

OFFICIAL STATEMENT

NEW ISSUE
Book-Entry Only

RATINGS:
S&P “A+”
MOODY’S “A1”

In the opinion of Bond Counsel, under existing law, the interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes. See “Tax Exemption” herein and the proposed form of Bond Counsel opinion attached hereto as Appendix “E.” Under the provisions of Section 1452 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, the Bonds and the income therefrom are exempt from all taxation by the State or any political subdivision thereof.

\$153,960,000
UTILITIES REVENUE REFUNDING BONDS, SERIES 2012
CITY OF LAFAYETTE, STATE OF LOUISIANA

Dated: Date of Delivery

Due: November 1, as shown below

The referenced bonds (the “Bonds”) are being initially issued as fully registered bonds without coupons in denominations of \$5,000 each, or any integral multiple thereof within a single maturity, and when issued will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. **Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased.** Purchases of the Bonds may be made only in book-entry form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Principal of, redemption premium, if any, and interest on the Bonds is payable at the principal corporate trust office of Whitney Bank, Baton Rouge, Louisiana, as Paying Agent, or any successor paying agent, to DTC, which will remit such payments in accordance with its normal procedures, as described herein. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2013. See “BOOK-ENTRY ONLY SYSTEM” in Appendix “G” hereto.

THE BONDS ARE SUBJECT TO REDEMPTION AS SET FORTH HEREIN. See “THE BONDS – Redemption Provisions” herein.

The Bonds are special obligations of the City of Lafayette, State of Louisiana (the “City” or the “Issuer”) and do not constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be payable solely from and secured by a lien upon and a pledge of the income and revenues of the Issuer’s revenue producing public utility, consisting of the combined waterworks plants and systems, electric power and light plant and systems, and sewer system (the “Utilities System”).

The Bonds are being issued for the purpose of advance refunding a portion of the Issuer’s currently outstanding Utilities Revenue Bonds, Series 2004, as described herein (the “Refunded Bonds”). The Bonds are being issued on a complete parity with the Issuer’s outstanding Utilities Revenue Bonds (collectively, the “Outstanding Parity Bonds”). See “PURPOSE OF ISSUE” herein.

MATURITY SCHEDULE
(Base CUSIP No. 506498)

Interest					Interest				
<u>Nov. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>	<u>Nov. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2013	\$ 1,005,000	4.00%	0.37%	YR9	2022	\$11,050,000	5.00%	2.27%	YJ7
2015	8,005,000	4.00	0.66	YB4	2023	11,605,000	5.00	2.43	YK4
2016	8,330,000	4.00	0.86	YC2	2024	12,185,000	5.00	2.53	YL2
2017	8,660,000	5.00	1.04	YD0	2025	12,790,000	5.00	2.63	YM0
2018	9,095,000	5.00	1.29	YE8	2026	13,435,000	5.00	2.68	YN8
2019	9,550,000	5.00	1.53	YF5	2027	14,100,000	5.00	2.73	YP3
2020	10,025,000	5.00	1.78	YG3	2028	13,600,000	5.00	2.79	YQ1
2021	10,525,000	5.00	2.05	YH1					

The Bonds are offered subject to the approving opinions of Foley & Judell, L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its Counsel, Nixon Peabody LLP. It is expected that the Bonds will be delivered in New Orleans, Louisiana, and available for delivery through the facilities of DTC, on or about January 11, 2013, against payment therefor.

RAYMOND JAMES® | **Morgan Keegan**

The date of this Official Statement is December 14, 2012. This cover page contains information for quick reference only. It is not a summary of this Bond issue. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to the making of an informed investment decision.

† CUSIP Numbers © Copyright 2010, American Bankers Association. CUSIP data herein is provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The Issuer takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the owners of the Bonds.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE LAFAYETTE CITY-PARISH COUNCIL AND THE LAFAYETTE PUBLIC UTILITIES AUTHORITY, THE GOVERNING AUTHORITY, THE ISSUER FOR UTILITY PURPOSES, OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE ISSUER AND INCLUDES INFORMATION OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION SET FORTH HEREIN CONCERNING DTC HAS BEEN FURNISHED BY DTC, AND NO REPRESENTATION IS MADE BY THE ISSUER OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: "THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION."

THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR DTC SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUER OR THE UNDERWRITER AND ANY ONE OR MORE OF THE PURCHASERS OR REGISTERED OWNERS OF THE BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: <http://www.munios.com>. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Bond Ordinance and the provisions with respect thereto included in the aforesaid documents and agreements.

The Bonds have not been registered with the Securities and Exchange Commission. The registration, qualification or exemption of the Bonds in accordance with the applicable securities law provisions of the jurisdictions in which the securities have been registered, qualified or exempted should not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have guaranteed or passed upon the safety of the Bonds as an investment, upon probability of any earnings thereon or upon the accuracy or adequacy of this Official Statement.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

This Official Statement is marked with a dated date and speaks only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the Official Statement that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the Official Statement. Any information contained in the portion of the Official Statement indicated to concern recent events speaks only as of its date. The Issuer expressly disclaims any duty to provide an update of any information contained in this Official Statement, except as agreed upon by said parties pursuant to the continuing disclosure certificate (the “Continuing Disclosure Certificate”) included herein as Appendix “G.”

The information contained in this Official Statement may include forward looking statements by using forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” “budgets” or others. The reader is cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, and various other factors that are beyond the control of the Issuer.

Because the Issuer cannot predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is included in forward-looking statements.

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OFFICIALS
CITY OF LAFAYETTE, STATE OF LOUISIANA

PRESIDENT OF THE LAFAYETTE CITY-PARISH
CONSOLIDATED GOVERNMENT

Joey Durel

CITY-PARISH COUNCIL

Jared Bellard, District 5, *Chair*
William G. Theriot, District 9, *Vice Chair*
Kevin Naquin, District 1
Jay Castille, District 2
Brandon Shelvin, District 3*
Kenneth P. Boudreaux, District 4*
Andrew Naquin, District 6*
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Keith Patin, District 8*

Clerk of Council

Norma Dugas

Chief Administrative Officer

Dee Stanley

Chief Financial Officer

Lorrie R. Toups

Director of Utilities

Terry Huval

Consulting Engineer

SAIC Energy, Environment & Infrastructure, LLC

Certified Public Accountants

Kolder, Champagne, Slaven & Company, LLC

City-Parish Attorney

Mike Hebert

Bond Counsel

Foley & Judell, L.L.P.

* *Also serves as a member of the Lafayette Public Utilities Authority.*

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OFFICIAL STATEMENT

\$153,960,000

UTILITIES REVENUE REFUNDING BONDS, SERIES 2012

CITY OF LAFAYETTE, STATE OF LOUISIANA

INTRODUCTION

This Official Statement of the City of Lafayette, State of Louisiana (the “City” or “Issuer”) provides information with respect to the captioned bonds (the “Bonds”). This Official Statement contains summaries of certain provisions of the Third Supplemental Bond Ordinance adopted by the Lafayette City-Parish Council (the “Governing Authority”), acting as the governing authority of the Issuer, and the Lafayette Public Utilities Authority (“LPPA”), the governing authority of the Utilities System on October 2, 2012 and Ordinance No. O-268-2012 to be adopted on December 18, 2012, pursuant to which the Bonds are being issued (collectively, the “Third Supplemental Bond Ordinance”) and the hereinafter defined General Bond Ordinance.

Brief descriptions of the Issuer, LPPA, the Utilities System (as hereinafter defined), the Bonds, the Bond Ordinance (as hereinafter defined) and other acts, resolutions, ordinances, documents and instruments are contained in this Official Statement, and reference to such matters is qualified by reference to such entity, act, resolution, ordinance, document or instrument so referred to or summarized.

Included as Appendix “B” hereto is the Consulting Engineer’s Report dated as of December 14, 2012, (the “Consulting Engineer’s Report”) prepared by SAIC Energy, Environment & Infrastructure, LLC, formerly, R.W. Beck, Inc., 1801 California Street, Suite 2800, Denver, Colorado 80202-2606, Telephone (303) 299-5200, Facsimile (303) 297-2811 (the “Consulting Engineer”), which includes a description of the business, organization and management of the Utilities System, its findings regarding the Utilities System, and a survey of the finances and environmental issues of the Utilities System. The forecasts contained in the Consulting Engineer’s Report are based on assumptions about the outcome of future events and there can be no assurance that such forecasts will approximate actual results. The Consulting Engineer’s Report should be read in its entirety prior to the making of an investment decision with respect to the Bonds. Additional information about the Issuer is included in Appendix “C” and Appendix “D”. The proposed form of opinion of Foley & Judell, L.L.P., Bond Counsel, is included in Appendix “E” hereto.

Reference in this Official Statement to owner, holder, registered owner, Bondholder or Bondowner means the registered owner of the Bonds determined in accordance with the Bond Ordinance.

CAPITALIZED TERMS NOT OTHERWISE DEFINED WITHIN THIS OFFICIAL STATEMENT SHALL HAVE THE MEANING GIVEN IN THE GENERAL BOND ORDINANCE ATTACHED HERETO AS APPENDIX “A” UNLESS THE CONTEXT INDICATES OTHERWISE.

Bond Ordinance

The Issuer adopted a General Bond Ordinance on June 29, 2004 (the “General Bond Ordinance”), which created a series of bonds of the Issuer designated as “Utilities Revenue Bonds.” The General Bond Ordinance authorizes the issuance of each series of bonds by a supplemental resolution adopted by the Issuer. The first supplemental ordinance, which provided for the issuance of the \$183,990,000 Utilities Revenue Bonds, Series 2004, dated August 10, 2004 (the “Series 2004 Bonds”), was adopted on June 29, 2004, the Second Supplemental Ordinance, which provided for the issuance of the \$86,080,000 Utilities Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), was adopted on November 2, 2010 and the Third Supplemental Ordinance, which provides for the issuance of the Bonds (the General Bond Ordinance, together with the supplements thereto, is collectively referred to herein as the “Bond Ordinance”). A copy of the General Bond Ordinance is included in Appendix “A” hereto.

The Issuer

The Issuer was incorporated in 1914. It is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico, 160 miles west of New Orleans, and 214 miles east of Houston, Texas. The Issuer is the Parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the Issuer is approximately 47 square miles. The Issuer is the center of a metropolitan area that includes the Parish and the area within the boundaries of Acadia, St. Landry, and St. Martin Parishes. The Issuer had an estimated population of 122,130 in 2011.

The Issuer owns and operates a utilities system as a single revenue producing public utility consisting of: (1) an Electric System (including generation, transmission and distribution facilities); (2) a Water System (including supply, treatment, transmission, distribution and storage facilities); and (3) a Wastewater System (including wastewater collection and treatment facilities), as more fully described herein (collectively, the “Utilities System”). The Issuer also owns a separate division, a local communications network that offers telephone, cable television, high-speed Internet access, and other communications and information services and any future services, improvements and additions thereto (the “Communications System”), but the revenues from the Communications System are not pledged to the payment of the Bonds.

The Issuer entered into a Power Sales Contract (the “LPPA Contract”), dated May 1, 1977, executed June 3, 1977, with the Lafayette Public Power Authority (“LPPA”). LPPA is a political subdivision of the State of Louisiana created in 1976 (and ratified and affirmed in 1977) by the City under and by virtue of the authority conferred by Article VI, Section 19 of the Louisiana Constitution of 1974, Sections 4170 through 4174 of Title 33 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority supplemental thereto. LPPA was created for the purpose of planning, financing, constructing, acquiring, improving, operating, maintaining and managing public power projects or improvements singly or jointly with other public or private corporations, and for the purpose of purchasing electric power and selling electric power to, or exchanging electric power with, the City and others. LPPA constitutes a legal entity separate and apart from the City. The Lafayette City-Parish Council is the governing authority of LPPA, the chief executive officer of LPPA is the President of the Council, and the managing director of LPPA is the Director of Utilities.

Pursuant to the LPPA Contract, the Issuer has agreed to purchase the power and energy derived from LPPA’s 50% ownership interest of a 530 MW coal-fired steam generating unit known as Rodemacher Unit No. 2 located at the Brame Energy Center (formerly known as the Rodemacher Power Station) near Boyce, Louisiana (“Unit 2”) which is operated by Central Louisiana Electric Company, Inc. (“Cleco”). The Issuer is required by the LPPA Contract to pay the debt service on the debt issued by LPPA to finance the cost of acquisition of the Unit 2 and all costs of LPPA incurred in connection with LPPA’s ownership of the Unit 2, including all costs of producing and delivering electric power and energy therefrom. The obligations of the Issuer to make the payments under the LPPA Contract are required to constitute operating expenses of the Issuer payable from Utilities System revenues and such payments are required to be made whether or not Unit 2 is then operable or is then operating. As of the date of this Official Statement, LPPA has \$32,045,000 aggregate principal amount of debt currently outstanding. In order to fund its portion of the costs of certain improvements, renewals, repairs and replacements for Unit 2, LPPA sold \$65,100,000 of its Electric Revenue Bonds, Series 2012 (the “LPPA Series 2012 Bonds”) on November 28, 2012 and expects to deliver said bonds on December 21, 2012.

The Home Rule Charter of the Governing Authority (the “Charter”) provides that the governing authority of the Utilities System of the Issuer shall be the LPUA. The Charter further provides that LPUA shall fix rates, incur indebtedness, approve the utility budget, and approve proposals for the improvement and extension of the utilities. The members of LPUA are also members of the Governing Authority of the Issuer.

Outstanding Parity Bonds

The Bonds are being issued on a complete parity with the Issuer’s outstanding \$5,445,000 Utilities Revenue Bonds, Series 1996 (the “Series 1996 Bonds”), \$15,600,000 of unrefunded Series 2004 Bonds and \$86,080,000 Utilities Revenue Bonds, Series 2010 (the “Series 2010 Bonds” and together with the Series 1996 Bonds and the unrefunded Series 2004 Bonds, the “Outstanding Parity Bonds”).

PURPOSE OF ISSUE

The Bonds are being issued to provide funds to advance refund certain of the Issuer's outstanding bonds described below (the "Refunded Bonds") in order to obtain debt service savings for the Issuer, fund the Reserve Fund Account, and pay the Costs of Issuance of the Bonds.

<u>Series</u>	<u>Maturity (November 1)</u>	<u>Interest Rate</u>	<u>Amount Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2004	2015	5.25%	\$ 8,420,000	November 1, 2014	100%
2004	2016	5.25	8,865,000	November 1, 2014	100
2004	2017	5.25	9,330,000	November 1, 2014	100
2004	2018	5.25	9,820,000	November 1, 2014	100
2004	2019	5.25	10,335,000	November 1, 2014	100
2004	2020	5.25	10,875,000	November 1, 2014	100
2004	2021	5.25	11,445,000	November 1, 2014	100
2004	2022	5.25	12,045,000	November 1, 2014	100
2004	2023	5.25	12,680,000	November 1, 2014	100
2004	2024	5.25	13,345,000	November 1, 2014	100
2004	2025	5.25	14,045,000	November 1, 2014	100
2004	2028	5.00	46,605,000	November 1, 2014	100

The proceeds of the sale of the Bonds (exclusive of accrued interest and proceeds to be applied to the payment of Costs of Issuance (as defined in the Bond Ordinance)), together with additional moneys provided by the Issuer, will be deposited in an escrow fund (the "Escrow Fund") to be held by The Bank of New York Mellon Trust Company, N. A., in the City of Baton Rouge, Louisiana (the "Escrow Agent"), which Escrow Fund is created pursuant to the terms of an Escrow Deposit Agreement between the Issuer and the Escrow Agent (the "Escrow Agreement"). Pursuant to the Bond Ordinance and the Escrow Agreement, the amounts on deposit in the Escrow Fund will be irrevocably invested in Defeasance Securities (as defined in the General Bond Ordinance), the principal of and interest on which, when added to other moneys on deposit in the Escrow Fund, will be sufficient to pay when due the principal of, premium, if any, and interest on the Refunded Bonds through their redemption on November 1, 2014. Prior to or concurrently with the delivery of the Bonds, the Issuer shall obtain an independent mathematical verification that the moneys and Defeasance Securities required to be irrevocably deposited in trust in the Escrow Fund with the Escrow Agent, together with the earnings to accrue thereon, will always be sufficient for the payment of the principal of, premium, if any, and interest on the Refunded Bonds. Under the Escrow Agreement, the aforesaid escrow obligations may be sold and replacement obligations substituted therefor. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

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DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending October 31, the amounts, rounded to the nearest dollar, required to be made available in such Fiscal Year for the payment of the principal of and interest on the Bonds, debt service on Outstanding Parity Bonds and the total debt service for all such outstanding Bonds under the Ordinance after giving effect to the refunding of the Refunded Bonds. The principal of the Bonds and Outstanding Parity Bonds matures on each November 1, one day following the close of the respective fiscal years listed.

Year Ending October 31	Outstanding Parity Bonds ⁽¹⁾			Series 2012 Bonds			Aggregate Debt Service After Refunding
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2013	\$ 1,575,000	\$9,364,093	\$10,939,093	-	\$2,299,183	\$ 2,299,183	\$13,238,276
2014	10,860,000	4,742,659	15,602,659	\$ 1,005,000	7,504,500	8,509,500	24,112,159
2015	11,355,000	4,217,204	15,572,204	-	7,484,400	7,484,400	23,056,604
2016	3,495,000	3,872,965	7,367,965	8,005,000	7,324,300	15,329,300	22,697,265
2017	3,625,000	3,739,418	7,364,418	8,330,000	6,997,600	15,327,600	22,692,018
2018	3,765,000	3,603,561	7,368,561	8,660,000	6,614,500	15,274,500	22,643,061
2019	2,710,000	3,480,125	6,190,125	9,095,000	6,170,625	15,265,625	21,455,750
2020	2,820,000	3,355,425	6,175,425	9,550,000	5,704,500	15,254,500	21,429,925
2021	2,960,000	3,229,425	6,189,425	10,025,000	5,215,125	15,240,125	21,429,550
2022	3,075,000	3,097,050	6,172,050	10,525,000	4,701,375	15,226,375	21,398,425
2023	3,225,000	2,939,550	6,164,550	11,050,000	4,162,000	15,212,000	21,376,550
2024	3,390,000	2,774,175	6,164,175	11,605,000	3,595,625	15,200,625	21,364,800
2025	3,555,000	2,608,575	6,163,575	12,185,000	3,000,875	15,185,875	21,349,450
2026	3,720,000	2,443,075	6,163,075	12,790,000	2,376,500	15,166,500	21,329,575
2027	3,890,000	2,269,875	6,159,875	13,435,000	1,720,875	15,155,875	21,315,750
2028	4,065,000	2,079,700	6,144,700	14,100,000	1,032,500	15,132,500	21,277,200
2029	4,270,000	1,871,325	6,141,325	13,600,000	340,000	13,940,000	20,081,325
2030	4,480,000	1,652,575	6,132,575	-	-	-	6,132,575
2031	4,705,000	1,434,713	6,139,713	-	-	-	6,139,713
2032	4,915,000	1,205,975	6,120,975	-	-	-	6,120,975
2033	5,165,000	953,975	6,118,975	-	-	-	6,118,975
2034	5,420,000	689,350	6,109,350	-	-	-	6,109,350
2035	5,695,000	418,594	6,113,594	-	-	-	6,113,594
2036	5,965,000	141,669	6,106,669	-	-	-	6,106,669

⁽¹⁾ Includes the Series 1996 Bonds, the unrefunded Series 2004 Bonds and the Series 2010 Bonds.

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ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Bonds are estimated to be as follows:

Sources

Par Amount of Bonds	\$153,960,000.00
Net Original Issue Premium	30,598,062.50
Transfers from Prior DS Reserve Funds	17,116,462.50
Transfers from prior DS Funds	<u>1,448,918.75</u>
Total	<u>\$203,123,443.75</u>

Uses of Funds

Deposit to Escrow Fund	\$184,532,008.56
Deposit to Debt Service Reserve Fund	15,904,400.00
Amounts released from prior DS Reserve	1,212,062.50
Costs of Issuance*	<u>1,474,972.69</u>
Total	<u>\$203,123,443.75</u>

* Includes legal fees underwriter's discount and other issuance costs.

THE BONDS

The Issue

One Hundred Fifty-Three Million Nine Hundred Sixty Thousand Dollars (\$153,960,000) of Utilities Revenue Refunding Bonds, Series 2012 of the Issuer are being issued. The Bonds will be dated the delivery date thereof.

Authority for Issue

The Bonds are being issued pursuant to the provisions of Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto (the "Act"), the General Bond Ordinance and the Third Supplemental Bond Ordinance.

Average Life

The average life of the Bonds is approximately 9.976 years from their dated date.

Form and Denomination

The Bonds will be initially issued as fully registered bonds in "book-entry only" form registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. The Bonds are in the denomination of \$5,000, or any integral multiple thereof within a single maturity. See "BOOK-ENTRY ONLY SYSTEM" in APPENDIX "G" hereto

Maturities; Interest Payment Dates

The Bonds will mature on November 1 in the years and in the principal amounts indicated on the cover page of this Official Statement and will bear interest from the dated date of the Bonds, payable on May 1 and November 1 of each year, commencing May 1, 2013 (each an "Interest Payment Date"), at the rates per annum indicated on the cover page hereof. The Bonds shall bear interest from the date thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The record date for the Bonds is the 15th day of the month preceding the Interest Payment Date.

Provisions Applicable if Book-Entry Only System is Terminated

General. Purchasers of Bonds will receive principal, premium, if any, and interest payments, and may transfer and exchange Bonds, pursuant to the following provisions only if the book-entry only system is terminated. Otherwise, payments and transfers will be made only as described in Appendix “G” — BOOK-ENTRY ONLY SYSTEM hereto.

Place of Payment. Principal of the Bonds is payable at Whitney Bank, Baton Rouge, Louisiana, or any successor thereto (the “Paying Agent”).

Payment of Interest. Upon discontinuation of the book-entry only system, interest on the Bonds will be payable by check mailed on or before the Interest Payment Date by the Paying Agent to the registered owner, determined as of the close of business on the 15th calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day (the “Record Date”), at the address of such registered owner as it appears on the registration books of the Paying Agent.

The person in whose name any Bond is registered at the close of business on the Record Date with respect to an Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) shall be entitled to receive the interest payable with respect to such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date.

Provisions for Transfer, Registration and Assignment. The Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent, and such registration shall be at the expense of the Issuer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent. A new Bond or Bonds of the same series will be delivered by the Paying Agent to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of \$5,000 or any integral multiple thereof within a single maturity. Neither the Issuer nor the Paying Agent shall be required to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding an Interest Payment Date and ending at the close of business on the Interest Payment Date.

Redemption Provisions

Optional Redemption. The Bonds maturing November 1, 2023 and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after November 1, 2022 at the principal amount thereof and accrued interest to the date fixed for redemption.

In the event a Bond is of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any multiple thereof) may be redeemed. In the event less than a full maturity of Bonds is redeemed, the Paying Agent shall select the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

Notice of redemption of the Bonds is to be given by the Issuer by mail, postage prepaid, not less than 30 days before the redemption date to the registered owners of the Bonds which are to be redeemed at their last addresses shown on the registration books for the Bonds. Failure to mail any such notice or any defect therein shall not affect the validity of the redemption proceedings for the Bonds being redeemed. Notice of redemption having been given as described above, unless cancelled as described below, the Bonds called for redemption shall become due and payable on the redemption date specified in such notice and interest thereon shall cease to accrue from and after the redemption date, if moneys sufficient for the redemption of the Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Paying Agent or authorized depository in trust for such Bonds on the redemption date and the Bonds (or such portions thereof) shall cease to be entitled to any benefit or security under the Bond Ordinance. Notice of optional redemption may be conditioned upon the receipt by the Paying Agent or authorized depository of moneys sufficient to effectuate such redemption, and if such moneys are not received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds.

For so long as a book-entry only system is in effect with respect to the Bonds, the Issuer will mail notices of redemption to DTC or its nominee or its successor, and, if less than all of the Bonds of a maturity are to be redeemed, DTC or its successor and Participants and Indirect Participants (as such terms are defined in Appendix “G” — BOOK-ENTRY ONLY SYSTEM hereto) will determine the particular ownership interests of Bonds to be redeemed. Any failure of DTC or its successor or a Participant or Indirect Participant to do so, or notify a Beneficial Owner of a Bond of any redemption, will not affect the sufficiency or the validity or the redemption of Bonds.

Neither the Issuer, the Paying Agent nor the Underwriter can give any assurance that DTC, the Participants or the Indirect Participants will distribute such redemption notices to the Beneficial Owners of the Bonds, or that they will do so on a timely basis.

SECURITY AND SOURCES OF PAYMENT

Sources of Payment

The Bonds and the Outstanding Parity Bonds and any additional bonds hereafter issued on a parity therewith are or will be special and limited obligations of the Issuer and are secured by and payable in principal and interest and redemption premium, if any, solely from the income and revenues derived or to be derived from the operation of the Issuer’s Utilities System (“Revenues”), after provision has been made for the payment therefrom of the reasonable and necessary expenses of operation and maintaining the Utilities System (“Net Revenues”). Such Net Revenues consist of (i) all rates, fees, charges, income, rents and receipts derived by the Issuer from or attributable to the ownership and operation of the Utilities System, including all revenues attributable to the Utilities System or to the payment of the costs thereof received by the Issuer under any contracts for the sale of power, energy, transmission or other use of the services, facilities or products of the Utilities System or any part thereof or any contractual arrangement with respect to the use of the Utilities System or any portion thereof or the services, output, facilities, capacity or products of the Utilities System, (ii) the proceeds of any insurance covering business interruption loss relating to the Utilities System, (iii) interest received on the investment or reinvestment of any moneys held hereunder required to be deposited or kept in the Receipts Fund (defined hereafter), (iv) payments received by the Issuer under a Qualified Swap (defined hereafter), and (v) funds received from a Rate Stabilization Account as described in the Bond Ordinance; provided, however, that the “Net Revenues” shall not include revenues from a Separately Financed Project (defined hereafter) or Impact Fees (defined hereafter) or revenues deposited in a Rate Stabilization Account, less any operating and maintenance expense as defined in accordance with generally accepted accounting principles in the United States of America, plus any expenses incurred under any Power Sales Contract (as defined hereafter). Accordingly, costs of operation and maintenance shall not include (i) any costs and expenses attributable to a Separately Financed Project, (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of the Utilities System to the condition of serviceability thereof when new, (iii) depreciation costs or (iv) any interest expense on any obligation.

The Bond Ordinance defines “Power Sales Contract” to mean the LPPA Contract and other contracts for fuel, energy, water, sewer or power designated in writing by the Issuer as a cost of operation and maintenance.

So long as any obligations, issued in any form of debt, authorized by a supplemental bond ordinance, including but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the Bond Ordinance, including any bonds and Parity Contract Obligations, but such term shall not include any Contract Obligation or Subordinated Indebtedness, remain outstanding, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each sinking fund year (ending October 31) to produce Net Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the costs of operation and maintenance for such sinking fund year, (ii) one hundred percent (100%) of the Bond Service Requirement for such sinking fund year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinated Indebtedness and Subordinated Contract obligations in such sinking fund year, (iv) one hundred percent (100%) of the amount required to maintain a Reserve Fund in accordance with the provisions of the Bond Ordinance, and any additional amount required to make all other payments required to be made. See “SECURITY AND SOURCES OF PAYMENT — Rate Covenant” herein.

The Bonds and the Outstanding Parity Bonds are not general obligations of the Issuer nor LPPA, and neither the full faith and credit of the Issuer, LPPA, the Council, nor the State of Louisiana is pledged to the payment thereof.

Creation of Funds and Accounts

The Bond Ordinance creates and establishes the “Receipts Fund,” the “Operating Fund,” the “Sinking Fund,” the “Reserve Fund” and the “Capital Additions Fund” as defined below. There may be created and established in the Operating Fund, Reserve Fund and the Capital Additions Fund one or more separate accounts or subaccounts as determined by the Issuer from time to time to be necessary or convenient. The Operating Fund, the Reserve Fund and the Capital Additions Fund and all accounts and subaccounts therein shall constitute trust funds for the purposes provided in the Bond Ordinance, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), who shall act as trustee of such funds for the purposes thereof, shall, except as otherwise provided in the Bond Ordinance, be subject to a lien and charge in favor of the Bondholders and used only as therein provided. The described trust obligation shall extend only to the Issuer’s obligation to hold such funds for the benefit of Bondholders, but does not impose a trust obligation on any authorized depository.

All accounts referenced in the Bond Ordinance means separate accounting, not necessarily separate bank accounts.

(a) Receipts Fund. Revenues, except (i) income received from the sale of capital assets and charges between divisions of the Utilities System, and (ii) proceeds from the issuance of obligations shall be deposited daily as the same may be collected in a separate and special bank account known and designated as the “Receipts Fund,” established and maintained with a bank, or may be deposited in a fund with other moneys of the City and/or Parish in a bank provided separate accounting is maintained at all times under the title of “Receipts Fund” and referred to hereinafter as the “Receipts Fund.”

(b) Operating Fund. Out of the Receipts Fund, there shall be transferred to or set aside in an “Operating Fund,” from time to time as needed during each sinking fund year amounts sufficient to provide for the payment of costs of operation and maintenance, including payments pursuant to the LPPA Contract.

(c) Sinking Fund. After meeting the requirements of (b) above, the moneys in the Receipts Fund shall be used for the establishment and maintenance with a bank of a “Utilities Revenue Refunding Bond Sinking Fund” (the “Sinking Fund”) sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the obligations authorized in the Bond Ordinance including any additional parity obligations issued hereafter in the manner provided therein, as they severally become due and payable whether by maturity or mandatory call, by transferring as needed from the Receipts Fund to the Sinking Fund. Arrangements with the Paying Agent shall be made as will assure, to the amount of money in the Sinking Fund, prompt payment for principal and interest on the obligations payable from the Sinking Fund. Appropriate amounts shall also be placed in the Sinking Fund to allow for the payment of the charges of the Paying Agent. On or before the day before the Interest Payment Date, the Issuer will deposit with the Paying Agent sufficient funds to make payment of the principal and/or interest owed on the obligations, as of that Interest Payment Date.

A supplemental bond ordinance may provide for additional amounts to be deposited into the Sinking Fund.

(d) Reserve Fund. After meeting the requirements of (c) above, the moneys in the Receipts Fund shall next be used to satisfy the Reserve Requirements for Reserve Secured Bonds. The Bond Ordinance provides for the segregation of the Reserve Fund into separate accounts, each of which may be created for one or more series of Revenue Secured Bonds, each of which accounts having its own Reserve Requirement. Currently, there are separate accounts for the each of the three outstanding series of Outstanding Parity Bonds, and the Issuer will utilize the Reserve Fund Account of the Series 2004 Bonds for the Bonds and the Bonds will be subject to the Reserve Requirement of the Reserve Fund Account of the Series 2004 Bonds, along with the unrefunded Series 2004 Bonds and any future Reserve Secured Bonds that shall be designated as utilizing such Reserve Fund Account.

Except as set forth in a supplemental bond ordinance, amounts on deposit in each account of the Reserve Fund may be used solely for the purpose of curing deficiencies in the Sinking Fund for the payment when due of the principal of, premium, if any, and interest on the Reserve Secured Bonds for which such account was created. If funds on deposit in each Reserve Fund account exceed the account Reserve Requirement for the applicable Reserve Secured Bonds, the excess cash shall be deposited into the Sinking Fund to the extent moneys from the Receipts Fund are unavailable to meet current bond service requirements and otherwise to the Capital Additions Fund, provided however that upon refunding of any Reserve Secured Bonds such excess may be applied to pay or redeem the Reserve Secured Bonds to be refunded.

Within the Reserve Fund there may be created separate accounts to secure the payment of various issues of Reserve Secured Bonds, each with varying Reserve Requirements. Any issue of Reserve Secured Bonds may utilize an existing Reserve Fund account, provided that the Reserve Requirement of the prior issue is met and satisfied.

If at any time the Issuer is required to fund a Reserve Fund account, or to increase the amount required to be maintained in the Reserve Fund account pursuant to the General Bond Ordinance, the amount, or increase in the amount, as applicable, required to satisfy such Reserve Requirement may be funded in up to twelve substantially equal consecutive monthly deposits commencing not later than the month following the occurrence of deficiency.

Each Reserve Requirement, in whole or in part, may be funded with cash or investment obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held hereunder for payment of the principal of or interest on the obligations due on such date which cannot be cured by funds in any other fund or account held pursuant to the Bond Ordinance and available for such purpose, and shall name the Paying Agent as the beneficiary thereof. Each Reserve Product must be rated in the highest rating category by each rating agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such Reserve Product on or before the close of the month following such disbursement from the first Revenues available pursuant to the Bond Ordinance or to replace such Reserve Product by depositing into the Reserve Fund pursuant to the Bond Ordinance, funds in the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this section, amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Fund, but shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Requirement is funded in whole or in part with cash or investment obligations and no event of default shall have occurred and be continuing under the Bond Ordinance, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of the Bond Ordinance for the cash and investment obligations in the Reserve Fund and the Issuer may then withdraw such cash and investment obligations from the Reserve Fund and deposit them to the credit of the Operating Fund so long as (i) the same does not adversely affect any rating by a rating agency then in effect with respect to the obligations, or any series thereof, and (ii) the Issuer obtains an opinion of Bond Counsel to the effect that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the obligations (if not taxable obligations) for federal income tax purposes.

Cash on deposit in any Reserve Fund account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product in such account. If more than one Reserve Product is deposited in the Reserve Fund account, drawings thereunder shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Any supplemental bond ordinance may require a greater Reserve Requirement or no Reserve Requirement for any issue or series of obligations of or other obligations on behalf of Issuer with respect to the Reserve Fund.

