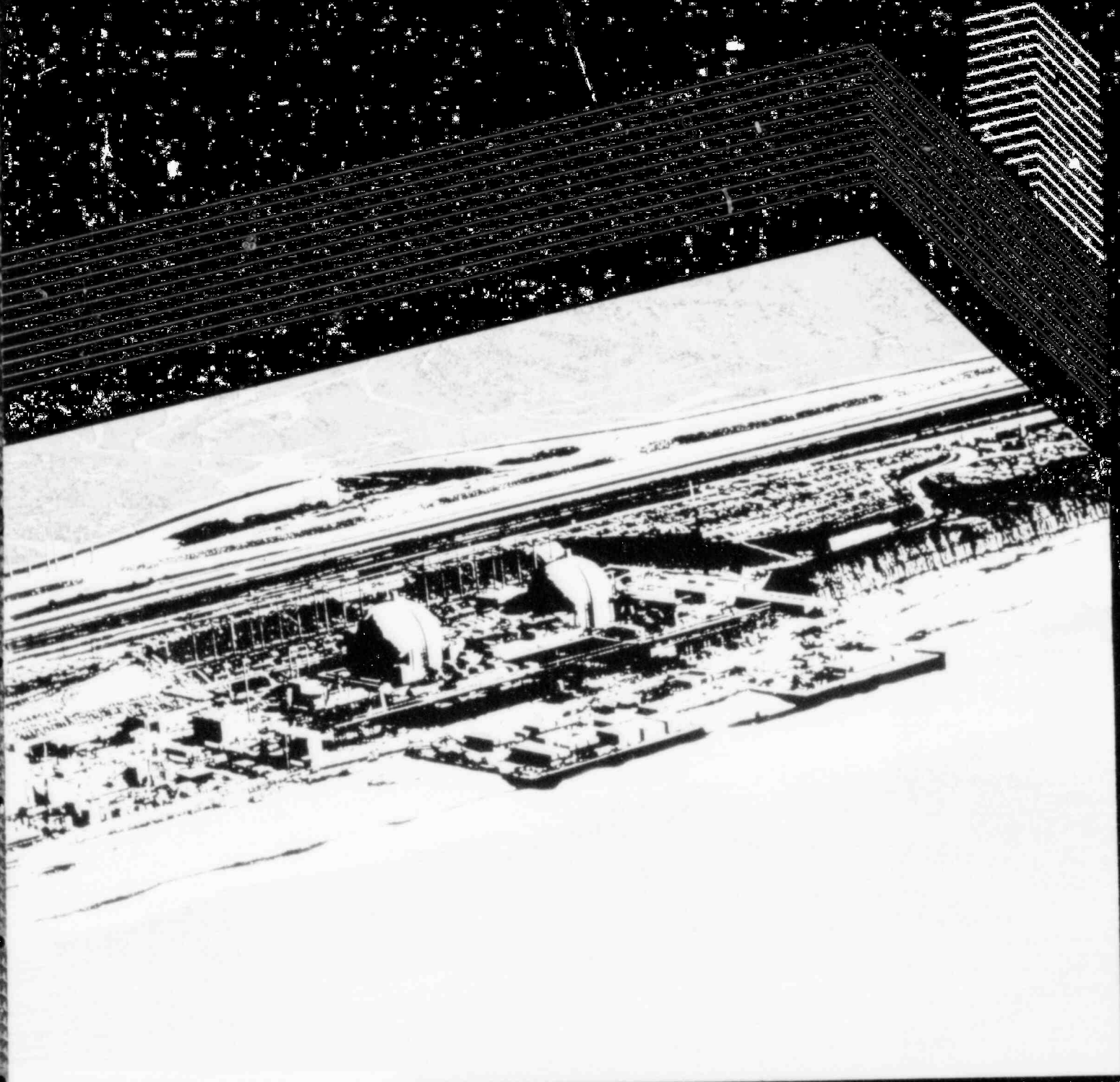


**CITY OF ANAHEIM
PUBLIC UTILITIES
DEPARTMENT**

**1982
ANNUAL
REPORT**

**YEAR
ENDED
JUNE 30
1982**



Officials of the City of Anaheim

City Staff

William O. Talley
City Manager

James D. Ruth
Assistant City Manager

George P. Ferrone
Finance Director

William P. Hopkins
City Attorney

Linda D. Roberts
City Clerk

Ruth M. Redepenning
City Treasurer

City Council

E. Llewellyn Overholt, Jr.
Councilman

Don R. Roth
Mayor

Ben W. Bay
Mayor Pro Tem

Miriam Kaywood
Councilwoman

Irv Pickler
Councilman



Public Utilities Board

Kenneth M. Keasee
Chairman

S. Dale Stanton

Wynn W. Anderson

Joseph R. White

James H. Townsend
Vice Chairman

Richard L. Haynie

Carl J. Kiefer *(not pictured)*



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Public Utilities Management

Darrell L. Ament
Management Services Manager

Dale L. Pohlman
Assistant General Manager Power Resources

Gordon W. Hoyt
General Manager

Edward G. Alario
Assistant General Manager



Beatrice A. Butryn
Conservation Manager

Edward E. Dumon
Utilities Operations Manager

John T. Salvinger
Utilities Field Manager

George H. Edwards
Electrical Engineering Manager

Ray A. Auerbach
Water Engineering Manager

Don R. Metzger
Customer Service Manager

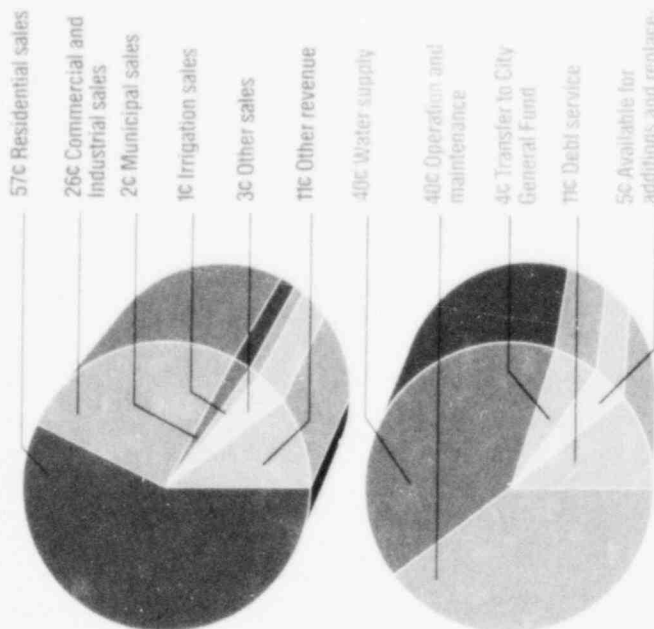


Public Utilities Department 1982 and 1981 Fiscal Year Highlights

OPERATIONS	WATER		ELECTRIC	
	Year Ended June 30 1982	1981	Year Ended June 30 1982	1981
Sales	18.33 billion gallons	18.58 billion gallons	1.79 billion kilowatt hours	1.76 billion kilowatt hours
System peak requirements	83.7 million gallons	101.1 million gallons	430,560 kilowatts	424,320 kilowatts
Average number of customers	50,322	49,800	86,993	84,709
FINANCIAL				
Revenue from sales	\$10,352,000	\$10,185,000	\$128,500,000	\$101,812,000
Cost of water and purchased power	\$ 4,631,000	\$ 4,628,000	\$ 98,417,000	\$ 88,673,000
Net income	\$ 746,000	\$ 2,056,000	\$ 19,831,000	\$ 6,211,000
Transferred to City of Anaheim General Fund	\$ 433,000	\$ 344,000	\$ 4,174,000	\$ 3,841,000
Total assets	\$70,078,000	\$66,165,000	\$252,695,000	\$154,407,000

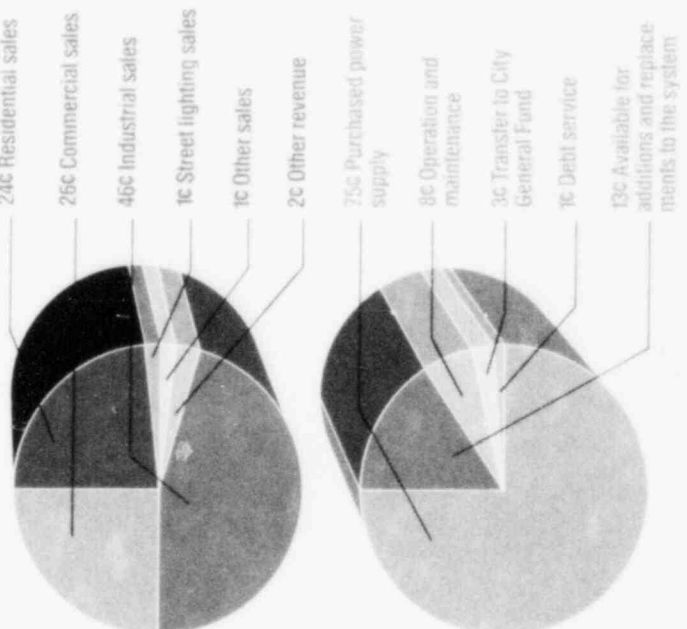
The 1981-82 Water Dollar

Source of Revenue: Distribution of Revenue:



The 1981-82 Electric Dollar

Source of Revenue: Distribution of Revenue:



CREDIT RATING

Electric Revenue Bonds
Water Revenue Bonds
Electric Tax-Exempt Commercial Paper

Moody's Investors
Service, Inc.

Aa
A-1
Prime-1

Standard and Poor's
Corporation

A+
A+
A-1

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 1981-82 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, 1982.

There are very few things which are more satisfying than the accomplishment of a long-term goal. One possible exception is the satisfaction derived from knowing that the goal is about to be achieved. Such is our feeling regarding our community's ownership interest in Units 2 and 3 at San Onofre Nuclear Generating Station (SONGS).

At June 30, fuel had been loaded into the reactor of Unit 2 under authority of a low power license granted by the Nuclear Regulatory Commission (NRC). Initial criticality of the reactor was achieved July 26, 1982 and the NRC issued a full power license on September 7, 1982. Crews began loading fuel into Unit 3 on November 15, 1982.

Short-term financing was used for the first time ever by the Department in connection with our purchase of the additional 1.5 percent share of SONGS, Units 2

and 3. We are tremendously pleased to be able to report that the use of short-term financing compared to the going rate for long-term borrowings resulted in savings of approximately \$1.5 million during the last nine months of the fiscal year.

