.4	37.4	26.0	27.3	
Average number of customers:							
Year ending June 30—							
1980	72,426	9,507	451	110	77	82,571	
1979	70,386	9,029	438	98	87	80,038	
Increase (decrease)	2,040	478	13	12	(10)	2,533	
Percent increase (decrease) .	2.9	5.3	3.0	12.2	(11.5)	3.2	
Average annual use per customer in kilowatt hours:							
Year ending June 30—							
1980	5,988	41,076	1,949,610				
1979	6,007	41,960	2,040,396				
Increase (decrease)	(19)	(884)	(90,786)				
Percent increase (decrease) .	(0.3)	(2.1)	(4.4)				

Public Utilities Department Water and Electric System Map





Legend

EXISTING	PROPOSED	
		ELECTRIC SYSTEM
		69,000 Volt Transmission
		Distribution Substation
		Southern California Edison
		220,000 Volt Transmission
		220,000 Volt Substation
WATER SYSTEM		
		Active Well
		Connection to MWD Source
		Covered Reservoir
		Pumping Station
		Major Mains — 14" and larger

Public Utilities Department Finances

The City reports its Water and Electric Utility Funds under California Public Utilities Commission (PUC) and Federal Energy Regulatory Commission (FERC) industry accounting guidelines respectively.

Conformance with PUC and FERC accounting guidelines provides the water and electric systems with a good basis for industry comparability.

Operating revenues for the Water and Electric Utility Funds totaled \$99.1 million, an increase of \$20.4 million over the prior fiscal year.

Water Utility Fund operating revenues totaled \$8,302,000, up \$809,000 from the prior fiscal year. Sales of 17.1 billion gallons in 1979-80 were 1 billion gallons over 1978-79 sales.

Water Utility Fund net income increased slightly to \$1,272,000 from the \$1,197,000 recorded in 1978-79. This was due primarily to the increase in interest earnings in 1979-80 compared to 1978-79.

During the year, a total of \$4,532,000 was invested in water system capital construction.

Electric Utility Fund operating revenues totaled \$90,788,000, up \$19.6 million

from the prior fiscal year. Sales of 1.7 billion KWH in 1979-80 were 6.6 million KWH over 1978-79.

Electric Utility Fund net income increased to \$11,741,000 from the 1978-79 figure of \$4,799,000. This was due primarily to additional revenues from the electric rate increase effective in June 1979 and adjustments in the Energy Cost Adjustment Billing Factor (ECABF) during 1979-80.

Purchased power costs increased \$12,731,000 to \$71,929,000 in 1979-80 for 1.8 billion kilowatt hours. While the cost of purchased power was up 21.5 percent, the 586,310 additional kilowatt hours purchased represented only a 0.03 percent increase over 1978-79 purchases. Higher fuel oil cost incurred by the electric system's supplier and passed on to the electric system was the principal cause of the increased purchased power cost.

Investments in construction of new electric system facilities totaled \$4,585,000 for fiscal 1979-80.

Water revenue bonds totaling \$7,350,000 were sold during the year. Bonds outstanding at the end of the year totaled \$8,505,000 in the Water Utility Fund and \$14,100,000 in the Electric Utility Fund. Maturing principal payments on bonds of \$130,000 and \$4,000,000 respectively

were paid from the Water and Electric Utility Funds. While no new electric revenue bonds were issued in fiscal 1979-80, preparations were well underway for the planned issuance of \$84,000,000 of bonds in the Fall of 1980 for the purpose of acquiring a 1.66 percent ownership interest in San Onofre Nuclear Generating Station, Units 2 and 3, from the Southern California Edison Company.

Total assets of the Public Utilities Department at June 30, 1980 were approximately \$130 million — \$61,155,000 assigned to the Water Utility Fund and \$68,853,000 to the Electric Utility Fund.

The Public Utilities Department pays all costs of operation and debt service and part of the cost of capital improvements from current revenues. The remainder of the cost of water and electric system capital improvements is met through the sale of revenue bonds and from contributions in aid of construction.