(e) Capital Additions Fund. After meeting the requirements in (d) above, the moneys in the Receipts Fund shall next be deposited in the Capital Additions Fund, which moneys in the Capital Additions Fund shall next be used for the following purposes:

(i) When amounts are deposited in the Capital Additions Fund to pay the capitalized cost of interest on obligations of the Issuer, the Issuer shall pay from the Capital Additions Fund to the Paying Agent, on or before the date or dates on which interest on such obligations becomes due and payable, an amount equal to such interest.

(ii) Notwithstanding the above provisions of this Section, amounts in the Capital Additions Fund must be applied to the payment of principal and Redemption Price of and interest on the obligations and the payment of parity debt, on a parity basis, when due at any time that moneys are not available therefor.

(iii) There shall also be deposited in said fund all Impact Fees.

(iv) Not later than one hundred twenty (120) days following the close of each fiscal year the Issuer will receive from the Capital Additions Fund, if and to the extent that the money in such Fund makes possible such payment under the restrictions hereinafter contained, a payment in lieu of taxes, the amount of which shall be determined as follows:

- (A) There shall be set aside in each fiscal year for the purpose of paying capital costs an amount equal to seven and one-half percent (7-1/2%) of the total non-fuel deposits into the Receipts Fund for such fiscal year.
- (B) If the balance of the amount so paid into the Capital Additions Fund in any fiscal year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the total non-fuel deposits into the Receipts Fund as above provided, is equal or less than twelve percent (12%) of the Receipts Fund deposits for such fiscal year, all of such balance shall be paid to the Issuer; however, if such balance is more than twelve percent (12%) of the Receipts Fund deposits for such year, then the Issuer shall be paid an amount equal to twelve percent (12%) of said Receipts Fund deposits.
- (C) The remaining moneys in the Capital Additions Fund may be used for (i) paying Capital Costs or for the creation and maintenance of a Rate Stabilization Account, which may be used for making payments into the Receipts Fund to provide for temporary losses of revenue, such payments to be made for such time and in such amounts as may be determined by the Issuer and shall be considered as Revenue as defined in the Bond Ordinance, (ii) the payment of Subordinated Indebtedness and Subordinated Contract Obligations, (iii) the purchase of outstanding obligations, or (iv) making any payment or investment for any lawful purpose, that is designed to benefit, enhance and/or improve profits from the Utilities System, including, but not limited to, any new lines of business.

Additional Bonds

The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the obligations and parity debt as provided in the Bond Ordinance, secured by a pledge of the Net Revenues and shall not create or cause to be created any lien or charge on the Net Revenues except to the extent otherwise provided in the Bond Ordinance; provided, however, that the Issuer may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of the payment thereof, and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues created by the Bond Ordinance as security for payment of the obligations and provided further, however, that nothing contained in the Bond Ordinance shall prevent the Issuer from issuing (i) bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution or ordinance to finance a Separately Financed Project; or (ii) other bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution or ordinance payable from, among other sources, those moneys withdrawn by the Issuer from the Capital Additions Fund.

Issuance of Parity Obligations

Except as otherwise provided hereafter, no obligations may be issued under the Bond Ordinance, other than the Bonds, unless the Issuer shall have first complied with the requirements of this Section. Additional obligations may be issued from time to time for any lawful purpose of the Issuer in connection with the Utilities System.

(1) Any obligations, or any part thereof, may be refunded and the refunding obligations so issued shall enjoy complete equality of lien with the obligations which are not refunded, if there be any, and the refunding obligations shall continue to enjoy whatever priority of lien over subsequent issues as may have been enjoyed by the obligations refunded.

(2) Additional obligations, other than refunding obligations described in (1) above, may be issued from time to time under the Bond Ordinance upon compliance with the following conditions:

(a) the Issuer shall have enacted a supplemental bond ordinance authorizing such obligations and providing for the terms thereof as contemplated in the Bond Ordinance and reciting that all of the covenants contained in the Bond Ordinance will be fully applicable to such obligations and otherwise complying with the provisions of the Bond Ordinance;

(b) the City-Parish President shall certify in writing that, upon the delivery of such obligations, the Issuer will not be in default in the performance of the terms and provisions of the Bond Ordinance or of any of the obligations;

(c) the (i) City-Parish President shall certify in writing that the Net Revenues of the Utilities System, as shown on the then-most recent available audited financial statements of the Utilities System equal or exceed the Bond Service Requirement for the same audited period for all outstanding obligations and (ii) a certificate from the Consulting Engineer (as defined hereafter) certifying that the Net Revenues of the Utilities System equal or exceed the Bond Service Requirement for all outstanding Bonds, parity debt and additional obligations proposed to be issued for the first three complete bond years during which the additional obligations shall be outstanding; and

(d) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (i) the Issuer has the right and power under the Act to enact the Bond Ordinance and the Bond Ordinance has been duly and lawfully enacted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and is enforceable in accordance with its terms and no other authorization of the Bond Ordinance is required, (ii) the Bond Ordinance creates a valid lien upon and pledge of the Net Revenues, (iii) the obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and the Bond Ordinance and have been duly and validly authorized and issued in accordance with the Act and the Bond Ordinance, and (iv) the Issuer has the full lawful power and authority to issue the obligations for the purposes for which they are authorized.

In calculating Net Revenues of the Utilities System for purposes of clause (c) above, the City-Parish President may, at his or her option, adjust the amount of Net Revenues shown on the most recent available audited financial statements of the Utilities System in the following respects:

(i) If, prior to the issuance of the additional obligations or incurrence of parity debt, the Issuer shall have increased the rates, fees, rentals or other charges for services of the Utilities System, the above calculations of Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Utilities System if such increased rates, fees, rentals or other charges had been in effect for the full fiscal year covered by such audited financial statements;

(ii) If the Issuer shall have acquired or shall have contracted to acquire all or part of any privately or publicly owned utility system which is to be added to the Utilities System and the cost of which is to be paid, in whole or in part, from proceeds of the proposed additional obligations, then the above calculations of Net Revenues shall be increased by adding thereto the Net Revenues that would have been derived if such addition

to the Utilities System had been included in the Utilities System for the full fiscal year covered by such audited financial statements; and

(iii) If the Issuer, in connection with the issuance of the additional obligations or incurrence of parity debt, shall enter into a contract (with a duration or term not less than the final maturity of such additional obligations) with any public or private entity whereby the Issuer agrees to furnish services of the Utilities System to such entity, then the Net Revenues shown on the audited financial statements shall be increased by the estimated amount which such public or private entity has agreed to pay in one fiscal year for the furnishing of such services, after deducting therefrom the cost of operation, maintenance, repair, renewal and replacement allocable to providing such services.

Notwithstanding anything contained in the Bond Ordinance to the contrary, the above provisions shall not be applicable to Parity Reimbursement Obligations and Parity Swap Obligations incurred with respect to obligations which met the above conditions upon their issuance or incurrence.

Separately Financed Project

Nothing in the Bond Ordinance shall prevent the Issuer from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act, or from financing or otherwise providing for any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, and the Issuer's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project, from other available funds of the Issuer not constituting part of the Revenues or from other funds withdrawn by the Issuer from the Capital Additions Fund.

GENERAL COVENANTS OF THE ISSUER

Bond Ordinance to Constitute Contract

The Bond Ordinance shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders. The covenants and agreements to be performed by the Issuer set forth in the Bond Ordinance shall be for the equal benefit, protection and security of the Bondholders and all Bonds shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided in the Bond Ordinance.

Operation Covenant

The Issuer has covenanted to operate the Utilities System in a business like manner and, in consultation with the Consulting Engineer, to operate the Utilities System in such manner in order to insure the continued availability of Net Revenues to pay all costs required by the Bond Ordinance. The Issuer covenants to adequately maintain and improve the Utilities System and to employ the necessary staff and employees, as required by industry practice and as necessary to properly operate and protect the Utilities System.

Rate Covenant

So long as any obligations remain outstanding, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each sinking fund year to produce Net Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the costs of operation and maintenance for such sinking fund year, (ii) one hundred percent (100%) of the Bond Service Requirement for such sinking fund year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such sinking fund year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Fund in accordance with the Bond Ordinance, and any additional amount required to make all other payments required to be made.

Failure by the Issuer to comply with the preceding paragraph in any fiscal year shall not constitute an event of default so long as the Issuer shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days of receipt by the Issuer of audited financial statements delivered pursuant to the

Bond Ordinance which statements show such noncompliance, retain a Qualified Independent Consultant for the purpose of reviewing the Utilities System fees, rates, rents, charges and surcharges and shall implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges filed by the Qualified Independent Consultant with the Issuer in a written report or certificate, and such failure shall not be an event of default even though the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Utilities System as would provide funds sufficient to comply with the requirements of the preceding paragraph so long as the Issuer imposes such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Issuer to as nearly as then practicable comply with such requirements and the Issuer shall again be in compliance within the preceding paragraph no later than twelve calendar months after its discovery of such non-compliance. The Issuer shall provide notice of its failure to comply with the preceding paragraph to all then existing Nationally Recognized Municipal Securities Information Repositories (now the Municipal Securities Rulemaking Board, referred to herein as the "MSRB") no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to any Owner who shall request the same in writing. Furthermore, the Issuer shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

Maintenance of Utilities System; Disposition

The Issuer will maintain the Utilities System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and repairs and for renewals and replacements thereof as maybe proper for its economical operation and maintenance, provided, however, that nothing shall be construed to prevent the Issuer from ceasing to operate or maintain, or from leasing or disposing of any portion or component of the Utilities System if, in the judgment of the Issuer, (i) it is advisable to lease, dispose of, or not operate and maintain the same, and (ii) the lease, disposition or failure to maintain or operate such component or portion of the Utilities System will not prevent the Issuer from meeting the requirements of the Bond Ordinance. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain as part of the Revenues, the Revenues from such portion or component of the Utilities System, shall not constitute a lease or disposition thereof for purposes of the Bond Ordinance.

Reports and Annual Audits

The Issuer shall require that an annual audit of the accounts and records with respect to the Utilities System be completed as soon as reasonably practicable after the end of each fiscal year by a qualified independent certified public accountant. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a statement by such auditors that no default on the part of the Issuer of any covenant or obligation hereunder has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default.

Additions to Utilities System

The Issuer may add to the Utilities System any facilities or equipment related to the generation, transmission and/or distribution of electricity, the treatment and distribution of water, and the collection and treatment of sewage; any facilities or equipment for the provision of utility-related services other than the generation, transmission and/or distribution of electricity, the treatment and distribution of water, and the collection and treatment of sewage so long as, (i) if any Tax-Exempt Obligations are outstanding hereunder, the Issuer shall have received an opinion of Bond Counsel that the addition to the Utilities System will not, in and of itself, cause the interest on such Tax-Exempt Obligations not to be excludable from gross income of the Holders thereof for federal income tax purposes, (ii) if the Revenues anticipated by the Issuer to be derived from such addition in its first full fiscal year of operations are equal to or greater than ten percent (10%) of the total Revenues derived by the Utilities System in the most recent fiscal year of the Issuer preceding the adding of such addition to the Utilities System for which audited financial statements are available, or if the cost of operation and maintenance anticipated by the Issuer to be incurred in connection with such addition in its first full fiscal year of operation are equal to or greater than ten percent (10%) of the total cost of operation and maintenance incurred by the Utilities System in the most

recent fiscal year preceding the adding of such addition to the Utilities System for which audited financial statements are available, prior to making such addition to the Utilities System the Issuer shall have obtained a written report of a Qualified Independent Consultant to the effect that within its first five (5) full years of operation, the annual additional Revenues generated by such addition in any one Fiscal Year of such first five (5) full years will exceed the annual additional costs of operation and maintenance allocable to such additions in such fiscal year, and (iii) within ninety (90) days after adding such addition to the Utilities System the Issuer shall have provided written notice of same to each rating agency.

CITY OF LAFAYETTE

General

The City was incorporated in 1914. It is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico, 135 miles west of New Orleans, and 200 miles east of Houston, Texas. The City is the parish seat of the Parish, which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The City is located in the heart of Acadiana, an eight-parish area in the center of southern Louisiana, between New Orleans and Houston, Texas in proximity to many of the largest and richest oilfields in Louisiana. Each of the Electric System, Water System and Wastewater System also provides services primarily inside the City, but also on a limited basis to some areas outside the City limits.

Based on the 2010 Census, the United States Census Bureau estimates that the population of the City grew from 110,257 in 2000 to 122,130 in 2011 or 10.8 percent since 2000. Data from the Louisiana Workforce Commission indicated a Parish unemployment rate of 4.1 percent as of October 2012. As of August 2012, the largest employers in the City were in the following industries: education, public administration, retail, healthcare, oil and gas, and manufacturing. As of October 2012, the Lafayette metropolitan statistical area had an unemployment rate of 4.2%.

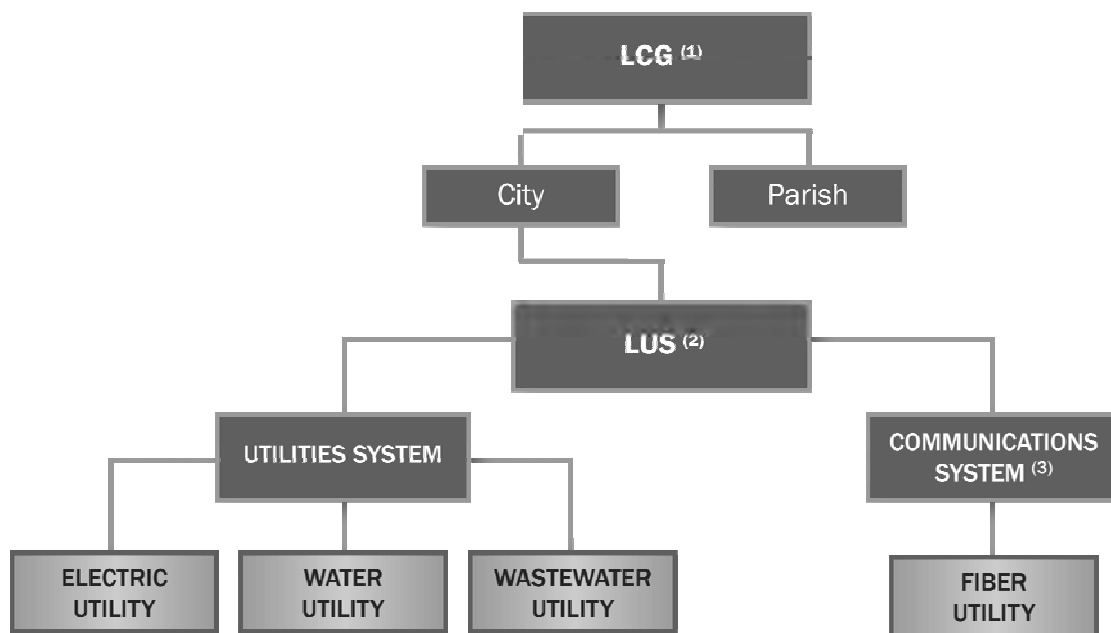
For additional information with respect to the City, see Appendix “C” and Appendix “D” hereto.

Governance

In the fall of 1992, the electorate of the Parish, including the City, adopted a Charter establishing the Lafayette City-Parish Consolidated Government (“LCG”) for the purposes of consolidating the governmental functions of the City and the Parish. The new government became operative June 3, 1996, when the Lafayette City-Parish Consolidated Government officials took office pursuant to the Charter.

The LCG includes the President and nine Council members who are elected to four-year terms of office. The President and his Chief Administrative Officer direct and supervise the administration of all departments, offices, and agencies of LCG, except as may otherwise be provided by the Charter or by law. Certain departments of the LCG are involved in day-to-day management and operation of the Lafayette Utilities System (“LUS”). The governing authority of the LUS is LPUA. Although LPUA is the governing body of LUS, the Charter confers the authority to sign all contracts on behalf of LUS to the City-Parish President.

LCG and LUS Structure



(1) LUS is governed by the Council and LPUA. All other LCG issues are governed by the Council.

(2) From an operational perspective, the Utilities System and the Communications System are both operated by LUS.

(3) From an accounting perspective, the Utilities System and Communications System are separate.

Joey Durel is the President of the LCG and his term expires January 4, 2016.

The following are the current members of the Council:

Kevin Naquin, District 1
Jay Castille, District 2
Brandon Shelvin, District 3*
Kenneth P. Boudreaux, District 4*
Jared Bellard, District 5, *Chair*
Andrew Naquin, District 6*
Donald L. Bertrand, District 7*
Keith Patin, District 8*
William G. Theriot, District 9, *Vice Chair*

* Also serves as a member of the Lafayette Public Utilities Authority.

THE UTILITIES SYSTEM

General

The Issuer owns and operates the Utilities System as a single revenue producing public utility consisting of: (1) an Electric System (including generation, transmission and distribution facilities); (2) a Water System (including supply, treatment, transmission, distribution and storage facilities); and (3) a Wastewater System (including wastewater collection and treatment facilities), as more fully described herein. The Issuer also owns a separate division, a local communications network that offers telephone, cable television, high-speed Internet access, and other communications and information services and any future services, improvements and additions thereto (the “Communications System”), but the revenues from the Communications System are not pledged to the payment of the Bonds.

The Utilities System served approximately 66,000 accounts in 2012. The Electric System served nearly 64,000 accounts, of which approximately 55,000 were residential and approximately 9,000 were commercial customers. The Water System and Wastewater System served approximately 54,000 and 42,000 accounts, respectively.

Management of the Utilities System

The principal members of the management team of the Utilities System include:

Terry J. Huval — *Director of Utilities*. Terry has 34 years’ experience in the electric power utilities industry (16 with Gulf States Utilities/Entergy and 18 with the Utilities System). He is a registered Professional Electrical Engineer, and has a B.S. degree, *cum laude*, in electrical engineering from the University of Louisiana-Lafayette. Mr. Huval has received numerous awards for his engineering and public service activities.

Mr. Huval served as a Past Chair of the American Public Power Association (“APPA”). He also serves on the Board of Directors of the Louisiana Energy and Power Authority (“LEPA”). He is a current board member in the Greater Lafayette Chamber of Commerce and is a past Chairman of the Board for United Way of Acadiana.

Lorrie R. Toups, CPA, CGFO — *Chief Financial Officer*. Lorrie has over 20 years of experience in government finance. She was employed by St. Charles Parish, Louisiana from 1993 through 2008 where she held the position of Chief Financial Officer from 2000 – 2008. She served as Director of Accounting from 2008 through 2011 in Jefferson Parish, Louisiana prior to joining Lafayette City-Parish Consolidated Government in February 2011.

Lorrie is a certified public accountant and a certified government finance officer. She holds a B.S./B.A. degree from Nicholls State University with a major in accounting. She is a past president of the Louisiana Government Finance Officers Association and served six years on its board of directors. She served on the board of directors for the Louisiana Certified Public Accountants – New Orleans Chapter for four years and chaired the Governmental and Non-profit committee for seven years. Lorrie also served on the Industrial Development Board of St. Charles Parish and on the Archbishop Chapelle High School Board.

Frank Ledoux — *Engineering, Power and Communications Manager*. Frank has 33 years of experience in the electric power utilities industry (2 years with Cleco and 31 years with the Utilities System in various engineering, operations, marketing and administrative positions). He is responsible for all Electric System, Water System and Wastewater System engineering activities and has extensive experience in negotiating fuel supply and transportation, electric transmission and interconnection, and power supply purchase and sales agreements. Frank is also the manager of the Communications System and all the associated engineering, construction, business, marketing, sales and regulatory activities.

Frank is a registered Professional Electrical Engineer. He obtained his B.S. degree in Electrical Engineering from the University of Louisiana-Lafayette in 1979. He obtained a Professional Engineer's License from the Louisiana Professional Engineering and Land Surveying Board in 1982. He is a member of the National Society of Professional Engineers, Louisiana Engineering Society and a Senior Member of the Institute of Electrical and Electronics Engineers.

Michael Boustany — *Electric Operations Manager*. Michael has 30 years of experience with the Utilities System working in distribution, transmission and substation engineering, control systems and communications. He has a B.S. degree in Electrical Engineering from the University of Louisiana-Lafayette. He is a registered Engineer in the State of Louisiana in Electrical Engineering, Control Engineering and Environmental Engineering.

Craig Gautreaux — *Water and Wastewater Operations Manager*. Craig has 32 years of experience in the Civil Engineering/Wastewater Operations industry (5 years with the University of Louisiana-Lafayette, 5 years with a private consulting firm and 22 years with the Utilities System). He is a Graduate Civil Engineer with a Masters in Civil Engineering.

Allyson L. Pellerin — *Environmental Compliance Manager*. Allyson has been with the Utilities System for 21 years, serving as the Environmental Compliance Manager for 13 of those years to present. She received a B.S. degree from the University of Louisiana-Lafayette. She is a member of various professional organizations relating to water and wastewater environmental issues and also an active volunteer for various organizations including the Louisiana Environmental & Health Association and Acadiana Chapter of the American Red Cross.

Andrew Duhon — *Customer & Support Services Manager*. Andrew has 33 years of experience in the accounting field (10 years with various private and government entities and 23 years with the Utilities System, including finance, customer service and meter service management responsibilities). He received a B.A. degree from the University of Louisiana-Lafayette and is an inactive Certified Public Accountant. He serves as an Alternate Director on the Board of LEPA. He has served on the boards of numerous civic organizations, most recently as the Chairman of the Board of the Acadiana Chapter of the American Red Cross.

The Director of Utilities is responsible for the operation of the Utilities System, the Communications System and in all areas of activity not otherwise provided for by the Council. In addition to the Director of Utilities' office, the Utilities System is comprised of nine operating divisions, including the following:

- (i) Customer Service is responsible for the daily collection and processing of utility customers deposits and billings, and meter readings.
- (ii) Electrical Operations is responsible for all the field activities associated with operation and maintenance of the electrical transmission and distribution facilities, including security, service calls, system construction, system control, substation operations, and inventory and facilities management.
- (iii) Power Production is responsible for the operation and maintenance of the electric power production facilities, project management, engineering, procurement, and construction associated with its capital operation and maintenance budgets.
- (iv) Water Operations is responsible for operation and maintenance of the water supply, production, storage, distribution and water quality.
- (v) Wastewater Operations is responsible for operation and maintenance of the treatment and collection facilities and the management of wastewater discharge quality and industrial discharge permits and fees.
- (vi) Engineering is responsible for all engineering activities necessary to operate and maintain the Utilities System, including forecasting, system planning, system design, contract administration,

construction management, air quality environmental issues and engineering analysis in support of the other operating divisions.

- (vii) Environmental Compliance is responsible for compliance with water and wastewater environmental regulatory requirements.
- (viii) Support Services is responsible for the administrative duties associated with operating the Utilities System, including employee training and safety, public information, rates, and financial planning.
- (ix) Telecommunications is responsible for the operations and maintenance of the fiber system throughout the City.

As of October 31, 2012, the Utilities System had approximately 405 full-time employees and approximately 41 part-time employees on staff. The Utilities System has a budgeted 472 employees for fiscal year 2013.

ELECTRIC SYSTEM

Electric System Description

The Electric System includes the generation facilities, transmission and distribution systems, fuel infrastructure and supply contracts, and power supply/sales contracts. Additionally, the Electric System participates in the wholesale power market.

The electric utility monthly fuel charge is calculated to recover costs for natural gas fuel, payments to LPPA pursuant to the LPPA Contract, purchased power expenses, and fuel restoration according to the in-lieu-of tax calculation for the Council. The monthly fuel charge is adjusted as needed to recover the described costs. For additional information with respect to the LPPA Contract, see “INTRODUCTION—The Issuer.”

Generation Facilities

The Issuer owns three gas-fired generating facilities located within the City limits: the Doc Bonin Plant, the T.J. Labbé Plant, and the Hargis-Hébert Plant. The Electric System obtains a significant portion (from 50 to 70 percent) of its electric energy requirements from LPPA. LPPA has a 50 percent ownership interest in a fossil fuel steam-electric generating unit, Unit No. 2 (“Unit 2”). Unit 2 is located at the Brame-Energy Center (formerly known as the Rodemacher Power Station). Located in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of Lafayette, Unit 2 is operated by Cleco. The Council is the governing authority of LPPA. The Chief Executive Officer of LPPA is the LCG President. The Director of the Utilities System is also the Managing Director of LPPA.

The Utilities System purchases base load power from LPPA. Under the Power Sales Contract (“PSC”) between LPPA and the Utilities System, payments are specified to be sufficient to pay all costs of LPPA in connection with Unit 2, including LPPA’s share of operation and maintenance of Unit 2, coal inventory costs, debt service requirements, and all other financial obligations of LPPA’s share of the Unit 2. The PSC provides that the obligations of the City to make such payments in each contract year shall constitute obligations payable as an operating expense of the Issuer and payable solely from the revenues of the Utilities System. Such payments are to be made whether or not Unit 2 is operating or operable.

Annual generation at Unit 2 has averaged approximately 3,188 gigawatt hours (“GWh”) (net) over the 2007 to 2011 period with average annual plant capacity factor of 69.55 percent. The annual average heat rate of Unit 2 was approximately 10,911 Btu per kilowatt hour (“kWh”).

Doc Bonin Plant

The Doc Bonin Plant is located in the northwest part of the City. It is a gas-fired, steam-electric generation station with a net accredited capability of 295 megawatts (“MW”) and consists of three units. Unit 1 is a 45 MW unit with a Babcock and Wilcox boiler and a Westinghouse turbine and was built in 1964 (“Doc Bonin Unit 1”). Unit 2 was built in 1970 and is an 80 MW unit with a Combustion Engineering boiler and a General Electric turbine (“Doc Bonin Unit 2”). Unit 3 is a 170 MW unit with a Babcock and Wilcox boiler and a General Electric turbine that was built in 1976 (“Doc Bonin Unit 3” and together with Doc Bonin Unit 1 and Doc Bonin Unit 2, the “Doc Bonin Units”).

Annual generation at the Doc Bonin Plant has averaged approximately 270 GWh (net) over the 2007 to 2011 period with average annual plant capacity factor of 11 percent. Annual natural gas consumption averaged 3,145,176 million British thermal units (“MMBtu”) over the same period. The annual average heat rate of the Doc Bonin Plant was approximately 12,339 Btu per kWh.

Planning models indicate that optimal operation of the Doc Bonin Plant would be achieved by running only one of the three active gas-fired generating units at one time. In this mode of operation, there are essentially “spare” generating units to ensure system reliability. During the majority of fiscal year 2012, the Utilities System operated only one of the units at the Doc Bonin Plant.

T.J. Labbé and Hargis-Hébert Generation Stations

The T. J. Labbé Plant is located toward the northern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative GE LM6000PC Sprint combustion turbines (“CT”) with water injection for nitrogen oxide (“NOx”) control and chillers for inlet air cooling to enhance power production when operating at high ambient temperatures. It is equipped with three capacity gas compressors each rated at 50 percent of capacity and is connected to the Utilities System transmission system by means of a looped interconnect to the existing Pont des Mouton to Doc Bonin line. It also includes a 230 kilovolt (“kV”) switchyard and a 600 kilowatt (“kW”) black start emergency diesel generator. Commercial operation for the T. J. Labbé Plant began in September of 2005.

Annual generation at the T. J. Labbé Plant has averaged approximately 103 GWh (net) over the 2007 to 2011 period with an average annual plant capacity factor of 12 percent. Annual natural gas consumption averaged 1,293,708 MMBtu over the same period. The annual average heat rate of the T. J. Labbé Plant was approximately 12,523 Btu per kWh.

The Hargis-Hébert Plant is located in the southern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative GE LM6000PC Sprint CT generators. It is connected to the Utilities System transmission system by a 69 kV line to the Elks Substation. It also includes a 69 kV switchyard and a 600 kW black start emergency diesel generator. Commercial operation for the Hargis-Hébert Plant began in June 2006.

Annual generation at the Hargis-Hébert Plant has averaged approximately 158 GWh (net) over the 2007 to 2011 period with an average annual plant capacity factor of 18 percent. Annual natural gas consumption averaged 1,764,294 MMBtu over the same period. The annual average heat rate of the Hargis-Hébert Plant was approximately 11,171 Btu per kWh.

While the T. J. Labbé Plant and Hargis-Hébert Plant are almost identical plants, their respective heat rates vary due to their relative use for peaking and regulation services.

Regional Reliability Councils

The Utilities System is located in an area that is primarily served by two separate investor-owned utilities, Cleco, and Entergy Gulf States Louisiana, Inc. (“Entergy Gulf States - LA”). Cleco and the Utilities System are current members of the Southwest Power Pool (“SPP”), which is a Federal Energy Regulatory Commission (“FERC”) approved Regional Transmission Organization (“RTO”) and a North American Electric Reliability Council (“NERC”) region. The Utilities System has been informed that Entergy operating companies (Entergy Arkansas Inc., Entergy Louisiana, LLC, Entergy Gulf States - LA, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.) and Cleco are moving forward with plans to transfer from SPP to the Midwest Independent System Operator (the “MISO”) as of December 2013. Cleco issued a statement on June 25, 2012 declaring their intent to file for approval and join MISO. However, both Entergy Gulf States-LA and Cleco’s membership are contingent on Louisiana Public Service Commission approval as well as Entergy Arkansas having the approval of the Arkansas Public Service Commission.

The Utilities System conducted a study to evaluate the operational costs and benefits of participating in the MISO, SPP, or continuing to operate outside of an RTO market in the event Cleco and the Entergy Gulf States-LA become RTO members. The results of the study indicated that the economic benefits to the Utilities System of participating in the MISO or SPP RTOs while continuing to operate outside of an RTO market would not be economically feasible. The benefits however were estimated to be essentially the same if the Utilities System joined either the MISO or SPP RTO.

Should the Entergy Gulf States-LA and Cleco both become participating members of the MISO, the Utilities System would no longer have the option to participate in the SPP RTO because the Utilities System would not be contiguous with SPP RTO footprint. As a result, the Utilities System has continued to participate in various training and discussions with MISO and is currently preparing to obtain the necessary regulatory approval for this move by the end of 2012. It is the intent of the Utilities System to become a participating member of MISO and begin receiving services in 2013.

As of July 2012, MISO contained a total generation capacity of approximately 143,700 MW including reliability reserves, with approximately 350 market participants serving nearly 39 million people. MISO maintains nearly 50,000 miles of transmission assets, ranging from 69 kV capacity to 500 kV capacity. In July 2012, MISO capacity consisted of approximately 48% coal-fired generation, 32% gas/oil, 14% renewable, and 6% nuclear. Approximately 11,800 MW of such renewable generation was registered wind capacity.

MISO manages one of the world’s largest energy and operating reserves markets using security-constrained economic dispatch of generation. The Energy and Operating Reserves Market includes a Day-Ahead Market, a Real-Time Market, and a Financial Transmission Rights Market. These markets are operated and settled separately. Characteristics of the markets include five-minute dispatch, offers locked in 30 minutes prior to the scheduling hour, with spot prices calculated every five minutes.

Currently, the Utilities System uses the electric power market to purchase short-term energy when it is economically advantageous to do so. The Utilities System will also sell into the market when it has excess generation and it is economical to do so. The Utilities System has an agreement with The Energy Authority (“TEA”) who performs the wholesale power negotiations and transactions.

Transmission and Distribution

The Electric System is responsible for the transmission, distribution, metering, and accounting of electrical power to consumers. It is also responsible for the Energy Control System (“ECS”), which provides for the scheduling and dispatch of generating resources (including the purchase and sale of wholesale power) and the operation of the Supervisory Control and Data Acquisition (“SCADA”) system. The SCADA system provides direct control of the electric transmission and distribution system, as well as control and monitoring of certain water and wastewater facilities and equipment. The ECS is also the interface with power marketing activities conducted through TEA.

The Electric System includes 230 kV transmission facilities and a 69 kV loop. Step-down transformation provides the connection between the 230 kV, 138 kV, and the 69 kV systems and from the 230 kV, 69 kV systems, and the 13.8 kV distribution service voltage at 14 distribution substations located throughout the City. The service area covers approximately 60 square miles and is primarily residential and commercial customers.

Interconnections

System interconnection refers to a connection between two electric systems permitting the transfer of electric energy in either direction. Interchange refers to energy in kWh delivered to or received by one electric utility or pooling system from another. Transmission access refers to the ability of third parties to make use of transmission facilities owned by others (wheeling utilities) to deliver power to another utility.

The various interconnection, interchange, and transmission agreements in effect between LCG and other electric utilities and agencies are with Entergy Gulf States - LA, Cleco, Louisiana Generating LLC ("Louisiana Generating," formerly Cajun Electric Cooperative, Inc.), Entergy Louisiana ("Entergy-LA," formerly Louisiana Power and Light), Southwestern Electric Power Company ("SWEPCO"), and Southwestern Power Administration ("SPA"). These agreements provide various terms for the purchase and sale of emergency, replacement, and economy energy.

There are certain import limit reductions that could impact electric reliability or an increase in the cost of capacity and energy for the Utilities System. SPP has, in limited circumstances, required the Utilities System to operate the Doc Bonin Plant or Hargis Hébert Plant in order to remediate overloaded transmission lines. While this operational strategy is technically feasible, the Doc Bonin Plant and Hargis Hébert Plant are higher-cost resources to the Utilities System than other market based alternatives. Consequently, the Utilities System's cost of capacity and energy have increased during such events.