Anaheim's investment in construction costs and fuel for SONGS, Units 2 and 3, at \$126.5 million as of June 30, 1982, represents the largest capital investment ever made by the City. During the next 10 years our share at SONGS, Units 2 and 3, will provide about 17 percent of our electric needs at a significantly lower cost than we would pay our primary supplier, Southern California Edison Company. The cost avoidance which will result from displacing Edison purchases with electricity generated from our 69,520 kilowatt share of San Onofre is estimated conservatively at more than \$50 million dollars during just the first 10 years of operation. This is after we pay our share of operating and maintenance costs and debt service on our bonds.

Our real excitement though, comes from knowing that the dollars we avoid paying Edison by obtaining power from other more economical resources means our Anaheim electric customers are going to spend that much less for the electricity they need to light their homes and run their businesses.

On April 21, 1982, a raging fire, pushed by winds gusting to 60 miles per hour, devastated a six square block densely populated area of Anaheim in what proved to be the worst fire in the City's history. More than \$50 million in property was destroyed and an estimated 1,500 people were homeless at day's end. However, we were fortunate that there was no loss of life.

With over 56 fire units and 350 people fighting this devastating blaze, no complaints were raised regarding the performance of the water system. This truly is a tribute to the people of the Anaheim Public Utilities Department and particularly those of the water utility who over the years have worked to plan, design, maintain and operate the water system.

The system did what it is supposed to do. It is just this kind of performance which illustrates to the community and to the world why Anaheim's water utility is rated Class 1 by the Insurance Services Office, their highest rating.

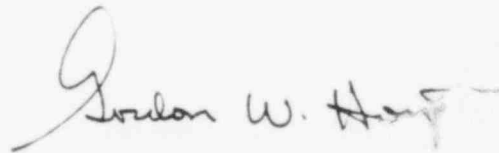
"The cost of our purchased power supply has averaged 81 cents out of each revenue dollar over the past five fiscal years. The tremendous impact of this single cost on our annual operating budget still represents our greatest opportunity for cost reductions."

The cost of our purchased power supply has averaged 81 cents out of each revenue dollar over the past five fiscal years. The tremendous impact of this single cost on our annual operating budget still represents our greatest opportunity for cost reductions. While we continued to devote significant financial and manpower resources to help stabilize future power supply costs, we also continued to work to improve the productivity of our employees and strengthen cost control measures. For example, the Department, a pioneer among utilities in using a work management program to improve productivity, initiated a new Management Development Program in 1981-82. This program is designed to improve our productivity by improving the effectiveness of our managers from the executive level down through our first line supervisors and program managers.

Thanks to the continued efforts of our employees we once again were honored for having the best safety record among utilities in the Orange County/Long Beach chapter of the National Safety Council. This marks the third year in a row that Anaheim's Public Utilities Department has been singled out for the achievement of its employees by the Safety Council.

Our accomplishments, as discussed in greater detail on the following pages of this report, are the result of the dedication and hard work, often above and beyond the call of duty, of the Department's personnel and members of the management team. I am proud of the loyal and outstanding service which they have rendered to the people of Anaheim.

In conclusion, I wish to thank the City Manager for the excellent professional work environment and leadership which he has provided. In addition, I appreciate the continued support and encouragement of the Mayor, other members of the City Council and members of the Public Utilities Board.



Gordon W. Hoyt
Public Utilities General Manager



The 1981-82 Water Year

Water use in Anaheim was down in 1981-82 following a significant increase in use during the previous fiscal year. Cooler weather and a significant increase in rainfall, which was spread over 10 months of the fiscal year, accounted for the decline in 1981-82.

A total of 18.33 billion gallons was used during 1981-82, a decrease of 1.3 percent from the 18.58 billion gallons used in 1980-81. However, 1981-82 water use was 1.24 billion gallons or 7.3 percent higher than the 17.09 billion gallons used in 1979-80, thus continuing an upward trend with respect to years prior to 1980-81.

The 1981-82 peak water day of 83.7 million gallons represented a 17.4 million gallon or a 17.2 percent drop from the all time high 24 hour peak of 101.1 million gallons set during the prior fiscal year. This is further indication of the impact of temperature and rainfall patterns on the level of water use during the past two fiscal years.

Water use on a per capita basis, at 215 gallons per day, was five gallons per person lower in 1981-82 than in 1980-81. It also continued to remain below the 1975-76 pre-drought average of 230 gallons per person, per day, an indication that many of the conservation lessons learned during the drought are still being practiced.

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 for implementation effective July 1, 1982. The rates were designed to produce a 12.7 percent overall increase in revenue. In spite of the proposed increase, Anaheim water rates were expected to remain among the lowest in Orange County.

Water Supply. The Department purchased 34 percent of Anaheim's water supply from the Metropolitan Water District of Southern California (MWD) during 1981-82. The remaining 66 percent was pumped from water system wells.

Anaheim bought water from MWD for the first time under a new interruptible supply pricing program. The Department pays a lower rate to MWD during periods of ample supply and agrees to reduce purchases from MWD by up to 652 million gallons a year during dry periods. Anaheim's 920 million gallon Walnut Canyon Reservoir, the largest municipal reservoir in Orange County, provides the storage capacity which makes interruptible pricing a viable option.

A \$1.2 million contract was awarded for construction of pressure regulators and a 36 inch main which will transmit Anaheim's 30 cubic feet per second capacity from the Allen-McColloch Pipeline to existing transmission lines. This additional connection to MWD will help meet future customer requirements in the growing Santa Ana Canyon as well as provide an important backup source for existing customers.

Rehabilitation of the first of four wells coupled with reworking its existing pump will result in improved efficiency and net operating

savings of an estimated \$80,000 over the next 10 years. Additional savings will result as the other three wells are placed back in service.

Major Construction. The Lenain Reservoir, a two million gallon, buried concrete reservoir next to the August F. Lenain Filtration Plant was placed in service in 1981-82. The facility enhances distribution system operating efficiency and provides added emergency storage for the eastern hill and canyon area of the City.

Water Quality. Continuing treatment and monitoring is provided to protect Anaheim water sources against contamination. More than 3,500 physical, biological, and chemical 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 program, 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 \$38 million in new facilities. Over the next five years, approximately \$9.8 million is earmarked for replacement of water production and distribution



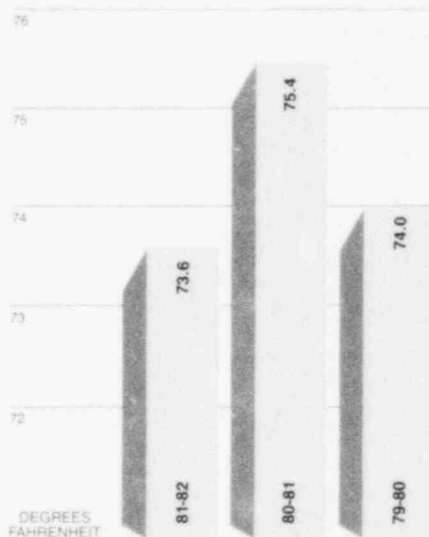
facilities which have outlived their useful lives or are no longer capable of meeting the needs of Anaheim water customers. The 1982-83 budget includes approximately \$1.8 million in water revenue bond proceeds for such replacements.

Other facilities, including a new 36 inch transmission main and a two million gallon reservoir will be constructed as required by new development. These and other projects will be financed in part by bond proceeds and in part by fees charged to developers.

Failure of a statewide ballot measure effectively stopped construction of a Peripheral Canal to carry water around the Sacramento River Delta and additions to the

California Water Project. MWD is reviewing the impact this decision will have on its ability to supply Southern California agencies in the late 80's. Alternatives such as improving existing Delta channels, conservation and local reclamation projects are being studied. While long-term solutions are being sought, the Department, through its ongoing conservation program, will continue to seek effective ways to eliminate wasteful uses of water. The Department also will provide additional capacity from wells in order to meet the needs of Anaheim consumers which cannot be met by purchases from MWD.

AVERAGE OF DAILY HIGH TEMPERATURES



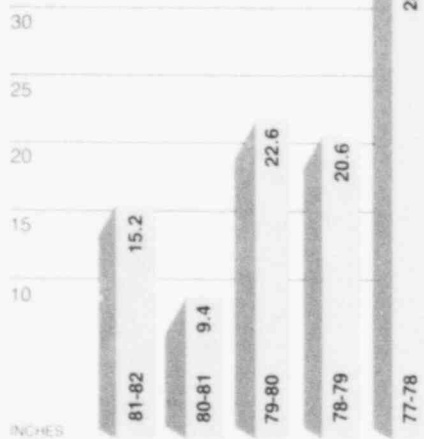
Water Statistics

	1981-82	1980-81	1979-80	1978-79	1977-78
WATER SUPPLY					
From Metropolitan Water District, million gallons.....	6,658.7	9,871.9	9,971.2	8,549.3	8,953.1
Percent of Total Supply.....	34%	48%	53%	47%	55%
From Water System Wells, million gallons.....	13,141.5	10,679.4	8,973.0	9,448.5	7,261.4
Percent of Total Supply.....	66%	52%	47%	53%	45%
Cost of Water Supply, dollars.....	\$ 4,631,000	\$ 4,628,000	\$ 4,095,000	\$ 3,294,000	\$ 2,572,000
Unit Cost of Water Supply, dollars per million gallons.....	\$ 233.89	\$ 225.19	\$ 216.16	\$ 183.02	\$ 158.62
Percent Increase in Unit Cost of Water Supply over Previous Year.....	3.9%	4.2%	18.1%	15.4%	1.2%
Capacity — gallons per minute					
From Metropolitan Water District Connections.....	43,875	43,875	43,875	43,875	43,875
From Water System Wells (average).....	37,262	38,463	39,169	38,406	34,621
Filtration Plant Capacity.....	10,417	10,417	10,417	10,417	10,417
Total Supply Capacity.....	91,554	92,755	93,461	92,698	88,913
Peak Day Distribution, million gallons.....	83.7	101.1	78.2	79.9	77.3
Average Daily Distribution, million gallons.....	54.2	56.5	51.8	49.1	44.0
WATER USE					
Average Number of Customers:					
Residential.....	44,029	43,622	43,136	42,469	41,500
Commercial/Industrial.....	4,903	4,784	4,597	4,454	4,277
Municipal.....	314	401	411	407	392
Other.....	1,076	1,083	1,061	1,121	1,688
Total — all classes.....	50,322	49,890	49,205	48,451	47,857
Revenue from Sale of Water:					
Residential.....	\$ 6,687,000	\$ 6,572,000	\$ 5,234,000	\$ 4,737,000	\$ 3,777,000
Commercial/Industrial.....	2,986,000	2,894,000	2,500,000	2,207,000	1,863,000
Municipal.....	257,000	273,000	203,000	168,000	102,000
Other.....	422,000	446,000	250,000	277,000	237,000
Total — all classes.....	\$10,352,000	\$10,185,000	\$ 8,187,000	\$ 7,389,000	\$ 5,979,000
Millions of Gallons Sold:					
Residential.....	10,894	11,089	10,237	9,673	8,468
Commercial/Industrial.....	6,443	6,280	5,871	5,468	4,741
Municipal.....	549	583	495	444	406
Other.....	441	632	491	537	493
Total — all classes.....	18,327	18,584	17,094	16,122	14,108
Anaheim Population Served.....	226,568	225,146	219,494	208,500	204,842
Population Served Outside City.....	6,500	6,500	6,400	7,300	7,300
Total Population Served.....	233,068	231,646	225,894	215,800	212,142
Average Daily Sales Per Capita, gallons.....	215	220	207	204	182
GROWTH OF SYSTEM					
Utility Plant (less accumulated depreciation and amortization).....	\$59,320,000	\$53,871,000	\$49,261,000	\$45,590,000	\$43,145,000
Active Wells.....	33	33	34	35	35
Reservoirs.....	10	9	8	8	8
Untreated Water Storage, million gallons.....	920	920	920	920	920
Treated Water Storage, million gallons.....	77	75	73	73	73
Transmission and Distribution Lines, miles.....	640	632	624	620	607
Fire Hydrants.....	5,831	5,801	5,748	5,600	5,354