In addition to meeting all costs of operation from current revenues, including payment to the City for services rendered by the various municipal departments, the Public Utilities Department paid \$3,269,000 into the General Fund of the City in support of general City government — \$2,963,000 from Electric Utility Fund and \$306,000 from the Water Utility Fund.

City of Anaheim

Water Utility Fund Balance Sheet

	June 30	
	1980	1979
	(in thousands)	
ASSETS		
Utility plant:		
Land	\$ 1,388	\$ 1,423
Source of water supply	3,808	3,950
Pumping	1,474	1,479
Transmission and distribution	52,054	48,167
General	520	488
Construction work in progress	2,462	1,667
	<u>61,706</u>	<u>57,174</u>
Less — accumulated depreciation	12,445	11,584
	<u>49,261</u>	<u>45,590</u>
Restricted cash and investments (Note 4)	8,129	981
Current assets:		
Cash and investments	669	1,762
Customer and other accounts receivable, less allowance for doubtful accounts of \$15,000 in 1980 and \$21,000 in 1979	1,904	1,122
Accrued interest receivable	223	33
Materials and supplies, at average cost	217	236
Purchased water in storage	222	221
Prepayments	2	3
	<u>3,237</u>	<u>3,377</u>
Unamortized debt issuance costs	528	
Total assets	<u>\$61,155</u>	<u>\$49,948</u>
<hr/>		
EQUITY, LIABILITIES AND OTHER CREDITS		
Equity:		
Fund balance transferred	\$19,280	\$19,280
Retained deficit	(3,695)	(4,661)
Total equity	15,585	14,619
Revenue bonds, less current portion (Note 4)	8,370	1,155
Total capitalization	<u>23,955</u>	<u>15,774</u>
Current liabilities (payable from restricted assets):		
Current portion of revenue bonds	135	130
Accrued interest on bonds	320	31
	<u>455</u>	<u>161</u>
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	1,204	1,669
Customer deposits	435	577
	<u>1,639</u>	<u>2,246</u>
Total current liabilities	<u>2,094</u>	<u>2,407</u>
Advances for construction	1,443	90
Contributions in aid of construction	33,663	31,677
Total equity, liabilities and other credits	<u>\$61,155</u>	<u>\$49,948</u>

See accompanying Notes to Financial Statements

City of Anaheim
Water Utility Fund
Statement of Income

	<u>Year ended June 30</u>	
	<u>1980</u>	<u>1979</u>
	(in thousands)	
Operating revenues:		
Sales of water (Note 2)	\$8,187	\$7,389
Other operating revenues	115	104
Total operating revenues	<u>8,302</u>	<u>7,493</u>
Operating expenses:		
Cost of water	4,095	3,294
Other operations (Note 3)	1,753	1,683
Maintenance	1,280	1,185
Depreciation	341	292
Total operating expenses	<u>7,469</u>	<u>6,454</u>
Operating income	<u>833</u>	<u>1,039</u>
Other income (expense):		
Interest and other income	683	221
Interest expense	(244)	(63)
	<u>439</u>	<u>158</u>
Net income	<u>\$1,272</u>	<u>\$1,197</u>

Statement of Retained Deficit

Balance at beginning of year	(\$4,661)	(\$5,474)
Net income for the year	1,272	1,197
Transfer to the general fund of the City	(306)	(384)
Balance at end of year	<u>(\$3,695)</u>	<u>(\$4,661)</u>