The Acadiana Load Pocket utilities (the Utilities System, Entergy – LA, and Cleco) are aware of these conditions and have collectively budgeted approximately \$180 million for new transmission capital projects to address import limit reductions. The Utilities System's share of this amount was approximately \$24 million and was funded by the issuance of the Issuer's Utilities Revenue Bonds, Series 2010 ("Series 2010 Revenue Bonds"). Two new 230kV interconnections at the T.J. Labbé Plant, Entergy's Sellers Road to the T.J. Labbé Plant and Cleco's Wells to the T.J. Labbé Plant, have been constructed and are in service.

NERC Compliance

To comply with NERC standards, the Utilities System implemented a formal Internal Compliance Program ("ICP") in early 2010. An Internal Compliance Committee ("ICC") was formed and Subject Matter Experts ("SMEs") were identified in each area. The ICC meets quarterly and consists of employees that are SMEs and consultants. In 2011, internal NERC compliance monitoring responsibilities were assigned to the Engineering Environmental Compliance ("EEC") Division and staffing was increased to assist accordingly. The EEC Division supervisor assumed additional duties associated with monitoring compliance activities. An additional position, Electric Reliability Compliance Analyst, was added to support this compliance effort. Four other additional personnel were added in other divisions throughout the Utilities System to support NERC compliance. The Electric Operations division added a Systems Support Specialist, the Power Production division added an Engineer II and the Employee Development division added a Trainer as well as a Personnel/Records Management Clerk. The Utilities System utilizes significant external consultant services to support the ICP effort as well. The consultant assists with internal auditing, developing and reviewing policies and procedures, reliability entity audit preparation, guidance on new and changing standards as well as opportunities for continuous improvement

Fuel Infrastructure and Supply Contracts

The City signed Letter Agreement Number Two for Natural Gas Services, dated February 1, 2005 (the "Letter Agreement") with TEA. The Letter Agreement authorizes TEA to provide resource management services, including purchasing natural gas and both firm and interruptible transportation for the Utilities System, and

marketing the Utilities System's surplus natural gas and transportation. The Letter Agreement continues until either party provides 30-day written notice of termination to the other party.

Natural gas is primarily provided by ATMOS Energy Marketing, LLC ("ATMOS") for up to 20,000 MMBtu per day pursuant to a base contract between ATMOS and TEA, dated February 1, 2004, which is backed by the Utilities System, in conjunction with confirmations between TEA and ATMOS, dated August 9, 2009 for deliveries to the Hargis-Hébert Plant and July 1, 2012 for deliveries to the T. J. Labbé Plant and the Doc Bonin Plant. The August 9, 2009 confirmation had an initial expiration date of October 31, 2012, while the July 1, 2012 confirmation expires on June 20, 2014. Both confirmations have an automatic 12- month extension period unless notice of termination is given no less than 6-months prior to the end of the initial delivery period. The parties did not submit notice of termination for the August 9, 2009 confirmation and agreed to the 12- month extension which will expire on October 31, 2013.

Natural gas can also be supplied on an emergency basis to the T. J. Labbé Plant and the Doc Bonin Plant in an amount not to exceed 15,000 MMBtu per day from Crosstex Gulf Coast Marketing, LLC ("Crosstex") pursuant to a base contract between Crosstex and TEA dated September 1, 2002, which is backed by the Utilities System, in conjunction with a confirmation between TEA and Crosstex dated January 1, 2010. Said confirmation had a primary term from January 1, 2010 through December 31, 2010 and continues from month-to-month since such date until either party gives 30-day written notice of termination. In addition to the base volumes purchased from Crosstex, TEA purchases natural gas on the spot market from Crosstex and multiple other suppliers for the Utilities System in order to fulfill the annual gas requirements of the Utilities System.

The City owns a ten mile, 10-inch gas supply pipeline, which connects to Texas Gas Transmission Corporation ("Texas Gas") and Columbia Gulf Transmission Company ("Columbia Gas") pipeline systems. The gas pipeline offers an alternative means of supplying gas to the City's generation facilities in addition to the gas supply contract with Crosstex. The gas pipeline also crosses (but is not interconnected with) two other gas pipelines, Florida Gas Transmission, a subsidiary of CrossCountry Energy, LLC, and Gulf South Pipeline Company, LP ("Gulf South").

Fuel supply to the T.J. Labbé Plant is provided via a pipeline expansion branch from the City-owned 10-inch gas supply pipeline that connects the Doc Bonin Plant with Columbia Gulf and Texas Gas. Fuel supply for the Hargis-Hébert Plant is provided by interconnection with the east-west Gulf South system between Louisiana Highway 89 (Southpark Road) and Commission Boulevard, at the intersection of the Gulf South pipeline with American Boulevard. Gulf South owns, operates, and maintains a 10-inch, 2,500-foot supply lateral. Gulf South also operates and maintains a metering station at the Hargis-Hébert Plant site that is owned by the City.

Power Supply / Sales Contracts

LPPA — Rodemacher Unit 2 Power Station

Pursuant to the LPPA Contract, LPPA agrees to sell, and the City agrees to purchase, LPPA's share of the power and energy produced from Rodemacher Unit 2 Power Station ("Unit 2"). The LPPA Contract expires on August 31, 2047.

Under the LPPA Contract, payments are specified to be sufficient to pay all costs of LPPA in connection with Unit 2, including LPPA's share of operation and maintenance of Unit 2, debt service requirements, and all other financial obligations of LPPA's share of Unit 2. The LPPA Contract provides that the obligations of the City to make such payments in each contract year shall constitute obligations payable as an operating expense of the Utilities System and payable solely from the revenues of such utilities system. Such payments are to be made whether or not Unit 2 is operating or operable.

The monthly billing payment for electric service to the City is paid in advance, and is based on monthly power and energy costs as estimated and budgeted by LPPA. Pursuant to the LPPA Contract, an annual reconciliation between budgeted amounts billed and the actual aggregate monthly power and energy costs as defined in the LPPA Contract is to be made 120 days after the end of each contract year. The payments made by the City

pursuant to the LPPA Contract constitute operation and maintenance expenses under the Bond Ordinance. For fiscal year 2012, such payments aggregated \$62,103,346.

As discussed under “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—Environmental Matters,” there are new and additional environmental requirements which may be imposed on the operation of coal fired generation units such as Unit 2. Such requirements may result in substantial and increased capital costs and operating costs. The Utilities System is developing a plan to study power supply alternatives for the future, including the feasibility of continuing to purchase power from Unit 2 assuming the incurrence of such capital and operating costs for Unit 2 as compared to purchase power alternatives or developing new generation resources. Whatever decision is made, the Utilities System expects that the cost of power and energy will increase in the future.

Southwestern Power Administration

The City also receives firm power and energy from its involvement with the Southwestern Power Administration (“SPA”). The City has a purchase agreement with SPA and a current capacity allocation of 18.6 MW and energy allocation of 1,200 kWh per kW per year. The total annual energy under this contract represents approximately two percent of the total annual energy requirement of the Utilities System. The contract expires May 31, 2018.

Electric System Sales

Customers

The largest retail customers of the Electric System are as stated in the following table.

Electric System Largest Retail Customers Twelve months ended August 31, 2012

<u>Customer</u>	<u>Revenues</u>	<u>% of Total Retail Revenues</u>
University of Louisiana – Lafayette	\$3,335,060	1.84%
Lafayette General Hospital	1,992,626	1.10
Lafayette Consolidated Government-Street Lighting	1,579,382	0.87
Our Lady Of Lourdes – Ambassador Caffery Parkway	1,316,012	0.72
Mall of Acadiana	857,293	0.47
Stuller Settings Inc.	829,953	0.46
International Paper	687,739	0.38
Our Lady Of Lourdes - St. Landry St.	650,034	0.36
University Medical Center	623,083	0.34
Women's And Children's Hospital	<u>567,063</u>	<u>0.31</u>
TOTAL	\$12,438,243	6.84%

Historical Power Sales

In addition to serving its retail load, the Utilities System has made power sales to wholesale customers in the Delta sub-region (formerly known as the Entergy sub-region) through short-term spot market transactions. Electric System sales totaled 2,255,293 MWh during Fiscal Year 2011 as described in the following table.

Historical Electric Retail and Wholesale Sales (MWh)⁽¹⁾

<u>Fiscal Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total Retail and Wholesale</u>
2007	1,917,891	34,661	1,952,552
2008	1,933,371	33,071	1,966,442
2009	1,950,205	60,673	2,010,878
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
CAGR ⁽²⁾	1.4%	60.6%	3.7%

⁽¹⁾ Source: Utilities System Financial and Operating Statements

⁽²⁾ Compounded average annual growth rate for the period 2007-2011.

Projected Demand and Resources

In 2011, the Utilities System retained Burns & McDonnell to provide consulting services in the development of the Utilities System's 2011 Integrated Resource Plan. The Burns & McDonnell study (the "2011 Study") evaluated the Utilities System's existing facilities and determined future power supply requirements and evaluated possible alternatives. The 2011 Study projected the Utilities System's total system energy requirements to grow at an annual rate of 1.5 percent from 2012 through 2032, increasing from 2,268 GWh in 2012 to 3,070 GWh in 2032. During the same period, the Utilities System total peak load is projected to grow at an annual rate of 1.3 percent from 501 MW in 2012 to 652 MW in 2032.

The Utilities System's power generation system consists of 246 MW of baseload capacity from Unit 2, 194 MW of peaking capacity from the T. J. Labbé Plant and Hargis-Hébert Plant and 285 MW of capacity from the Doc Bonin Units. Combined, these facilities currently provide the Utilities System with approximately 170 MW of excess capacity. Under base assumptions with no retirements and a 13.6 percent reserve margin, the 2011 Study forecasts that the Utilities System will be able to meet energy requirements through 2030. The 2011 Study recommends that the Utilities System consider retiring a portion of the Doc Bonin Plant's capacity and adding an intermediate energy resource to its portfolio to reduce overall utility costs and the Utilities System's dependence on energy from the market and the T. J. Labbé Plant and Hargis-Hébert Plant. Three alternatives were recommended by Burns & McDonnell as possibilities for intermediate resources: power purchase agreements, partial ownership of a combined cycle gas turbine ("CCGT") unit, or converting Doc Bonin Unit 3 of the Doc Bonin Plant into a CCGT unit.

Proposed Electric System Facilities

The Electric System facility improvements that are proposed by the Utilities System for the next five years are listed by category in the table that follows. On an annual basis, in coordination with the budget development process, the Utilities System prepares a 5 year Capital Improvement Plan ("CIP"). The CIP does not include capital projects for LPPA, the funding for which is considered an operating expense to the Utilities System. The CIP identifies projects in each of the Electric, Water, and Wastewater Systems. A breakdown of the categories included in the CIP is outlined below. No assurances can be given as to the amount of expenditures that will be included in the new capital improvement plan that is ultimately approved in connection with the approval of the annual budget.

Proposed Electric System Facilities (2013-2017) ⁽¹⁾

<u>Project Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Acquisitions	\$ 0	\$ 0	\$ 3,000,000	\$ 0	\$ 0	\$ 3,000,000
Distribution	1,325,000	850,000	800,000	1,138,771	1,138,771	5,252,541
Production	5,200,000	2,680,000	4,700,000	4,815,372	4,815,372	22,210,745
Substations	3,010,000	7,010,000	7,010,000	6,518,743	6,518,743	30,067,487
Transmission	10,000	1,110,000	3,382,000	1,723,276	1,723,276	7,948,551
General Plant	1,580,000	510,000	10,000	803,838	803,838	3,707,676
TOTAL	\$11,125,000	\$12,160,000	\$18,902,000	\$15,000,000	\$15,000,000	\$72,187,000

⁽¹⁾Source: 2013 Proposed Budget for years 2016 and 2017 adjusted by the Utilities System. The proposed Electric System facilities are expected to be funded by cash from operations.

Acquisitions

The Utilities System is planning for the acquisition of electric customers from Southwest Louisiana Electric Membership Corporation ("SLEMCO"). The Utilities System entered into a 15-year contract from 2004 through 2019 with SLEMCO which allows for acquiring up to 3,104 SLEMCO customers located within the corporate limits of the City. The Utilities System anticipates expenses of \$3,000,000 in 2015 to accommodate these customers.

The Utilities System is also acquiring approximately 400 electric customers who reside within the City limits and were previously served by Entergy.

Distribution/ Production/ Substation/ Transmission/General Plant

The Utilities System has planned for the re-conductoring of circuits, extensions, new feeders, and feeder ties to extend service to new areas of the City, as well as unidentified distribution system improvements.

Production funds represent improvements to existing power plants, including improvements to boilers, turbines, cooling towers, control systems, automation improvements, fuel supply and environmental, and safety controls.

Substation funds represent future improvements, oil spill containment, software, breakers, and autotransformer improvements or additions. The Utilities System plans to install autotransformers at the Pont des Mouton Substation and make improvements to Guilbeau Substation, Perard Substations, as well as construct the Northeast Substation and Southeast Substation and various upgrades and automation projects.

Transmission funds represent the planned building and improvement of transmission lines for the new Northeast Substation, Pont des Mouton Substation, and Peck Substation. The funds also include the re-conductoring of lines between the Bonin Substation, Gilman Substation and Luke Substations.

General funds included in the CIP are mostly for planned enhancements to the Customer Service and Operations Facility. Smaller projects include software and a property purchase.

WASTEWATER SYSTEM

Wastewater System Description

The Issuer owns and operates a Wastewater System that provides sewer services to citizens within the Issuer's boundaries, as well as to some citizens outside its boundaries. The Wastewater System includes both treatment facilities and a collection system.

Wastewater Treatment Facilities

The four wastewater treatment plants are the South Plant, the East Plant, the Ambassador Caffery Plant, and the Northeast Plant. The total permitted capacity for these plants is 18.5 million gallons per day (“MGD”). The South Plant is an activated sludge facility with a capacity of 7.0 MGD. The East Plant and Northeast Plant are oxidation ditch facilities with capacities of 4.0 MGD and 1.5 MGD, respectively. The Ambassador Caffery Plant formerly included a rotating biological contactor (“RBC”) and oxidation ditch but has undergone improvements to replace the RBC with sequencing batch reactors (“SBR”). Although the treatment capacity of the Ambassador Caffery Plant has been significantly increased, the permitted capacity will effectively remain at 6.0 MGD. The wastewater collection system consists of 570.3 miles of gravity sewers, interceptors, and force mains, with 11,431 manholes, and 145 pumping stations.

Inflow and Infiltration

The wastewater collection system has, in the past, experienced excessive wastewater flow resulting in treatment plant bypasses and overflows of the wastewater collection system. The excess flows are due to infiltration and inflow of surface and groundwater into the wastewater collection system during and after rainfall events. As a result of these continuing events, the U.S. Environmental Protection Agency (“EPA”) issued administrative orders requiring treatment plant upgrades and expansions. The Issuer completed these requirements for all of its wastewater treatment plants by first quarter of 2011.

In the past, the Issuer has received compliance orders from the Louisiana Department of Environmental Quality (“LDEQ”) regarding discharge of sewage from its sewage pumping stations. The Issuer responded to these compliance orders and to each issue raised by LDEQ by describing past or planned actions that it has or will undertake to eliminate the causes of sewage overflows. The Issuer upgraded the cited lift station to its maximum pumping capacity in 2010. The wastewater system continues to have events related to excessive rainfall that can result in system overflows that future plant modifications should resolve.

Wastewater Discharge Permits

The wastewater discharge permit renewals for all four plants were completed in 2009 and do not expire until 2014. All renewed permits contain identical effluent limits for biological oxygen demand, total suspended solids, ammonia nitrogen, dissolved oxygen, total residual chlorine, and pH, and have not changed as a result of the renewals. However, the daily maximum criteria have changed to a weekly maximum. Each plant must, among other things:

- Conduct quarterly whole effluent toxicity testing using bioassay methods.
- Perform an annual Environmental Audit Report including a resolution from the governing body.
- Operate an industrial pretreatment program.
- Submit monthly reports to LDEQ.

The 2011 Discharge Monitoring Reports for the treatment plants indicated a few minor exceedances of permit discharge limits. There was no indication that any of the exceedances were caused by a recurring issue or problem. The Issuer reports that the treatment plants are current with all fees and report submittals and there were no public complaints in 2011.

Bio-solids Reuse

The bio-solids reuse program continues to provide for disposal of all Utilities System wastewater treatment sludge. The Utilities System contracts with privately owned farms for use of their farmland for bio-solids application. Land use trends and potential changes in land ownership are likely to make continued use of private farmland for bio-solids application more difficult in the future. The Utilities System is investigating alternative methods of sludge management including improvement in sludge treatment to generate a marketable product. The cost of the conversion to more advanced sludge treatment methods could be substantial.

Wastewater System Sales

The largest retail customers of the Wastewater System are reflected in the table below.

Wastewater System Largest Retail Customers Twelve months ended August 31, 2012

<u>Customer</u>	<u>Revenues</u>	<u>% of Total Revenues</u>
University of Louisiana - Lafayette	\$ 626,291	2.12%
Lafayette Parish Correctional Center	228,146	0.77
Lafayette General Hospital	203,619	0.69
Borden Company	308,385	1.05
Single Source Supply LLC	150,962	0.51
Our Lady Of Lourdes – Amb. Caffery Parkway	107,208	0.36
Hotel Acadiana	104,828	0.36
Magnolia View Property Inc.	87,285	0.30
University Medical Center	85,715	0.29
The Landing Apartments	<u>78,005</u>	<u>0.26</u>
TOTAL	\$1,980,444	6.72%

Historical and Projected Wastewater Flows

Wastewater flows are measured at the intake of the treatment facility and vary annually depending on rainfall events.

The Utilities System expects an average annual growth rate of approximately one percent in terms of projected retail wastewater flows through 2021. This is based on projected growth in the number of customers with intake per customer remaining steady. While the fluctuations in rainfall make it more difficult to glean trends in wastewater flows, the four treatment facilities have adequate capacity to handle levels anticipated in the near term. Further, the permitted capacity is more than adequate at this time to accommodate the wastewater flows. Total retail wastewater flows decreased slightly between 2007 and 2011 as shown in the table below.

Historical Wastewater Retail Flows (1000 gallons) ⁽¹⁾

<u>Fiscal Year</u>	<u>Retail Intake Flow</u>
2007	5,711,781
2008	5,669,875
2009	5,570,825
2010	5,715,794
2011	5,190,182
CAGR ⁽²⁾	(2.4%)

⁽¹⁾ Source: Utilities System Financial and Operating Statements.

⁽²⁾ Compounded average annual growth rate for the period 2007-2011.

Proposed Wastewater System Facilities

The Utilities System developed a CIP for its Wastewater System to upgrade the existing wastewater treatment plants and associated collection systems. This plan includes the development and expansion of existing collection systems into certain areas not currently served within the City and certain areas immediately adjacent to it. The table that follows displays the Utilities System estimated capital costs associated with the Wastewater System CIP. A breakdown of the categories included in the CIP is outlined below. No assurances can be given as to the amount of expenditures that will be included in the new capital improvement plan that is ultimately approved in connection with the approval of the annual budget.

Proposed Wastewater System Facilities (2013-2017) ⁽¹⁾⁽²⁾

<u>Project Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Treatment	\$2,010,000	\$13,460,000	\$16,710,000	\$5,490,798	\$5,490,798	\$43,161,597
Collection	4,015,000	3,555,000	1,275,000	1,509,202	1,509,202	11,863,403
TOTAL	\$6,025,000	\$17,015,000	\$17,985,000	\$7,000,000	\$7,000,000	\$55,025,000

⁽¹⁾ Source: 2013 Proposed Budget for years 2016 and 2017 adjusted by the Utilities System.

⁽²⁾ The proposed facilities are expected to be funded by a combination of cash from operations and a \$45,000,000 bond issue in 2014 and a \$10,000,000 bond issue in 2018.

Wastewater Treatment Plant Improvements

South Plant improvements include sludge handling and treatment, increased flow handling, and odor control. Other improvements include pumping and piping to allow diversion of flows from the Ambassador Caffery Plant to the South Plant. Normal replacements for all four plants are also included in the funding amounts set forth in the table above.

Wastewater Collection System Improvements

Proposed improvements to the wastewater collection system include installation of a new sewer interceptor on West Pont Des Mouton Road, improvements and extension to the existing sewer interceptor on Kaliste Saloom Road, replacement and upgrade to the existing lift station and force main at Brown Park, repair of pipes and manholes throughout the system, installation of emergency power generators and odor control at select lift stations, and normal replacements at lift stations.

New and Proposed Wastewater Regulations

EPA, based on statutory requirements, periodically conducts reviews of wastewater regulations and standards to determine if a change in regulations is warranted. The Utilities System monitors the planned changes to these regulations and has or will have incorporated these requirements into current and future operations. The Utilities System does not anticipate that compliance with presently proposed changes will require major capital expenditures or major increases in costs of operations. The Utilities System can make no assurances that future regulations will not cause major capital expenditure or major increases in costs of operations.

WATER SYSTEM

Water System Description

The Water System consists of 18 wells, two water treatment facilities and a distribution system. The wells serve the Water System with a combined production capacity of 50.6 MGD.

Water Supply

The Chicot underground aquifer is the sole source of water supply for the Utilities System. Groundwater from the Chicot aquifer provides the Utilities System with a reliable and abundant source of good quality water. EPA has designated the Chicot aquifer as a sole source aquifer thereby requiring special consideration for federal permitting of projects that could adversely affect it. The Water System has joined with the LDEQ to implement a wellhead protection program for the Utilities System water supply. Outside potential contamination sources within the wellhead protection areas have been identified by the Utilities System and LDEQ has authority to take appropriate action to assure contamination is prevented.

Water Production

During 2002, the Utilities System completed construction of Well No. 23 located in the southern portion of the Water System, with production beginning January 1, 2003. Well No. 24, located in the northern portion of the water system, similar in purpose, scope, production, and treatment to Well No. 23, began operation in June 2006 but production was not fully realized until the addition of pressure filters during 2009. Well No. 25 came online during 2009, further bolstering the Water System's production capacity. Plans are already in place to expand Well No. 24 facility including constructing another well (Well No. 26). Construction of Well No. 26 is expected to begin in 2013.

The Water System includes two water treatment facilities, the North Plant and the South Plant, which provide for removal of iron and manganese by coagulation, sedimentation and filtration; hardness reduction by a lime-softening process; and chlorination. The present system treatment capacity is approximately 50.6 MGD and is expected to be slightly greater when Well No. 26 comes online in the next few years.

The Utilities System water production facilities use chlorine for disinfection of water before it is introduced into the water distribution system. The chlorine used at each treatment plant is supplied in the form of a gas that is stored on-site in several cylinders, each containing one ton of chlorine when full. The Utilities System is also using sodium hypochlorite on a limited basis at certain wells.

The existing Utilities System water production facilities have backup electric power generating facilities on site that are adequate to sustain a basic level of water production. The South Plant has full back up generation, however, the North Plant has enough back up generation to produce approximately 60 percent of its normal output. Treated water storage totals approximately 14.5 million gallons. This includes 4.3 million gallons of elevated storage and 10.2 million gallons of ground storage, including pumping station wet wells.

Water Distribution

The Water System distribution network consists of 1,064 miles of pipe, most of which is in the 6 inch to 12 inch diameter range. The distribution system includes 21,512 valves and 6,205 fire hydrants.

Wholesale Sales and Contracts

The sale of water to seven local entities (water districts and municipalities), which own or operate water utility properties, accounted for approximately 20 percent of the Utilities System's annual water revenues in 2011. The City also provides certain operating services to Lafayette Parish Waterworks District North ("Water District North"). Water service to Water District North customers is billed by the LCG in the name of the Water District North consistent with the applicable rate schedules. Water District North constructs its own additions and extensions according to standards set by the Utilities System. The Utilities System also provides wholesale water service to the cities of Scott, Broussard, and Youngsville, as well as to the Milton Water System and Lafayette Waterworks District South.

In September 2011, the Utilities System discovered that one of its wholesale water customers, Broussard, was receiving water from the Utilities System through a valve that bypassed one of its master meters. The Utilities System subsequently billed Broussard \$825,000 for the water that bypassed the meter. Broussard made full payment to the Utilities System of that amount; however, they have sued the Utilities System for a partial refund of what they considered an over-billing of the amounts due to the Utilities System for the water in question. Broussard claims they owe LUS only \$125,000 in this dispute; however, LUS continues to assert that the amount billed to and paid by Broussard is correct. Depositions of LUS staff and management by Broussard attorneys have been conducted. The Utilities System and Broussard continue to negotiate this issue and no hearings are currently scheduled.

Drinking Water Quality

Pursuant to the requirements of the Safe Drinking Water Act ("SDWA"), the Utilities System must prepare and distribute an annual water quality report to its customers by July 1 of each calendar year. The most recent report, dated March 2012, shows that the water quality of the Utilities System is well within the regulatory limits established by the EPA.

The EPA, based on statutory requirements, periodically conducts reviews of contaminants found in drinking water to determine if a change in regulations is warranted. Utilities System monitors planned changes to these regulations and either have incorporated or will incorporate the requirements into current and future operations. The Issuer does not anticipate that compliance with presently proposed changes will require major capital expenditures however no assurances can be made that such changes will not require major capital expenditures.

Environmental Issues

The Utilities System reports that the North Plant, South Plant and Gloria Switch Water Treatment Plants are currently complying with their operating permits and meeting all applicable drinking water standards of the SDWA. The South Plant is permitted to discharge wastewater from the treatment of potable water, storm water and sanitary wastewater under an LPDES permit with an effective date of November 1, 2009 and a term of five years. The North Plant is permitted to discharge wastewater associated with the treatment of potable water under an LPDES permit effective July 1, 2010 with a term of five years. The Gloria Switch Water Treatment Plant also discharges wastewater associated with the treatment of potable water under an LPDES permit effective July 1, 2010 with a term of five years.

Water System Sales

The largest retail customers of the Water System are reflected in the table below.

Water System Largest Retail Customers Twelve months ended August 31, 2012

<u>Customer</u>	<u>Revenues</u>	<u>% of Total Revenues</u>
University of Louisiana - Lafayette	\$ 388,958	2.10%
Lafayette General Hospital	201,688	1.09
Our Lady Of Lourdes - St. Landry Street	112,417	0.61
Lafayette Parish Correctional Center	83,327	0.45
Single Source Supply LLC	82,024	0.44
Borden Company	69,259	0.37
Our Lady Of Lourdes - Amb. Caffery Parkway	63,254	0.34
Barry Ready Mix Concrete	45,203	0.24
Advanced Polymer Systems	38,571	0.21
Women's And Children's Hospital	<u>38,451</u>	<u>0.21</u>
TOTAL	\$1,123,153	6.05%

Historical Water Sales

The growth in the volume of water produced by the Water System to serve all its customers, including wholesale customers, has been slightly positive (on an annual basis) since 2007. This slow growth may be due to conservation efforts initiated by the Utilities System. The Utilities System estimates that peak demand will be approximately 35 MGD by 2014. In addition to the facilities owned by LCG, the Utilities System operates and maintains the water distribution facilities of certain water districts in accordance with contracts between LCG and the districts. The Utilities System also provides wholesale water service to several water districts and municipalities within the Parish. For 2011, water delivered to wholesale customers amounted to approximately 24 percent of the

water sold by the Utilities System. Historical retail and wholesale water sales from 2007 to 2011 are provided in the following table.

**Historical Water Retail and Wholesale Sales
(1000 gallons) ⁽¹⁾**

<u>Fiscal Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>
2007	5,757,205	1,465,618	7,222,823
2008	5,492,975	1,545,275	7,038,250
2009	5,383,764	1,603,353	6,987,117
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
CAGR ⁽²⁾	0.3%	5.9%	1.5%

⁽¹⁾ Source: Utilities System Financial and Operating Statements.

⁽²⁾ Compounded average annual growth rate for the period 2007-2011.

Proposed Water System Facilities

The Water System facility improvements that are proposed by the Utilities System for the next five years are listed by category in the following table and are described below. No assurances can be given as to the amount of expenditures that will be included in the new capital improvement plan that is ultimately approved in connection with the approval of the annual budget.

Proposed Water System Facilities (2013-2017) ⁽¹⁾⁽²⁾

<u>Project Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Production	\$3,930,000	\$1,150,000	\$2,910,000	\$1,014,603	\$1,014,603	\$10,019,206
Distribution	4,920,000	1,825,000	700,000	945,397	945,397	9,335,794
Total	\$8,850,000	\$2,975,000	\$3,610,000	\$1,960,000	\$1,960,000	\$19,355,000

⁽¹⁾ Source: 2013 Proposed Budget for years 2016 and 2017 adjusted by the Utilities System and does not include Unit 2 capital expenditures.

⁽²⁾ The proposed facilities are expected to be funded by a combination of cash from operations and a \$4,000,000 bond issue in 2018.

Production Improvements

Water production improvements include increased treatment at the Commission Boulevard facility and West Gloria Switch Plant, backup electrical power, pump and electrical control modifications, building rehabilitation at the North Plant and South Plant, and normal replacements.

Distribution Improvements

Water distribution improvements include new main extensions, main replacement and improvements, installation of an additional water well at the West Gloria Switch Plant, and normal replacements.

RATES FOR UTILITIES SYSTEM

The Utilities System regularly reviews and independently sets rates for the Electric System, Water System and Wastewater System. The Council and LPUA have the exclusive right to regulate Utilities System rates and charges for services within and outside the corporate limits of the City.

Currently, the Utilities System's retail rates adequately cover operating and maintenance costs, debt service obligations (including minimum debt service coverage requirements), capital expenditures paid from current

earnings, and the required in-lieu-of-tax payments to the City. The Utilities System pursues an overall financial objective where each system charges rates sufficient to render such system financially independent of the others, so that customers pay the full cost of service without subsidization. For the Electric System, Water System, and Wastewater System, rates are cost-based and charged to individual classes of customers based on customer use of the system and consumption patterns.

During 2009, the Utilities System conducted a comprehensive cost-of-service study to examine the adequacy and equity of existing rates for the Electric System, Water System, and Wastewater System. This study was performed in accordance with generally accepted industry practices for municipal utilities. The analysis showed that rates for each of the Electric System, Water System, and Wastewater System were insufficient and rate changes were needed. As a result of the study, the Council passed Ordinance O-012-2010 on February 2, 2010. Rate increases went into effect on February 2, 2010 and an additional rate increase went into effect November 1, 2010. The rate changes were 11 percent for the Electric System, 9 percent for the Water System (retail and wholesale), and 18 percent for the Wastewater System. With these rate increases, the Electric System, Water System, and Wastewater System are anticipated to continue to cover their costs of providing adequate and reliable service for the time period covered by the Consulting Engineer's Report.

Electric Retail Rate Summary

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Customer Charge (per month)</u>	<u>Demand Charge (per kW)</u>	<u>Non-Fuel Energy Charge (per kWh)</u>
R-1	Residential	Nov. 2010	\$ 6.00	\$ --	\$0.04010
R-1-O	Residential-Non City	Nov. 2010	6.60	--	0.04411
C-1	Small Commercial	Nov. 2010	10.00	--	0.05710
C-2	Large Commercial	Nov. 2010	50.00	8.50	0.01892

Electric System Sales and Revenues by Rate Class

System sales and related revenues from the retail rate classes for fiscal year 2011 are presented in the following table. The residential, small general service and large general service rate classes generate approximately 92 percent of Electric System retail revenues.

Electric System Sales and Revenues by Rate Class for Fiscal Year 2011 ⁽¹⁾

<u>Rate Class</u>	<u>Retail kWh Sales</u>	<u>% of Total</u>	<u>Base Rate Revenue</u>	<u>Fuel Adjustment Revenue</u>	<u>Total Revenue</u>	<u>% of Total</u>
Residential	851,273,220	42.0%	\$37,969,742	\$36,906,980	\$ 74,876,722	41.9%
Small General Service ⁽²⁾	211,379,183	10.4	12,849,704	9,164,352	22,014,056	12.3
Large General Service ⁽²⁾	791,630,341	39.1	32,660,315	34,321,161	66,981,476	37.5
Schools & Churches	112,504,779	5.6	4,449,242	4,877,649	9,326,891	5.2
Governmental	34,737,425	1.7	1,393,733	1,506,042	2,899,775	1.6
Lighting	<u>23,237,029</u>	<u>1.1</u>	<u>1,469,247</u>	<u>1,007,442</u>	<u>2,476,689</u>	<u>1.4</u>
Total	2,024,761,977	100.0%	\$90,791,983	\$87,783,626	\$178,575,609	100.0%

(1) Source: Utilities System's Financial and Operating Statement for fiscal year 2011.

(2) If a General Service customer exceeds 15,000 kWh of energy or 50 kW of demand for three consecutive months, the customer is placed in the Large General Service Rate Class. Below these levels, the customer is placed in the Small General Service Rate Class.

Section 94-120 of the LCG Code of Ordinances establishes that an Electric System monthly fuel adjustment charge (“FAC”) is set using fuel, purchased power and associated costs. Accordingly, the costs included in the monthly FAC are natural gas fuel, LPPA coal fuel and related costs, purchased power expenses, and other related costs associated with fuel. The monthly charge is adjusted periodically as needed to recover the described costs.

Electric System Rate Comparisons

Overall, the Electric System retail rates are competitive compared to neighboring utilities. With respect to the residential rate class, based on a monthly usage of 1,000 kWh, the 2012 Utilities System rates were approximately 19 percent below the highest residential rates in the region as demonstrated in the table below.

Electric Residential Rate Comparison⁽¹⁾

<u>Utility</u>	<u>Average \$/kWh</u>
Entergy Gulf States - LA ⁽²⁾	0.07692
SLEMCO	0.08212
LUS Electric System	0.08510
SWEPCO	0.09154
Cleco	0.10462

⁽¹⁾ Source: The Utilities System. Based on 1,000 kWh for August 2012.

⁽²⁾ Includes Entergy Rough Production Cost Equalization Adjustment credit of approximately 12 percent for August 2012; credits are not expected to continue after 2012.