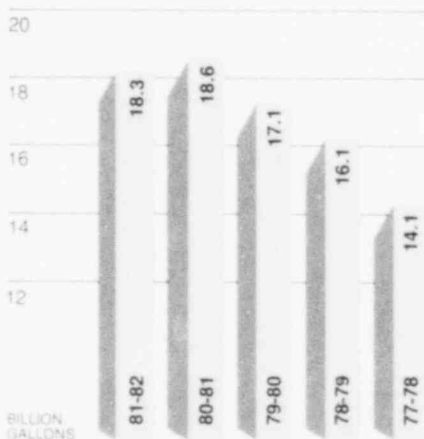
Water Sales Comparison

	Residential	Commercial and Industrial	Irrigation	Municipal	Other	All Classes Combined
Revenue from sale of water:						
Year ended June 30 -						
1982.....	\$ 6,687,000	\$2,986,000	\$ 99,000	\$257,000	\$ 323,000	\$10,352,000
1981.....	6,572,000	2,894,000	134,000	273,000	312,000	10,185,000
Increase (decrease).....	\$ 115,000	\$ 92,000	\$ (35,000)	\$ (16,000)	\$ 11,000	\$ 167,000
Percent increase (decrease).....	1.7	3.2	(26.1)	(5.9)	3.5	1.6
Units of 100 cubic feet sold:						
Year ended June 30 -						
1982.....	14,564,214	8,612,895	254,528	734,172	335,138	24,500,947
1981.....	14,824,394	8,395,807	406,408	778,785	440,029	24,845,423
Increase (decrease).....	(260,180)	217,088	(151,880)	(44,613)	(104,891)	(344,476)
Percent increase (decrease).....	(1.8)	2.6	(37.4)	(5.7)	(23.8)	(1.4)
Average billing price per 100 cubic feet:						
Year ended June 30 -						
1982.....	\$.4591	\$.3467	\$.3890	\$.3501	\$.9638	\$.4225
1981.....	.4433	.3447	.3297	.3505	.7090	.4099
Increase (decrease).....	\$.0158	\$.0020	\$.0593	\$ (.0004)	\$.2548	\$.0126
Percent increase (decrease).....	3.6	0.6	18.0	(0.1)	35.9	3.1
Average number of customers:						
Year ended June 30 -						
1982.....	44,029	4,903	60	314	1,016	50,322
1981.....	43,622	4,784	69	401	1,014	49,890
Increase (decrease).....	407	119	(9)	(87)	2	432
Percent increase (decrease).....	0.9	2.5	(13.0)	(21.7)	0.2	0.9
Average annual use per customer in units of 100 cubic feet:						
Year ended June 30 -						
1982.....	331	1,757	4,242			
1981.....	340	1,755	5,890			
Increase (decrease).....	(9)	2	(1,648)			
Percent increase (decrease).....	(2.6)	0.1	(28.0)			

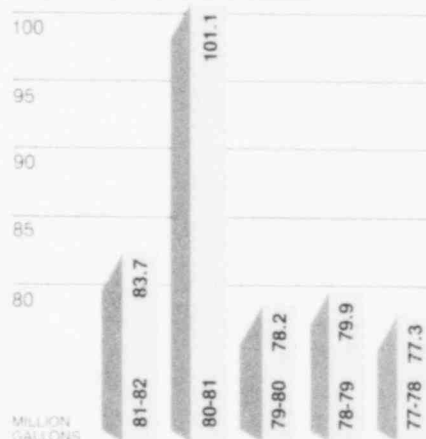
ANNUAL RAINFALL



WATER SALES



PEAK DAY DEMAND



The 1981-82 Electric Year

As the 1981-82 fiscal year drew to a close, Anaheim looked toward the dawning of a new era in the 87 year history of its electric utility — the operation of its first electric generating resource since 1930.

The resource is San Onofre Nuclear Generating Station, Units 2 and 3. Anaheim purchased another 1.5 percent interest in each 1,100,000 kilowatt unit of this vital Southern California generating resource in 1981-82. The community's ownership interest now stands at 3.16 percent or 69,520 kilowatts of nuclear fueled electric generating capacity.

Owning a share of San Onofre means that the electricity Anaheim will receive from its share of the project over the next 30 years is going to cost the Department and Anaheim utility consumers millions of dollars less than if the investment had not been made and the community continued to buy all of its power at wholesale rates from Southern California Edison Company.

The project is situated on an 84 acre site approximately three miles south of San Clemente, California, within the U.S. Marine Corps Base at Camp Pendleton. Units 2 and 3 are owned by Anaheim, Edison, San Diego Gas and Electric Company and the City of Riverside. Edison is project manager and will operate the two units.

As of June 30, 1982 the Nuclear Regulatory Commission had granted a low power license for testing and fuel had been loaded into Unit 2. Sustained full operation of Unit 2 is expected after the first of 1983 while operation of Unit 3 is expected late in 1983.

Ground was broken and construction started on the coal-fueled Intermountain Power Project (IPP) in central Utah. IPP is being financed by the Intermountain Power Agency (IPA) from the proceeds of long-term bonds of which \$1.5 billion had been issued through June 30, 1982. The bonds are secured by power sales contracts between IPA and each purchaser of the project's output. Anaheim has contracted to buy 10.225 percent of the electricity produced by IPP. The other participants are the California cities of Burbank, Glendale, Pasadena, Riverside and the Department of Water and Power of the City of Los Angeles; 29 Utah municipalities and rural electric cooperatives and Utah Power and Light Company.

At June 30, 1982 commercial operation of IPP's four planned 750,000 kilowatt units was projected for the late 1980's. However, studies and discussions were underway regarding the possibility of reducing the number of units from four to two.

Feasibility and environmental studies continued for the White Pine Project, a 1.5 million kilowatt coal-fueled generating station proposed in White Pine County, Nevada, near Ely. If the project goes forward to construction, White Pine County would issue tax exempt revenue bonds backed by power sales contracts with the participating utilities. Anaheim's 3.621 percent share of study costs would translate into 54,315 kilowatts of the two proposed 750,000 kilowatt units.

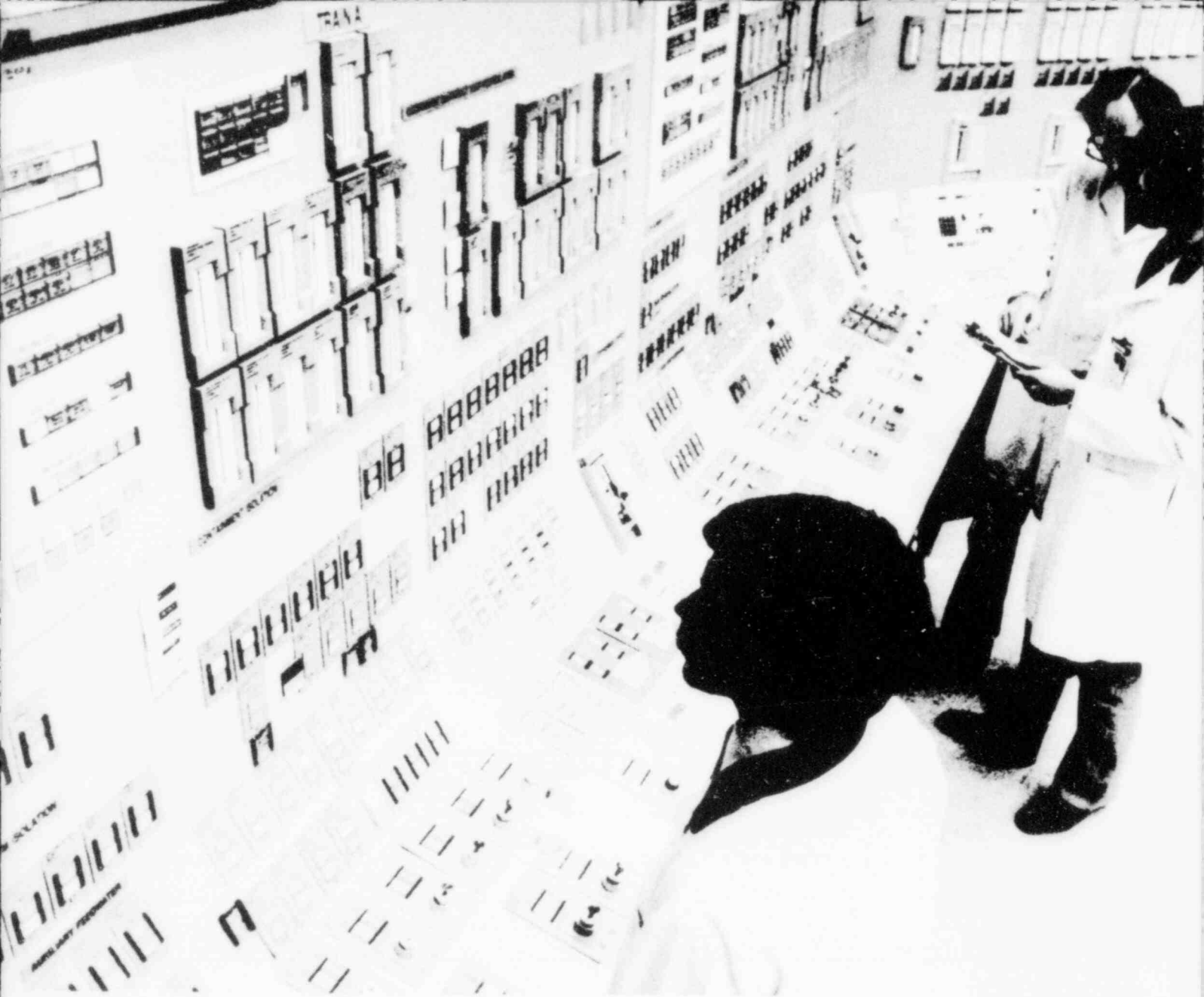
Anaheim, along with several Southern California cities and the Imperial Irrigation District, is a member of the Southern California Public Power Authority (SCPPA).