See accompanying Notes to Financial Statements

City of Anaheim

Water Utility Fund

Statement of Changes in Financial Position

	<u>Year ended June 30</u>	
	<u>1980</u>	<u>1979</u>
	(in thousands)	
Financial resources were provided by:		
Operations—		
Net income	\$ 1,272	\$ 1,197
Charges to income not involving working capital—		
Depreciation	341	292
Amortization of debt issuance costs	10	
Resources provided by operations	<u>1,623</u>	<u>1,489</u>
Contributions in aid of construction	2,657	2,643
Proceeds from sale of revenue bonds	7,350	
Advances for construction	<u>1,353</u>	<u>90</u>
	<u>12,983</u>	<u>4,222</u>
Financial resources were used for:		
Expenditures for plant and equipment	4,532	3,309
Revenue bonds becoming current	135	130
Transfer to the general fund of the City	306	384
Increase in restricted cash and investments	7,148	211
Revenue bond issuance costs	538	
Other	<u>151</u>	<u>22</u>
	<u>12,810</u>	<u>4,056</u>
Increase in working capital	<u>\$ 173</u>	<u>\$ 166</u>
Increase (decrease) in components of working capital:		
Cash and investments	(\$ 1,093)	\$ 541
Customer and other accounts receivable	782	330
Accrued interest receivable	190	33
Materials and supplies	(19)	(11)
Purchased water in storage	1	26
Prepayments	<u>(1)</u>	<u>(72)</u>
Net change in current assets	<u>(140)</u>	<u>847</u>
Current portion of revenue bonds	(5)	(10)
Accrued interest on bonds	(289)	3
Accounts payable and accrued expenses	465	(999)
Customer deposits	<u>142</u>	<u>325</u>
Net change in current liabilities	<u>313</u>	<u>(681)</u>
Increase in working capital	<u>\$ 173</u>	<u>\$ 166</u>

See accompanying Notes to Financial Statements

City of Anaheim

Water Utility Fund Notes to Financial Statements

NOTE 1 — Summary of Significant Accounting Policies:

Basis of accounting

The Water Utility Fund was established June 30, 1971, at which time the portion of the City of Anaheim's General Fund equity relating to water utility operations was transferred to Water Utility equity. The financial statements of the Water Utility are presented in conformity with generally accepted accounting principles and accounting principles and methods prescribed by the California Public Utilities Commission (PUC). The Water 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 Water Utility does not accrue revenues for water 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 Water Utility shares certain administrative functions with the Electric Utility. Generally, the cost of these functions is allocated on the basis of benefits provided to the Water and Electric Utilities.

Debt issuance costs

Debt issuance costs 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 Employees' 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

Vacation and sick pay for all City employees is paid by the General Fund. The General Fund is reimbursed through payroll charges to all other funds based on estimates of benefits to be earned and used during the ensuing year. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates and one-fourth of the accumulated sick leave when an employee retires. At June 30, 1980, accumulated unused vacation and sick leave totals \$280,000 for the Water Utility.

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 1978-79 shall be equal to, or less than 6% of the gross revenue of the prior year. For fiscal year 1979-80 and subsequent years, this percentage was reduced to 4%. Such transfers are not in lieu of taxes and are recorded as distributions of retained earnings.

NOTE 2 — Sales of Water

The Water Utility's Rates, Rules and Regulations include a water commodity adjustment formula by which billings to customers are subject to adjustment, up or down, to reflect variations in the cost of water production to the Water Utility.

NOTE 3 — Operating Expenses

Operating expenses shared with the Electric Utility amounted to \$3,805,000 and \$3,823,000 for the years ended June 30, 1980 and 1979 respectively, of which \$1,302,000 and \$1,270,000 was allocated to the Water Utility.

Water Utility Fund Notes to Financial Statements (Cont.)

NOTE 4 — Revenue Bonds

The Water Utility is indebted under two revenue bond issues as follows:

	June 30	
	1980	1979
Water Revenue Series 1971 Bonds, 4.9861%, issued July 1, 1971 in the amount of \$2,000,000, maturing serially to 1987 in annual principal installments of \$135,000 to \$195,000, total debt service of \$1,369,924 to maturity	\$1,155,000	\$1,285,000
Water Revenue Bonds, 1980 Series, 8.6401%, issued February 26, 1980 in the amount of \$7,350,000, of which \$4,165,000 is maturing serially to July 1, 1999 in annual principal installments of \$100,000 to \$400,000 and \$3,185,000 of term bonds maturing July 1, 2005, subject to mandatory call and redemption from July 1, 2000 to July 1, 2005, in annual principal amounts of \$435,000 to \$640,000, total debt service of \$17,339,755 to maturity	7,350,000	1,285,000
	8,505,000	1,285,000
	135,000	130,000
Less current portion	\$8,370,000	\$1,155,000