With respect to the commercial rate class, based on monthly usage of 9,000 kWh, 2012 Utilities System rates were 6.5 percent below the highest commercial rates in the region as demonstrated in the table below.

Electric Commercial Rate Comparison⁽¹⁾

<u>Utility</u>	<u>Average \$/kWh</u>
SLEMCO	0.07173
SWEPCO	0.08501
Entergy Gulf States - LA ⁽²⁾	0.09526
LUS Electric System	0.09666
Cleco	0.10337

⁽¹⁾ Source: The Utilities System. Based on 9,000 kWh for August 2012.

⁽²⁾ Includes Entergy Rough Production Cost Equalization Adjustment credit of approximately 12 percent for August 2012; credits are not expected to continue after 2012.

Water Retail Rate Summary⁽¹⁾

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Description</u>	<u>Volumetric Charge (per gallon)</u>	<u>Meter Size (inches)</u>	<u>Customer Charge (per month)</u>
W-1	Residential	Nov. 2010	Winter Months	\$0.00159	3/4	\$ 4.25
			Summer Tier 1	0.00159	1	7.25
			Summer Tier 2	0.00254	1 1/2	14.00
					2	22.50
					3	42.50
					4	71.00
					6	141.50
					8	226.50

Note: Winter Months=December through March; computed using actual consumption.
Summer Months=April through November.
Summer Tier 1 computed using lesser of the winter months average or actual consumption.
Summer Tier 2 computed using the gallons in excess of the winter months average.

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Description</u>	<u>Volumetric Charge (per gallon)</u>	<u>Meter Size (inches)</u>	<u>Customer Charge (per month)</u>
W-1-0	Residential, Non-City	Nov. 2010	Winter Months	\$0.00318	3/4	\$ 8.50
			Summer Tier 1	0.00318	1	14.50
			Summer Tier 2	0.00508	1 1/2	28.00
					2	45.00
W-2	Commercial	Nov. 2010	Each Month	\$0.00175	3/4	\$4.25
					1	7.25
					1 1/2	14.00
					2	22.50
					3	42.50
					4	71.00
					6	141.50
					8	226.50
W-2-0	Commercial, Non-City	Nov. 2010	Each Month	\$0.00350	3/4	\$8.50
					1	14.50
					1 1/2	28.00
					2	45.00
					4	142.00

⁽¹⁾ Source: The Utilities System.

Wastewater System Rates⁽¹⁾

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Customer Charge (per month)</u>	<u>Volumetric Charge (per gallon)</u>
S-1	Residential	Nov. 2010	\$ 6.49	\$0.00552
S-1-0	Residential, Non-City	Nov. 2010	6.72	0.00679
S-2	Commercial	Nov. 2010	16.14	0.00566
S-2-0	Commercial, Non-City	Nov. 2010	24.31	0.00651

⁽¹⁾ Source: The Utilities System.

TREND IN FINANCES

The combined summary schedules of the Utilities System for the five fiscal years ended October 31, 2011 and for the eleven months ended September 30, 2011 and September 30, 2012 follow:

LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT LAFAYETTE UTILITIES SYSTEM INCOME STATEMENTS FOR THE TWELVE MONTHS ENDED

	Twelve months ended October 31,					Eleven months ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
OPERATING REVENUES:							
Electric	\$ 73,880,115	\$ 77,327,805	\$ 78,784,442	\$ 88,734,346	\$101,602,013	\$88,633,002	\$87,399,548
Electric-Retail Fuel Adj Revs	95,816,026	118,299,538	90,932,968	83,750,043	87,783,625	80,323,687	71,179,624
Water	13,252,435	14,139,148	14,268,180	15,494,040	18,525,544	16,157,392	16,196,833
Wastewater	22,172,054	22,021,432	21,536,285	24,234,178	29,640,890	27,154,345	26,913,763
Fiber	1,866,739		414		192	(81)	(264)
TOTAL OPERATING REVENUES	\$206,987,370	\$231,787,922	\$205,522,289	\$212,212,607	\$237,552,264	\$212,268,345	\$201,689,504
OPERATING EXPENSES:							
Electric-Fuel & Purch Power	\$105,079,780	\$131,566,053	\$109,687,826	\$112,407,241	\$117,016,775	\$104,301,801	\$ 85,382,910
Electric-Other Production	10,867,560	6,495,264	6,648,922	10,191,250	10,088,320	9,193,217	13,261,497
Other Electric	17,028,949	22,317,783	26,462,845	24,736,972	26,666,604	23,537,180	24,939,261
Water	9,222,556	9,820,340	11,253,724	10,885,922	11,783,706	10,379,673	10,429,119
Wastewater	13,233,467	14,198,414	15,442,369	14,781,373	15,285,321	13,484,527	13,815,226
Fiber	897,270	1,501	5,725				
TOTAL OPERATING EXPENSES	\$156,329,582	\$184,399,355	\$169,501,411	\$173,002,758	\$180,840,725	\$160,896,398	\$147,828,013
NET OPERATING REVENUES	\$50,657,788	\$47,388,567	\$36,020,878	\$39,209,849	\$56,711,538	51,371,947	\$53,861,491
DEPRECIATION	\$18,023,199	\$18,112,349	\$18,521,599	\$18,847,770	\$17,716,330	17,028,000	16,853,462
OTHER INCOME:							
Interest Income	\$6,606,092	\$5,216,213	\$3,376,891	\$2,531,230	\$1,890,648	1,175,101	1,224,726
Unrealized Gain/Loss on Invs	642,541	274,833	292,327	(490,528)	290,521		
FTTH Start-Up Costs Reimb	1,892,140						
Other	379,522	1,960,349	1,010,647	331,558	1,882,577	1,343,722	5,494,441
Total Other Income	\$9,520,294	\$7,451,395	\$4,679,866	\$2,192,260	\$ 4,063,746	\$2,518,823	\$ 6,719,167
OTHER EXPENSES:							
Interest Expense	\$ 9,043,138	\$ 8,239,988	\$ 9,451,150	\$ 9,782,038	\$11,227,182	\$10,113,862	\$10,128,632
Amortizations	1,855,791	1,876,243	1,895,399	1,892,516	1,940,080	1,742,093	1,786,634
Hurricane Loss		147,739					
Power Plant Decommissioning							
FTTH Start-Up Costs		42,409					
Other	(9,877)	(20,061)	205,299	(88,192)	619,437	355,326	703,609
Total Other Expense	\$10,889,052	\$10,286,318	\$11,551,848	\$11,586,362	\$13,786,699	\$12,211,281	\$12,618,875
NET INCOME BEFORE IN LIEU OF TAXES	\$31,265,831	\$26,441,295	\$10,627,296	\$10,967,977	\$29,272,255	\$24,651,489	\$31,108,321
In-Lieu-of-Taxes (ILOT)	18,831,929	18,799,006	18,660,233	19,462,860	19,199,649	18,040,175	18,147,398
NET INCOME	\$12,433,902	\$7,642,289	\$(8,032,937)	\$(8,589,882)	\$10,072,606	\$6,611,314	\$12,960,923

CITY OF LAFAYETTE UTILITIES SYSTEM
HISTORICAL DEBT SERVICE COVERAGE CALCULATION⁽¹⁾

	FY 07	FY 08	FY 09	FY 10	FY 11	9/30/11	9/30/12
OPERATING REVENUES	\$206,987,370	\$231,787,922	\$205,522,289	\$212,212,607	\$237,552,264	\$212,268,345	\$201,689,504
OPERATING EXPENSES	156,329,582	184,399,355	169,501,411	173,002,758	180,840,726	160,896,398	147,828,013
NET OPERATING REVENUES	50,657,788	47,388,567	36,020,878	39,209,849	\$56,711,538	51,371,947	53,861,491
OTHER INCOME							
INTEREST INCOME	6,606,092	5,216,213	3,376,891	2,351,230	1,890,648	1,175,101	1,224,726
OTHER INCOME	2,271,662	1,960,349	1,010,647	331,558	1,882,577	1,343,722	5,494,441
BALANCE AVAILABLE FOR DEBT SERVICE	<u>\$59,535,542</u>	<u>\$54,565,129</u>	<u>\$40,408,416</u>	<u>\$42,072,637</u>	<u>\$60,484,763</u>	<u>\$53,890,770</u>	<u>\$60,580,658</u>
DEBT SERVICE	\$10,720,655	\$10,725,285	\$10,724,030	\$10,722,038	\$14,245,228	\$13,058,126	\$14,035,879
DEBT SERVICE COVERAGE	5.55x	5.09x	3.77x	3.92x	4.25x	4.13x	4.32x

⁽¹⁾ Source: The Utilities System. Figures unaudited.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues increased from fiscal year 2007 to fiscal year 2008 due to higher fuel prices which resulted in higher revenues through recovery of those costs via the fuel adjustment charge. Operating revenues decreased in fiscal year 2009 from fiscal year 2008 due to the fuel markets swinging back down and the resultant lower fuel prices reducing the fuel adjustment charge revenues. Operating revenues recovered in fiscal year 2010 from fiscal year 2009 due to a partial year increase of electric, water, and wastewater rates implemented in February 2010. The full effects of the second phase of the 2010 rate increase came into effect in fiscal year 2011, resulting in a \$26.5 million increase in operating revenues.

Operating expenses increased from \$156.3 million in fiscal year 2007 to \$184.4 Million in fiscal year 2008 due to increased fuel and purchased power costs, and decreased to \$169.5 Million in fiscal year 2009 due to a downward swing in fuel costs. Operating expenses from fiscal year 2009 to fiscal year 2010 increased slightly due to increased power production costs since higher-cost natural gas generating units had to be operated due to transmission constraints. From fiscal year 2010 to fiscal year 2011, operating expenses increased \$7.8 million partly due to higher fuel costs and partly due to electric operations cost increases and increases in water and wastewater operating costs.

Balance available for debt service decreased from \$59.3 million in fiscal year 2007 and \$54.6 Million in fiscal year 2008 to \$40.1 Million in fiscal year 2009 as base rate revenues proved inadequate to support increasing operational costs. The partial year implementation of base rate increases during fiscal year 2010 curbed the erosion of balance available for debt service. Fiscal year 2011 balance available for debt service rebounded by \$18.7 million to \$60.5 million with the implementation of the second phase of the electric base rate and water and wastewater rate increases.

CONSULTING ENGINEER'S REPORT

Included in Appendix "B" hereto is the Consulting Engineer's Report of the Consulting Engineer. The Consulting Engineer's Report includes the business, organization and management of the Utilities System and the Communications System; its findings regarding the Electric System, the Wastewater System and the Water System; environmental issues; and a financial survey. The forecasts contained in the Consulting Engineer's Report are based upon assumptions about the outcome of future events and there can be no assurance that such forecasts will approximate actual results. Said Consulting Engineer's Report should be read in full prior to the making of an

investment decision with respect to the Bonds. The information included in Appendix “B” was provided by the Consulting Engineer and should not be deemed as a representation of either the Issuer or the Underwriter.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The Electric Utility Industry Generally

The electric utility industry has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of electric utilities, such as that operated as part of the Utilities System. Such factors include, among others, (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (iii) other federal and state legislative changes, (iv) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric (and gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low cost electricity, (v) increased competition from independent power producers and marketers and brokers, (vi) “self-generation” by certain industrial and commercial customers, (vii) issues relating to the ability to issue tax-exempt obligations, (viii) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (ix) changes from projected future load requirements, (x) increases in costs, (xi) shifts in the availability and relative costs of different fuels, (xii) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, and (xiii) effects of possible manipulation of electric markets. Any of these general factors and the factors discussed below (as well as other factors) could have an effect on the financial condition of the Utilities System.

Electric utilities are subject to various federal and state laws requiring compliance with environmental rules and regulations. In addition, the operation of the Utilities System is also subject to various federal and state laws which affect the construction and operation of its facilities.

Security Issues

Following the terrorist attacks of September 11, 2001, increased emphasis has been placed on addressing security measures for the infrastructure systems and facilities throughout the United States. In 2002, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (“Bioterrorism Act”) was signed. The Bioterrorism Act requires that certain community water systems conduct Vulnerability Assessments and prepare Emergency Response Plans. Utilities System attained full compliance with the Bioterrorism Act early in 2003.

Evaluation by the Consulting Engineer of the security measures of the Utilities System is beyond the scope of the Consulting Engineer’s Report and the Consulting Engineer has not conducted assessments of the measures the Utilities System has undertaken to address security issues. The Facilities Management Division is responsible for security at all Utilities System facilities. The division is comprised of a combination of in-house and contracted security staffing.

During March 2011, the Consulting Engineer interviewed the Utilities System’s Information Technology staff who indicated that the Utilities System is aware of the importance of cyber security and has implemented certain safeguards to protect the Utilities System from external threats.

The Utilities System has stationed armed, uniformed Sheriff’s Department personnel at the Doc Bonin Plant 24 hours per day, seven days per week. There is also security stationed at the North Plant overnight. Security cameras with recorders have been installed at the water treatment plants. The Utilities System’s staff has been provided training in emergency planning and reaction that is integrated with ongoing programs for hurricane emergency response.

All four wastewater treatment plants are gated requiring the use of a key pad to enter. Additionally, the Ambassador Caffery Plant, South Plant, and East Plant have video surveillance capabilities. The Utilities System’s staff was reported to have been trained in emergency planning and appropriate response that is integrated with ongoing programs for hurricane emergency response.

Environmental Issues

The Issuer is subject to federal and state laws and regulations governing the protection of the environment. The State of Louisiana through the LDEQ establishes standards of performance and requires permits for the generating units of the Issuer as well as Unit 2 in which LPPA has an ownership interest. In addition, the LDEQ has been delegated authority over and implements certain programs established by EPA. Issuer has obtained all necessary environmental permits for construction and operation of their generating units. All the units are currently in compliance with the permit conditions. Issuer also actively follows proposed and new environmental regulations, legislation and major environmental court decisions. Issuer performs significant planning around future potential compliance obligations. Listed below is a more detailed discussion on material environmental issues for LUS.

Operating Permits. The Clean Air Act Amendment (“CAA”) Title V Operating Permit Program established the requirements for an affected facility having to obtain a Title V operating permit. The Title V program incorporates all applicable air permit requirements and requires renewal every five years. Current Title V Operating Permits for the Doc Bonin Plant and the Hargis-Hébert Plant expire on December 19, 2016 and January 1, 2014, respectively. The Operating Permit for the T.J. Labbé Plant expires on October 8, 2013. Each of the operating permits set forth monitoring, recordkeeping and reporting requirements and are subject to all pollution control equipment being operated and maintained pursuant to applicable environmental regulations and rules.

The existing generating units are currently in compliance with the Title V permit conditions. However, previous results of testing for carbon monoxide (“CO”) at Unit No. 1 and Unit No. 3 at the Doc Bonin Plant indicated such units were not in compliance with permit limitations. The LDEQ issued a Consolidated Compliance Order and Notice of Potential Penalty (“CCONOPP”) on January 14, 2010. A modified permit was received on March 23, 2010. Unit No. 3 at the Doc Bonin Plant must meet New Source Performance Standards (“NSPS”) under the CAA. Performance testing required by the CCONOPP was completed on May 19, 2011 for Unit No. 3. Both units are operating within permitted limits at this time. LUS submitted a final report to LDEQ on July 18, 2011 requesting settlement and are awaiting response from LDEQ.

Acid Rain Permits. In 1990, the CAA Title IV established a regulatory program, known as the Acid Rain Program, to address the effects of acid rain and impose restrictions on sulfur dioxide (“SO₂”) emissions and NO_x emissions. Acid rain permits have been issued by the LDEQ for each of the plants owned by the Issuer and expire at the same time as the relevant operating permits. The acid rain permits allow for the discharge of SO₂ at the plant sites pursuant to an “allowance” system. An allowance is an authorization to emit one ton of SO₂ during or after a specified year. EPA allocates a set of allowances to each affected unit based on its historic emissions. The Issuer has sufficient allowances for its plants. CLECO reports that it has sufficient allowances for Unit 2.

Interstate transport of pollution from power plants. The EPA has responsibility to limit air quality impacts from all pollution sources to levels that are protective of human health and welfare. EPA designates areas as attainment with the air quality impacts where health impacts are protected and non-attainment areas for locations with unhealthy air. In the 1990’s, EPA determined that electric utility NO_x and SO₂ emissions from states upwind of non-attainment areas significantly impacted health in certain locations and designated those areas as non-attainment. EPA developed programs to limit the transport of electric utility NO_x and SO₂ emissions to levels that significantly reduced impacts. The legality of the EPA interstate transport program has been challenged several times and currently LUS is under the Clean Air Interstate Rule (“CAIR”). Under CAIR, LUS is granted free allowances based on historic emissions. If LUS’ generating facilities exceed the allowances given to them, they can either purchase additional allowances or install controls to limit emissions. The current allowance market has an abundance of available allowances that are historically very inexpensive.

CAIR will eventually be replaced with another regulation. At this time, there has been no information on the structure of the replacement rule.

Mercury and Air Toxics Standard. In accordance with the Maximum Achievable Control Technology (“MACT”) requirements of the CAA Section 112, the Mercury and Air Toxics Standard (“MATS”) rule was promulgated on February 16, 2012 in order to regulate the emissions of hazardous air pollutants, including mercury, arsenic, chromium, nickel, and acid gases from coal and oil-fired power plants. To comply with rule requirements, the addition of a baghouse and a DSI system is in progress on Unit 2 and is being financed by the LPPA Series 2012

Bonds. It is noted that although the MATS rule is currently in effect, parts of the rule have been stayed by the EPA and there are numerous legal challenges regarding regulations for existing, new and reconstructed plants. At the current time, the outcome of these challenges is uncertain. However, we do not anticipate significant changes to our emission limit requirements. For the parts of the rule that EPA is reconsidering, EPA expects to issue a revised rule in early 2013.

Regional Haze. On June 15, 2005, EPA issued the Clean Air Visibility Rule, amending regulations governing visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources constructed between 1962 and 1977 may be required to install best available retrofit technology (“BART”). Under the Clean Air Visibility Rule, the states were required to develop regional haze plans as part of their State Implementation Plan (“SIP”), and identify the facilities that would have to reduce emissions and then set BART emissions limits for those facilities. Dispersion modeling performed by the LDEQ indicates that the Doc Bonin Plant, and also Unit 2, do not cause visibility impairment at sensitive receptors and, therefore, are not required to implement BART.

National Ambient Air Quality Standards. The CAA requires the EPA to set NAAQS for pollutants considered harmful to public health and the environment. The CAA established two types of national air quality standards. Primary standards set limits to protect public health, including the health of “sensitive” populations such as asthmatics, children, and the elderly, while secondary standards are set to protect public welfare. Every five years, EPA reviews the standards and in many cases revises the levels. For example, new one hour standards were promulgated for SO₂ and NO_x in 2010 and are currently in litigation. A new standard for ozone is expected to be proposed in October 2013, while a new proposed revision to the PM_{2.5} standard was published in June 2012. The one hour SO₂ and NO_x standards are more restrictive than the previous standards since they offer a shorter time period over which to average missions/impacts. Impacts to Unit 2, if any, as a result of these standards, are not known at the present time. Should LDEQ request dispersion modeling, or should a modification be contemplated that would require dispersion modeling, an analysis would have to be performed to determine compliance with these new standards. Until such a study is conducted, it is not known whether operations at Unit 2 cause or contribute to a predicted violation of the standards. If a violation of the standard were predicted by the modeling, or if the area around the plant was determined to not meet the NAAQS, actions to reduce emissions could be required.

New Source Review. In 1999-2000, the U.S. Justice Department, acting on behalf of EPA, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the New Source Review (“NSR”) provisions of the CAA. Generally, the government alleged that projects performed at various coal-fired units were major modifications, as defined in the CAA, and that the utilities violated the CAA when they undertook these projects without obtaining major source permits under the Prevention of Significant Deterioration (“PSD”) and/or Title V programs. As part of the enforcement effort, EPA also sent requests for information letters to numerous other utilities requesting extensive and detailed information on the repairs and modifications made by those utilities to their coal fired boilers.

Cleco reports that in February 2005, it received notice from the EPA requesting information relating to Unit 2 with the apparent purpose of determining whether Cleco had complied with NSR provisions relating to capital expenditures at Unit 2. Cleco reports that it completed the response to the initial data request but cannot determine if EPA will take any further action.

Global Climate Change. CO₂, a major constituent of emissions from fossil-fuel combustion, and other green house gases (“GHGs”) are generally believed to be linked to global warming resulting in climate change. Control of such emissions is the subject of debate in the United States, on local, state and national levels. In the United States, no federal legislation limiting GHG emissions has yet been enacted, but there have been significant developments relating to monitoring and regulation of GHG emissions by EPA, certain state governments and regional governmental organizations. In addition, the United States Congress is considering federal legislation that could impose a cap-and-trade system or other measures to reduce GHG emissions, such as carbon tax.

On October 30, 2009, EPA published the final rule for mandatory monitoring and annual reporting of GHG emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data

collection. When any source applies for, renews, or revises a Title V permit, the CAA requirements for monitoring, recordkeeping and reporting will be included.

On May 13, 2010, EPA issued a final rule for determining the applicability of the PSD program to GHG emissions from major sources. The rule, known as the “Tailoring Rule,” establishes criteria for identifying facilities required to obtain PSD permits and the emissions thresholds at which permitting and other regulatory requirements apply. The applicability threshold levels established by this rule include both a mass-based calculation and a metric known as the carbon dioxide equivalent (“CO₂e”), which incorporates the global warming potential for each of the six individual gases that comprise the collective GHG defined in the endangerment finding.

Construction or modification of the Issuer’s Plants or Unit 2 will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a CO₂e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions.

The costs to the Issuer for compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting and record keeping with respect to GHG emissions from existing units should not have a material adverse effect, but the consequences of new permit requirements in connection with new units or modifications of existing units could be significant, as could any new proposed regulations affecting permitting and controls for the Issuer’s plants or Unit 2. It is also noted the additional permitting requirements could cause significant delays in permit processing times, thus affecting the ability of facilities to obtain permit modifications, revisions, and renewals in a timely manner. However, at this time, no existing LUS units are impacted by the GHG regulations.

Federal Legislation. The United States Congress has yet to pass a climate bill through the House of Representative and the U.S. Senate, however, many bills have been introduced. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any enactment of statutes to regulate GHG emissions will have a significant impact on fossil-fueled generation facilities.

Water Discharge Permit. The LDEQ regulates the discharge of process wastewater and certain storm water under the Louisiana Pollutant Discharge Elimination System (“LPDES”) permit program. Such permits are issued for five-year periods and continue in effect if renewal applications are timely filed. The water quality regulations require compliance with Louisiana’s water quality standards, including sampling and monitoring of the waters discharged from the Doc Bonin Plant. The current LPDES permit for the Doc Bonin Plant expires on February 1, 2014. The other power plants owned by the Issuer are not subject to such requirements. The Utilities System is currently in compliance with the LPDES permit conditions.

Water Intake. Section 316(b) of the Clean Water Act requires EPA to ensure that the location, design, construction and capacity of cooling water intake structures reflect the best technology available to protect aquatic organisms from being killed or injured by impingement or entrainment. In February 2004, EPA issued final regulations establishing standards for cooling water intake structures at existing large power plants. The rule provided several compliance alternatives for existing plants such as using existing technologies, adding fish protection systems or using restoration measures.

On January 25, 2007, the United States Second Circuit Court of Appeals remanded key components of the Clean Water Act 316(b) Phase II Rule. The court ruled that EPA could not allow use of restoration measures to satisfy performance standards, nor could it consider cost-benefit analysis in selecting the best technology available. The United States Supreme Court heard the appeal of the Second Circuit decision and held on April 1, 2009, that it is permissible for utility companies and regulators to apply cost-benefit analysis under the Clean Water Act. EPA is in the process of developing a new rule consistent with the Supreme Court’s decision. A proposed rule covering existing Phase II facilities (larger power plants) and Phase III facilities (manufacturing facilities) was issued in 2010. A final rule is expected in 2013. The potential effects of new rule requirements will depend upon the form of the new rule EPA publishes.

Solid Waste Disposal. The LDEQ has adopted a permitting system for the management and disposal of solid waste generated by power stations. Cleco reports that it has renewed the solid waste permit for Unit 2. The facility is currently in compliance with their solid waste permit.

On May 18, 2010, EPA released its proposed rules for regulating the disposal and management of coal combustible residuals. Any new and stricter rules on coal combustible materials on units such as Unit 2 could result in increased costs of operating such unit.

Energy Policy Act of 2005

The Energy Policy Act of 2005 (“EPAAct 2005”) covers many components that may affect the Utilities System and related energy markets in the future. This legislation was signed into law in August 2005 and addresses, among other things, energy efficiency; renewable energy; nuclear energy; electricity related reforms; provides incentives for oil and gas production; and encourages the deployment of clean coal technology. A summary of the reforms made by EPAAct 2005 relating to electricity and renewable energy and certain relevant Federal Energy Regulatory Commission (“FERC”) actions related thereto follows.

Electricity — Title XII. Title XII of EPAAct 2005 covers electricity, with the majority of the provisions requiring implementation by FERC, some of which have already been acted on or are in process as discussed below.

EPAAct 2005 creates a self-regulating reliability organization that is charged with developing electric reliability rules that are mandatory and subject to enforcement penalties for all market participants, including the Utilities System, with FERC having oversight over the rules and their enforcement. FERC issued a final rule implementing the new organization titled “Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards” on November 16, 2006.

EPAAct 2005 grants FERC limited authority to site electric transmission facilities it determines to be in the national interest if the states cannot or will not act. EPAAct 2005 contains a number of measures to streamline permitting, including establishing the U.S. Department of Energy as the lead agency for permit processing and also includes a number of incentives related to transmission rates and the disposition of transmission assets.

EPAAct 2005 repeals the Public Utility Holding Company Act and transfers consumer protection authorities from the SEC to FERC and the states. In March 2007, FERC issued Order No. 693 entitled “Mandatory Reliability Standards for the Bulk-Power System” or “Reliability Standards Order.”

In February 2007, FERC issued Order No. 890 reforming its pro forma Open Access Transmission Tariff (“OATT”) adopted in 1996 pursuant to Order Nos. 888 and 889. Order No. 890’s reforms include: (1) greater consistency and transparency in available transmission capacity calculations; (2) open, coordinated and transparent planning; (3) reforms of energy imbalance penalties; (4) reform of rollover rights policy; (5) clarification of tariff ambiguities; and (6) increased transparency and customer access to information. FERC reaffirmed many of the core elements of the Order No. 888 proforma OATT in Order No. 890 including: (1) the comparability requirement wherein third party users of the transmission system must receive service in a manner comparable to the transmission owner’s use of the system; (2) the continuance of protections for native load customer’s transmission service rights; and (3) FERC’s approach to reciprocity for non-jurisdictional transmission owners. All public utilities, including RTOs (e.g., SPP) and Independent System Operators are required to file revisions to their OATT to conform to Order No. 890 pursuant to a compliance schedule established by FERC. Order No. 890 became effective May 17, 2007.

The ECS section of the Utilities System is responsible for generating unit commitment, dispatch, the purchase and sale of wholesale power and the operation of the SCADA system for all facilities of the Issuer. All shift operators are NERC certified as mandated by NERC. NERC certified training for the shift operators included emergency operations for the year 2010.

Changes in the Regional Transmission Organizations (“RTOs”) may result in electric utilities shifting from one NERC region to another.

Time-Based Metering. EPAAct 2005 requires electric utilities with retail sales in excess of 500 million kWh per year to consider offering time-based rates and metering to their customers. With Time of Use (“TOU”) rates, the rates charged vary during different time periods and reflect any variance in the utility’s costs of generating or of

purchasing electricity at the wholesale level. The retail electric sales of the Utilities System are over 500 million kWh per year, thus it appears that the Utilities System is subject to the TOU rates requirements.

Louisiana Legislation

Deregulation of the electric utility industry at the retail level is currently not an issue of significance in the State of Louisiana. Although retail deregulation is in place in neighboring Texas and in other states across the country, the movement has lost much political and public interest in the last several years. Crises in the California market, as well as a significant weakening in the financial condition of the electric utilities across the country, have caused regulators and consumers to rethink the benefits of retail deregulation. However, at the wholesale level, as provisions in the Energy Policy Act of 1992 were implemented by the FERC Orders 888 and 889, the City is facing new challenges resulting from increased competition in the wholesale power market. The Issuer's generating facilities have become a commodity that competes in the market against other similar resources. As FERC proceeds with a SMD for transmission grid operation, the Utilities System will continue to be affected as it intends to be an active participant in wholesale sales and purchases.

OTHER REGULATORY MATTERS

Environmental, Conservation and Other Regulations and Permitting Requirements

Other operations of the Utilities System outside the Electric System are likewise subject to continuing environmental, conservation and other regulation and permitting requirements by federal, state and local authorities. The Issuer believes that its operations are currently in substantial compliance with the provisions with all such regulations and permitting requirements.

Federal, State of Louisiana standards and procedures that govern the control of the environment, conservation and system operations can change. These changes may arise from continuing legislative, regulatory, and judicial action regarding the standards, procedures and requirements for compliance and the issuance of permits. Therefore, there is no assurance that the units in operation, under construction, or contemplated will remain subject to the regulations that are currently in effect. Furthermore changes in clean air laws and environmental standards may result in increased capital and operating costs.

COMMUNICATIONS SYSTEM

As previously noted, the Utilities System owns and operates a fiber optics telecommunications system known as the Communications System. The infrastructure consists of a 65-mile, multiple-strand fiber backbone. The backbone currently supports a multiple OC-48 SONET based network for time division multiplexing transport access, an ethernet-based network for broadband data and high-speed internet access to wholesale customers. Wholesale customers consist of major carriers, competitive local exchange carriers, internet service providers and application service providers that provide bandwidth, Internet, and voice services on a retail basis to medium and large business consumers.

The Communications System offers "triple-play" communications services (high-speed Internet, telephone, and cable television) to City residents and began operations in February 2009. The completion of the build-out phase occurred in September 2010 and communications services are now available to all areas within its service territory.

The Communications System purchased the backbone network and inventory from the Utilities System. Those assets were transferred to the Communications System on November 1, 2007. The Communications System also reimbursed the Utilities System for start-up costs. Both the purchase of assets and the reimbursement of start-up costs were funded by internal loans between the Utilities System and the Communications System at market terms and rates.

In 2007, the City issued \$110,405,000 in Communications System Revenue Bonds, Series 2007 and in 2011, the City issued \$14,595,000 in Communications System Revenue Bonds, Series 2012 (collectively, the "Communications System Bonds") for the purposes of expanding and upgrading the fiber optic infrastructure from wholesale to retail telecommunications services, of which \$118,490,000 in aggregate principal amount of Communications System Bonds remains outstanding. The Communications System is financially separate from the Utilities System; however, if the Communications System fails to generate sufficient revenues to pay debt service on the Communications System Bonds, the Utilities System is required to pay such debt service (but only to the extent of such insufficiency) from amounts deposited in the Capital Additions Fund of the Utilities System. Pursuant to the

ordinances of the City authorizing the issuance of the Communications System Bonds (collectively, the “Communications System Ordinance”), the rate covenant contained in the Bond Ordinance was incorporated by reference into the Communications System Ordinance, and the debt service requirements on any Communications System Bonds are treated as amounts payable with respect to Subordinated Indebtedness for the purposes of the rate covenant under the Bond Ordinance.

In addition to the Communications System Bonds, the Communications System is further authorized to obtain loans from any source, including the City, for any lawful purposes. The Communications System is required to repay such loans. As of the date of this Official Statement, the Communications System has borrowed \$16,429,422 from the Utilities System for the acquisition of the fiber infrastructure, start-up costs and operations. The City projects additional loans will be made to the Communications System through fiscal year 2013.

LEGAL MATTERS

No litigation has been filed questioning the validity of the Bonds or the security thereof, and a certificate to that effect will be delivered by the Issuer to the Underwriter upon issuance of the Bonds.

The approving opinion of Foley & Judell, L.L.P, Bond Counsel, will be printed on the Bonds. The opinion of Bond Counsel is limited to the matters set forth therein and Bond Counsel is not passing upon the accuracy or completeness of this Official Statement. Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel’s professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

A manually executed original of such opinion will be delivered to the Underwriter on the date of payment for and delivery of the Bonds. The form of said legal opinion appears in Appendix “E” to this Official Statement. For additional information regarding the opinion of Bond Counsel, see the preceding section titled “TAX EXEMPTION.” The compensation of Bond Counsel is contingent upon the sale and delivery of the Bonds.

Certain other legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, New York, New York, Counsel to the Underwriter.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations of the adequacy of the Obligations and any moneys to be on deposit in the Escrow Fund to provide for the payment when due of the interest on and the redemption price of the Refunded Bonds and (b) the mathematical computations supporting the conclusion that the Bonds are not “arbitrage bonds” under the Code will be verified by The Arbitrage Group, Inc. Such verifications will be based upon certain public information supplied to The Arbitrage Group, Inc. by or on behalf of the Issuer.

UNDERWRITING

Morgan Keegan & Company, Inc. (“Morgan Keegan”), New Orleans, Louisiana, or its assignee, Raymond James & Associates, Inc. New Orleans, Louisiana (“Raymond James,” and together with Morgan Keegan, the “Underwriter”) have agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds at a purchase price of \$183,634,302.50 (representing the principal amount of the Bonds, plus original issue premium of \$30,598,062.50, and less Underwriter’s discount of \$923,760.00). The initial public offering prices or yields are set forth on the cover page of this Official Statement. The Underwriter’s obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Bonds if they are purchased. The Bonds may be offered and sold to certain dealers at a price or yield lower than such public offering prices or yields. The public offering prices may be changed, from time to time, by the Underwriter.