Anaheim entered into an agreement with members of SCPPA and other utilities to participate in study and licensing activities for the Mead-Phoenix DC Intertie Project, a high voltage direct current transmission line from Phoenix, Arizona to the Mead Substation near Hoover Dam. Such a line will allow purchase of energy from sources in the Arizona, New Mexico, West Texas region, in order to displace expensive oil dominated purchased power from Edison. Anaheim is studying 150,000 kilowatts of transmission capacity in the project.

Other potential resources under study by Anaheim and others include: the Harry Allen Project, a proposed 1.5 million kilowatt coal-fueled generating station near Las Vegas, Nevada; Rock Creek and Cresta hydroelectric projects on the Feather River in Northern California; the Haas-Kings River hydroelectric projects, near Fresno, California; reallocation of existing capacity and allocation of new capacity and energy from modifications on generators at Hoover Dam.

Purchased Power Supply. In 1981-82 the Department purchased 1,844,800,513 kilowatt hours, an increase of 8,181,287 kilowatt hours or 0.4 percent over 1980-81. A record high annual system peak of 430,560 kilowatts was set on August 27, 1981 as a result of heavy customer air conditioning use during one of the longest periods of consistently hot weather in the recent operating history of the Department. The new system peak demand was 1.5 percent over the 1980-81 peak.

Cost Of Power. The cost of purchased power continued to



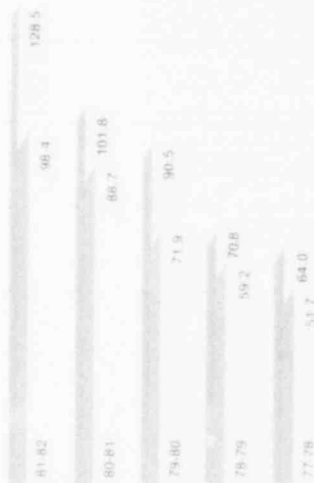
have the single most significant impact on the Department's operating budget. Purchased power cost \$98,417,000 in 1981-82, a \$9,744,000 or 11.0 percent increase over the 1980-81 purchased power bill. The cost of purchased power per kilowatt hour has gone up more than 25 percent in just three years.

Refund. The City Council's policy to oppose Edison wholesale rate filings before the Federal Energy Regulatory Commission (FERC) continued to pay off in 1981-82. FERC ordered Edison to refund to Anaheim approximately \$6.5 million in overcharges collected in 1970 through 1979 including interest. The City Council instructed the Department to pass the refund on to its customers in the form of a

one-time direct credit to customers' bills. Refunds plus cost avoidance won from contesting Edison wholesale rate requests for Anaheim electric customers have totaled approximately \$19 million over the past 10 years.

Rates. Rate action was required to meet 1981-82 budget requirements. New base rates implemented July 1, 1981 and changes in the retail Energy Cost Adjustment resulted in a 24.2 percent increase in average revenue per kilowatt hour sold over the 1980-81 average. However, most Anaheim customers continued

ELECTRIC REVENUE FROM SALES COST OF PURCHASED POWER



The 1981-82 Electric Year (cont.)

to pay less in 1981-82 for their electricity than electric consumers in neighboring cities paid during the fiscal year.

Rate action was also taken to lower the Energy Cost Adjustment effective July 1, 1982 as a result of wholesale purchased power costs coming in lower than had been forecast by Edison. However, a cost of service study was initiated just prior to the close of the fiscal year in order to design rates to properly recover a two step increase in Edison wholesale rates approved, subject to refund, by the Federal Energy Regulatory Commission.

Energy Use. Kilowatt hour sales continued to increase in 1981-82, up 1.5 percent overall from the pri-

or fiscal year. Energy use was up in all customer classes except industrial customers recorded a decline of 0.4 percent. Average annual kilowatt hour use per customer was down for commercial customers as well as for industrial users by 3.2 percent and 2.9 percent, respectively. Conservation efforts coupled with economic conditions, higher rates and relatively cooler weather contributed to the decreases.

Conservation. The Department of Energy approved Anaheim's Residential Conservation Service (RCS) plan effective July 1, 1981. The National Energy Conservation Policies Act of 1978 requires that comprehensive RCS energy audits and renewable resource audits be made available to single-family residential customers and multi-family residential customers residing in buildings with four units or less. Anaheim's first RCS audits were performed in April and by June 30, 1982 a total of 201 audits had been completed.

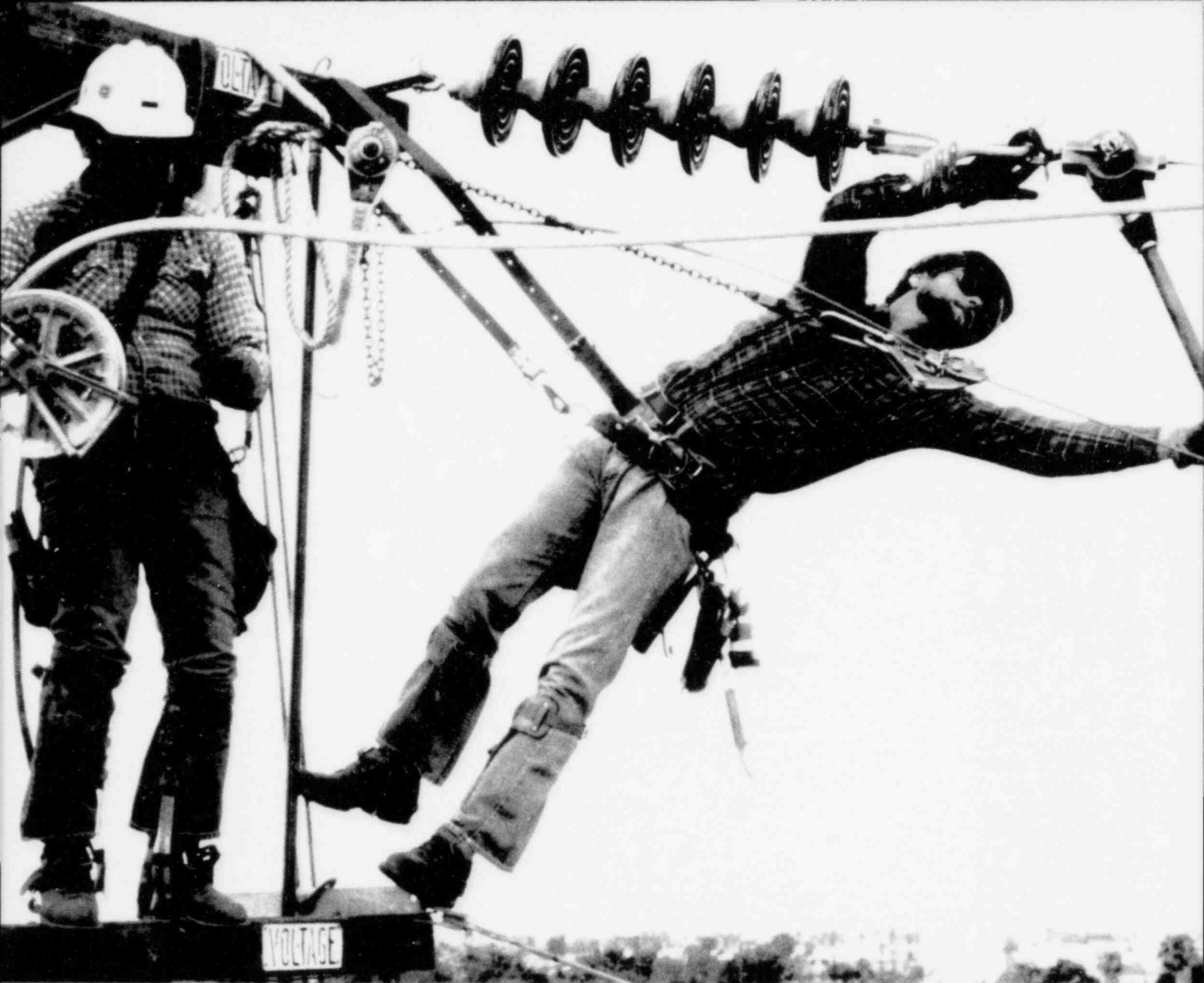
During the year, 878 energy saving high pressure sodium street lights were added to the City's system, which is maintained but not owned by the Department. The additions brought the total up to 1,227 units or 8.8 percent of the total number of units on the system. At the same time, the number of incandescent units in service was reduced by 513 to 3,564. Energy savings in the year were somewhat offset by an increase in lamp load from 3,546 kilowatts in 1980-81 to 3,626 kilowatts in 1981-82. Plans were being finalized prior to year end to convert the entire municipal street light system to high pressure sodium beginning in 1982-83.

Load Management. Shifting electric use to avoid afternoon periods when electric use is heaviest,

results in reduced system peak demand and reduced power supply costs. By removing selected water system pumps from service during peak electric demand periods and active control of system voltages the Department saved over \$306,000. The Department continued to urge customers with swimming pools to operate their pool motors off peak. Savings to the Department and ratepayers from the pool load management program was over \$288,000 during 1981-82.

System Construction. The electric system added 20 circuit miles of 12,000 volt distribution lines during the fiscal year of which 18 miles were installed underground. Over 35,000 kilovolt amperes of distribu-





tion transformer capacity also was installed to meet increasing customer requirements. Another five miles of 69 kilovolt transmission lines were installed during the year and six more miles were under construction.