In accordance with the bond resolutions, a reserve for maximum annual debt service has been established and a reserve for renewal and replacement is being accumulated equal to a maximum of 1% of the depreciated book value of the utility plant. The two bond issues require the establishment of a bond service account 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.

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

Held by Fiscal Agent:		
Bond Reserve Fund	\$ 891,000	\$ 200,000
Bond Service Fund	471,000	146,000
Held by City Treasurer:		
Renewal and Replacement Account	494,000	562,000
Restricted bond proceeds	6,273,000	73,000
	<u>\$8,129,000</u>	<u>\$ 981,000</u>

NOTE 5 — Pension Plan

The City of Anaheim has a contributory pension plan for full-time employees under the State of California Public Employees' Retirement System. The Water Utility's cost of benefits funded for 1980 and 1979 were approximately \$242,000 and \$154,000 respectively. Information is not available as to the actuarially computed present value of vested and non-vested accumulated plan benefits, the related assumed rates of return used and the actuarially computed value of vested benefits over the related pension fund assets.

NOTE 6 — Self-Insurance Programs

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

NOTE 7 — Commitments and Contingencies

The Water Utility's budget for the fiscal year 1980-81 provides for capital expenditures of approximately \$5,060,000 of which \$3,151,000 will be funded by water revenue bond proceeds. Substantial commitments have been made in connection therewith.

A number of claims and suits are pending against the Water 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 Water Utility. In the opinion of management, the uninsured liability under these claims and suits would not materially affect the financial position of the Water Utility as of June 30, 1980.

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, of retained deficit and of changes in financial position present fairly the financial position of the Water Utility Fund of the City of Anaheim at June 30, 1980 and 1979, 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 4, 1980
Newport Beach, California

City of Anaheim

Electric Utility Fund

Balance Sheet

	June 30	
	1980	1979
	(in thousands)	
ASSETS		
Utility plant:		
Transmission	\$11,335	\$11,058
Distribution	41,958	37,231
General	1,458	1,708
Construction work in progress	1,721	1,890
	<u>56,472</u>	<u>51,887</u>
Less — accumulated depreciation	16,300	14,785
	<u>40,172</u>	<u>37,102</u>
Restricted cash and investments (Note 4)	4,567	4,724
Current assets:		
Cash and investments	15,264	7,894
Customer and other accounts receivable, less allowance for doubtful accounts of \$165,000 in 1980 and \$180,000 in 1979	4,679	4,425
Accrued interest receivable	416	186
Materials and supplies, at average cost	1,118	870
Prepayments (Note 6)	11	2,457
	<u>21,488</u>	<u>15,832</u>
Other assets:		
Unamortized project costs (Note 3)	2,580	2,427
Unamortized debt issuance costs	46	57
	<u>2,626</u>	<u>2,484</u>
Total assets	<u>\$68,853</u>	<u>\$60,142</u>
EQUITY, LIABILITIES AND OTHER CREDITS		
Equity:		
Fund balance transferred	\$14,629	\$14,629
Retained earnings	23,623	14,845
Total equity	<u>38,252</u>	<u>29,474</u>
Revenue bonds, less current portion (Note 4)	11,450	14,100
Total capitalization	<u>49,702</u>	<u>43,574</u>
Current liabilities (payable from restricted assets):		
Current portion of revenue bonds	325	300
Accrued interest on bonds	221	248
	<u>546</u>	<u>548</u>
Current liabilities (payable from current assets):		
Current portion of revenue bonds	2,325	3,700
Accounts payable and accrued expenses	13,045	10,330
Customer deposits	402	392
	<u>15,772</u>	<u>14,422</u>
Total current liabilities	<u>16,318</u>	<u>14,970</u>
Contributions in aid of construction	2,833	1,598
Total equity, liabilities and other credits	<u>\$68,853</u>	<u>\$60,142</u>