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James, acquired all of the stock of Morgan Keegan from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade

name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the business of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

TAX EXEMPTION

Interest on the Bonds

The delivery of the Bonds is subject to delivery of the approving opinion of Foley & Judell, L.L.P., Bond Counsel, New Orleans, Louisiana, to the effect that, under existing law, interest on such Bonds is excluded from gross income thereof for federal income tax purposes. See Appendix “E” – “Form of Legal Opinion”.

State Taxes

The opinion of Bond Counsel will state that under the provisions of Chapter 1 of Title 47 of the Louisiana Revised Statutes of 1950, as amended, interest on the Bonds owned by corporations or residents of the State is exempt from State income taxation to the extent such interest is exempt from Federal income taxation. Each prospective purchaser of the Bonds should consult his or her own tax advisor as to the status of interest on the Bonds under the tax laws of any state other than Louisiana.

Alternative Minimum Tax Consideration

Except as hereinafter described, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. The Internal Revenue Code of 1986, as amended (the “Code”), imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, a corporation’s “alternative minimum taxable income” includes 75% of the amount by which a corporation’s “adjusted current earnings” exceeds a corporation’s “alternative minimum taxable income.” Interest on the Bonds will not be included in a corporation’s “adjusted current earnings.”

General

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations to be excluded from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of certain bond proceeds be paid periodically to the United States, except under certain circumstances, and a requirement that information reports be filed with the Internal Revenue Service.

The opinion of Bond Counsel will assume continuing compliance with the covenants in the Bond Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer with respect to matters solely within the knowledge of the Issuer, which Bond Counsel has not independently verified. If the Issuer should fail to comply with the covenants in the Bond Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become included in gross income from the date of original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Owners of the Bonds should be aware that (i) the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers and (ii) certain other federal, state and/or local tax consequences may also arise from the ownership and disposition of the Bonds or the receipt of interest on the Bonds. Furthermore, future laws and/or regulations enacted by federal, state or local authorities may affect certain owners of the Bonds. All prospective purchasers of the Bonds should consult their legal and tax advisors regarding the applicability of such laws and regulations and the effect that the purchase and ownership of the Bonds may have on their particular financial situation.

Qualified Tax-Exempt Obligations (Non-Bank Deductibility)

The Tax Reform Act of 1986 revised Section 265 of the Code so as to generally deny financial institutions 100% of the interest deductions that are allocable to tax-exempt obligations acquired after August 7, 1986.

However, an exception is permitted under the Tax Reform Act of 1986 and the American Recovery and Reinvestment Tax Act of 2009 for certain qualified tax-exempt obligations which allows financial institutions to continue to treat the interest on such obligations as being subject to the 20% disallowance provision under prior law if the Issuer, together with certain subordinate entities, reasonably expects that it will not issue more than \$30,000,000 of governmental purpose bonds in a calendar year and designates such bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265(b)(3)(B) of the Code. The Bonds are not designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B) of the Code.

Tax Treatment of Original Issue Premium

The Bonds are being offered and sold to the public at a price in excess of their stated principal amounts.

Such excess is characterized as a “bond premium” and must be amortized by an investor purchasing a Bond on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium related to a tax-exempt bond for federal income tax purposes. However, as bond premium is amortized, it reduces the investor’s basis in the Bond. Investors who purchase a Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

BOND RATINGS

Standard & Poor’s Public Finance Ratings, a division of The McGraw-Hill Companies, Inc. (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned their ratings of “A+” and “A1”, respectively, to the Bonds. Such ratings reflect only the view of S&P and Moody’s and are not a recommendation to buy, sell, or hold the Bonds. Any desired explanation of the significance of such ratings may be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor’s Public Finance Ratings, Lincoln Plaza, Suite 3200, 500 N. Akard, Dallas, Texas 75201, telephone (214) 871-1400 or Moody’s Investors Service, Plaza of the Americas, Suite 2165, 600 N. Pearl Street, Dallas, Texas 75201, telephone (214) 220-4350. Generally, a rating agency bases its rating on the information and materials furnished by the issuer and others, and on investigations, studies and assumptions made by such rating agency. A rating may be changed, suspended, or withdrawn as a result of changes, in or unavailability of, information. There is no assurance that a rating will not be changed or withdrawn entirely, if in the judgment of the rating agency issuing the rating, circumstances so warrant. Any such downward changes or withdrawals of the ratings could have an adverse effect on the market price for the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate to be executed by the Issuer simultaneously with the delivery of Bonds (the “Continuing Disclosure Certificate”), the Issuer will covenant for the benefit of the Holders of the Bonds to provide certain financial information and operating data relating to the Utilities System by not later than eight (8) months after the end of each of the Issuer’s fiscal years (presently, by each June 30), commencing with the report for the fiscal year ending October 31, 2012 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the Bonds (each, an “Event Notice”). The Annual Report and each Event Notice will be filed by or on behalf of the Issuer with MSRB. Until otherwise designated by the MSRB or the United States Securities and Exchange Commission (the “SEC”), filings with the MSRB are to be made through the MSRB’s Electronic Municipal Market Access (“EMMA”) website, currently located at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report and the Event Notices is set forth in the form of the Continuing Disclosure Certificate attached hereto as APPENDIX “F.” These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

As will be provided in the Continuing Disclosure Certificate, if the Issuer fails to comply with any provision of the Continuing Disclosure Certificate, the remedies of any Holder or “Beneficial Owner” of the Bonds will be limited to taking such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Continuing Disclosure Certificate. “Beneficial Owner” will be defined in the Continuing Disclosure Certificate to mean any person holding a beneficial ownership interest in Bonds through nominees or depositories (including any person holding such interest through the book-entry only system of The Depository Trust Company (“DTC”). IF ANY PERSON SEEKS TO CAUSE THE ISSUER TO COMPLY WITH ITS OBLIGATIONS UNDER THE CONTINUING DISCLOSURE CERTIFICATE, IT WILL BE THE RESPONSIBILITY OF SUCH PERSON TO DEMONSTRATE

THAT IT IS A “BENEFICIAL OWNER” WITHIN THE MEANING OF THE CONTINUING DISCLOSURE CERTIFICATE.

The Issuer’s Dissemination Agent for the above information is its Chief Administrative Officer, Lafayette City-Parish Consolidated Government, 705 West University Avenue, Lafayette, Louisiana 70502, telephone (337) 291-8311.

There have been instances in the previous five years in which the filings were not made by the Issuer within the time period required by the applicable continuing disclosure documents. More specifically, the annual report for the annual report for the Fiscal Year ended October 31, 2007 was filed on May 15, 2008, the Fiscal Year ended October 31, 2008 was filed on September 24, 2009 and the annual report for the Fiscal Year ended October 31, 2009 was filed on June 1, 2010 (filing deadline was May 1). Additionally, certain information regarding (i) electric customers by classification, (ii) list of top ten electric, water and wastewater customers and (iii) historic retail and wholesale sales, with respect to sales of LEPA, was inadvertently omitted in each filing. The Issuer has since made subsequent filings to include this omitted information and has instituted procedures to ensure timely and complete filings of such information in the future.

ADDITIONAL INFORMATION

For any additional information concerning the Issuer, please address Ms. Lorrie Toups, Chief Financial Officer, Lafayette City-Parish Council, P.O. Box 4017-C, Lafayette, Louisiana 70502, telephone 337-291-8201. For additional information concerning the Bonds now offered for sale, please address Foley & Judell, L.L.P., Suite 2600, One Canal Place, 365 Canal Street, New Orleans, Louisiana 70130-1138, telephone 504-568-1249.

Hurricane Information

While a number of hurricanes, including Hurricane Katrina and Hurricane Rita, have made landfall on the Gulf Coast since 2005, the Issuer has not experienced any material adverse effects to its finances or services provided as a result of such hurricanes although no assurances can be made that Issuer will not experience any material adverse effects to its finances or services provided in the event future hurricanes make landfall on or in the vicinity of the Gulf Coast.

MISCELLANEOUS

This Official Statement has been prepared in connection with the initial offering and sale of the Bonds to the Underwriter on the date hereof and is not intended for use in connection with any subsequent sale, reoffering or remarketing of the Bonds. Subsequent purchasers must therefore rely on their own examination of the offering, including the merits and the risks involved.

The Issuer has authorized the delivery of this Official Statement to the Underwriter.

Potential purchasers of the Bonds should consult their own tax advisors as to the consequences of investing in the Bonds. See also “TAX EXEMPTION” herein.

CITY OF LAFAYETTE, STATE OF LOUISIANA

/s/ Joey Durel
Joey Durel
City-Parish President

/s/ Jared Bellard
Jared Bellard
Chair

s/ Norma Dugas
Norma Dugas
Clerk of the Council

APPENDIX A

THE GENERAL BOND ORDINANCE

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GENERAL UTILITIES REVENUE
BOND ORDINANCE NO. 0-122-2004

An ordinance of the Lafayette City-Parish Council and the Lafayette Public Utilities Authority authorizing the incurring of debt and issuance from time to time of Utilities Revenue Bonds of the City of Lafayette, State of Louisiana; prescribing the form, providing for the rights of the holders thereof; providing for the payment of said Bonds and the application of the proceeds thereof; and providing for other matters in connection therewith.

SECTION 1. WHEREAS, the City of Lafayette, State of Louisiana (the "Issuer") now owns and operates a utilities system as a single revenue producing public utility, consisting of the waterworks plant and system, electric power and light plant and system and sewer system, as more fully described in Section 1.1 hereof; and

SECTION 2. WHEREAS, the Issuer has outstanding the following described revenue bonds which are payable from a pledge and dedication of the income and revenues of the Utilities System, viz:

Issue	Date of Issue	Principal Outstanding	Maturing Nov. 1, 2004 to Nov. 1:	Authorized by Ordinance Adopted on:
Utilities Revenue Refunding Bonds Series 1993	September 1, 1993	\$6,020,000	2004	September 14, 1993 (supplemented September 23, 1993)
Utilities Revenue Bonds, Series 1996	August 22, 1996	\$13,520,000	2017	May 28, 1996

SECTION 3. WHEREAS, it is recognized that the Issuer entered into a Power Sales Contract dated May 1, 1977, first actually executed June 3, 1977, with the Lafayette Public Power Authority ("LPPA") under which contract the Issuer has agreed to purchase the power and energy from the LPPA's 50% ownership interest in the Rodemacher No. II Plant at Boyce, Louisiana, and the Issuer's payments to LPPA under said contract constitute obligations of the Issuer payable as an operating expense of the Utilities System and such payments shall be made whether or not the Rodemacher No. II Plant is then operable or is operating; and

SECTION 4. WHEREAS, the Power Sales Contract obligates the Issuer to maintain sufficient rates for the commodities and services furnished by its Utilities System to meet its obligations under such contract and pay all other obligations payable from, or constituting a charge or lien on such revenues; and

SECTION 5. WHEREAS, the Issuer will defease or retire the Utilities Revenue Refunding Bonds, Series 1993 or otherwise terminate the pledge of the revenues of the Utilities System to such Bonds (but not the Power Sales Agreement) prior to the delivery of any of the bonds authorized and provided for hereby; and

SECTION 6. WHEREAS, the Louisiana Department of Environmental Quality, the sole owner of the Utilities Revenue Bonds, Series 1996, has consented to the adoption of this Ordinance and has agreed that Parity Debt issued under this Ordinance will be issued on a parity with the Utilities Revenue Bonds, Series 1996 and will become Outstanding Bonds; and

SECTION 7. WHEREAS, the Issuer wishes to provide for the issuance from time to time of its revenue bonds payable from the revenues of the Utilities System; and

SECTION 8. NOW, THEREFORE, BE IT ORDAINED by the Lafayette City-Parish Council, acting as the governing authority of the City of Lafayette, State of Louisiana, and the Lafayette Public Utilities Authority, acting as the governing authority of the Utilities Department, that:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1. Definitions. The following terms shall have the following meanings unless the context otherwise requires:

“Accreted Values” means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Compounding Date next preceding the date of computation or the date of computation if a Compounding Date, such interest to accrue at a rate not exceeding the maximum rate permitted by law, compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be a Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Compounding Date and the Accreted Value as of the immediately succeeding Compounding Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

“Act” means Part XIII, Chapter 4 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto.

“Additional Parity Obligations” means any additional pari passu obligations which may hereafter be issued pursuant to Section 9.2 hereof on a parity with the Bonds.

“Agent” means a financial institution performing those duties described in Section 10.5.

“Annual Budget” means the annual operating budget of the Utilities System, as amended and supplemented from time to time, prepared by the Issuer for each Fiscal Year.

“Authorized Depository” means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Issuer as a depository hereunder.

“Bank” means the bank or banks selected by the Issuer which may be the regularly designated fiscal agent bank or banks of the Issuer.

“BMA Municipal Index” means The Bond Market Association Municipal Swap Index as of the most recent date for which such index was published, or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association or any successor thereto; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “BMA Municipal Index” shall mean such other reasonably comparable index selected by the Issuer.

“Bond Counsel” means counsel experienced in matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions selected by the Issuer.

“Bond” or “Bonds” means any or all of the Utilities Revenue Bonds of the Issuer, issued pursuant to the Ordinance, as the same may be amended from time to time, whether initially delivered or issued in exchange for, upon transfer of, or in lieu of any previously issued Bond, including the currently outstanding Utilities Revenue Bonds, Series 1996.

“Bondholders,” “Registered Owner,” “Holder,” and “Owner” means the registered owners (or their authorized representatives) of Obligations issued in registered form and the holders of Obligations issued in bearer form.

“Bond Obligation” means, as of the date of computation, the sum of: (i) the principal amount of all Current Interest Bonds then Outstanding and (ii) the Accreted Value on all Capital Appreciation Bonds then Outstanding.

“Bond Ordinances” means the ordinances authorizing the issuance of the Outstanding Parity Obligations.

“Bond Service Requirement” means for a given Sinking Fund Year, the remainder after subtracting any accrued interest paid by the purchasers of Obligations, and capitalized interest for the Bond Year ending the immediately following November 1 that has been deposited into the Sinking Fund for that purpose from the sum of the principal of and interest and premium, if any, or other payments on Obligations coming due in such Bond Year.

For purpose of determining the Bond Service Requirement, unless the interest rate is fixed for the duration of the applicable Bond Year, in which case the actual interest rate shall be used, the interest rate on Variable Rate Obligations that are Outstanding at the time of such determination, shall be assumed to be one hundred ten percent (110%) of the average interest rate on such Variable Rate Obligations during the twelve months ending with the month preceding the date of calculation (or such shorter period of time as such Variable Rate Obligations shall have been Outstanding). If such Variable Rate Obligations are not Outstanding on the date of such calculation, the interest rate used to calculate the Bond Service Requirement, if the Obligations are Tax-Exempt Obligations, shall be 110% of the BMA Municipal Index on the date of calculation, and if the Obligations are Taxable Obligations shall be the interest rate on U.S. Treasury Obligation with comparable maturities, plus 50 basis points, on the date of calculation.

If a Series of Variable Rate Obligations is subject to purchase by the Issuer pursuant to a mandatory or optional tender by the holder, the “tender” date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation.

For all purposes of this Ordinance, if the Issuer has entered into a Qualified Swap with respect to all or a portion of a series of Obligations, interest on such Obligations shall be calculated at (i) the fixed rate or rates of the Qualified Swap if the Issuer has entered into what is generally referred to as a “floating-to-fixed” Qualified Swap (where the Issuer pays a fixed rate and receives a floating rate) or (ii) as provided in paragraph two above of this definition of “Bond Service Requirement,” if the Issuer has entered into either what is generally referred to as a “fixed-to-floating” Qualified Swap (where the Issuer pays a variable rate and receives a fixed rate) or a “floating-to-floating” Qualified Swap (where the Issuer pays a variable rate and receives a different variable rate).

For purposes of calculating the Bond Service Requirement with respect to Designated Maturity Obligations, the unamortized principal coming due on the final maturity date thereof that the Issuer reasonably anticipates refinancing, as reflected in the Annual Budget, shall not be included and in lieu thereof, there shall be included in the Bond Service Requirement for the Bond Year in which such final maturity occurs only the principal amount thereof the Issuer reasonably anticipates to become due in such Bond Year, taking into account any such anticipated refinancing of such Designated Maturity Obligations.

For purposes of calculating the Bond Service Requirement with respect to Commercial Paper Obligations, only the interest obligations with respect to such Commercial Paper Obligations and the principal amount of the Commercial Paper Obligations the Issuer reasonably expects to retire and not to pay with the proceeds of roll-over Commercial Paper Obligations in such Bond Year (as reflected in the Annual Budget) shall be included in the calculation of the Bond Service Requirement. The interest rate on the Commercial Paper Obligations shall be assumed for purposes of calculating the Bond Service Requirement, to be equal to the greater of (i) 110% of the Bond Market Association Municipal Swap Index (or if such index is no longer available, such other reasonably comparable index as the Issuer shall designate) or (ii) the actual rate on such Commercial Paper Obligations.

“Bond Year” means the annual period beginning on the second day of November of each year and ending on the first day of November of the following calendar year.

“Business Day” means, except as otherwise provided in a Supplemental Ordinance, a day of the year other than a day on which banks located in New York, New York and the cities in which the principal offices of the

Paying Agent are located are required or authorized to remain closed and on which the New York Stock Exchange is closed.

“Capital Additions Fund” means the fund by that name established in Section 5.1(e) hereof.

“Capital Appreciation Bonds” means Obligations that bear interest which is payable only at maturity or upon redemption prior to maturity in amounts determined by reference to the Accreted Values.

“Capital Costs” means the costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Issuer (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Issuer for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Issuer may be issued under the Act (whether or not also classifiable as a Cost of Operation and Maintenance); and (v) the payment of principal, interest, and redemption, tender or Purchase Price of any (a) Obligations issued by the Issuer for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Issuer relating to a Separately Financed Project.

“Chief Financial Officer” means the Associate Chief Administrative Officer-Finance and Management of the Issuer or the successor in function as chief financial officer of the Issuer.

“Chief Operating Officer” means the Director of Utilities or his successor in function as Chief Operating Officer of the Utilities System.

“Clerk” means the City-Parish Council Clerk.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor Federal Internal

“Commercial Paper Obligations” means all of the Obligations Series or a proportionate maturity thereof with a maturity of less than 271 days so designated by the Issuer by Supplemental Ordinance prior to issuance thereof.

“Compounding Date” means a date for compounding of interest on Capital Appreciation Bonds as shown on a table of Accreted Values for such Capital Appreciation Bonds.

“Consulting Engineer” means a consulting utility engineer or firm of consulting utility engineers with nationally recognized credentials demonstrating skill and experience in the construction and operation of publicly owned electric, water and waste water utility properties.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable and related to the authorization, sale and issuance of the Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any fiduciary, legal fees and charges, fees and charges for the preparation and distribution of a preliminary official statement and official statement, if paid by the Issuer, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, costs and expenses of refunding, premiums for the insurance of the payment of the Bonds, if any, and any other cost, charge or fee paid or payable by the Issuer in connection with the original issuance of any issue of Bonds.

“Cost of Operation and Maintenance” means any operating and maintenance expense as defined in accordance with generally accepted accounting principles in the United States of America, plus any Power Sales Contract. Notwithstanding the foregoing, Costs of Operation and Maintenance shall not include (i) any costs and

expenses attributable to a Separately Financed Project, (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of the Utilities System to the condition of serviceability thereof when new, (iii) depreciation costs or (iv) any interest expense on any Obligation.

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement, policy of bond insurance, surety bond, guaranty or similar credit or liquidity enhancement device or arrangement providing credit or liquidity support with respect to any Outstanding Obligations or Subordinated Indebtedness, or any agreement relating to reimbursement of advances under any such instrument.

“Current Interest Bonds” means Obligations that bear interest which is payable periodically rather than solely at the maturity of such Obligations.

“Defeasance Securities” means (i) direct non-callable obligations of the United States of America or obligations the timely payment when due of the principal of and interest on which is unconditionally guaranteed by the United States of America, to which the direct obligation or guarantee of the full faith and credit of the United States of America has been pledged, (ii) stripped interest obligations on bonds, notes, debentures and similar obligations issued by the Resolution Funding Corporation, (iii) local government obligations rated AAA by a Rating Agency (iv) local government obligations defeased by securities described in clauses (i), (ii), (iii), (v), (vi) and (vii) hereof, (v) guaranteed investment contracts rated AAA by a Rating Agency, (vi) in the event any Bonds are secured by a Credit Facility, any securities approved by such Credit Facility provider, and (vii) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System, or any other United States government sponsored agency; provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, ratings in the highest Rating Category of each of the Rating Agencies that then rates such agency or its obligations.

“Designated Maturity Obligations” means all of the Obligations of a Series or a particular maturity thereof, with a maturity longer than 270 days, so designated by the Issuer by Supplemental Ordinance prior to the issuance thereof, for which no mandatory sinking fund redemption requirements have been established.

“Distribution Charge” means any charge or fee in the nature of a stranded cost or similar charge paid by any person other than the Utilities System for use of the facilities of the Utilities System.

“Exposure on Guaranteed Debt” means, with respect to the period of time for which calculated, (i) as to each Guaranteed Debt as to which the Issuer has not been required to make any payments under its guaranty, an amount equal to twenty percent (20%) of the debt service requirement for such period (calculated in the same manner as the Bond Service Requirement) on that Guaranteed Debt, and (ii) as to any Guaranteed Debt as to which the Issuer has been required to make any payments under its guaranty, an amount equal to one hundred percent (100%) of the debt service requirement for such period (calculated in the same manner as the Bond Service Requirement) on that Guaranteed Debt.

“Executive Officers” means, collectively, the City-Parish President, and the Clerk of the Lafayette City-Parish Council and the Chairman of the Lafayette Public Utilities Authority or any officers of the Issuer or its successor designated by Supplemental Ordinance.

“Fiduciary” or “Fiduciaries” means any trustee, or Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” means the one-year period commencing on November 1 of each year, or such other one-year period as may be designated by the Governing Authority as the fiscal year of the Issuer.

“Fuel Revenues” means retail fuel adjustment charge revenues, as billed under the then-current rate ordinance, and revenues from fuel charges billed to wholesale customers.

“Funds” means the Receipts Fund, Capital Additions Fund, Sinking Fund and Reserve Fund.

“Governing Authority” means the Lafayette City-Parish Council and the Lafayette Public Utilities Authority, or its successor in function, as provided by the Issuer’s home rule charter or any successor charter.

“Government Securities” means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, which may be United States Treasury Obligations such as the State and Local Government Series and may be in book-entry form.

“Guaranteed Debt” means any indebtedness or obligation for money of any Person which the Issuer has guaranteed to pay from the Utilities System on a parity with debt service on the Obligations.

“Impact Fees” means all capital expansion fees, contributions in aid of construction, system improvement fees, or other similar fees and charges, separately imposed by the Issuer as a non-user capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing new additions to the Utilities System. “Impact Fees” shall not include connection or hook-up charges or other payments or fees received by the Issuer as reimbursement for the cost of connecting or re-connecting a customer to the Utilities System.

“Interest Payment Date” means May 1 and November 1 of each year, except as otherwise provided in any Supplemental Ordinance.

“Investment Obligations” means any investments or securities then permitted under Louisiana law.

“Issuer” means the City of Lafayette, State of Louisiana.

“Net Revenues” means, for any fiscal year period, the amount of Revenues less the Cost of Operation and Maintenance of the Utilities System.

“Non-Fuel Revenues” means Revenues less Fuel Revenues.

“Obligations” means any obligations, issued in any form of debt, authorized by a Supplemental Ordinance, including but not limited to, Bonds, notes, bond anticipation notes, commercial paper and Guaranteed Debt, which are delivered under this Ordinance, including any Bonds and Parity Contract Obligations but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

“Operating Fund” means the fund by that name established in Section 5.1(b) hereof.

“Ordinance” means this Ordinance as from time to time amended or supplemented by Supplemental Ordinance.

“Outstanding”, when used with reference to the Bonds, means, as of any date, all Bonds theretofore issued under the Ordinance, except:

- (a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds for the payment or redemption of which sufficient cash and/or Defeasance Securities have been deposited with the Paying Agent or an escrow agent in trust for the Owners of such Bonds with the effect specified in the Ordinance, provided that if such Bonds are to be redeemed, irrevocable notice of such redemption has been duly given or provided for pursuant to the Ordinance, to the satisfaction of the Paying Agent, or waived;
- (c) Bonds in exchange for or *in lieu* of which other Bonds have been registered and delivered pursuant to the Ordinance; and

(d) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in the Ordinance or by law.

“Parity Contract Obligation” means that portion of any rates, fees, charges or payments which the Issuer is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of paying principal or interest or both on that entity’s obligations directly associated with such contract and payable to such entity regardless of whether fuel, energy or power is delivered or made available for delivery which is secured by a pledge of and lien on the Net Revenues on a parity with the lien created by Section 4.2 hereof to secure the Obligations.

“Parity Debt” means any Parity Contract Obligation, Parity Reimbursement Obligation, Parity Swap Obligation or Guaranteed Debt; provided, however, that for purposes of the definition of the term “Bond Service Requirement,” Parity Debt shall with respect to Guaranteed Debt include only Exposure on Guaranteed Debt. For purposes of Section 9.2 of this Ordinance, any Parity Debt shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Debt.

“Parity Reimbursement Obligation” has the meaning provided in Section 9.4(d) hereof.

“Parity Swap Obligation” means the obligation to pay any amount under a Qualified Swap calculated as interest on a notional amount (but excluding any termination payments and payments of any other fees, expenses, indemnification or other obligations to a counterparty), that is secured by a pledge of, and a lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations.

“Paying Agent” means the Issuer or any Authorized Depository designated by the Issuer to (i) serve as a Paying Agent or place of payment for the Obligations issued hereunder which shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Obligations to the registered owners thereof, from funds made available therefor by the Issuer, and any successors designated pursuant to this Ordinance and (ii) maintain the registration books for the Obligations of any Series issued hereunder or to perform other duties with respect to registering the transfer of Obligations.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Power Sales Contract” means (i) the Power Sales Contract dated May 1, 1977 executed by and between the Issuer and the Lafayette Public Power Authority or (ii) any other contract for fuel, energy, water, sewer or power designated in writing by the Issuer as a Cost of Operation and Maintenance.

“Principal Payment Date” means November 1 of each year.

“Project” means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the Utilities System, whether owned jointly or singly by the Issuer, including any output in which the Issuer has an interest, heretofore or hereafter authorized by the Act; provided, however, that the term “Project” shall not include any Separately Financed Project.

“Purchase Price” means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

“Qualified Independent Consultant” means any one or more qualified and recognized independent consultants or firm of consultants (which may include, without limitation, independent accountants and engineers), having favorable repute, skill and experience with respect to the acts and duties required of a Qualified Independent Consultant by a particular section or sections of this Ordinance, as shall from time to time be retained by the Issuer for the purposes hereof. It may be the Consulting Engineer described in Article VIII.

“Qualified Swap” means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate, forward rate or future rate swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, entered into by the Issuer for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing by the Issuer as a Qualified Swap with respect to such Obligations.

“Qualified Swap Provider” means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, are rated either (i) at least as high as the third highest Rating Category of each nationally recognized securities Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Issuer will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

“Rate Stabilization Account” means the account set out in Section 5.1(e).

“Rating Agency” means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Issuer.

“Rating Category” means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

“Record Date” means, except as otherwise provided in a Supplemental Ordinance, with respect to an Interest Payment Date, the fifteenth day of the calendar month next preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Price” means, when used with respect to an Obligation, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Ordinance.

“Reimbursement Obligation” has the meaning provided in Section 9.4(d) hereof.

“Reserve Fund” means the Fund by that name established in Section 5.1 hereof.

“Reserve Product” means a policy of bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Reserve Fund meeting the terms and conditions of Section 5.1 hereof.

“Reserve Product Provider” means a bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety bonds or other credit facilities securing, the payment, when due, of the principal of, premium, if any, and interest on bond issues by public entities, at the time such Reserve Product is obtained, result in such issues being rated in one of the two highest full rating categories by each of the Rating Agencies; provided, however, that nothing herein shall require the Issuer to obtain a rating on any Bonds issued under this Ordinance.

“Reserve Requirement” means, with respect to each series of Obligations, the amount, if any, set forth as the Reserve Requirement in the Supplemental Ordinance authorizing any series of Obligations.

“Reserve Secured Bonds” means a Series of Bonds for which the Supplemental Ordinance related to such Series provide that the payment of the principal, premium, if any, and interest on the bonds of such Series shall be secured by amounts on deposit and investments held in a designated account in the Reserve Fund.

“Revenues” means (i) all rates, fees, charges, income, rents and receipts derived by the Issuer from or attributable to the ownership and operation of the Utilities System, including all revenues attributable to the Utilities System or to the payment of the costs thereof received by the Issuer under any contracts for the sale of power, energy, transmission or other use of the services, facilities or products of the Utilities System or any part thereof or any contractual arrangement with respect to the use of the Utilities System or any portion thereof or the services, output, facilities, capacity or products of the Utilities System, (ii) the proceeds of any insurance covering business interruption loss relating to the Utilities System, (iii) interest received on the investment or reinvestment of any moneys held hereunder required to be deposited or kept in the Receipts Fund, (iv) payments received by the Issuer under a Qualified Swap, and (v) funds received from a Rate Stabilization Account; provided, however, that “Revenues” shall not include revenues from a Separately Financed Project or Impact Fees or revenues deposited in a Rate Stabilization Account.

“Separately Financed Project” has the meaning provided in Section 9.3 hereof.

“Series” means any portion of the Obligations of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to a Supplemental Ordinance authorizing such Obligations as a separate Series of Obligations, regardless of variations in maturity, interest rate, redemption requirements or other provisions, and any Obligations thereafter authenticated and delivered in lieu of or in substitution of a Series of Obligations issued pursuant to this Ordinance.

“Series 2004 Bonds” means the Bonds issued by the first Supplemental Ordinance, in an amount not exceeding Two Hundred Million Dollars (\$200,000,000).

“Sinking Fund Year” means the year commencing on November 1st and ending on October 31st of the following year.

“State” means the State of Louisiana.

“Subordinated Contract Obligation” means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated in writing by the Issuer as constituting a “Subordinated Contract Obligation,” (b) any Qualified Swap which has been designated in writing by the Issuer as constituting a “Subordinated Contract Obligation,” and (c) any other contract, agreement or other obligation authorized by ordinance or resolution of the Issuer and designated in writing by the Issuer as constituting a “Subordinated Contract Obligation.” Each Subordinated Contract Obligation shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, and shall be secured by a lien on and pledge of the Net Revenues junior and inferior to the lien on and pledge of the Net Revenues herein created for the payment of the Obligations and Parity Debt.

“Subordinated Indebtedness” means any bond, note or other indebtedness authorized by ordinance or resolution of the Issuer and designated in such ordinance or resolution by the Issuer as constituting “Subordinated Indebtedness,” which shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, and which shall be secured by a lien on and pledge of the Net Revenues junior and inferior to the lien on and pledge of the Net Revenues herein created for the payment of the Obligations and Parity Debt.

“Supplemental Ordinance” means any ordinance or resolution supplemental to or amendatory of this Ordinance, enacted or adopted by the Issuer in accordance with Article III hereof.

“Taxable Obligations” means any Obligations which are not Tax-Exempt Obligations.

“Tax-Exempt Obligations” means any Obligations the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes.

“Trustee” means a financial institution serving in the capacity described in Section 10.2.

“Utilities System” means the revenue producing public utilities system of the Issuer consisting of the combined waterworks plants and system, the electric power and light plant and systems, and sewer system, including specifically all properties of every nature owned, leased or operated by the Issuer and used or useful in the operation of its complete waterworks plants and system, electric power and light plants and system and sewer systems, as said plants and systems now exist and as they may be improved, extended or supplemented from any source including the proceeds of bonds, and including all real estate, personal and intangible properties, contracts, franchises, leases and choses in action, and including any right to use the capacity from any facilities or services thereof, and all properties now or hereafter operated by the Issuer under lease or agreement with any other individual, joint venture, partnership or corporation, public or private, as apart of the Utilities System, whether lying within or without the boundaries of the Issuer. Upon compliance with the requirements of Section 7.12 hereof, the term “Utilities System” may include any other utility-related services or functions, as the Issuer shall determine by subsequent ordinance or resolution. The Utilities System shall not include any Separately Financed Project.

“Variable Rate Obligations” means Obligations issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

SECTION 1.2. Interpretation. In the Ordinance, unless the context otherwise requires, (a) words importing the singular include the plural and vice versa, (b) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and (c) the title of the offices used in this Ordinance shall be deemed to include any other title by which such offices shall be known under any subsequently adopted charter.

ARTICLE II

INSTRUMENT TO CONSTITUTE CONTRACT

SECTION 2.1 Instrument to Constitute Contract. In consideration of the Obligations authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders, and all Obligations shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided herein.

ARTICLE III

AUTHORIZATION, DESCRIPTION, FORM AND TERMS OF OBLIGATIONS

SECTION 3.1 Description of Obligations. Obligations may be issued from time to time in accordance with the terms of this Ordinance. The Obligations authorized hereunder may be issued in one or more Series that may be delivered from time to time. The Obligations may be issued as Tax-Exempt Obligations, as Taxable Obligations, as obligations that convert from Taxable Obligations to Tax-Exempt Obligations, as fixed rate Obligations, as Variable Rate Obligations, as Capital Appreciation Bonds, as Current Interest Bonds, as Designated Maturity Obligations and/or as Commercial Paper Obligations. The Issuer shall by Supplemental Ordinance authorize each Series of Obligations and shall specify the following:

(a) the authorized principal amount of such Series, the purpose or purposes for which such Obligations are issued;

(b) the date and terms of maturity or maturities of the Obligations;

(c) whether such Obligations are Designated Maturity Obligations or Commercial Paper Obligations;

(d) the interest rate or rates of the Obligations or the method for determining such interest rate or rates, which may include variable, adjustable, convertible, auction reset or other rates, original issue discounts, Capital Appreciation Bonds and zero interest rate Obligations.