During the next five years, the electric system plans to invest approximately \$54.9 million in new facilities. Approximately \$12.6 million will be related to San Onofre, Units 2 and 3, construction and nuclear fuel payments and will come from revenue bond proceeds.

Ground has been broken in the Anaheim Convention Center and Disneyland area for construction of

a 1,600 room Hilton Hotel and construction will soon be underway on a 500 room Emerald of Anaheim Hotel and a 300 room expansion of the Marriott Hotel. Another 500 rooms are on the drawing boards. This continued growth has resulted in planning for construction of a new 12,000 volt distribution substation in the immediate area.

Environment. In 1981-82 the Department completed removal of all distribution system line capacitors containing polychlorinated biphenyls (PCB's) from areas of public access. The capacitors were replaced with 750 units containing non-PCB fluid. All remaining units containing PCB's are located in secure substation areas and are closely monitored.



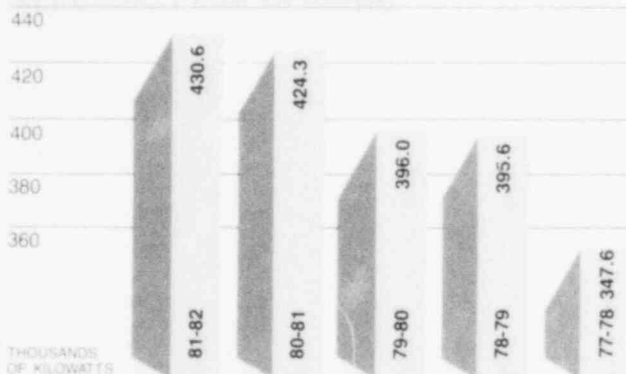
Electric Statistics

	1981-82	1980-81	1979-80	1978-79	1977-78
PURCHASED POWER SUPPLY					
From Southern California Edison Company, kWh.....	1,778,460,513	1,751,166,226	1,657,880,614	1,501,098,304	1,472,686,902
From Others, kWh.....	66,340,000	85,453,000	176,908,000	333,104,000	250,049,000
System Total, kWh.....	1,844,800,513	1,836,619,226	1,834,788,614	1,834,202,304	1,722,735,902
System Peak Demand, Kilowatts.....	430,560	424,320	396,000	395,600	347,600
Cost of Power Supply, Dollars.....	\$ 98,417,000	\$ 88,673,000	\$ 71,929,000	\$ 59,198,000	\$ 51,747,000
Unit Cost of Power Supply, ¢ per kWh.....	5.335¢	4.828¢	3.920¢	3.227¢	3.004¢
Percent Increase in Unit Cost per kWh over previous year.....	10.5%	23.2%	21.5%	7.4%	8.9%
ELECTRIC USE					
Average Number of Customers:					
Residential.....	76,052	74,205	72,426	70,386	68,380
Commercial.....	10,290	9,874	9,507	9,029	8,457
Industrial.....	480	468	451	438	407
Other.....	171	162	187	185	195
Total — all classes.....	86,993	84,709	82,571	80,038	77,439
Revenue from Sale of Electricity:					
Residential.....	\$ 31,885,000	\$ 24,077,000	\$ 21,708,000	\$ 19,407,000	\$ 17,289,000
Commercial.....	33,473,000	27,115,000	23,490,000	18,110,000	16,471,000
Industrial.....	60,319,000	48,765,000	43,699,000	32,091,000	29,178,000
Other.....	2,823,000	1,855,000	1,564,000	1,234,000	1,100,000
Total — all classes.....	\$ 128,500,000	\$ 101,812,000	\$ 90,461,000	\$ 70,842,000	\$ 64,038,000
Kilowatt Hour Sales:					
Residential.....	454,886,256	436,931,593	433,676,176	422,803,010	388,637,804
Commercial.....	415,563,823	412,076,304	390,505,361	378,858,412	357,013,516
Industrial.....	878,570,990	882,007,976	879,274,245	893,693,660	846,012,531
Other.....	39,649,491	31,446,188	29,909,963	31,399,789	29,268,877
Total — all classes.....	1,788,670,560	1,762,462,061	1,733,365,745	1,726,754,871	1,620,932,728
Average Annual Kilowatt Hours per Residential Customer.....					
	5,981	5,888	5,988	6,007	5,684
GROWTH OF SYSTEM					
Utility Plant (less accumulated depreciation).....	\$ 178,887,000	\$ 98,010,000	\$ 40,172,000	\$ 37,102,000	\$ 32,711,000
Transmission-69 Kv Circuit Miles.....	56	51	51	44	44
Distribution —					
Overhead Circuit Miles.....	880	878	871	871	870
Underground Circuit Miles.....	319	301	289	272	248
Transformer Capacity, in KVA					
220 Kv to 69 Kv.....	840,000	840,000	840,000	840,000	840,000
69 Kv to 12 Kv.....	512,000	512,000	492,000	492,000	457,000
12 Kv to Customer.....	785,000	750,000	734,000	687,000	647,000
City Street Lights					
Incandescent Units.....	3,564	4,077	4,222	4,326	4,863
Mercury Vapor Units.....	9,079	9,052	9,074	8,900	8,105
High Pressure Sodium Units.....	1,227	349	91		
Total Street Light Units.....	13,870	13,478	13,387	13,226	12,968
Street Light Circuit Miles.....	324	313	316	313	309

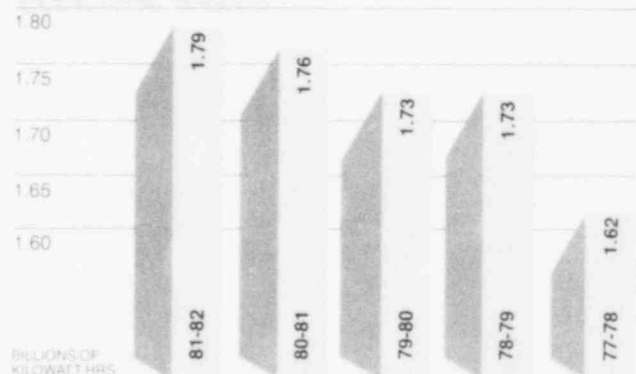
Electric Sales Comparison

	Residential	Commercial	Industrial	Public street and highway lighting	Other	All Classes Combined
Revenue from sale of electricity:						
Year ended June 30 —						
1982.....	\$ 31,885,000	\$ 33,473,000	\$ 60,319,000	\$ 1,275,000	\$ 1,548,000	\$128,500,000
1981.....	24,077,000	27,115,000	48,765,000	1,048,000	807,000	101,812,000
Increase.....	\$ 7,808,000	\$ 6,358,000	\$ 11,554,000	\$ 227,000	\$ 741,000	\$ 26,688,000
Percent increase.....	32.4	23.4	23.7	21.7	91.8	26.2
Kilowatt hours sold:						
Year ended June 30 —						
1982.....	454,886,256	415,563,823	878,570,990	16,963,880	22,685,611	1,788,670,560
1981.....	436,931,593	412,076,304	882,007,976	16,284,835	15,161,353	1,762,462,061
Increase [decrease].....	17,954,663	3,487,519	[3,436,986]	679,045	7,524,258	26,208,499
Percent increase [decrease].....	4.1	0.8	(0.4)	4.2	49.6	1.5
Average billing price per kilowatt hour:						
Year ended June 30 —						
1982.....	\$.0701	\$.0805	\$.0687	\$.0752	\$.0682	\$.0718
1981.....	.0551	.0658	.0553	.0644	.0532	.0578
Increase.....	\$.0150	\$.0147	\$.0134	\$.0108	\$.0150	\$.0140
Percent increase.....	27.2	22.3	24.2	16.8	28.2	24.2
Average number of customers:						
Year ended June 30 —						
1982.....	76,052	10,290	480	100	71	86,993
1981.....	74,205	9,874	468	90	72	84,709
Increase [decrease].....	1,847	416	12	10	(1)	2,284
Percent increase [decrease].....	2.5	4.2	2.6	11.1	(1.4)	2.7
Average annual use per customer in kilowatt hours:						
Year ended June 30 —						
1982.....	5,981	40,385	1,830,356			
1981.....	5,888	41,733	1,884,632			
Increase [decrease].....	93	(1,348)	(54,276)			
Percent increase [decrease].....	1.6	(3.2)	(2.9)			

ELECTRIC PEAK DEMAND



ELECTRIC SALES



People Serving People

People serving people is what the Department always has been about. Department employees worked even harder in fiscal 1981-82 to provide service more courteously, more efficiently and more safely than ever before.

Office automation is high on the priority list for the coming year. Word processing was installed in most divisions just prior to the close of the 1981-82 fiscal year. Staff is eagerly looking forward to meeting the challenges associated with bringing up a new system and improved productivity.

A pilot program was initiated in 1981-82 to evaluate the effectiveness of using 3 person line crews to perform maintenance and construction jobs previously performed by four or five person crews. Thus far, reducing crew size appears to be feasible from both the standpoint of safety and economics. The result will be improved service levels at relatively lower cost.

Two Department employees were honored by the City Council for their suggestions which will result in savings of approximately \$105,000 a year and improve the Department's level of service. Tony Dobras, water engineering inspector, recommended a new far superior method of replacing polyethylene service lines with savings estimated at \$83,000 annually. Sharon Ferguson, new customer supervisor, consolidated three customer account forms into a single form. The resulting annual savings is estimated at \$22,000.

In addition to dedication on the job, Anaheim Public Utilities Department employees contribute to the community in many other ways including civic affairs, church activities, schools, youth activities and by being just plain good neighbors and citizens.

Senior electrical estimator Tom Kirker, a Department employee for more than 24 years, was honored in 1981-82 with the 11th Annual Kiwanis Orange County Youth Baseball Award for his "... outstanding contributions to the growth, development and improvement of youth baseball in Orange County ..." Tom has umpired many major games in the area including Babe Ruth, American Legion and state high school championships.



Sharon Ferguson



Tony Dobras



There are times when Department employees give of themselves at the risk of their own lives. James Gonzales, substation test technician supervisor, is such an employee. While driving home from work one evening, Jim saw a man who appeared ready to leap from a freeway overpass. Quickly and without hesitation, Jim got out of his car and was able to grab the man in midleap. Jim then was able to hold the man, dangling, above the traffic clogged freeway for several minutes until help arrived and the man could be dragged to safety.