See accompanying Notes to Financial Statements

City of Anaheim
Electric Utility Fund
Statement of Income

	<u>Year ended June 30</u>	
	<u>1980</u>	<u>1979</u>
	(in thousands)	
Operating revenues:		
Sales of electric energy (Note 5)	\$90,461	\$70,842
Other operating revenues	327	331
Total operating revenues	<u>90,788</u>	<u>71,173</u>
Operating expenses:		
Cost of purchased power	71,929	59,198
Other operations	4,195	3,657
Maintenance	2,107	2,036
Depreciation	1,600	1,358
Amortization of project costs (Note 3)	321	302
Total operating expenses	<u>80,152</u>	<u>66,551</u>
Operating income	<u>10,636</u>	<u>4,622</u>
Other income (expense):		
Interest income	1,766	869
Interest expense	(661)	(692)
	<u>1,105</u>	<u>177</u>
Net income	<u>\$11,741</u>	<u>\$ 4,799</u>

Statement of Retained Earnings

Balance at beginning of year	\$14,845	\$13,670
Net income for the year	11,741	4,799
Transfer to the general fund of the City	(2,963)	(3,624)
Balance at end of year	<u>\$23,623</u>	<u>\$14,845</u>

See accompanying Notes to Financial Statements

City of Anaheim
Electric Utility Fund
Statement of Changes in Financial Position

	<u>Year ended June 30</u>	
	<u>1980</u>	<u>1979</u>
	(in thousands)	
Financial resources were provided by:		
Operations—		
Net income	\$11,741	\$ 4,799
Charges to income not involving working capital—		
Depreciation	1,600	1,358
Amortization of project costs	321	302
Amortization of debt issuance costs	11	11
Resources provided by operations	13,673	6,470
Decrease in prepaid electric power		4,838
Contributions in aid of construction	1,287	1,544
Decrease (increase) in restricted cash and investments	157	(203)
	<u>15,117</u>	<u>12,649</u>
Financial resources were used for:		
Expenditures for plant and equipment	4,585	5,608
Revenue bonds becoming current	2,650	4,000
Transfer to the general fund of the City	2,963	3,624
Increase (decrease) in unamortized project costs	474	(122)
Other	137	141
	<u>10,809</u>	<u>13,251</u>
Increase (decrease) in working capital	<u>\$ 4,308</u>	<u>(\$ 602)</u>
Increase (decrease) in components of working capital:		
Cash and investments	\$ 7,370	\$ 3,773
Customer and other accounts receivable	254	(303)
Accrued interest receivable	230	186
Materials and supplies	248	(609)
Prepayments	(2,446)	(1,428)
Net change in current assets	<u>5,656</u>	<u>1,619</u>
Current portion of revenue bonds	1,350	(200)
Accrued interest on bonds	27	25
Accounts payable and accrued expenses	(2,715)	(2,040)
Customer deposits	(10)	(6)
Net change in current liabilities	<u>(1,348)</u>	<u>(2,221)</u>
Increase (decrease) in working capital	<u>\$ 4,308</u>	<u>(\$ 602)</u>

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 issuance costs

Debt issuance costs 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 Employees' 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

Vacation and sick pay for all City employees is paid by the General Fund. The General Fund is reimbursed through payroll charges to all other funds based on estimates of benefits to be earned and used during the ensuing year. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates and one-fourth of the accumulated sick leave when an employee retires. At June 30, 1980, accumulated unused vacation and sick leave totals \$457,000 for the Electric Utility.

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 1978-79 shall be equal to, or less than 6% of the gross revenue of the prior year. For fiscal year 1979-80 and subsequent years, this percentage was reduced to 4%. Such transfers are not in lieu of taxes and are recorded as distributions of retained earnings.