(e) the authorized denominations (or, with respect to Capital Appreciation Bonds, the value at maturity) of each Series of Obligations;

(f) numbering and lettering of such Obligations;

(g) the Paying Agent and place or places of payment of such Obligations;

(h) the redemption prices for such Obligations and any terms of redemption not inconsistent with the provisions of this Ordinance, which may include mandatory redemptions which may or may not be at the election of the Holder or Registered Owner thereof;

(i) any terms permitting or requiring the tender of such Obligations by the Owner thereof for purchase;

(j) the use of the proceeds of such Series of Obligations not inconsistent with this Ordinance;

(k) the forms of such Obligations; and

(l) any other terms or provisions applicable to the Obligations of such Series, not inconsistent with the provisions of this Ordinance or the Act.

All of the foregoing may be added by Supplemental Ordinance adopted or enacted at any time and from time to time prior to the issuance of such Series of Obligations.

Except as otherwise provided by Supplemental Ordinance, all Obligations hereunder shall be in registered form. All Obligations issued hereunder shall be in substantially the form provided by the Supplemental Ordinance authorizing the issuance of such Obligations; shall, unless otherwise provided by Supplemental Ordinance, be payable in lawful money of the United States of America and shall bear interest from their date paid by check or draft of the Paying Agent mailed to the Registered Owner thereof. Principal of and interest and redemption premiums, if any, on Capital Appreciation Bonds, and principal of and redemption premiums, if any, on Current Interest Bonds shall be payable by check or draft at maturity or earlier redemption thereof upon presentation and surrender of such Obligations to the Paying Agent. In addition, notwithstanding the foregoing, if and to the extent permitted by applicable law, the Issuer shall establish a system of registration and may issue thereunder certificated registered public obligations (represented by instruments) or uncertificated registered public obligations (not represented by instruments) commonly known as book-entry obligations, combinations thereof, or such other obligations as may then be permitted by law. The Issuer shall appoint such registrars, transfer agents, depositories, or other agents as may be necessary to cause the registration, registration of transfer and reissuance of the Obligations within a commercially reasonable time according to the then current industry standards and to cause the timely payment of interest, principal and premiums payable with respect to the Obligations. If the Issuer adopts a system for the issuance of uncertificated registered public obligations, it may permit thereunder the conversion, at the option of a Holder of any Obligation then outstanding, of a certificated registered public obligation to an uncertificated registered public obligation, and the reconversion of the same.

The registration of the Obligations issued in registered form may be transferred upon the registration books therefor upon delivery to the Paying Agent, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent, duly executed by the Registered Owner of such Obligations or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of such Obligations, along with the social security number or federal employer identification number of

such transferee. In all cases of a transfer of registered Obligations, the Paying Agent shall at the earliest practical time in accordance with the provisions of this Ordinance enter the transfer of ownership in the registration books for the Obligations and (unless uncertificated registration shall be requested and the Issuer has a registration system that will accommodate uncertificated registration) shall deliver in the name of the new transferee or transferees a new fully-registered Obligation or Obligations of the same Series, maturity and of authorized denomination or denominations for the same aggregate principal amount and payable from the same sources of funds. The Paying Agent or the Issuer may charge the Registered Owners of such Obligations for the registration of every such transfer of such Obligations an amount sufficient to reimburse it for any tax, fee or any other governmental charge required to be paid, except for any such governmental charge imposed by the Issuer, with respect to the registration of such transfer, and may require that such amounts be paid before any such new Obligations shall be delivered.

Except as otherwise provided in the Supplemental Ordinance, if any date for payment of the principal of, premium, if any, or interest on any Obligation is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

With respect to any Series of Obligations, the Issuer may, by Supplemental Ordinance enacted or adopted prior to the issuance of such Series of Obligations, reserve or exercise the right to sell, assign or transfer rights to call Obligations of such Series for mandatory purchase.

Unless otherwise provided by Supplemental Ordinance adopted prior to the issuance of the applicable Series of Obligations, a purchase of Obligations by or through a remarketing agent, trustee, auction agent, credit facility provider or the Issuer pursuant to an optional or mandatory tender shall not be deemed a redemption of such Obligations and will not be deemed to extinguish or discharge the indebtedness evidenced by such Obligations. Any Obligations purchased by or on behalf of the Issuer pursuant to an optional or mandatory tender shall be purchased with the intent that the indebtedness evidenced by such Obligations shall not be extinguished or discharged; such indebtedness shall not be extinguished or discharged and such Obligations shall remain outstanding hereunder unless and until such Obligations are delivered to the paying agent therefor for cancellation.

SECTION 3.2. Execution of Obligations. Unless otherwise provided by Supplemental Ordinance, the Obligations shall be executed in the name of the Issuer as provided in the Charter of the Issuer and the seal of the Issuer shall be imprinted, reproduced or lithographed on the Obligations, attested to and countersigned as provided in the Charter of the Issuer. There may be such additional signatures and attestations as may be determined by the Issuer. The signatures of the officers of the Issuer on the Obligations may be by facsimile, but one such officer shall sign his manual signature on the Obligations unless the Issuer appoints an authenticating agent, registrar, transfer agent or trustee who shall cause one of its duly authorized officers to manually execute the Obligations. If any officer whose signature appears on the Obligations ceases to hold office before the delivery of the Obligations, his signature shall nevertheless be valid and sufficient for all purposes. In addition, any Obligation may bear the signature of, or may be signed by, such persons as at the actual time of execution of such Obligation shall be the proper officers to sign such Obligation although at the date of such Obligation or the date of delivery thereof such persons may not have been such officers.

SECTION 3.3. Obligations Mutilated, Destroyed, Stolen or Lost. If any Obligation is mutilated, destroyed, stolen or lost, the Issuer or its agent may, in its discretion (i) deliver a duplicate replacement Obligation, or (ii) pay an Obligation that has matured or is about to mature. A mutilated Obligation shall be surrendered to and cancelled by the Chief Financial Officer or the duly authorized agent of the Issuer. The Bondholder must furnish the Issuer or its agent proof of ownership of any destroyed, stolen or lost Obligation; post satisfactory indemnity; comply with any reasonable conditions the Issuer or its agent may prescribe; and pay the Issuer's and/or its agent's reasonable expenses.

Any such duplicate Obligation shall constitute an original contractual obligation on the part of the Issuer whether or not the destroyed, stolen, or lost Obligation be at any time found by anyone, and such duplicate Obligation shall be entitled to equal and proportionate benefits and rights as to lien on, and source of and security for payment from, the funds pledged to the payment of the Obligation so mutilated, destroyed, stolen or lost.

SECTION 3.4. Provisions for Redemption. Each Series of Obligations may be subject to redemption prior to maturity at such times and in such manner as may be established by Supplemental Ordinance of the Issuer adopted with respect to any Series of Obligations on or before the time of delivery of those Obligations. Unless otherwise provided by Supplemental Ordinance with respect to a Series of Obligations, notice of redemption shall be sent at least thirty (30) days prior to the redemption date (i) be filed with the paying agent, and (ii) be mailed, postage prepaid, to all Registered Owners of Bonds to be redeemed at their address as they appear of record on the books of the Paying Agent as of forty-five (45) days prior to the date fixed for redemption, unless otherwise provided by Supplemental Ordinance. Interest shall cease to accrue on any Bond duly called for prior redemption on the redemption date, if payment thereof has been duly provided. The privilege of transfer or exchange of any of the Bonds so called for redemption is suspended for a period commencing 15 calendar days preceding the mailing of the notice of redemption and ending on the date fixed for redemption. Failure to mail any such notice to a registered owner of an Obligation, or any defect therein, shall not affect the validity of the proceedings for redemption of any Obligation or portion thereof with respect to which no failure or defect occurred.

SECTION 3.5. Effect of Notice of Redemption. Notice having been given in the manner and under the conditions hereinabove required, the Obligations or portions of Obligations so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Obligations or portions of Obligations on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Paying Agent, an escrow agent or any Authorized Depository, in trust for the registered owners of the Obligations or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Obligations or portions of Obligations so called for redemption shall cease to accrue, such Obligations and portions of Obligations shall cease to be entitled to any lien, benefit or security under this Ordinance, and the registered owners of such Obligations or portions of Obligations shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in Section 3.1 of this Article, to receive Obligations for any unredeemed portions of the Obligations. Notwithstanding anything to the contrary in the Ordinance, with respect to any notice of optional redemption of Obligations, unless upon the giving of such notice such Obligations or portions thereof shall be deemed to have been paid within the meaning hereof, such notice shall state that such redemption shall be conditioned upon the receipt by the Paying Agent on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Obligations or portions thereof to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Obligations or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within five (5) days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

SECTION 3.6. Redemption of Portion of Registered Obligations. In case part but not all of an outstanding fully-registered Obligation shall be selected for redemption, the Registered Owners thereof shall present and surrender such Obligation to its designated Paying Agent (or if no such Paying Agent is designated, to the Issuer) for payment of the principal amount thereof and premium, if any, so called for redemption, and the Issuer shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the Obligation so surrendered, an Obligation or Obligations fully-registered as to principal and interest.

SECTION 3.7. Application of Proceeds. Except as otherwise provided hereby, the proceeds, including accrued interest and premium, if any, received from the sale of the Obligations of any Series shall be applied by the Issuer simultaneously with the delivery of such Obligations in accordance with the provisions of a Supplemental Ordinance of the Issuer enacted or adopted at or before the delivery of such Series of Obligations, in conformity with this Ordinance.

SECTION 3.8. Temporary Obligations. Pending the preparation of definitive Obligations, the Issuer may execute and deliver temporary Obligations. Temporary Obligations shall be issuable as registered Obligations without coupons, of any authorized denomination, and substantially in the form of the definitive Obligations but with such omissions, insertions, and variations as may be appropriate for temporary Obligations, all as may be determined by the Issuer. Temporary Obligations may contain such reference to any provisions of this Ordinance as may be appropriate. Every temporary Obligation shall be executed and authenticated upon the same conditions and

in substantially the same manner, and with like effect, as the definitive Obligations. As promptly as practicable the Issuer shall execute and shall furnish definitive Obligations and thereupon temporary Obligations may be surrendered in exchange for definitive Obligations without charge at the principal office of the Paying Agent, and the Paying Agent shall authenticate and deliver in exchange for such temporary Obligations a like aggregate principal amount of definitive Obligations of authorized denominations. Until so exchanged, the temporary Obligations shall be entitled to the same benefits under this Ordinance as definitive Obligations.

ARTICLE IV

SOURCE OF PAYMENT OF OBLIGATIONS; SPECIAL OBLIGATIONS OF THE ISSUER

SECTION 4.1. Obligations Not to be Indebtedness of the Issuer. The Obligations shall not be or constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be payable solely from and secured by a lien upon and a pledge of the Net Revenues of the Utilities System, in the manner and to the extent herein provided. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form on any real or personal property to pay such Obligations or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other funds of the Issuer other than Net Revenues in the manner and to the extent herein provided.

SECTION 4.2. Pledge of Net Revenues. The payment of the principal of, premium, if any, and interest on the Obligations shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues, all in the manner and to the extent provided herein, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided herein, and the Issuer does hereby irrevocably pledge the Net Revenues to the payment of the principal of, premium, if any, and interest on the Obligations.

ARTICLE V

CREATION OF FUNDS AND ACCOUNTS

SECTION 5.1. Creation of Funds and Accounts. There are hereby created and established the "Receipts Fund," the "Operating Fund," the "Sinking Fund," the "Reserve Fund" and the "Capital Additions Fund". There may be created and established in the Operating Fund and the Capital Additions Fund one or more separate accounts or subaccounts as determined by the Issuer from time to time to be necessary or convenient. The Operating Fund, the Reserve Fund and the Capital Additions Fund and all accounts and subaccounts therein shall constitute trust funds for the purposes herein provided, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), who shall act as trustee of such funds for the purposes hereof, shall, except as otherwise provided herein, be subject to a lien and charge in favor of the Bondholders and used only as herein provided. The described trust obligation shall extend only to the Issuer's obligation to hold such funds for the benefit of Bondholders, but does not impose a trust obligation on any Authorized Depository.

Moneys currently deposited in funds for the Bonds, other than the Series 2004 Bonds, will be transferred to the Funds that provide a similar function. Accordingly, moneys in a current sinking fund established for the Utilities Revenue Bonds, Series 1996 will be transferred to the Sinking Fund. Similarly, moneys in a reserve fund will be transferred to the Reserve Fund, as will moneys in a capital additions fund be transferred to the Capital Additions Fund.

All accounts referenced in the Ordinance means separate accounting, not necessarily separate bank accounts.

(a) Receipts Fund. Revenues, except (i) income received from the sale of capital assets and charges between divisions of the Utilities System, and (ii) proceeds from the issuance of Obligations shall be deposited daily as the same may be collected in a separate and special bank account known and designated as the "Receipts Fund", established and maintained with the Bank, or may be deposited in a fund with other moneys of the

City and/or Parish in a Bank provided separate accounting is maintained at all times under the title of "Receipts Fund" and referred to hereinafter as the "Receipts Fund".

(b) Operating Fund. Out of the Receipts Fund, there shall be transferred to or set aside in an "Operating Fund," from time to time as needed during each Sinking Fund Year amounts sufficient to provide for the payment of Costs of Operation and Maintenance.

(c) Sinking Fund. After meeting the requirements of 5.1(b) above, the moneys in the Receipts Fund shall be used for the establishment and maintenance with the Bank of a "Utilities Revenue Bond Sinking Fund" (the "Sinking Fund") sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the Obligations herein authorized including any Additional Parity Obligations issued hereafter in the manner provided herein, as they severally become due and payable whether by maturity or mandatory call, by transferring as needed from the Receipts Fund to the Sinking Fund. Arrangements with the Paying Agent shall be made as will assure, to the amount of money in the Sinking Fund, prompt payment for principal and interest on the Obligations payable from the Sinking Fund. Appropriate amounts shall also be placed in the Sinking Fund to allow for the payment of the charges of the Paying Agent. On or before the day before the Interest Payment Date, the Issuer will deposit with the Paying Agent sufficient funds to make payment of the principal and/or interest owed on the obligations, as of that Interest Payment Date.

A Supplemental Ordinance may provide for additional amounts to be deposited into the Sinking Fund.

(d) Reserve Fund. After meeting the requirements of 5.1(c), the moneys in the Receipts Fund shall next be used to satisfy the Reserve Requirements for Reserve Secured Bonds. The Reserve Fund will be segregated into one or more accounts that are created for various Series of Reserve Secured Bonds.

Except as set forth in a Supplemental Ordinance, amounts on deposit in each account of the Reserve Fund may be used solely for the purpose of curing deficiencies in the Sinking Fund for the payment when due of the principal of, premium, if any, and interest on the Reserve Secured Bonds for which such account was created. If funds on deposit in each Reserve Fund account exceed the account Reserve Requirement for the applicable Reserve Secured Bonds, the excess cash shall be deposited into the Sinking Fund to the extent moneys from the Receipts Fund are unavailable to meet current Bond Service Requirements and otherwise to the Capital Additions Fund, provided however that upon refunding of any Reserve Secured Bonds such excess may be applied to pay or redeem the Reserve Secured Bonds to be refunded.

Within the Reserve Fund there may be created separate accounts to secure the payment of various issues of Reserve Secured Bonds, each with varying Reserve Requirements. Any issue of Reserve Secured Bonds may utilize an existing Reserve Fund account, provided in doing so, the Reserve Requirement of the prior issue is met and satisfied.

If at any time the Issuer is required to fund a Reserve Fund account, or to increase the amount required to be maintained in the Reserve Fund account pursuant to the preceding paragraph, the amount, or increase in the amount, as applicable, required to satisfy such Reserve Requirement may be funded in up to twelve substantially equal consecutive monthly deposits commencing not later than the month following the occurrence of deficiency.

Each Reserve Requirement, in whole or in part, may be funded with cash or Investment Obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held hereunder for payment of the principal of or interest on the Obligations due on such date which cannot be cured by funds in any other fund or account held pursuant to this Ordinance and available for such purpose, and shall name the Paying Agent as the beneficiary thereof. Each Reserve Product must be rated in the highest rating category by each Rating Agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such Reserve Product on or before the close of the month following such disbursement from the first Revenues available pursuant to this Section or to replace such Reserve Product by depositing into the Reserve Fund pursuant to such sections, funds in the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this Section,

amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Fund, but shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Requirement is funded in whole or in part with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of this Ordinance for the cash and Investment Obligations in the Reserve Fund and the Issuer may then withdraw such cash and Investment Obligations from the Reserve Fund and deposit them to the credit of the Operating Fund so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect with respect to the Obligations, or any Series thereof, and (ii) the Issuer obtains an opinion of Bond Counsel to the effect that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the Obligations (if not Taxable Obligations) for federal income tax purposes.

Cash on deposit in any Reserve Fund account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product in such account. If more than one Reserve Product is deposited in the Reserve Fund account, drawings thereunder shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Moneys in reserve in connection with the Utilities Revenue Bonds, Series 1996 shall be retained in a Reserve Fund account until a date one year before the final retirement of such bonds.

Any Supplemental Ordinance may require a greater Reserve Requirement or no Reserve Requirement for any issue or series of obligations of or other obligations on behalf of Issuer with respect to the Reserve Fund.

(e) Capital Additions Fund. After meeting the requirements in 5.1(d), the moneys in the Receipts Fund shall next be deposited in the Capital Additions Fund, which moneys in the Capital Additions Fund shall next be used for the following purposes:

(i) When amounts are deposited in the Capital Additions Fund to pay the capitalized cost of interest on Obligations of the Issuer, the Issuer shall pay from the Capital Additions Fund to the Paying Agent, on or before the date or dates on which interest on such Obligations becomes due and payable, an amount equal to such interest.

(ii) Notwithstanding the above provisions of this Section, amounts in the Capital Additions Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that moneys are not available therefor.

(iii) There shall also be deposited in said fund all Impact Fees.

(iv) Not later than one hundred twenty (120) days following the close of each Fiscal Year the Issuer will receive from the Capital Additions Fund, if and to the extent that the money in such Fund makes possible such payment under the restrictions hereinafter contained, a payment in lieu of taxes, the amount of which shall be determined as follows:

(A) There shall be set aside in each Fiscal Year for the purpose of paying Capital Costs an amount equal to seven and one-half percent (7-1/2%) of the total Non-Fuel Revenues into the Receipts Fund for such Fiscal Year.

(B) If the balance of the amount so paid into the Capital Additions Fund in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the total Non-Fuel Revenues into the Receipts Fund as above provided, is equal or less than twelve percent (12%) of the Receipts Fund deposits for such Fiscal Year, all of such balance shall be paid to the Issuer; however, if such balance is

more than twelve percent (12%) of the Receipts Fund deposits for such Year, then the Issuer shall be paid an amount equal to twelve percent (12%) of said Receipts Fund deposits.

- (C) The remaining moneys in the Capital Additions Fund may be used for (i) paying Capital Costs or for the creation and maintenance of a Rate Stabilization Account, which may be used for making payments into the Receipts Fund to provide for temporary losses of revenue, such payments to be made for such time and in such amounts as may be determined by the Issuer and shall be considered as Revenue as defined herein, (ii) the payment of Subordinated Indebtedness and Subordinated Contract Obligations, (iii) the purchase of Outstanding Obligations, or (iv) making any payment or investment for any lawful purpose.

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 6.1. Deposits Constitute Trust Funds. All funds or other property which at any time may be owned or held in the possession of or deposited with the Issuer in the funds and accounts created or maintained under the provisions of this Ordinance shall be held in trust and applied only in accordance with the provisions of this Ordinance.

All funds or other property which at any time may be owned or held in the possession of or deposited with the Issuer pursuant to this Ordinance shall be continuously secured, for the benefit of the Issuer and the Bondholders, either (a) by lodging with an Authorized Depository, as custodian, collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds.

All moneys deposited with each Authorized Depository shall be credited to the particular Fund or Account to which such moneys belong.

SECTION 6.2. Investment of Moneys. Moneys held for the credit of the Funds established hereunder shall be invested and reinvested by the Issuer in Investment Obligations. Such investments or reinvestments shall mature or become available not later than the respective dates, as estimated by the Issuer, that the moneys held for the credit of said Funds will be needed for the purposes of such Funds.

Obligations so purchased as an investment of moneys in any such Fund shall be deemed at all times to be a part of such Fund, and shall at all times, for the purposes of this Ordinance, be valued at the amortized cost of such investments.

Except as otherwise expressly provided herein or as provided by subsequent resolution or ordinance, all income and profits derived from the investment of moneys in the Funds shall be deposited in the Receipts Fund and used for the purposes specified for the Receipts Fund, except that all income and profits derived from the investment of moneys in the Reserve Fund shall be retained therein until the Reserve Fund is fully funded and then shall be deposited in the Receipts Fund.

All such investments relating to Tax Exempt Obligations shall be made in compliance with covenants in Supplemental Ordinances relating to the Internal Revenue Code of 1986, as amended.

ARTICLE VII

GENERAL COVENANTS OF THE ISSUER

SECTION 7.1. Operation Covenant. The Issuer hereby covenants to operate the Utilities System in a business like manner and, in consultation with the Consulting Engineers, to operate the Utilities System in such manner in order to insure the continued availability of Net Revenues to pay all costs required by this Ordinance. The Issuer covenants to adequately maintain and improve the Utilities System and to employ the necessary staff and employees, as required by industry practice and as necessary to properly operate and protect the Utilities System.

SECTION 7.2. Maintenance of Utilities System; Disposition. The Issuer will maintain the Utilities System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance, provided, however, that nothing herein shall be construed to prevent the Issuer from ceasing to operate or maintain, or from leasing or disposing of any portion or component of the Utilities System if, in the judgment of the Issuer, (i) it is advisable to lease, dispose of, or not operate and maintain the same, and (ii) the lease, disposition or failure to maintain or operate such component or portion of the Utilities System will not prevent the Issuer from meeting the requirements of Sections 5.1 and 7.7 hereof. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain as part of the Revenues, the Revenues from such portion or component of the Utilities System, shall not constitute a lease or disposition thereof for purposes of this Section.

SECTION 7.3. No Competitive Facilities. The Issuer shall not hereafter construct, acquire or operate any plants, structures, facilities or properties which will provide like services of the Utilities System in the Issuer and the areas currently served by the respective systems in competition with and not as part of the Utilities System unless such construction, acquisition or operation, in the judgment of the Issuer, does not materially impair the ability of the Issuer to comply with Section 5.1. Unless prohibited by any applicable law or regulation, the Issuer shall not voluntarily grant a franchise to any entity to construct or operate any competing facility providing the same services provided by the Utilities System. In the event the Issuer is required by law to allow use of its transmission line to any other electric provider, the Issuer, if permitted by law, shall charge a Distribution Charge.

SECTION 7.4. Obligation to Connect Sewerage Users. Acting in the exercise of its police powers, the Issuer will take all actions necessary to require every owner, tenant or occupant of each lot or parcel of land in the Issuer which abuts upon a street or other public way containing a sewer line and upon which lot or parcel a building shall have been constructed for residential, commercial or industrial use, to connect such building with the Utilities System and to cease to use any other method for the disposal of sewage, sewerage water or other polluting matter. All such connections shall be made in accordance with rules and regulations to be adopted from time to time by the Governing Authority, which rules and regulations may provide for an inspection charge to assure the proper making of such connection.

SECTION 7.5. No Free Service. The Issuer will not permit free water, electricity or sewerage service to be supplied by the Utilities System to the Issuer or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality.

SECTION 7.6. Operating Budget. Before the first day of each Fiscal Year the Governing Body shall prepare, approve and adopt in the manner prescribed by law, and may amend from time to time as provided by law, a detailed budget of the Revenues, Bond Service Requirement (including the anticipated amortization of Designated Maturity Obligations and Commercial Paper Obligations), and Cost of Operation and Maintenance for the next succeeding Fiscal Year. Copies of its annual budgets and all authorizations for increases in the Cost of Operation and Maintenance shall be available for inspection at the offices of the Issuer and shall be mailed to any Bondholder requesting the same.

SECTION 7.7. Rate Covenant.

(a) So long as any Obligations remain Outstanding, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each Sinking Fund Year to produce Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the Costs of Operation and Maintenance for such Sinking Fund Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Sinking Fund Year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such Sinking Fund Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Fund in accordance with Section 5.1 hereof, and any additional amount required to make all other payments required to be made.

(b) Failure by the Issuer to comply with the preceding paragraph of this Section in any Fiscal Year shall not constitute an event of default as described in Section 10.1 hereof so long as the Issuer shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days of receipt by the Issuer of audited financial statements delivered pursuant to Section 7.9 hereof which statements show such noncompliance, retain a Qualified Independent Consultant for the purpose of reviewing the Utilities System fees, rates, rents, charges and surcharges and shall implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges filed by the Qualified Independent Consultant with the Issuer in a written report or certificate, and such failure shall not be an event of default even though the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Utilities System as would provide funds sufficient to comply with the requirements of the preceding paragraph so long as the Issuer imposes such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Issuer to as nearly as then practicable comply with such requirements and the Issuer shall again be in compliance within the preceding paragraph of this Section no later than twelve calendar months after its discovery of such non-compliance. The Issuer shall provide notice of its failure to comply with the preceding paragraph of this Section to all then existing Nationally Recognized Municipal Securities Information Repositories no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to any Owner who shall request the same in writing. Furthermore, the Issuer shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

SECTION 7.8. Books and Records. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the Utilities System and the receipt and disbursement of Revenues, and any Bondholder shall have the right at all reasonable times to inspect the same.

SECTION 7.9. Reports and Annual Audits. The Issuer shall require that an annual audit of the accounts and records with respect to the Utilities System be completed as soon as reasonably practicable after the end of each Fiscal Year by a qualified independent certified public accountant. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a statement by such auditors that no default on the part of the Issuer of any covenant or obligation hereunder has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default.

SECTION 7.10. Insurance and Condemnation Awards. The Issuer will carry adequate fire, windstorm, explosion/and other hazard insurance on the components of the Utilities System that are subject to loss through fire, windstorm, hurricane, cyclone, explosion or other hazards; adequate public liability insurance; other insurance of the kinds/and amounts normally carried in the operation of similar enterprises; and in time of war, such insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the Utilities System. The Issuer may, upon appropriate authorization by its Governing Body, self-insure against such risks on a sound actuarial basis. Any such insurance shall be carried for the benefit of the Issuer and, to the extent herein provided, the Bondholders. All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the Utilities System or any part thereof are hereby pledged by the Issuer as security for the Obligations, and thereafter shall be deposited at the

option of the Issuer but subject to the limitations hereinafter described either (i) into the Capital Additions Fund, in which case, such proceeds shall be held in the Capital Additions Fund and used to remedy the loss, damage or taking for which such proceeds are received, either by repairing the damaged property or replacing the destroyed or taken property, as soon as practicable after the receipt of such proceeds, or (ii) into the Sinking Fund for the purpose of purchasing or redeeming Obligations.

SECTION 7.11. Enforcement of Collections. The Issuer will diligently enforce and collect the fees, rates, rentals and other charges for the use of the products, services and facilities of the Utilities System. The Issuer will not take any action that will impair or adversely affect its rights to impose, collect and receive the Revenues as herein provided, or impair or adversely affect in any manner the pledge of the Revenues made herein or the rights of the Bondholders.

SECTION 7.12. Additions to Utilities System. The Issuer may add to the Utilities System any facilities or equipment purchased, acquired or constructed for the purpose of improving or renovating any element of the then-existing Utilities System. In addition, the Issuer may add to the Utilities System any facilities or equipment for the provision of utility-related services other than those provided by the then existing Utilities System so long as, (i) if any Tax-Exempt Obligations are Outstanding hereunder, the Issuer shall have received an opinion of Bond Counsel that the addition to the Utilities System will not, in and of itself, cause the interest on such Tax-Exempt Obligations not to be excludable from gross income of the Holders thereof for federal income tax purposes, (ii) if the Revenues anticipated by the Issuer to be derived from such addition in its first full Fiscal Year of operations are equal to or greater than ten percent (10%) of the total Revenues derived by the Utilities System in the most recent Fiscal Year of the Issuer preceding the adding of such addition to the Utilities System for which audited financial statements are available, or if the Cost of Operation and Maintenance anticipated by the Issuer to be incurred in connection with such addition in its first full Fiscal Year of operation are equal to or greater than ten percent (10%) of the total Cost of Operation and Maintenance incurred by the Utilities System in the most recent Fiscal Year preceding the adding of such addition to the Utilities System for which audited financial statements are available, prior to making such addition to the Utilities System the Issuer shall have obtained a written report of a Qualified Independent Consultant to the effect that within its first five (5) full years of operation, the annual additional Revenues generated by such addition in any one Fiscal Year of such first five (5) full years will exceed the annual additional Costs of Operation and Maintenance allocable to such additions in such Fiscal Year, and (iii) within ninety (90) days after adding such addition to the Utilities System the Issuer shall have provided written notice of same to each Rating Agency.

ARTICLE VIII

CONSULTING ENGINEER

SECTION 8.1. Consulting Engineer. The Issuer shall retain a Consulting Engineer for the purpose of providing the Issuer immediate and continuous counsel and advise regarding the Utilities System. It shall be the further duty of the Consulting Engineer to advise the Issuer in its appointment of a Chief Operating Officer for the Utilities System and the Issuer agrees that it will not appoint anyone as Chief Operating Officer who has not been approved by the Consulting Engineer.

SECTION 8.2. Comprehensive Annual Report. The Consulting Engineer shall prepare within one hundred eighty (180) days after the close of each Fiscal Year a comprehensive report, which comprehensive report shall contain therein or be accompanied by a certified copy of an audit of such year's business prepared by the certified public accountant chosen by the Issuer, and in addition thereto, shall report upon the operations of the Utilities System during the preceding year, the maintenance of the properties, the efficiency of the management of the property, the proper and adequate keeping of books of account and record, the adherence to budget and budgetary control provisions, the adherence to all the provisions of the Ordinance, and all other things having a bearing upon the efficient and profitable operations of the Utilities System, and shall include whatever criticism of any phase of the operation of the Utilities System the Consulting Engineer may deem proper, and such recommendation as to changes in operation and the making of repairs, renewals, replacements, extensions, betterments and improvements as the Consulting Engineer may deem proper including recommended changes in organization, pay scales and risk management practices. Copies of such report shall be placed on file with the Chief Operating Officer and shall be open to inspection by any Owners of any of the Bonds. Such report shall also contain

the Consulting Engineer's recommendations as to personnel practices and policy and his analysis of the ability of the Utilities System to function in the present and forecasted environments.

SECTION 8.3. Recommendation as to Rate Revision. It shall further be the duty of the Consulting Engineer to advise the Issuer as to any revisions of rates and charges, and the Issuer agrees to make no downward revisions in its rates and charges for services (except fuel adjustment charges) which are not approved by the Consulting Engineer.

ARTICLE IX

ISSUANCE OF ADDITIONAL OBLIGATIONS

SECTION 9.1. Creation of Liens, Issuance of Subordinated Indebtedness, Subordinated Contract Obligations and Debt. The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the Obligations and Parity Debt as provided herein, secured by a pledge of the Net Revenues and shall not create or cause to be created any lien or charge on the Net Revenues except to the extent provided in Section 3.1; provided, however, that the Issuer may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of the payment thereof in accordance with Section 5.1(e) hereof and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues created by this Ordinance as security for payment of the Obligations and provided further, however, that nothing contained in this Ordinance shall prevent the Issuer from issuing (i) bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution or ordinance to finance a Separately Financed Project; or (ii) other bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution or ordinance payable from, among other sources, those moneys withdrawn by the Issuer from the Capital Additions Fund.

SECTION 9.2. Issuance of Parity Obligations. Except as otherwise provided in this section, no Obligations may be issued under this Ordinance, other than Series 2004 Bonds, unless the Issuer shall have first complied with the requirements of this Section. Additional Obligations may be issued from time to time hereunder for any lawful purpose of the Issuer in connection with the Utilities System.

(1) Any Obligations, or any part thereof, may be refunded and the refunding Obligations so issued shall enjoy complete equality of lien with the Obligations which are not refunded, if there be any, and the refunding Obligations shall continue to enjoy whatever priority of lien over subsequent issues as may have been enjoyed by the Obligations refunded.

(2) Additional Obligations, other than refunding described in subparagraph (1) above, may be issued from time to time under this Ordinance upon compliance with the following conditions:

(a) the Issuer shall have enacted a Supplemental Ordinance authorizing such Obligations and providing for the terms thereof as contemplated herein and reciting that all of the covenants contained herein will be fully applicable to such Obligations and otherwise complying with the provisions of Section 3.1;

(b) the City-Parish President of the Issuer shall certify in writing that, upon the delivery of such Obligations, the Issuer will not be in default in the performance of the terms and provisions of this Ordinance or of any of the Obligations;

(c) the (i) City-Parish President of the Issuer shall certify in writing that the Net Revenues of the Utilities System, as shown on the then-most recent available audited financial statements of the Utilities System equal or exceed the Bond Service Requirement for the same audited period for all Outstanding Obligations and (ii) a Certificate from the Consulting Engineer certifying that the Net Revenues of the Utilities System equal or exceed the Bond Service Requirement for all Outstanding Bonds, Parity Debt and additional Obligations proposed to be issued for the first three complete Bond Years during which the additional Obligations shall be outstanding; and

(d) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (i) the Issuer has the right and power under the Act to enact this Ordinance and this Ordinance has been duly and lawfully enacted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and is enforceable in accordance with its terms and no other authorization of this Ordinance is required, (ii) this Ordinance creates a valid lien upon and pledge of the Net Revenues, (iii) the Obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and this Ordinance and have been duly and validly authorized and issued in accordance with the Act and this Ordinance, and (iv) the Issuer has the full lawful power and authority to issue the Obligations for the purposes for which they are authorized.