Tom Kirker



Jim Gonzales

Public Utilities Department Water and Electric System Sources of Supply



Water for Anaheim comes from Northern California and the Colorado River by way of the State Water Project and Colorado River Aqueduct. This imported water is purchased from the Metropolitan Water District of Southern California (MWD). Remaining water supplies are produced from the City's 33 wells.

Electricity for Anaheim comes from firm purchases from Southern California Edison Company and nonfirm energy purchases from other utilities. Future supplies will come from Anaheim's ownership interest in San Onofre Nuclear Generating Station, Units 2 and 3; firm purchases from the Intermountain Power Project and

Edison; as well as nonfirm purchases from other utilities. Anaheim also is aggressively working to obtain electricity from other potential firm resources which will supply electricity at a cost lower than the cost of power purchased from Edison.

Public Utilities Department Finances

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

In 1981-82 Water and Electric Utility Fund operating revenues (excluding interest income) totaled \$139.9 million, an increase of \$27.4 million over the prior fiscal year. More than 99 percent of the increase was the result of increased electric rates and electric use.

Water Utility Fund operating revenues totaled \$10,585,000, up \$229,000 from the prior fiscal year. The relatively small increase with respect to prior years was due to an increase in the Water Commodity Adjustment on February 1, 1982 to recover increased water production costs which was offset by a 1.4 percent decrease in the volume of water sold.

The cost of water was virtually unchanged. The \$4,631,000 cost recorded in 1981-82 represented an increase of only \$3,000 from the prior fiscal year. The unit cost of water increased only 3.9 percent while water production fell by 751 million gallons or 3.8 percent.

Water Utility Fund net income decreased to \$746,000 in 1981-82 from the \$2,056,000 recorded in the prior year. The decrease was slightly less than had been planned. It was primarily due to increased operating and maintenance expenses of \$779,000 and a reduction in other income of \$729,000 caused by a decrease in earned interest income and a change in accounting practice with respect to capitalized interest.

During the year, a total of \$6,178,000 was invested in water system capital construction.

Electric Utility Fund operating revenues totaled \$129,321,000 up \$27,161,000 from the prior fiscal year. The increase was due to a general rate increase effective July 1, 1981, subsequent increases in the Energy Cost Adjustment (ECA) on November 11, 1981 and February 1, 1982 and a 1.5 percent increase in the amount of electricity sold in comparison to the prior fiscal year.

The cost of purchased power increased by \$9,744,000 to \$98,417,000 in 1981-82 for 1.84 billion kilowatt hours. While the cost of purchased power was up 11.0 percent, kilowatt hours increased only 0.4 percent over 1980-81 purchases.

Electric Utility Fund net income increased to \$19,831,000, up \$13,620,000 from the prior fiscal year. This increase was significantly higher than planned in the retail electric rates which became effective July 1, 1981. The increase in net income was primarily due to the following factors: lower than planned operating and capital expenditures from current revenues (\$3.5 million); higher than expected customer return per kilowatt hour due to changes in customer use characteristics (\$1.1 million); lower than projected wholesale power costs from the Southern California Edison Company (\$3.0 million); lower than expected system losses (\$2.7 million); and lower than planned purchased power costs in June 1982 because of unusually cool weather (\$1.0 million). As a result of the higher than expected net income, action was taken effective July 1, 1982 to decrease the ECA portion of the retail rates. In addition, the Department was able

to delay increasing its retail rates until November 3, 1982 to offset Edison's 16 percent wholesale rate increase effective June 2, 1982.

Investments in construction of new electric system facilities totaled \$82,590,000 for fiscal 1981-82. Of this amount, \$76,488,000 was invested in construction and nuclear fuel related to Anaheim's share of San Onofre Nuclear Generating Station (SONGS), Units 2 and 3.

The Electric Utility issued short-term tax-exempt commercial paper in the principal amount of \$55,800,000 on October 2, 1981. This issue was for the purpose of acquiring an additional 1.5 percent ownership interest in SONGS, Units 2 and 3. In May 1982, the Electric Utility issued \$70,000,000 of long-term revenue bonds to refinance a portion of the short-term debt and provide continued financing of construction and fuel acquisition costs of SONGS, Units 2 and 3.

Short-term tax-exempt commercial paper outstanding at June 30, 1982 was \$16,900,000. Bonds outstanding at the end of the year totaled \$8,125,000 in the Water Utility Fund and \$165,000,000 in the Electric Utility Fund. Maturing principal payments on bonds of \$245,000 and \$450,000, were paid

Summary of Results of Operations and Net Revenues Available for Long-Term Debt Service

(in thousands)

	1981-82	1980-81	1979-80	1978-79	1977-78
WATER UTILITY FUND					
Revenues:					
Sale of Water	\$ 10,352	\$ 10,185	\$ 8,187	\$ 7,389	\$ 5,979
Other (including interest income)	465	1,493	798	325	134
Total revenues	<u>10,817</u>	<u>11,678</u>	<u>8,985</u>	<u>7,714</u>	<u>6,113</u>
Operating Expenses: (excluding depreciation and amortization)					
Cost of Water	4,631	4,628	4,095	3,294	2,572
Operations	3,242	2,287	1,753	1,683	1,661
Maintenance	1,425	1,601	1,280	1,185	1,049
Total operating expenses	<u>9,298</u>	<u>8,516</u>	<u>7,128</u>	<u>6,162</u>	<u>5,282</u>
Net Revenues	<u>\$ 1,519</u>	<u>\$ 3,162</u>	<u>\$ 1,857</u>	<u>\$ 1,552</u>	<u>\$ 831</u>
Debt Service Requirements	\$ 872	\$ 772	\$ 190	\$ 185	\$ 186
Times Debt Service Covered by Net Revenues	1.7	4.1	9.8	8.4	4.5
ELECTRIC UTILITY FUND					
Revenues:					
Sale of Electric Energy	\$128,500	\$101,812	\$90,461	\$70,842	\$64,038
Other (including interest income)	2,857	5,937	2,093	1,200	1,261
Total revenues	<u>131,357</u>	<u>107,749</u>	<u>92,554</u>	<u>72,042</u>	<u>65,299</u>
Operating Expenses: (excluding depreciation and amortization)					
Cost of Purchased Power	98,417	88,673	71,929	59,198	51,747
Operations	7,286	5,240	4,195	3,657	2,981
Maintenance	2,661	2,426	2,107	2,036	1,677
Total operating expenses	<u>108,364</u>	<u>96,339</u>	<u>78,231</u>	<u>64,891</u>	<u>56,405</u>
Net Revenues	<u>\$ 22,993</u>	<u>\$ 11,410</u>	<u>\$14,323</u>	<u>\$ 7,151</u>	<u>\$ 8,894</u>
Debt Service Requirements*	\$ 1,057	\$ 1,064	\$ 1,069	\$ 1,072	\$ 1,072
Times Debt Service Covered by Net Revenues	21.8	10.7	13.4	6.7	8.3

* Excludes debt service on 1976 \$12.5 million (subordinated), 1980 \$84 million and 1982 \$70 million, Issue A and B, Electric Revenue Bond issues. The 1976 (subordinated) issue was for the prepayment of purchased power to the Nevada Power Company and was paid off in 1981. The 1980 and 1982 issues are for the City's share of San Onofre Nuclear Generating Station, Units 2 and 3, construction costs. Debt service on the 1976 (subordinated) issue is included in the cost of purchased power. Debt service on the 1980 and 1982 issues is being funded from bond proceeds until San Onofre, Units 2 and 3, are generating electricity.

from the Water and Electric Utility Funds, respectively.

Total assets of the Public Utilities Department at June 30, 1982 were \$322,773,000 — \$70,078,000 assigned to the Water Utility Fund and \$252,695,000 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 \$4,607,000 to the General Fund of the City in support of general City government — \$433,000 from the Water Utility Fund and \$4,174,000 from the Electric Utility Fund.

City of Anaheim Water Utility Fund Balance Sheet

	June 30	
	1982	1981
	(in thousands)	
Assets		
Utility plant:		
Land	\$ 1,388	\$ 1,388
Source of water supply	3,811	3,808
Pumping	1,474	1,474
Transmission and distribution	60,816	54,988
General	1,571	1,542
Construction work in progress	4,402	4,084
	73,462	67,284
Less — accumulated depreciation and amortization	(14,142)	(13,413)
	59,320	53,871
Restricted cash and investments	6,767	6,697
Current assets:		
Cash and investments	1,450	2,963
Customer and other accounts receivable, net	880	839
Loan receivable from Redevelopment Agency — current portion	941	15
Accrued interest receivable	202	317
Materials and supplies, at average cost	171	215
Purchased water in storage	256	251
	3,900	4,600
Other assets:		
Loan receivable from Redevelopment Agency — long-term portion		900
Unamortized debt issuance costs	91	97
	91	997
Total assets	\$70,078	\$66,165
<hr/>		
Equity, liabilities and other credits		
Equity:		
Fund balance transferred	\$19,280	\$19,280
Retained deficit	(1,670)	(1,983)
Total equity	17,610	17,297
Long-term debt, less current portion	8,280	8,605
Capitalized lease obligation, less current portion	2,940	
Total capitalization	28,830	25,902
Current liabilities (payable from restricted assets):		
Current portion of long-term debt	265	245
Accrued interest	310	317
	575	562
Current liabilities (payable from current assets):		
Current portion of long-term debt	85	79
Current portion of capitalized lease obligation	32	
Accounts payable and accrued expenses	1,277	1,713
Customer deposits	262	616
	1,656	2,408
Total current liabilities	2,231	2,970
Advances for construction		1,649
Contributions in aid of construction	39,017	35,644
Total equity, liabilities and other credits	\$70,078	\$66,165

See accompanying Notes to Financial Statements

City of Anaheim Water Utility Fund Statement of Income

	Year ended June 30	
	1982	1981
	(in thousands)	
Operating revenues:		
Sale of water	\$ 10,352	\$ 10,185
Other operating revenues	233	171
Total operating revenues	<u>10,585</u>	<u>10,356</u>
Operating expenses:		
Cost of water	4,631	4,628
Other operations	3,242	2,287
Maintenance	1,425	1,601
Depreciation and amortization	396	368
Total operating expenses	<u>9,694</u>	<u>8,884</u>
Operating income	891	1,472
Other income (expense):		
Interest and other income	232	1,322
Interest expense	(377)	(738)
	<u>(145)</u>	<u>584</u>
Net Income	<u>\$ 746</u>	<u>\$ 2,056</u>