NOTE 2 — Operating Expenses

Operating expenses shared with the Water Utility amounted to \$3,805,000 and \$3,823,000 for the years ended June 30, 1980 and 1979 respectively, of which \$2,503,000 and \$2,553,000 was allocated to the Electric Utility.

NOTE 3 — Unamortized Project Costs

The City plans to participate in various power generation projects with other agencies. Unamortized project costs includes \$1,588,000 which represents advance payments to participating agencies for preliminary engineering and environmental impact studies for the related projects.

Certain projects to which the City had advanced \$1,734,000 were terminated without benefits accruing to the City. The \$1,734,000 is being amortized to expense over five years, of which \$992,000 remained unamortized at June 30, 1980.

Electric Utility Fund Notes to Financial Statements (Cont.)

NOTE 4 — Revenue Bonds

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

	June 30	
	1980	1979
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 \$325,000 to \$675,000, total debt service of \$8,295,400 to maturity	\$ 6,225,000	\$ 6,525,000
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 \$11,490,000 to maturity	5,650,000	5,750,000
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 a remaining principal installment of \$2,225,000 in fiscal year 1981, total debt service of \$2,279,513 to maturity	2,225,000	5,825,000
	14,100,000	18,100,000
Less current portion	2,650,000	4,000,000
	<u>\$11,450,000</u>	<u>\$14,100,000</u>

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

The three bond issues require the establishment of a bond service fund 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:

Held by Fiscal Agent:		
Bond Reserve Fund	\$ 1,086,000	\$ 1,086,000
Bond Service Fund	522,000	418,000
Held by City Treasurer:		
Bond Service Account	454,000	682,000
Renewal and Replacement Account	803,000	742,000
Restricted bond proceeds	1,702,000	1,796,000
	<u>\$ 4,567,000</u>	<u>\$ 4,724,000</u>

NOTE 5 — Sales of Electric Energy

Effective June 1, 1979, the City established an electric energy cost adjustment billing 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.

\$419,000 and \$282,000 respectively. Information is not available as to the actuarially computed present value of vested and non-vested accumulated plan benefits, the related assumed rates of return used and the actuarially computed value of vested benefits over the related pension fund assets.

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 8 — Self-Insurance Programs

Effective September 1, 1974, the Electric Utility became part of a City of Anaheim 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 expense as incurred.

NOTE 7 — Pension Plan

The City of Anaheim has a contributory pension plan for full-time employees under the State of California Public Employees' Retirement System. The Electric Utility's cost of benefits funded for 1980 and 1979 were approximately

NOTE 9 — Commitments and Contingencies

The Electric Utility's budget for the fiscal year 1980-81 provides for capital expenditures of approximately \$91,537,000 of which \$85,801,000 will be funded from electric revenue bond proceeds.

Electric Utility Fund Notes to Financial Statements (Cont.)

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, 1980.

NOTE 10 — Subsequent Events

On October 10, 1980, the City issued Electric Revenue Bonds, Issue of 1980, in the principal amount of \$84,000,000, for the 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. The bonds include: (1) \$30,475,000 of serial bonds which mature through October 1, 1997 in annual principal installments ranging from \$1,250,000 to \$3,425,000; (2) \$16,650,000 of term bonds maturing October 1, 2001, subject to mandatory redemption from October 1, 1998 to October 1, 2001, in annual principal installments ranging from \$3,675,000 to \$4,650,000; and (3) \$36,875,000 of term bonds maturing October 1, 2007, subject to mandatory redemption from October 1, 2002 to October 1, 2007, in annual principal installments ranging from \$5,025,000 to \$7,375,000. The bonds were sold at an aggregate discount of \$8,400,000 resulting in an effective interest rate of 9.173%.

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, of 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, 1980 and 1979, 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 4, 1980
Newport Beach, California



CITY OF ANAHEIM
Public Utilities Department
200 S. Anaheim Boulevard, Anaheim, California 92805

Reliable Water and Electric Service to Anaheim Since 1895