In calculating Net Revenues of the Utilities System for purposes of clause (c) above, the City-Parish President may, at his or her option, adjust the amount of Net Revenues shown on the most recent available audited financial statements of the Utilities System in the following respects:

(i) If, prior to the issuance of the additional Obligations or incurrence of Parity Debt, the Issuer shall have increased the rates, fees, rentals or other charges for services of the Utilities System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Utilities System if such increased rates, fees, rentals or other charges had been in effect for the full Fiscal Year covered by such audited financial statements;

(ii) If the Issuer shall have acquired or shall have contracted to acquire all or part of any privately or publicly owned utility system which is to be added to the Utilities System and the cost of which is to be paid, in whole or in part, from proceeds of the proposed additional Obligations, then the Net Revenues shall be increased by adding thereto the Net Revenues that would have been derived if such addition to the Utilities System had been included in the Utilities System for the full Fiscal Year covered by such audited financial statements; and

(iii) If the Issuer, in connection with the issuance of the additional Obligations or incurrence of Parity Debt, shall enter into a contract (with a duration or term not less than the final maturity of such additional Obligations) with any public or private entity whereby the Issuer agrees to furnish services of the Utilities System to such entity, then the Net Revenues shown on the audited financial statements shall be increased by the estimated amount which such public or private entity has agreed to pay in one Fiscal Year for the furnishing of such services, after deducting therefrom the cost of operation, maintenance, repair, renewal and replacement allocable to providing such services.

(e) Obligations issued and Parity Debt incurred pursuant to the terms and conditions of this Section shall be deemed on a parity with all Obligations and Parity Debt then Outstanding, and all of the covenants and other provisions of this Ordinance shall be for the equal benefit, protection and security of the holders of any Obligations originally authorized and issued and Parity Debt incurred pursuant to this Ordinance and the holders of any Obligations and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with this Section.

Notwithstanding anything contained in Section 9.2 to the contrary, the above provisions shall not be applicable to Parity Reimbursement Obligations and Parity Swap Obligations incurred with respect to Obligations which met the conditions of this Section 9.2 upon their issuance or incurrence.

SECTION 9.3. Separately Financed Project. Nothing in this Ordinance shall prevent the Issuer from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act, or from financing or otherwise providing for any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, and the Issuer's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project, from other available funds of the Issuer not constituting part of the Revenues or from other funds withdrawn by the Issuer from the Capital Additions Fund.

SECTION 9.4. Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt

(a) The Issuer may include such provisions in a Supplemental Ordinance authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Issuer deems appropriate, and no such provisions shall be deemed to constitute an amendment to this Ordinance requiring action under Article XI hereof, including:

(1) So long as a Credit Facility providing security (but not liquidity) is in full force and effect, and payment on the Credit Facility is not in default, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Bondholder of the Outstanding Obligations the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Obligations is required or may be exercised under this Ordinance. The rights of the issuer of a Credit Facility under this clause (1) may not be assigned or delegated by the issuer of such Credit Facility without the written consent of the Issuer.

(2) In the event that the principal, sinking fund installments, if any, and Redemption Price, if applicable, and interest due on any Outstanding Obligations shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Obligations shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(b) In addition, such Supplemental Ordinance may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying principal installments and interest on Obligations secured by the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

(c) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility, (ii) the terms and conditions of such Credit Facility and the Obligations affected thereby, and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(d) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Ordinance. The Issuer may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created for purposes of this Ordinance, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations (a "Parity Reimbursement Obligation"), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations, which payments shall be Subordinated Contract Obligations.

(e) Any such Credit Facility shall be for the benefit of and secure such Obligations or portion thereof as specified in the applicable Supplemental Ordinance.

(f) In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Issuer may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Issuer's obligation to pay any amount under any Qualified Swap may constitute a Parity Swap Obligation, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Swap

Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

(g) The Issuer's obligation to pay that portion of any rates, fees, charges or payments which the Issuer is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity's obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations (a "Parity Contract Obligation"), or may constitute a Subordinated Contract Obligation or Cost of Operations and Maintenance, as determined by the Issuer.

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

SECTION 10.1. Events of Default. Each of the following events is hereby declared an "event of default", that is to say if:

(a) payment of principal of any Obligation shall not be made when the same shall become due and payable, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise; or

(b) payment of any installment of interest shall not be made when the same shall become due

(c) the Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder to the extent that the payment of or security for the Obligations would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Issuer becomes aware of such conditions; or

(d) an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Issuer, the Utilities System, the Revenues, or any part thereof or the filing of a petition by the Issuer for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Louisiana, which shall not be dismissed, vacated or discharged within thirty (30) days after the filing thereof; or

(e) any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a compromise between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues; or

(f) the entry of a final judgment or judgments for the payment of money against the Issuer as a result of the ownership, operation or control of the Utilities System or which subjects any of the funds pledged hereunder to a lien for the payment thereof in contravention of the provisions of this Ordinance for which there does not exist adequate insurance, reserves or appropriate bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(g) the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Obligations or in this Ordinance on the part of the Issuer to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by the Registered Owners of not less than twenty-five percent (25%) of the Bond Obligation; notwithstanding the foregoing, however, an event of default shall not be deemed to have occurred under this paragraph if the default of the Issuer can not be cured within

sixty (60) days of such notice but can be cured within a reasonable period of time and the Issuer in good faith institutes curative action within such sixty-day period and diligently pursues such action until the default has been corrected.

Notwithstanding the foregoing, with respect to the events described in clauses (c) and (g), the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

SECTION 10.2. Enforcement of Remedies. Upon the happening and continuance of any event of default specified in Section 10.1, then and in every such case the Owners of not less than twenty-five percent (25%) of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Louisiana to serve as trustee for the benefit of the Holders of all Obligations then outstanding (the "Trustee"). Notice of such appointment, together with evidence of the requisite signatures of the Holders of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Trustee shall have agreed to serve shall be filed with the Issuer and the Trustee and notice of such appointment shall be published in THE BOND BUYER or a financial journal of general circulation in the City of New York, New York and mailed to the Registered Owners of the Obligations; provided, however, that if all Obligations then Outstanding are in registered form, no newspaper publication shall be required. After the appointment of a Trustee hereunder, no further Trustees may be appointed; however, the Holders of a majority of the Bond Obligation may remove the Trustee initially appointed and appoint one or more successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to this Article, the appointment of the Trustee shall terminate with respect to such default.

After a Trustee has been appointed pursuant to the foregoing, the Trustee may proceed, and upon the written request of Owners of twenty-five percent (25%) of the Bond Obligation shall proceed to protect and enforce the rights of the Bondholders under the laws of the State of Louisiana, including the Act, and under this Ordinance, by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, all as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the Issuer under this Ordinance the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Issuer for principal, premium, if any, and interest or otherwise under any provisions of this Ordinance or of such Obligations and unpaid, with interest on overdue payments of principal and, to the extent permitted by law, on interest at the rate or rates of interest specified in such Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Obligations, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the Issuer, but solely as provided herein and in such Obligations, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Receipts Fund, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 10.3. Effect of Discontinuing Proceedings. In case any proceeding taken by the Trustee or any Bondholder on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Bondholder, then and in every such case the Issuer, the Trustee and Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

SECTION 10.4. Directions to Trustee as to Remedial Proceedings. Anything in this Ordinance to the contrary notwithstanding, the Holders of a majority of the Bond Obligation shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Ordinance, and that the Trustee shall have the right

to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 10.5. Pro Rata Application of Funds. Anything in this Ordinance to the contrary notwithstanding, if at any time the moneys in the Operating Fund, as the case may be, shall not be sufficient to pay the principal (or Accreted Values with respect to the Capital Appreciation Bonds) of or the interest on the Obligations as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the principal of all the Obligations and Parity Debt shall have become due and payable, all such moneys shall be applied (1) to the payment of all installments of interest then due on the Obligations and the interest component of Parity Debt then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, ratably, without any discrimination or preference, and (2) to the payment of all installments of principal of Obligations and Parity Debt then due.

(b) If the principal of all the Obligations and Parity Debt shall have become due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest (or Accreted Values with respect to Capital Appreciation Bonds) then due and unpaid upon the Obligations and Parity Debt, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation or Parity Debt over any other Obligation or Parity Debt, ratably, according to the amounts due, respectively, for principal and interest (or Accreted Values with respect to Capital Appreciation Bonds), to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Obligations and Parity Debt.

Whenever moneys are to be applied by a trustee or paying agent appointed by the Issuer (the "Agent"), pursuant to the provisions of this Section, such moneys shall be applied by the Agent at such times, and from time to time, as the Agent in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the setting aside of such moneys, in trust for the proper purpose, shall constitute proper application; and the Agent shall incur no liability whatsoever to the Issuer, to any Bondholder or owner of Parity Debt or to any other person for any delay in applying any such moneys, so long as reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Ordinance as may be applicable at the time of application. Whenever the Agent shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Issuer shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue and the Accreted Value of Capital Appreciation Bonds shall cease to accrete. The Agent shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any Obligation unless such Obligation shall be presented to the Agent for appropriate endorsement or for cancellation if fully paid.

SECTION 10.6. Restrictions on Actions by Individual Bondholders. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any obligation hereunder or for any other remedy hereunder unless such Bondholder previously shall have given to the Issuer written notice of the event of default on account of which suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) of the Bond Obligation shall have made written request of the Issuer after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Issuer a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Issuer reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal), and the Issuer shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Issuer, to be conditions precedent to the execution of the powers and trusts of this Ordinance or for any other remedy hereunder. It is understood and intended that no one or more Owners of the Obligations hereunder secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance, or to enforce any right hereunder, except in the manner herein provided,

and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Bondholders, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by this Ordinance to the rights and remedies herein provided.

Nothing contained herein, however, shall affect or impair the right of any Bondholder, individually, to enforce the payment of the principal of and interest on his Obligation or Obligations at and after the maturity thereof, at the time, place, from the source and in the manner provided in this Ordinance.

SECTION 10.7. Appointment of a Receiver. Upon the happening and continuance of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Ordinance, the Trustee shall be entitled, as a matter of right, without regard to the solvency of the Issuer, to the appointment of a receiver or receivers of the Utilities System, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not the Revenues, the Net Revenues and other funds pledged hereunder shall be deemed sufficient ultimately to satisfy the Obligations outstanding hereunder.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. Modification or Amendment.

(a) No modification or amendment of this Ordinance, or of any Supplemental Ordinance, materially adverse to the Bondholders may be made without the consent in writing of the Owners of not less than a majority of the Bond Obligation, but for such purposes the Series 1996 Utilities Revenue Bonds shall not be included in the calculation of Bond Obligation, unless otherwise provided by Supplemental Ordinance, and no modification or amendment shall permit a change (a) in the maturity of any of the Obligations or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Obligation, (c) that would affect the unconditional obligation of the Issuer to collect and hold the Revenues as herein provided, or provide for the receipt and disbursement of such Revenues as herein provided, or (d) that would reduce such percentage of Owners of the Bond Obligation, required above, for such modifications or amendments, without the consent of all of the Bondholders. For the purpose of Bondholders, voting rights or consents, the Obligations, if any, owned by or held for the account of the Issuer, directly or indirectly, shall not be counted. Notwithstanding the foregoing, and so long as the same shall not result in the interest on Obligations other than Taxable Obligations Outstanding hereunder being included in gross income of the holders thereof for federal income tax purposes, the Issuer may, without the consent of the Bondholders, enter into such supplemental ordinances or resolutions (which supplemental ordinances or resolutions shall thereafter form a part hereof):

(i) To cure any ambiguity, inconsistency or formal defect or omission in this Ordinance or in any Supplemental Ordinance, or

(ii) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders, or

(iii) To provide for the sale, authentication and of additional Obligations or refunding Obligations and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized herein, or

(iv) To modify, amend or supplement this Ordinance or any ordinance or resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Issuer so determines, to add to this Ordinance or any ordinance or resolution supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, or

(v) To provide for the issuance of coupon Obligations or certificated or uncertificated registered public obligations, or

(vi) To provide for changes suggested by a nationally recognized securities rating agency as necessary to secure or maintain the rating on the Obligations, or

(vii) To subject to the terms of this Ordinance any additional funds, securities or properties, or

(viii) To make any other change or modification of the terms hereof which, in the reasonable judgment of the Issuer is not prejudicial to the rights or interests of the Holders of the Obligations hereunder.

B. Notwithstanding any provision set forth above, any bond insurer of any Obligations or Parity Debt may vote on behalf of all Bondholders of all such Obligations or Parity Debt.

C. Notice of any amendments or modifications of this Ordinance shall be given by the Issuer to the Rating Agencies then rating any Obligations Outstanding hereunder.

SECTION 11.2. Defeasance and Release of Ordinance. If, at any time after the date of issuance of the Obligations, (a) all Obligations secured hereby, or any Series thereof, or maturity or portion of a maturity within a Series, shall have become due and payable in accordance with their terms or otherwise as provided in this Ordinance, or shall have been duly called for redemption, or the Issuer gives the Paying Agent irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Obligations at maturity or at any earlier redemption date scheduled by the Issuer, or any combination thereof, (b) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Obligations then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Paying Agent, an escrow agent or any Authorized Depository, in irrevocable trust for the benefit of such Bondholders (whether or not in any accounts created hereby) which, as verified by a report of a nationally recognized independent certified public accountant or nationally recognized firm of independent certified public accountants, when invested in Defeasance Securities maturing not later than the maturity or redemption dates of such principal, premium, if any, and interest will, together with the income realized on such investments, be sufficient to pay all such principal, premium, if any, and interest on said Obligations at the maturity thereof or the date upon which such Obligations are to be called for redemption prior to maturity, and (c) provisions shall also be made for paying all other sums payable hereunder by the Issuer, then and in that case the right, title and interest of such Bondholders hereunder and the pledge of and lien on the Revenues, and the Net Revenues and all other pledges and liens created hereby or pursuant hereto, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect to all Obligations issued hereunder and then Outstanding, all balances remaining in any other funds or accounts created by this Ordinance other than moneys held for redemption or payment of Obligations and to pay all other sums payable by the Issuer hereunder shall be distributed to the Issuer for any lawful purpose; otherwise this Ordinance shall be, continue and remain in full force and effect.

For purposes of determining the amount of interest due and payable with respect to Variable Rate Obligations pursuant to (b) above, the interest on such Variable Rate Obligations shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Obligations having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Paying Agent for the payment of interest on such Variable Rate Obligations is in excess of the total amount which would have been required to be deposited with the Paying Agent on such date in respect of such Variable Rate Obligations in order to satisfy the above provisions, the Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excludable from gross income for federal income tax purposes.

For purposes of determining the amount of principal, premium, if any, and interest due and payable pursuant to (b) above with respect to Obligations subject to mandatory purchase or redemption by the Issuer at the option of the Registered Owner thereof ("Put Bonds"), as long as a liquidity credit facility remains in place such

amount shall be the maximum amount of principal of and premium, if any, and interest on such Put Bonds which could become payable to the Registered Owners of such Put Bonds upon the exercise of any such demand options provided to the registered owners of such Put Bonds, If any portion of the moneys deposited with the Paying Agent for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose the Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excluded from gross income for federal income tax purposes.

If a portion of a maturity of a series of Obligations subject to mandatory sinking fund redemption shall be defeased as provided above, the principal amount of the Obligations so defeased shall be allocated to the mandatory sinking fund installments designated by the Issuer, or if no such designation is made, such principal amount shall be allocated to mandatory sinking fund installments in inverse order of maturity.

SECTION 11.3. Tax Covenants. It is the intention of the Issuer and all parties under its control that the interest on the Obligations issued hereunder that are not Taxable Obligations be and remain excluded from gross income for federal income tax purposes and to this end the Issuer hereby represents to and covenants with each of the Holders of the Obligations issued hereunder that are not Taxable Bonds that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Obligations issued hereunder that are not Taxable Obligations from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the Issuer covenants and agrees:

(1) to make or cause to be made all necessary determinations and calculations of the amount required to be paid to the United States of America pursuant to Section 148(f) of the Code (the "Rebate Amount") and required payments of the Rebate Amount;

(2) to set aside sufficient moneys from the Revenues or other legally available funds of the Issuer, to timely pay the Rebate Amount to the United States of America;

(3) to pay the Rebate Amount to the United States of America at the times and to the extent required pursuant to Section 148(f) of the Code;

(4) to maintain and retain all records, pertaining to the Rebate Amount with respect to the Obligations that are not Taxable Obligations issued hereunder and required payments of the Rebate Amount with respect to the Obligations that are not Taxable Obligations for at least six years after the final maturity of the Obligations that are not Taxable Obligations or such other period as shall be necessary to comply with the Code;

(5) to refrain from taking any action that would cause any Obligations or any Series or portion thereof issued hereunder, other than Taxable Obligations and bonds issued with the intent that they shall constitute "private activity bonds" under Section 141(a) of the Code, to be classified as "private activity bonds" under Section 141(a) of the Code; and

(6) to refrain from taking any action that would cause the Obligations that are not Taxable Obligations issued hereunder to become arbitrage bonds under Section 148 of the Code.

The Issuer understands that the foregoing covenants impose continuing obligations of the Issuer that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to the Obligations.

Notwithstanding any other provision of this Ordinance, including, in particular Section 11.3 hereof, the obligation of the Issuer to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section 11.4 shall survive the defeasance or payment in full of the Obligations that are not Taxable Obligations.

SECTION 11.4. Severability. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Ordinance or of the Obligations issued hereunder.

SECTION 11.5. No Third-Party Beneficiaries. Except as herein or by Supplemental Ordinance otherwise expressly provided, nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the owners and holders of the Obligations issued under and secured by this Ordinance, any right, remedy or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners and Holders from time to time of the Obligations issued hereunder.

SECTION 11.6. Controlling Law; Members of Issuer Not Liable. All covenants, stipulations, obligations and agreements of the Issuer contained in this Ordinance shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent (authorized by the Act and provided by the Constitution and laws of the State of Louisiana). No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member of the Governing Authority, agent or employee of the Issuer in his individual capacity, and neither the members of the Issuer nor any official executing the Obligations shall be liable personally on the Obligations or this Ordinance or shall be subject to any personal liability or accountability by reason of the issuance or the execution by the Issuer or such members thereof.

SECTION 11.7. Repeal of ordinances or resolutions. All ordinances or resolutions, or parts thereof, in conflict herewith are hereby repealed.

SECTION 11.8. Effective Date. This ordinance shall become effective upon signature of the Lafayette City-Parish President, the elapse of ten (10) days after receipt by the Lafayette City-Parish President without signature or veto, or upon an override of a veto, whichever occurs first.

APPENDIX B

CONSULTING ENGINEER'S REPORT

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CONSULTING ENGINEER'S REPORT

**LAFAYETTE, LOUISIANA
UTILITIES REVENUE REFUNDING BONDS
SERIES 2012**



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APPENDIX B

CONSULTING ENGINEER'S REPORT

UTILITIES REVENUE REFUNDING BONDS

SERIES 2012

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APPENDIX B
CONSULTING ENGINEER'S REPORT
UTILITIES REVENUE REFUNDING BONDS
SERIES 2012

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December 14, 2012

Lafayette City-Parish Council
Lafayette Public Utilities Authority
Lafayette Utilities System
1314 Walker Road
Lafayette, LA 70506-1100

**Subject: Consulting Engineer's Report
Utilities Revenue Refunding Bonds, Series 2012**

Ladies and Gentlemen:

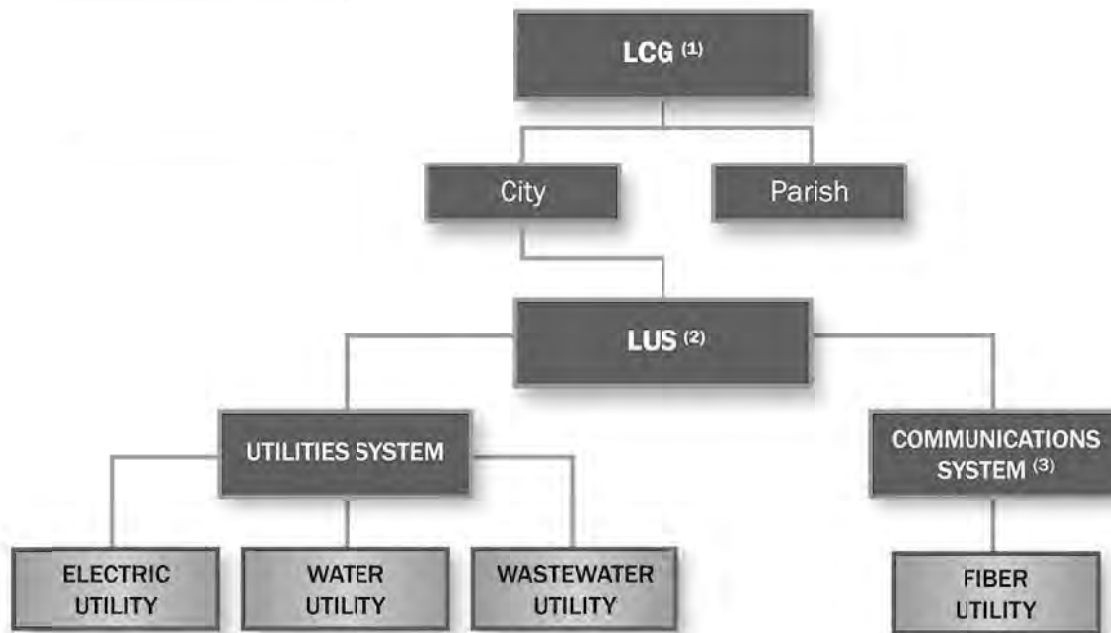
INTRODUCTION

Presented herein is a report ("Report") of our analysis, investigations and studies concerning the proposal by the City of Lafayette, Louisiana ("City") to issue its Utilities Revenue Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds") in the principal amount of \$153,960,000. The Series 2012 Refunding Bonds are being issued pursuant to an ordinance adopted by the Lafayette City-Parish Council ("Council") and Lafayette Public Utilities Authority ("LPUA") on October 2, 2012 ("2012 Refunding Ordinance"). The LPUA consists of those members of the Council whose districts include 60 percent or more of persons residing within the boundaries of the City.

The City operates with Lafayette Parish Government as a consolidated government known as the Lafayette City-Parish Consolidated Government (referred to herein as the "Lafayette Consolidated Government" or "LCG"). This form of government includes the President and nine Council members who are elected by the citizens of the Lafayette Parish ("Parish") to four-year terms of office. The President and his Chief Administrative Officer direct and supervise the administration of all departments, offices, and agencies of LCG, except as may otherwise be provided by the Home Rule Charter ("Charter") or by law. Certain departments of the LCG are involved in day-to-day management and operation of the Lafayette Utilities System (referred to herein as "LUS" or "Utilities System"). The governing authority of LUS is LPUA. Although LPUA is the governing body of LUS, the Charter confers the authority to sign all contracts on behalf of LUS to the City-Parish President.

LUS is a department of LCG and consists of the Electric System, the Water System, the Wastewater System and the Communications System. LUS's properties and assets, controlled and operated by the LCG, are designated by existing bond ordinances as the Utilities System and Communications System. The Utilities System is comprised of: (1) an Electric System (including generation, transmission and distribution facilities); (2) a Water System (including supply, treatment, transmission, distribution and storage facilities); and (3) a Wastewater System (including wastewater collection and treatment facilities). The Communications System is comprised of a fiber optic loop that runs throughout the City for providing retail telephone, cable television, and Internet services in the City (the "Communications System"). The Communications System is also referred to as LUS Fiber, and for the purposes of this Report, the two terms are interchangeable. The relationship among these entities is shown below in Figure 1.

**Figure 1
LCG and LUS Structure**



- (1) LUS is governed by the Council and LPUA. All other LCG issues are governed by the Council.
- (2) From an operational perspective, the Utilities System and the Communications System are both operated by LUS.
- (3) From an accounting perspective, the Utilities System and Communications System are separate.

SCOPE OF WORK

SAIC Energy, Environment & Infrastructure, LLC (“SAIC”), formerly R.W. Beck, Inc., has been engaged to perform a limited scope of work for this Report. The scope of work consisted of reviewing the physical and operating condition of the Utilities System and the Communication Systems and their financial strength, as well as examining the financial strength of LUS. This scope includes the development of projections of revenue, expenses and debt service coverage ratios (the projected operating results) for LUS for fiscal years 2012 through 2021. All data presented in this Report is on a fiscal year basis, which begins November 1 and ends October 31 the following calendar year, unless otherwise noted. The projected operating results for LUS are summarized in Exhibit B-1 to this Report.

Financial information and analyses for the Communications System was prepared by LUS. SAIC relied exclusively upon the analysis and conclusions made by LUS for information related to current and projected operating and financial condition of the Communications System.

The analysis and studies for this Report are based on a bond market analysis performed by Morgan Keegan & Company, Inc. or its assignee, Raymond James & Associates, Inc. (“Underwriter”), interviews with LUS staff and management, historical LUS Financial and Operating Statements (and supporting documentation), the Lafayette Consolidated Government Proposed Operating and Capital Budget 2012-2013 (“2013 Proposed Budget”), and the LUS capital plans as contained therein.

Representatives of SAIC visited and performed general field observations of the Utilities System in March of 2012. The general field observations performed consisted of visual, above ground examinations of selected areas, which SAIC deemed adequate to comment on the general appearance of the Utilities System. The general field observations performed were not performed at a level of detail which would be necessary to reveal conditions with respect to safety, the subsurface physical condition, or the conformance with agreements, codes and permits, rules or regulations of any party having jurisdiction with respect to the construction, operation, and maintenance of the Utilities

System. During the preparation of this Report, SAIC has reviewed certain documents and agreements provided to SAIC by LUS. These documents and agreements include the LUS financial and operating statements and supporting documentation, the LUS budget documents, power sales and purchased power agreements.

Following the terrorist attacks of September 11, 2001, increased emphasis has been placed on addressing security measures for the infrastructure systems and facilities throughout the United States. A terrorist attack resulting in serious breach of security to the Utilities System could impact the operation of LUS and interfere with the ability of LUS to provide service and generate revenues. Additionally, a serious breach of security outside of LUS operations has the potential to affect organizations other than LUS, the continued performance of which is critical to continued operation of LUS business. These other organizations may be either dependent on or provide service to LUS. Evaluation by SAIC of the security measures of the Utilities Systems and the Communications System, as well as other entities with which LUS has business or operational relations relative to security issues, is not within the scope of this Report. SAIC has not been engaged to conduct, and in fact has not conducted, assessments of the measures LUS has undertaken to address security issues.

In addition, severe weather resulting in serious damage to the Utilities System could impact the operation of, and interfere with the ability of LUS to provide service and generate revenues. LUS has a current hurricane preparation and response program which is reviewed and updated annually. While the Utilities System is not fully insured for losses attributable to storm events, it does carry insurance coverage for certain facilities and would have access to Federal Emergency Management Agency (“FEMA”) reimbursements if a federal disaster were declared following a storm event.

AUTHORIZATION AND PURPOSE

LUS is proposing to issue the Series 2012 Refunding Bonds in the principal amount of 153,960,000 to provide funds to advance refund a portion of the outstanding \$167,810,000 of the Utilities Revenue Bonds, Series 2004 (“Series 2004 Bonds”). The Council and the LPUA approved the issuance of the Series 2012 Refunding Bonds in the 2012 Refunding Ordinance. It is estimated by the Underwriter that the refunding of the Series 2004 Bonds will save LUS approximately \$24,117,023 from years 2013 through 2028. The estimated sources and uses of the funds from the proposed issuance of the Series 2012 Refunding Bonds are summarized in Table 1 as provided by Underwriter.

Table 1
Estimated Sources and Uses of the Series 2012 Refunding Bonds⁽¹⁾

Sources of Funds:

Bond Proceeds:	
Par Amount	\$153,960,000
Reoffering Premium	30,598,063
Transfers from Prior Issue DSR Funds	<u>18,565,381</u>
Total Source of Funds	\$203,123,444

Uses of Funds:

Project Fund Deposits:	
Net Cash Escrow Fund	\$ 184,532,009
Other Fund Deposits:	
Debt Service Reserve Fund	17,116,463
Delivery Date Expenses:	
Cost of Issuance/ Underwriter’s Discount	1,474,973
Total Use of Funds:	\$203,123,444

(1) These details are based on information provided by Underwriter. Subject to change.

FACTORS AFFECTING THE ELECTRIC INDUSTRY

The electric industry in general has been, and in the future may be, affected by a number of factors. Such factors include, among others:

- Effects of compliance with changing environmental, safety, licensing, regulatory and legislative requirements, including potential regulation of carbon dioxide (“CO₂”) as a pollutant.
- Changes resulting from conservation and demand-side management programs.
- Changes resulting from a national energy policy.
- Effects of new methods of, and new facilities for, producing low-cost electricity.
- Increased competition from independent power producers, marketers, and brokers.
- “Self-generation” by certain industrial and commercial customers.
- Issues relating to the ability to issue tax-exempt debt.
- Effects of inflation on the operating and maintenance costs of an electric utility and its facilities.
- Changes from projected future load requirements.
- Increases in costs and uncertain availability of capital.
- Shifts in the availability and relative costs of different fuels (including the cost of natural gas).
- Fluctuations in the price of energy purchased on the open market.
- Inadequate risk management procedures and practices with respect to, among other things, the purchase, and sale of energy and transmission capacity.
- Other legislative changes, voter initiatives, referenda, and statewide propositions.
- Effects of the changes in the economy.
- Effects of possible manipulation of the electricity markets.
- Natural disasters or other physical calamity, including, but not limited to, earthquakes and hurricanes.
- North American Electric Reliability Corporation (“NERC”) Compliance – new or changed NERC compliance standards may cause additional requirements for utilities.
- Changes in the Regional Transmission Organizations (“RTOs”) may result in electric utilities shifting from one NERC region to another.

Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility or entity, including LUS and other affiliates and will likely affect them in different ways. We cannot determine with certainty what effects such factors will have on their respective business operations and financial condition. This report contains a brief discussion of some of these factors. However, this discussion does not purport to be comprehensive or definitive, or to have addressed the full range of possibilities for the factors discussed and these matters are all subject to change.

LAFAYETTE CONSOLIDATED GOVERNMENT

Introduction

In the fall of 1992, the electorate of the City adopted the Charter establishing the LCG for the purposes of combining the governmental functions of the City and Lafayette Parish. The new government became operational on June 3, 1996 when City-Parish government officials took office pursuant to the Charter. Financial information provided herein is on a fiscal year basis unless otherwise noted. The LCG departments involved in day-to-day management and operation of LUS (besides LUS) are the Department of Administrative Services, the Department of Finance and Management, the Department of Information Services & Technology, and the Legal Department.

The duties, responsibilities, management, and organization of LUS under LCG are taken from the Charter. The Director of the Utilities Department is appointed by the President, subject to approval by LPUA, in accordance with provisions included in current or future bond resolutions and covenants.

The Utilities Department functions in accordance with conditions included in current bond resolutions and covenants. Funds paid by LUS to LCG for in-lieu-of-taxes (“ILOT”) must be used only for programs and services within the City. LPUA fixes rates, incurs indebtedness, approves the LUS budget, and approves proposals for the improvement and extension of LUS, subject to approval by the President and Council.

The Director of the Utilities Department is responsible for the operations of the LUS in all areas of activity not otherwise provided for by the Departments of Administrative Services, Finance, or Information Services & Technology. As outlined in the Charter, the duties of the Director of Utilities are as follows:

- Production and distribution of electricity.
- Water production, treatment, and distribution.
- Sewerage collection, treatment, and disposal.
- Utility engineering services.
- Supervision of contract construction work for the Utilities System.
- Maintaining utility equipment in cooperation with the central garage.
- Reading of utility meters.
- Other such activities as may be directed by the President as necessary or incidental to the operation of the Utilities System.

The Managing Director of the Louisiana Public Power Authority (“LPPA”) and the City’s Director of Utilities is Mr. Terry Huval. Mr. Huval has 34 years of experience in the electric power utilities industry (16 with Gulf States Utilities/Entergy and 18 with the Utilities System). He is a registered Professional Electrical Engineer and graduated cum laude with a degree in electrical engineering from the University of Louisiana-Lafayette. Mr. Huval has received numerous awards for his engineering and public service activities. Mr. Huval served as a Past Chair of the American Public Power Association (“APPA”) and also serves on the Board of Directors of the Louisiana Energy and Power Authority (“LEPA”). He is a current board member in the Greater Lafayette Chamber of Commerce and is a past Chairman of the Board for United Way of Acadiana.

From an accounting perspective the Communications Division’s accounting and financial records are maintained separately from the Utilities System records. All of the LCG utility operations operate on a fiscal year that begins November 1 and ends October 31 of the following year (“Fiscal Year”).