Statement of Retained Deficit

Balance at beginning of year	(\$ 1,983)	(\$ 3,695)
Net income for the year	746	2,056
Transfer to the General Fund of the City	(433)	(344)
Balance at end of year	<u>(\$ 1,670)</u>	<u>(\$ 1,983)</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>1982</u>	<u>1981</u>
	(in thousands)	
Financial resources were provided by:		
Operations —		
Net income	\$ 746	\$ 2,056
Charges to income not involving working capital —		
Depreciation and amortization	396	368
Amortization of debt issuance costs	31	31
Working capital provided by operations	1,173	2,455
Decrease in restricted cash and investments		1,432
Contributions in aid of construction	4,115	2,694
Increase in long-term debt		1,021
Increase in capitalized lease obligation	2,940	
Increase in advances for construction		206
Loan receivable from Redevelopment Agency	941	
	<u>9,169</u>	<u>7,808</u>
Financial resources were used for:		
Purchase of plant and equipment	6,628	5,691
Decrease in long-term debt	350	386
Transfer to the General Fund of the City	433	344
Increase in restricted cash and investments	70	
Loan receivable from Redevelopment Agency		900
Decrease in advances for construction	1,649	
	<u>9,130</u>	<u>7,321</u>
Increase in working capital	<u>\$ 39</u>	<u>\$ 487</u>
Increase (decrease) in components of working capital:		
Cash and investments	(\$ 1,513)	\$ 2,294
Customer and other accounts receivable	41	(1,065)
Loan receivable from Redevelopment Agency	926	15
Accrued interest receivable	(115)	94
Materials and supplies	(44)	(4)
Purchased water in storage	5	29
Net change in current assets	(700)	1,363
Current portion of long-term debt	(26)	(189)
Current portion of capitalized lease obligation	(32)	
Accrued interest	7	3
Accounts payable and accrued expenses	436	(509)
Customer deposits	354	(181)
Net change in current liabilities	739	(876)
Increase in working capital	<u>\$ 39</u>	<u>\$ 487</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 methods prescribed by the California Public Utilities Commission (CPUC). 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 market 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	5 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. At June 30, 1982 and 1981 such investments related to the Water Utility amounted to \$1,450,000 and \$2,963,000, respectively.

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.

Debt issuance costs

Debt issuance costs are deferred and amortized to income over the lives of the related bond issues on a basis which approximates the interest method.

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 costs 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 pay

Vacation and sick pay for all employees is paid by the General Benefits and Insurance Fund of the City. The General Benefits and Insurance Fund is reimbursed through payroll charges to the Water Utility based on estimates of benefits to be earned during the year. Vested vacation and sick pay benefits are accrued in the General Benefits and Insurance Fund and amounted to \$457,000 for the Water Utility at June 30, 1982.

Transfers to the General Fund of the City

Article XII of the City Charter provides that transfers to the General Fund of the City shall not exceed 4% of the gross revenue of the prior year. Such transfers are not in lieu of taxes and are recorded as distributions of retained earnings.

NOTE 2 — Accounting Change

During fiscal year 1982, the City adopted Statement of Financial Accounting Standards No. 62, issued by the Financial Accounting Standards Board in June 1982. In accordance with the provisions of this Statement, interest expense net of interest income on certain tax-exempt debt has been capitalized in the Water Utility as part of construction costs. The effect of this change in accounting for the year ended June 30, 1982, has been to decrease net income by \$394,000.

City of Anaheim Water Utility Fund Notes to Financial Statements (cont.)

NOTE 3 — Sale 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 4 — Operating Expenses

Operating expenses shared with the Electric Utility amounted to

\$7,535,000 and \$4,977,000 for the years ended June 30, 1982 and 1981 respectively, of which \$2,151,000 and \$1,506,000 were allocated to the Water Utility.

NOTE 5 — Long-Term Debt

The Water Utility is indebted as follows:

	June 30	
	1982	1981
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 \$155,000 to \$195,000, total debt service of \$989,000 to maturity	\$ 875,000	\$1,020,000
Water Revenue Bonds, 1980 Series, 8.6401%, issued February 26, 1980 in the amount of \$7,350,000, of which (1) \$4,165,000 matures serially to July 1, 1999 in annual principal installments of \$110,000 to \$400,000 and (2) \$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 \$15,476,000 to maturity	7,250,000	7,350,000
Note Payable to General Fund of the City of Anaheim, 7%	8,125,000	8,370,000
	880,000	959,000
	9,005,000	9,329,000
Less: current portion	350,000	324,000
bond discounts	375,000	400,000
	<u>\$ 8,280,000</u>	<u>\$8,605,000</u>

Annual revenue bond debt service requirements at June 30, 1982 to maturity are:

Fiscal Year	Principal	Interest	Total
1983	\$ 265,000	\$ 611,000	\$ 876,000
1984	280,000	594,000	874,000
1985	300,000	576,000	876,000
1986	320,000	557,000	877,000
1987	345,000	536,000	881,000
Thereafter	6,615,000	5,466,000	12,081,000
	<u>\$8,125,000</u>	<u>\$8,340,000</u>	<u>\$16,465,000</u>

In accordance with Financial Accounting Standards Board Statement No. 62, interest costs of \$562,000 incurred on the Revenue Bond Issue of 1980 were offset by interest income of \$827,000 earned on the excess proceeds of the borrowings during the period. This amount, which pertains to construction expenditures during the period, has been reflected in construction work in progress.

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 in service.

City of Anaheim

Water Utility Fund

Notes to Financial Statements (cont.)

NOTE 5 — Long-Term Debt (continued)

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:

	June 30	
	1982	1981
Held by Fiscal Agent:		
Bond Reserve Fund	\$ 881,000	\$ 881,000
Bond Service Fund	610,000	588,000
Held by City Treasurer:		
Renewal and Replacement Account	549,000	498,000
Restricted bond proceeds	4,727,000	4,730,000
	<u>\$6,767,000</u>	<u>\$6,697,000</u>

NOTE 6 — Capitalized Lease Obligation

The City has a long-term non-cancelable lease with the Municipal Water District of Orange County to finance the acquisition of a 7.2% share in the capacity of the Allen-McColloch Pipeline. The lease provides for semiannual payments of \$147,000 commencing August 1, 1981 and continuing until February 1, 2008. Future minimum lease payments under this lease are as follows:

Fiscal Year	
1983	\$ 294,000
1984	294,000
1985	294,000
1986	294,000
1987	294,000
Thereafter	6,174,000
	7,644,000
Less interest at 8.8%	<u>4,672,000</u>
Present value of future minimum lease payments	<u>\$2,972,000</u>

Long-term portion	\$2,940,000
Current portion	32,000
	<u>\$2,972,000</u>

The asset related to this lease is recorded in transmission and distribution utility plant assets and at June 30, 1982 amounted to \$3,001,000. The related accumulated amortization at June 30, 1982 amounted to \$20,000.

NOTE 7 — Pension Plan

The City has a contributory pension plan for its full-time employees under the State of California Public Employees' Retirement System (PERS). Information is not available separately for the Water Utility as to the cost of benefits funded, 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 8 — Self-Insurance Program

The Water Utility is part of a City self-insured workers' compensation program and is 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 9 — Commitments and Contingencies

The Water Utility's budget for the fiscal year 1982-83 provides for capital expenditures of approximately \$7,433,000 of which \$6,363,000 will be funded by water revenue bond proceeds and contributions in aid of construction. Substantial commitments have been made in connection therewith.

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City of Anaheim
Water Utility Fund
Report of Independent Accountants

October 29, 1982

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, 1982 and 1981, 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 during the period except for the change, with which we concur, in the method of accounting for capitalized interest as described in Note 2 to the financial statements. 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.

Rice Waterhouse

City of Anaheim Electric Utility Fund Balance Sheet

	June 30	
	1982	1981
	(in thousands)	
Assets		
Utility plant:		
Transmission	\$ 11,651	\$ 11,468
Distribution	51,952	46,975
General	3,854	3,842
Construction work in progress	120,587	49,844
Nuclear fuel, at cost	10,444	3,769
	198,488	115,898
Less — accumulated depreciation	(19,601)	(17,888)
	178,887	98,010
Restricted cash and investments	43,404	32,301
Current assets:		
Cash and investments	14,931	12,005
Customer and other accounts receivable, net	8,232	6,494
Accrued interest receivable	1,314	1,531
Materials and supplies, at average cost	1,302	1,350
	25,779	21,380
Other assets:		
Unamortized project costs	671	793
Unamortized debt issuance costs	3,954	1,923
	4,625	2,716
Total assets	\$252,695	\$154,407
<hr/>		
Equity, liabilities and other credits		
Equity:		
Fund balance transferred	\$ 14,629	\$ 14,629
Retained earnings	41,650	25,993
Total equity	56,279	40,622
Long-term debt, less current portion	158,442	90,345
Total capitalization	214,721	130,967
Current liabilities (payable from restricted assets):		
Current portion of long-term debt	392	350
Accrued interest	3,186	1,879
Tax-exempt commercial paper	16,900	
	20,478	2,229
Current liabilities (payable from current assets):		
Current portion of long-term debt	282	285
Accounts payable and accrued expenses	10,904	15,977
Customer deposits	397	419
	11,583	16,681
Total current liabilities	32,061	18,910
Contributions in aid of construction	5,913	4,530
Total equity, liabilities and other credits	\$252,695	\$154,407

See accompanying Notes to Financial Statements

City of Anaheim Electric Utility Fund Statement of Income

	<u>Year ended June 30</u>	
	<u>1982</u>	<u>1981</u>
	(in thousands)	
Operating revenues:		
Sale of electric energy	\$128,500	\$101,812
Other operating revenues	821	348
Total operating revenues	<u>129,321</u>	<u>102,160</u>
Operating expenses:		
Cost of purchased power	98,417	88,673
Other operations	7,286	5,240
Maintenance	2,661	2,426
Depreciation	1,849	1,727
Amortization of project costs	330	322
Total operating expenses	<u>110,543</u>	<u>98,388</u>
Operating income	18,778	3,772
Other income (expense):		
Interest income	2,036	5,589
Interest expense	(983)	(3,150)
	<u>1,053</u>	<u>2,439</u>
Net income	<u>\$ 19,831</u>	<u>\$ 6,211</u>

Statement of Retained Earnings

Balance at beginning of year	\$ 25,993	\$ 23,623
Net income for the year	19,831	6,211
Transfer to the General Fund of the City	(4,174)	(3,841)
Balance at end of year	<u>\$ 41,650</u>	<u>\$ 25,993</u>

See accompanying Notes to Financial Statements

City of Anaheim

Electric Utility Fund

Statement of Changes in Financial Position

	Year ended June 30	
	1982	1981
	(in thousands)	
Financial resources were provided by:		
Operations—		
Net income	\$ 19,831	\$ 6,211
Charges to income not involving working capital—		
Depreciation	1,849	1,727
Amortization of project costs	330	322
Amortization of debt issuance costs	115	159
Working capital provided by operations	22,125	8,419
Increase in long-term debt	68,396	79,421
Decrease in unamortized project costs		1,465
Decrease in bond discount	374	170
Contributions in aid of construction	1,501	1,777
	<u>92,396</u>	<u>91,252</u>
Financial resources were used for:		
Purchase of plant and equipment	82,844	59,645
Decrease in long-term debt	674	778
Transfer to General Fund of the City	4,174	3,841
Increase in restricted cash and investments	11,103	27,734
Increase in unamortized project costs	208	
Increase in unamortized debt issuance costs	2,145	1,954
	<u>101,148</u>	<u>93,952</u>
Decrease in working capital	<u>(\$ 8,752)</u>	<u>(\$ 2,700)</u>
Increase (decrease) in components of working capital:		
Cash and investments	\$ 2,926	(\$ 3,259)
Customer and other accounts receivable	1,738	1,815
Accrued interest receivable	(217)	1,115
Materials and supplies	(48)	221
Net change in current assets	<u>4,399</u>	<u>(108)</u>
Current portion of long-term debt	(39)	2,015
Accrued interest	(1,307)	(1,658)
Tax-exempt commercial paper	(16,900)	
Accounts payable and accrued expenses	5,073	(2,932)
Customer deposits	22	(17)
Net change in current liabilities	<u>(13,151)</u>	<u>(2,592)</u>
Decrease in working capital	<u>(\$ 8,752)</u>	<u>(\$ 2,700)</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 operations was transferred to Electric Utility equity. The financial statements of the Electric Utility are presented in conformity with generally accepted 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 market value at the date of the contribution, except that the 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 5 to 50 years

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

As of June 30, 1982, the City had a 3.16% interest in the San Onofre Nuclear Generating Station, Units 2 and 3, which was included in construction work in progress (\$116,021,000). A provision for future storage or disposal costs for spent nuclear fuel and for future decommissioning costs will be established when the plant is put in service.

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. At June 30, 1982 and 1981 such investments related to the Electric Utility amounted to \$14,931,000 and \$12,005,000, respectively.

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.

Debt issuance costs

Debt issuance costs are deferred and amortized to income over the lives of the related bond issues on a basis which approximates the interest method.

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 costs 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 pay

Vacation and sick pay for all employees is paid by the General Benefits and Insurance Fund of the City. The General Benefits and Insurance Fund is reimbursed through payroll charges to the Electric Utility based on estimates of benefits to be earned during the year. Vested vacation and sick pay benefits are accrued in the General Benefits and Insurance Fund and amounted to \$845,000 for the Electric Utility at June 30, 1982.

Transfers to the General Fund of the City

Article XII of the City Charter provides that transfers to the General Fund of the City shall not exceed 4% of the gross revenue of the prior year. Such transfers are not in lieu of taxes and are recorded as distributions of retained earnings.

NOTE 2 — Accounting Change

During fiscal year 1982, the City adopted Statement of Financial Accounting Standards No. 62, issued by the Financial Accounting Standards Board in June 1982. In accordance with the provisions of this Statement, interest expense net of interest income on certain tax-exempt debt has been capitalized in the Electric Utility as part of construction costs. The effect of this change in accounting for the year

City of Anaheim

Electric Utility Fund

Notes to Financial Statements (Cont.)

ended June 30, 1982 has been to decrease net income by \$118,000.

NOTE 3 — Operating Expenses

Operating expenses shared with the Water Utility amounted to \$7,535,000 and \$4,977,000 for the years ended June 30, 1982 and 1981 respectively, of which \$5,384,000 and \$3,471,000 were allocated to the Electric Utility.

NOTE 4 — Unamortized Project Costs

The City plans to participate in various power generation projects with other agencies. Unamortized project costs includes \$290,000 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 \$1,774,000 were terminated without benefits accruing to the City. The \$1,774,000 is being amortized to expense over five to ten years, of which \$381,000 remained unamortized at June 30, 1982.

NOTE 5 — Long-Term Debt

The Electric Utility is indebted as follows:

	June 30	
	1982	1981
Electric Revenue Bonds, 1972 Bonds, 4.9263%, issued March 28, 1972 in the amount of \$8,000,000, maturing serially to July 1, 1992 in annual principal installments of \$375,000 to \$675,000, total debt service of \$7,050,000 to maturity	\$ 5,550,000	\$ 5,900,000
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 \$10,614,000 to maturity	5,450,000	5,550,000
Electric Revenue Bonds, Issue of 1980, 9.173%, issued October 10, 1980 in the amount of \$84,000,000 of which (1) \$30,475,000 matures serially 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, 2002 to October 1, 2007, in annual principal installments ranging from \$5,025,000 to \$7,375,000, total debt service of \$201,554,000 to maturity	84,000,000	84,000,000
Electric Revenue Bonds, Issue A of 1982, 9.734%, issued May 1, 1982 in the amount of \$18,000,000, maturing serially to October 1, 1992 in annual principal installments ranging from \$1,450,000 to \$2,650,000, total debt service of \$27,972,000 to maturity	18,000,000	
Electric Revenue Bonds, Issue B of 1982, 11.680%, issued May 1, 1982 in the amount of \$52,000,000 of which (1) \$13,050,000 matures serially through October 1, 1996 in annual principal installments ranging from \$550,000 to \$1,700,000; and (2) \$38,950,000 of term bonds maturing October 1, 2007, subject to mandatory redemption from October 1, 1997 to October 1, 2007, in annual principal installments ranging from \$1,950,000 to \$5,850,000, total debt service of \$161,452,000 to maturity	52,000,000	
	165,000,000	95,450,000
Note Payable to the General Fund of the City of Anaheim, 7%	2,054,000	2,239,000
	167,054,000	97,689,000
Less: current portion	674,000	635,000
bond discounts	7,938,000	6,709,000
	<u>\$158,442,000</u>	<u>\$90,345,000</u>

City of Anaheim

Electric Utility Fund

Notes to Financial Statements (Cont.)

NOTE 5 — Long-Term Debt (continued)

Annual revenue bond debt service requirements at June 30, 1982 to maturity are:

Fiscal Year	Principal	Interest	Total
1983	\$ 475,000	\$ 13,912,000	\$ 14,387,000
1984	500,000	14,485,000	14,985,000
1985	3,775,000	14,333,000	18,108,000
1986	4,075,000	14,037,000	18,112,000
1987	4,400,000	13,714,000	18,114,000
Thereafter	151,775,000	173,161,000	324,936,000
	<u>\$165,000,000</u>	<u>\$243,642,000</u>	<u>\$408,642,000</u>

In accordance with Financial Accounting Standards Board Statement No. 62, interest costs of \$11,739,000 incurred on the Revenue Bond Issues of 1980 and 1982 and on the tax-exempt commercial paper was offset by interest income of \$3,343,000 earned on the excess proceeds of the borrowings during the period. This amount, which pertains to construction expenditures during the period, has been reflected in construction work in progress.

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 in service. During the fiscal year ended June 30, 1981, \$650,000 was disbursed for replacement of distribution system line capacitors from the Renewal and Replacement Account which was replenished in fiscal year ended June 30, 1982 as provided in the bond resolution.

The five 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.

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

	June 30	
	1982	1981
Held by Fiscal Agent:		
Bond Reserve Fund	\$18,115,000	\$ 8,993,000
Bond Service Fund	564,000	522,000
Held by City Treasurer:		
Bond Service Account	3,220,000	1,753,000
Interest During Construction Account	12,517,000	12,320,000
Renewal and Replacement Account	957,000	237,000
Restricted bond proceeds	8,031,000	8,476,000
	<u>\$43,404,000</u>	<u>\$32,301,000</u>

City of Anaheim

Electric Utility Fund

Notes to Financial Statements (Cont.)

NOTE 6 — Short-Term Debt

On October 2, 1981, the Electric Utility issued short-term tax-exempt commercial paper in the principal amount of \$55,800,000 for the purpose of acquiring an additional 1.5% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3. A portion of this debt was refinanced during fiscal 1982 with long-term revenue bonds. The remaining balance outstanding at June 30, 1982 was \$16,900,000. The interest rate of this debt at June 30, 1982 ranged between 7.375% and 7.750% with maturities ranging from 2 to 85 days. The City has obtained a \$40 million standby letter of credit at 60% of the prime interest rate, which can be used in the event that the commercial paper cannot be refinanced as it matures. Management intends to refinance this debt with long-term revenue bonds at a future date.

NOTE 7 — Sale 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 energy component of the cost of wholesale power to the Electric Utility.

NOTE 8 — Pension Plan

The City of Anaheim has a contributory pension plan for full-time employees under the State of California Public Employees' Retirement System. Information is not available separately for the Electric Utility as to the cost of benefits funded, 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 9 — Self-Insurance Program

The Electric Utility is part of a City self-insured workers' compensation program and is 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 10 — Commitments and Contingencies

The City has entered into an agreement with the Intermountain Power Agency, a political subdivision of the State of Utah. The City has agreed with the Agency, pursuant to a power sales contract, to purchase 10.225% of the generation output of the Agency's 3,000 megawatt coal-fueled generating station under construction in central Utah. This station is expected to become operational in the period 1986-1989. Cost of construction will be financed principally through

sales of the Agency's power supply revenue bonds. The contract constitutes an obligation of the City to make payments solely from the revenues of its Electric Utility. These payments, which are based upon the City's share of the Agency's debt service requirements and production costs, begin upon completion of the project but no later than one year prior to the Agency's first principal payment of the revenue bonds in July, 1992.

The Electric Utility's budget for the fiscal year 1982-83 provides for capital expenditures of approximately \$15,142,000 of which \$6,685,000 will be funded from electric revenue bond proceeds.

NOTE 11 — Subsequent Event

On September 10, 1982 the FERC issued an opinion and order which established just and reasonable rates between the Southern California Edison Company (SCE) and the City. The City anticipates a refund from SCE; however, the order is subject to appeal and the settlement is not estimatable at this time.

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City of Anaheim
Electric Utility Fund
Report of Independent Accountants

October 29, 1982

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, 1982 and 1981, 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 during the period except for the change, with which we concur, in the method of accounting for capitalized interest as described in Note 2 to the financial statements. 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.

Rice Waterhouse