LAFAYETTE UTILITIES SYSTEM

The City currently owns and operates a public utility which produces revenue from its Electric System, Water System, and Wastewater System (the “Utilities System”). Projected revenue and debt service coverage for fiscal years 2012 through 2021 are shown in Exhibit B-1. Refer to the “Rates for Utilities System” section of this Report for a discussion of competitive issues related to the Utilities System.

LUS Management

The Director of Utilities is responsible for the operation of the Utilities System and in all areas of activity not otherwise provided for by LCG. In addition to the Director of Utilities’ office, LUS is comprised of nine operating divisions, including the following:

- Customer Service is responsible for the daily collection and processing of utility customers deposits and billings, and meter readings.
- Electrical Operations is responsible for all the field activities associated with operation and maintenance of the electrical transmission and distribution facilities, including security, service

calls, system construction, system control, substation operations, and inventory and facilities management.

- Power Production is responsible for the operation and maintenance of the electric power production facilities, project management, engineering, procurement, and construction associated with its capital operation and maintenance budgets.
- Water Operations is responsible for operation and maintenance of the water supply, production, storage, distribution, and water quality.
- Wastewater Operations is responsible for operation and maintenance of the treatment and collection facilities and the management of wastewater discharge quality and industrial discharge permits and fees.
- Engineering is responsible for all engineering activities necessary to operate and maintain the Utilities System, including forecasting, system planning, system design, contract administration, construction management, and engineering analysis in support of the other operating divisions.
- Environmental Compliance is responsible for the LUS environmental regulatory requirements.
- Support Services is responsible for the administrative duties associated with operating the Utilities System, including employee training and safety, public information, rates, and financial planning.
- Telecommunications is responsible for the operations and maintenance of the fiber system throughout the City.

Descriptions of the Electric System, Water System, and Wastewater System follow. These sections also describe the major facilities that comprise each system.

Electric System Description

The Electric System includes the generation facilities, transmission and distribution systems, fuel infrastructure and supply contracts, and power supply/sales contracts. Additionally, the Electric System participates in the wholesale power market. A description of the Electric System follows.

Generation Facilities

As previously mentioned, LUS owns three gas-fired generating facilities located within the City limits: the Doc Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. LUS obtains a significant portion (from 50 to 70 percent) of its electric energy requirements from the LPPA through its 50 percent ownership interest in a fossil fuel, steam-electric generating unit, Rodemacher Power Station Unit 2 (“RPS-2”). RPS-2 is located at the Brame Energy Center (formerly known as the Rodemacher Power Station) near Boyce, Louisiana. Located in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of Lafayette, RPS-2 is operated by Cleco Power LLC (“Cleco”). The Council is the governing authority of LPPA. The Chief Executive Officer of LPPA is the LCG City-Parish President. The Director of Utilities is also the Managing Director of LPPA.

LUS purchases base load power from LPPA. Under the Power Sales Contract (“PSC”) between LPPA and LUS, payments are specified to be sufficient to pay all costs of LPPA in connection with RPS-2, including LPPA’s share of operation and maintenance of the RPS-2, coal inventory costs, debt service requirements, and all other financial obligations of LPPA’s share of the RPS-2. The PSC provides that the obligations of the City to make such payments in each contract year shall constitute obligations payable as an operating expense of the LUS and payable solely from the revenues of the Utilities System. Such payments are to be made whether or not RPS-2 is operating or operable.

Annual generation at RPS-2 has averaged approximately 3,415 gigawatt hours (“GWh”) (net) over the 2005 to 2009 period with an average annual plant capacity factor of 69.4 percent. The annual average heat rate of RPS-2 was approximately 11,008 Btu per kilowatt hour (“kWh”).

Doc Bonin Plant

The Doc Bonin Plant is located in the northwest part of the City. It is a gas-fired, steam-electric generation station with a net accredited capability of 295 megawatt ("MW") and consists of three units. Unit 1 is a 45 MW unit with a Babcock and Wilcox boiler and a Westinghouse turbine and was built in 1964. Unit 2 was built in 1970 and is an 80 MW unit with a Combustion Engineering boiler and a General Electric ("GE") turbine. Unit 3 is a 170 MW unit with a Babcock and Wilcox boiler and a GE turbine that was built in 1976.

Annual generation at the Doc Bonin Plant has averaged approximately 270 GWh (net) over the 2007 to 2011 period with average annual plant capacity factor of 11 percent. Annual natural gas consumption averaged 3,145,176 million British thermal units ("MMBtu") over the same period. The annual average heat rate of the Doc Bonin Plant was approximately 12,339 Btu per kWh.

Planning models indicate that optimal operation of the Doc Bonin Plant would be achieved by running only one of the three active gas-fired generating units at one time. In this mode of operation, there are essentially "spare" generating units to ensure system reliability. During the majority of FY 2012, LUS operated one unit at the Doc Bonin Plant, which represents typical operating conditions.

T. J. Labbé Plant and Hargis-Hébert Plant

The T. J. Labbé Plant is located toward the northern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative GE LM6000PC Sprint combustion turbines ("CT") with water injection for nitrogen oxide ("NO_x") control and chillers for inlet air cooling to enhance power production when operating at high ambient temperatures. It is equipped with three capacity gas compressors each rated at 50 percent of capacity and is connected to the LUS 230 kilovolt ("kV") transmission system by means of a looped interconnect to the existing Pont des Mouton to Doc Bonin line. It also includes a 230 kV switchyard and a 600 kilowatt ("kW") black start emergency diesel generator. Commercial operation for the T. J. Labbé Plant began in September 2005.

Annual generation at the T. J. Labbé Plant has averaged approximately 103 GWh (net) over the 2007 to 2011 period with an average annual plant capacity factor of 12 percent. Annual natural gas consumption averaged 1,293,708 MMBtu over the same period. The annual average heat rate of the T. J. Labbé Plant was approximately 12,523 Btu per kWh.

The Hargis-Hébert Plant is located in the southern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative GE LM6000PC Sprint CT generators. It is connected to the LUS transmission system by a 69 kV line to the Elks Substation. It also includes a 69 kV switchyard and a 600 kW black start emergency diesel generator. Commercial operation for the Hargis-Hébert Plant began in June 2006.

Annual generation at the Hargis-Hébert Plant has averaged approximately 158 GWh (net) over the 2007 to 2011 period with an average annual plant capacity factor of 18 percent. Annual natural gas consumption averaged 1,764,294 MMBtu over the same period. The annual average heat rate of the Hargis-Hébert Plant was approximately 11,171 Btu per kWh.

While the T. J. Labbé Plant and Hargis-Hébert Plant are identical MW plants, their respective heat rates vary due to their relative use for peaking and regulation services.

Regional Reliability Councils

LUS is located in an area that is primarily served by two separate investor owned utilities, Cleco and Entergy Gulf States Louisiana, Inc. ("Entergy Gulf States-LA"). Cleco and LUS are current members of the Southwest Power Pool ("SPP"), which is a Federal Energy Regulatory Commission ("FERC") approved Regional Transmission Organization ("RTO") and a NERC region. LUS has been informed that the Entergy operating companies (Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Gulf States Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.) and Cleco are moving forward with plans to

transfer from SPP to the Midwest Independent System Operator (“MISO”) as of December 2013. Cleco issued a statement on June 25, 2012 declaring their intent to file for approval and join MISO. However, both Entergy Gulf States-LA, Entergy Louisiana, and Cleco’s memberships are contingent on the Louisiana Public Service Commission approval as well as Entergy Arkansas having the approval of the Arkansas Public Service Commission.

LUS conducted a study to evaluate the operational costs and benefits of participating in MISO, SPP, or continuing to operate outside of an RTO market in the event Cleco and the Entergy Gulf States-LA become RTO members. The results of the study indicated that the economic benefits to LUS of participating in the MISO or SPP RTOs while continuing to operate outside of an RTO market would not be economically feasible. The benefits however were estimated to be essentially the same if LUS joined either the MISO or SPP RTO.

Should the Entergy Gulf States-LA and Cleco both become participating members of MISO, LUS would no longer have the option to participate in the SPP RTO because LUS will not be contiguous with the SPP RTO footprint. As a result, LUS has continued to participate in various training and discussions with MISO and is currently preparing to obtain the necessary regulatory approval for this move by the end of 2012. It is the intent of LUS to become a participating member of MISO and begin receiving services in 2013.

As of July 2012, MISO contained a total generation capacity of approximately 143,700 MW including reliability reserves, with approximately 350 market participants serving nearly 39 million people. MISO maintains nearly 50,000 miles of transmission assets, ranging from 69 kV capacity to 500 kV capacity. In July 2012, MISO capacity consisted of approximately 48 percent coal-fired generation, 32 percent gas/oil, 14 percent renewable, and six percent nuclear. Approximately 11,800 MW of the renewable generation was registered wind capacity.

MISO manages one of the world’s largest energy and operating reserves markets using security-constrained economic dispatch of generation. The Energy and Operating Reserves Market includes a Day-Ahead Market, a Real-Time Market, and a Financial Transmission Rights Market. These markets are operated and settled separately. Characteristics of the markets include five-minute dispatch, offers locked in 30 minutes prior to the scheduling hour, with spot prices calculated every five minutes.

Currently, LUS uses the electric power market to purchase short-term energy when it is economically advantageous to do so. LUS will also sell into the market when it has excess generation and it is economical to do so. LUS has an agreement with The Energy Authority (“TEA”) to perform the wholesale power negotiations and transactions on its behalf.

NERC Compliance

To comply with NERC standards, LUS implemented a formal Internal Compliance Program (“ICP”) in early 2010. An Internal Compliance Committee (“ICC”) was formed and Subject Matter Experts (“SMEs”) were identified in each area. The ICC meets quarterly and consists of employees that are SMEs and consultants. In 2011, internal NERC compliance monitoring responsibilities were assigned to the Engineering Environmental Compliance (“EEC”) Division and staffing was increased to assist accordingly. The EEC Division supervisor assumed additional duties associated with monitoring compliance activities. An additional position, Electric Reliability Compliance Analyst, was added to support this compliance effort. Four other additional personnel were added in other divisions throughout LUS to support NERC compliance. Electric Operations added a Systems Support Specialist, Power Production added an Engineer II and Employee Development added a Trainer as well as a Personnel/Records Management Clerk. LUS utilizes significant external consultant services to support the ICP effort as well. The consultant assists with internal auditing, developing/reviewing of policies and procedures, reliability entity audit preparation, guidance on new and changing standards as well as opportunities for continuous improvement.

Fuel Infrastructure and Supply Contracts

LUS signed Letter Agreement Number Two for Natural Gas Services, dated February 1, 2005 (the “Letter Agreement”) with TEA, which supersedes the previous agreements for natural gas services. The Letter Agreement authorizes TEA to provide resource management services, including purchasing natural gas and both firm and interruptible transportation on behalf of LUS, and marketing LUS’ surplus natural gas and transportation. The Letter Agreement continues until either party provides 30 day written notice of termination to the other party.

Natural gas is primarily provided by ATMOS Energy Marketing, LLC (“ATMOS”) for up to 20,000 MMBtu per day pursuant to a base contract between ATMOS and TEA dated February 1, 2004, which is backed by LUS, in conjunction with confirmations between TEA and ATMOS dated August 9, 2009 and July 1, 2012 for deliveries to the Hargis-Hébert Plant and T. J. Labbé/Doc Bonin Plants respectively. The August 2009 confirmation had an initial expiration of October 31, 2012 while the July 2012 confirmation expires on June 20, 2014. Both confirmations have an automatic 12 month extension period unless notice of termination is given at least 6 months prior to the end of the initial delivery period. The parties did not submit notice of termination for the August 2009 confirmation and agreed to allow the 12 month extension which will expire on October 31, 2013.

Natural gas can also be supplied on an emergency basis to the T. J. Labbé/ Doc Bonin Plants up to 15,000 MMBtu per day from Crosstex Gulf Coast Marketing, LLC (“Crosstex”) pursuant to a base contract between Crosstex and TEA dated September 1, 2002, which is backed by LUS, in conjunction with a confirmation between TEA and Crosstex dated January 1, 2010. Said confirmation had a primary term from January 1, 2010 through December 31, 2010 and continues from month-to-month thereafter until either party gives 30 day written notice. LUS reported that as of the date of this Report, neither party has provided a 30 day written notice of termination. In addition to the “base” volumes purchased from Crosstex, TEA purchases natural gas on the spot market from Crosstex and multiple other suppliers for LUS in order to fulfill the annual gas requirements of LUS.

LUS owns a ten mile, 10 inch gas supply pipeline, which connects to the Texas Gas Transmission Corporation (“Texas Gas”) and Columbia Gulf Transmission Company (“Columbia Gas”) pipeline systems. The LUS-owned gas pipeline offers an alternative means of supplying gas to the LUS generation facilities in addition to the gas supply contract with Crosstex. The LUS-owned gas pipeline also crosses (but is not interconnected with) two other gas pipelines, Florida Gas Transmission, a subsidiary of CrossCountry Energy, LLC, and Gulf South Pipeline Company, LP (“Gulf South”).

Fuel supply to the T. J. Labbé Plant is provided via a pipeline expansion branch from the LUS-owned 10 inch gas supply pipeline that connects the Doc Bonin Plant with Columbia Gas and Texas Gas. The supply pipeline is a 10 inch line that follows a 2,250 foot westerly route parallel with Renaud Drive, then north for approximately 500 feet to the T. J. Labbé Plant.

Fuel supply for the Hargis-Hébert Plant is provided by interconnection with the east-west Gulf South system between Louisiana Highway 89 (Southpark Road) and Commission Boulevard, at the intersection of the Gulf South pipeline with American Boulevard. Gulf South owns, operates, and maintains a 10 inch, 2,500 foot supply lateral. Gulf South also operates and maintains a metering station at the Hargis-Hébert Plant site that is owned by LUS.

Environmental Issues

LUS facilities appear to be in material compliance with applicable environmental regulations and key environmental permits, approvals and consent orders with the exception of the past emissions issues associated with Doc Bonin Plant noted below.

Results of testing for carbon monoxide (“CO”) at Units 1 and 3 at the Doc Bonin Plant indicate these units were not in compliance with permit limitations. The Louisiana Department of Environmental Quality (“LDEQ”) issued a Consolidated Compliance Order and Notice of Potential Penalty (“CCONOPP”) on January 14, 2010. A modified permit was received on March 23, 2010 increasing the CO limits for both units. Unit 3 at the Doc Bonin Plant must meet New Source Performance Standards (“NSPS”) under the Clean Air Act (“CAA”). Performance testing required by the CCONOPP was completed on May 19, 2011 for Unit 3. LUS indicated that both units were operating within permitted limits at the time of this Report. LUS submitted a final report to LDEQ on July 18, 2011 requesting settlement and as of the date of this Report, LUS has not received a response from LDEQ.

During 2010 and 2011, LUS had two spills of transformer oil that were above the reportable quantity of oil, one in each year. In each case the spill was properly cleaned, an inspection was conducted by LDEQ, and the proper reports were filed by LUS. LUS personnel believe the issues are considered closed by LDEQ.

In accordance with new federal regulations, monitoring of carbon dioxide has been initiated at the Doc Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. The first Greenhouse Gas reports were submitted in September of 2011, which indicated approximately 398,000 metric tons of CO₂ were emitted for calendar year 2010 from these facilities. A limited selection of legislation and permit changes affecting the electric industry is provided below.

Operating Permits

The Clean Air Act Amendment (“CAA”) Title V Operating Permit Program established the requirements for an affected facility having to obtain a Title V operating permit. The Title V program incorporates all applicable air permit requirements and requires renewal every five years. Current Title V Operating Permits for the Doc Bonin Plant and the Hargis-Hebert Plant expire on December 19, 2016 and January 1, 2014, respectively. The Operating Permit for the T.J. Labbé Plant expires on October 8, 2013. Each of the operating permits set forth monitoring, recordkeeping and reporting requirements and is subject to all pollution control equipment being operated and maintained pursuant to applicable environmental regulations and rules.

Water Discharge Permit

The LDEQ regulates the discharge of process wastewater and certain storm water under the LPDES permit program. Such permits are issued for five-year periods and continue in effect if renewal applications are timely filed. The water quality regulations require compliance with Louisiana’s water quality standards, including sampling and monitoring of the waters discharged from the Doc Bonin Plant. The current LPDES permit for the Doc Bonin Plant expires on February 1, 2014. The T. J. Labbé Plant and Hargis-Hébert Plant are not subject to such requirements. LUS is currently in compliance with the LPDES permit conditions.

Clean Air Interstate Rule/Cross-State Air Pollution Rule

As noted above, the Environmental Protection Agency (“EPA”) finalized the Clean Air Interstate Rule/Cross-State Air Pollution Rule (“CSAPR”) to replace Clean Air Interstate Rule (“CAIR”) as a result of the July 11, 2008 remand of CAIR by the U.S. Court of Appeals for the District of Columbia Circuit (“Court”). A ruling issued by the Court on December 30, 2011 stayed CSAPR and the same Court, on August 21, 2012, issued a ruling overturning CSAPR and ruling that the former CAIR continue in effect until a replacement rule in conformance with the Court’s decision is promulgated.

Mercury and Air Toxics Rule

As it relates to LUS, the Mercury and Air Toxics Rule (“MATS”) contains emissions standards for oil-fired units. For RPS-2, LUS (via LPPA) is proposing to issue the Electric Revenue Bonds, Series 2012 (the “Series 2012 LPPA Bonds”) to fund LPPA’s portion of the costs associated with the capital improvements for MATS compliance. Emissions testing while firing oil may be required at the Doc Bonin Plant if there is a continued desire for this capability. It is possible that the Doc Bonin Plant may not meet emission limits in the rule and oil firing at the Doc Bonin Plant may not be feasible in the future. LUS is investigating this issue as it relates to the Doc Bonin Plant.

Estimated Impacts due to Environmental Regulations

Planned emission control additions at RPS-2 are in progress. These emission controls will be installed for MATS compliance and for additional NO_x reduction that would provide benefits under CAIR and a possible replacement for CSAPR. LUS’ share of the expected capital cost for installation of these controls is approximately \$77 million; \$70 million for the MATS controls and \$7 million for the SNCR system. Currently, the approximately \$7 million for the SNCR is moving forward. Notwithstanding the RPS-2 requirements, the impact of CAIR/CSAPR on the remaining LUS generation assets are not expected to be significant because the current proposed allowance allocations are roughly equivalent to the recent emissions of these LUS facilities.

The Series 2012 LPPA Bonds are being issued to provide funds for RPS-2 for improvements required to make the plant comply with environmental regulatory requirements. The Series 2012 LPPA Bonds will

help LPPA pay for its portion of the costs of the installation of a SNCR and other environmental controls for RPS-2 related to MATS.

Transmission and Distribution

The Electric System is responsible for the transmission, distribution, metering, and accounting of electrical power to consumers. It is also responsible for the Energy Control System (“ECS”), which provides for the scheduling and dispatch of generating resources (including the purchase and sale of wholesale power) and the operation of the Supervisory Control and Data Acquisition (“SCADA”) system. The SCADA system provides direct control of the electric transmission and distribution system, as well as control and monitoring of certain water and wastewater facilities and equipment. The ECS is also the interface with power marketing activities conducted through TEA.

The LUS electric transmission system includes 230 kV transmission facilities and a 69 kV loop. Step-down transformation provides the connection between the 230 kV, 138 kV, and the 69 kV systems and from the 230 kV, 69 kV systems, and the 13.8 kV distribution service voltage at 14 distribution substations located throughout the City. The service area covers approximately 60 square miles and is primarily residential and commercial customers.

Interconnections

System interconnection refers to a connection between two electric systems permitting the transfer of electric energy in either direction. Interchange refers to energy in kWh delivered to or received by one electric utility or pooling system from another. Transmission access refers to the ability of third parties to make use of transmission facilities owned by others (wheeling utilities) to deliver power to another utility.

The various interconnection, interchange, and transmission agreements in effect between LCG and other electric utilities and agencies are with Entergy Gulf States-LA, Cleco, Louisiana Generating LLC (“Louisiana Generating,” formerly Cajun Electric Cooperative, Inc.), Entergy Louisiana (“Entergy-LA,” formerly Louisiana Power and Light), Southwestern Electric Power Company (“SWEPCO”), and Southwestern Power Administration (“SPA”). These agreements provide various terms for the purchase and sale of emergency, replacement, and economy energy.

There are certain import limit reductions that could impact electric reliability or an increase in the cost of capacity and energy for LUS. As previously indicated, LUS staff has indicated that the SPP has, in limited circumstances, required LUS to operate the Doc Bonin Plant or the Hargis Hébert Plant in order to remediate overloaded transmission lines. While this operational strategy is technically feasible, the Doc Bonin Plant and the Hargis Hébert Plant are higher-cost resources to LUS than other market based alternatives. Consequently, LUS’ costs of capacity and energy have increased during such events.

LUS staff indicated that the Acadiana Load Pocket utilities (LUS, Entergy, and Cleco) are aware of these conditions and have collectively budgeted approximately \$180 million for new transmission capital projects to address import limit reductions. LUS’ share of this amount was approximately \$24 million and was funded by the Utilities Revenue Bonds, Series 2010 (“Series 2010 Bonds”). Two new 230kV interconnections at the T.J. Labbé substation, Entergy’s Sellers to the T.J. Labbé Plant and Cleco’s Wells to the T.J. Labbé Plant, have been constructed and are in service.

Power Supply / Sales Contracts

LPPA – Rodemacher Unit 2

The City and LPPA entered into the Power Sales Contract (“PSC”), whereby LPPA agreed to sell, and the City agreed to purchase, LPPA’s share of the power and energy produced from the RPS-2. The PSC expires on August 31, 2047.

Under the PSC, payments are specified to be sufficient to pay all costs of LPPA in connection with RPS-2, including LPPA’s share of operation and maintenance of the RPS-2, debt service requirements, and all other financial obligations of LPPA’s share of the RPS-2. The PSC provides that the obligations of the City to make such

payments in each contract year shall constitute obligations payable as an operating expense of the LUS and payable solely from the revenues of such utilities system. Such payments are to be made whether or not RPS-2 is operating or operable.

Historical Power Sales

In addition to serving its retail load, LUS has made wholesale power sales to entities in the Delta sub-region (formerly known as the Entergy sub-region) through short-term spot market transactions. Electric System sales totaled 2,255,293 MWh during the fiscal year 2011 as described in Table 2.

Table 2
Historical Electric Retail and Wholesale Sales (MWh) ⁽¹⁾

<u>Fiscal Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total Retail and Wholesale</u>
2007	1,917,891	34,661	1,952,552
2008	1,933,371	33,071	1,966,442
2009	1,950,205	60,673	2,010,878
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
CAGR ⁽²⁾	1.4%	60.6%	3.7%

(1) Source: LUS Financial and Operating Statements

(2) Compounded average annual growth rate for the period 2007-2011.

Projected Demand and Resources

In 2011, LUS retained Burns & McDonnell (“BMcD”) to provide consulting services in the development of LUS’ 2011 Integrated Resource Plan. The BMcD study evaluated LUS’ existing facilities and determined future power supply requirements and evaluated possible alternatives. The BMcD study projected LUS total system energy requirements to grow at an annual rate of 1.5 percent from 2012 through 2032, increasing from 2,268 GWh in 2012 to 3,070 GWh in 2032. During the same period, LUS total peak load is projected to grow at an annual rate of 1.3 percent from 501 MW in 2012 to 652 MW in 2032.

The LUS power generation system consists of 246 MW of baseload capacity from RPS-2, 194 MW of peaking capacity from the T. J. Labbé Plant and Hargis-Hébert Plant and 285 MW of capacity from the three units of the Doc Bonin Plant. Combined, these units currently provide LUS with approximately 170 MW of excess capacity. Under base assumptions with no retirements and a 13.6 percent reserve margin, the BMcD study forecasts that the LUS system will be able to meet energy requirements through 2030. The BMcD study recommends that LUS consider retiring a portion of the Doc Bonin Plant’s capacity and adding an intermediate energy resource to its portfolio to reduce overall utility costs and LUS’ dependence on energy from the market and the T. J. Labbé Plant and Hargis-Hébert Plant. Three alternatives were recommended by BMcD for study by LUS as possibilities for intermediate resources: power purchase agreements, partial ownership of a combined cycle gas turbine (“CCGT”), or converting Unit 3 of the Doc Bonin Plant into a CCGT.

Proposed Electric System Facilities

On an annual basis, in coordination with the budget development process, LUS prepares a 5 year Capital Improvement Plan (“CIP”). The CIP does not include capital projects for LPPA, the funding for which is considered an operating expense to LUS. The CIP identifies projects in each of the Electric, Water, and Wastewater Systems. The Electric System facility improvements that are proposed by LUS for the next five years are listed by category in Table 3 and described briefly below.

Table 3
Proposed Electric System Facilities (2013-2017) ⁽¹⁾

<u>Project Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Acquisitions	\$0	\$0	\$3,000,000	\$0	\$0	\$3,000,000
Distribution	1,325,000	850,000	800,000	1,138,771	1,138,771	5,252,541
Production	5,200,000	2,680,000	4,700,000	4,815,372	4,815,372	22,210,745
Substations	3,010,000	7,010,000	7,010,000	6,518,743	6,518,743	30,067,487
Transmission	10,000	1,110,000	3,382,000	1,723,276	1,723,276	7,948,551
General Plant	1,580,000	510,000	10,000	803,838	803,838	3,707,676
Total	\$11,125,000	\$12,160,000	\$18,902,000	\$15,000,000	\$15,000,000	\$72,187,000

(1) Source: 2013 Proposed Budget for years 2016 and 2017 adjusted by LUS. The proposed facilities are expected to be funded by cash from operations.

Acquisitions

LUS has planned for the acquisition of utility customers from Southwest Louisiana Electric Membership Corporation ("SLEMCO"). LUS entered into a 15-year contract, from 2004 through 2019, with SLEMCO which allows for acquiring up to 3,104 SLEMCO customers located within the corporate limits of the City. LUS anticipates expenses of \$3,000,000 in 2015 to accommodate these customers. LUS is also acquiring approximately 400 customers who reside within the City limits and were previously served by Entergy Gulf States-LA.

Distribution

LUS has planned for the re-conductoring of circuits, extensions, new feeders, and feeder ties to extend service to new areas of the City, as well as unidentified distribution system improvements.

Production

LUS has planned for funds for improvements to existing power plants, including improvements to boilers, turbines, cooling towers, control systems, automation improvements, fuel supply and environmental, and safety controls.

Substation

Funds for substation improvements include, oil spill containment, software, breakers, and autotransformer improvements or additions. LUS plans to install autotransformers at the Pont des Mouton Substation and make improvements to Guilbeau, and Perard substations, as well as construct the Northeast Substation and Southeast Substation and various upgrades and automation projects.

Transmission

Funds for transmission represent the planned building and improvement of transmission lines for the new Northeast, Pont des Mouton, and Peck substations. The funds also include the re-conductoring of lines between the Bonin Substation and the Gilman and Luke Substations.

General Plant

Improvements for General Plant shown in the CIP are mostly for the enhancements to the Customer Service and Operations Facility. Smaller projects include software and a property purchase.

Water System Description

The Water System includes 18 wells, two water treatment facilities, and a distribution system. The wells serve the Water System with a combined production capacity of 50.6 million gallons per day ("MGD").

Water Supply

The Chicot underground aquifer is the sole source of water supply for LUS. Groundwater from the Chicot aquifer provides LUS with a reliable and abundant source of good quality water. EPA has designated the Chicot aquifer as a sole source aquifer thereby requiring special consideration for federal permitting of projects that could adversely affect it. The Water System has joined with the LDEQ to implement a wellhead protection program for the LUS water supply. Outside potential contamination sources within the wellhead protection areas have been identified by LUS and LDEQ has authority to take appropriate action to assure contamination is prevented.

Water Production

During 2002, LUS completed construction of Well No. 23 located in the southern portion of the Water System, with production beginning January 1, 2003. Well No. 24, located in the northern portion of the water system, similar in purpose, scope, production, and treatment to Well No. 23, began operation in June 2006 but production was not fully realized until the addition of pressure filters during 2009. Well No. 25 came online during 2009, further bolstering the Water System's production capacity. Plans are already in place to expand the Well No. 24 facility including constructing another well ("Well No. 26"). Construction of Well No. 26 is expected to begin in 2013.

The Water System includes two water treatment facilities, the North Water Plant and the South Water Plant, which provide for removal of iron and manganese by coagulation, sedimentation and filtration; hardness reduction by a lime-softening process; and chlorination. The present system treatment capacity is approximately 50.6 MGD and is expected to be slightly greater when Well No. 26 comes online in the next few years.

The LUS water production facilities use chlorine for disinfection of water before it is introduced into the water distribution system. The chlorine used at each treatment plant is supplied in the form of a gas that is stored on site in several cylinders, each containing one ton of chlorine when full. LUS is also using sodium hypochlorite on a limited basis at certain wells.

The existing LUS water production facilities have backup electric power generating facilities on site that are adequate to sustain a basic level of water production. The South Plant has full back up generation, however, the North Plant has enough back up generation to produce approximately 60 percent of its normal output. Treated water storage totals approximately 14.5 million gallons. This includes 4.3 million gallons of elevated storage and 10.2 million gallons of ground storage, including pumping station wet wells.

Water Distribution

The Water System distribution network consists of 1,064 miles of pipe, most of which is in the 6 inch to 12 inch diameter range. The distribution system includes 21,512 valves and 6,205 fire hydrants.

Environmental Issues

LUS reports that the North, South, and Gloria Switch Water Treatment Plants are currently complying with their operating permits and meeting all applicable drinking water standards of the Safe Drinking Water Act. The South Water Treatment Plant is permitted to discharge wastewater from the treatment of potable water, stormwater and sanitary wastewater under LPDES Permit LA0079278 with an effective date of November 1, 2009 and a term of five years. The North Water Treatment Plant is permitted to discharge wastewater associated with the treatment of potable water under General LPDES permit LAG380000 (facility permit No: LAG380057) modified and effective July 1, 2010 with a term of five years. The Gloria Switch Water Treatment Plant also discharges wastewater associated with the treatment of potable water under General LPDES permit LAG380000 (facility permit No: LAG380096) modified and effective July 1, 2010 with a term of five years. LUS reports that the application for permit renewal will likely occur in late 2014, approximately six months prior to the expiration date.

Wholesale Sales and Contracts

The sale of water to seven local entities (water districts and municipalities), which own or operate water utility properties, is anticipated to account for approximately 20 percent of the LUS annual water revenues in 2011. LUS also provides certain operating services to Lafayette Parish Waterworks District North (“Water District North”). Water service to Water District North customers is billed by LCG in the name of the Water District North consistent with the applicable rate schedules. The Water District North constructs its own additions and extensions according to standards set by LUS. LUS also provides wholesale water service to the cities of Scott, Broussard, and Youngsville, as well as to the Milton Water System and Lafayette Waterworks District South.

In September 2011, LUS discovered that one of its wholesale water customers, Broussard, was receiving water from Lafayette through a valve that by-passed one of its master meters. LUS subsequently billed Broussard for \$825,000 for the water that by-passed the meter. Broussard made full payment to LUS of that amount; however, they have sued LUS for a partial refund of what they considered an over-billing of the amounts due to LUS for the water in question. Broussard claims they owe LUS only \$125,000 in this dispute; however, LUS continues to assert that the amount billed to and paid by Broussard is correct. Depositions of LUS staff and management by Broussard attorneys have been conducted. LUS and Broussard continue to negotiate this issue and no additional hearings have been scheduled at the time of this Report.

Historical Water Sales

The growth in the volume of water produced by the Water System to serve all its customers, including wholesale customers, has been slightly positive (on an annual basis) since 2007. This level of growth may be due to conservation efforts initiated by LUS. LUS estimates that peak demand will be approximately 35 MGD by 2014. In addition to the facilities owned by LCG, LUS operates and maintains the water distribution facilities of certain water districts in accordance with contracts between LCG and the districts. LUS also provides wholesale water service to several water districts and municipalities within the Parish. For 2011, water delivered to wholesale customers amounted for approximately 24 percent of the water sold by LUS. Historical retail and wholesale water sales from 2007 to 2011 are provided in Table 4.

Table 4
Historical Water Retail and Wholesale Sales (1000 gallons) ⁽¹⁾

<u>Fiscal Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>
2007	5,757,205	1,465,618	7,222,823
2008	5,492,975	1,545,275	7,038,250
2009	5,383,764	1,603,353	6,987,117
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
CAGR ⁽²⁾	0.3%	5.9%	1.5%

(1) Source: LUS Financial and Operating Statements

(2) Compounded average annual growth rate for the period 2007-2011.

Proposed Water System Facilities

The Water System facility improvements that are proposed by LUS for the next five years are listed by category in Table 5 and are described below.

Table 5
Proposed Water System Facilities (2013-2017) ⁽¹⁾⁽²⁾

<u>Project Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Production	\$3,930,000	\$1,150,000	\$2,910,000	\$1,014,603	\$1,014,603	\$10,019,206
Distribution	4,920,000	1,825,000	700,000	945,397	945,397	9,335,794
Total	\$8,850,000	\$2,975,000	\$3,610,000	\$1,960,000	\$1,960,000	\$19,355,000

(1) Source: 2013 Proposed Budget for years 2016 and 2017 adjusted by LUS and does not include RPS 2 capital expenditures.

(2) The proposed facilities are expected to be funded through a combination of cash from operations and a \$4,000,000 bond issue in 2018.

Production Improvements

Water production improvements include increased treatment at the Commission Boulevard and West Gloria Switch facilities, backup electrical power, pump and electrical control modifications, building rehabilitation at the North Plant and South Plant, and normal replacements.

Distribution Improvements

Water distribution improvements include new main extensions, main replacement and improvements, installation of additional water well at the West Gloria Switch facility, and normal replacements.

Wastewater System Description

The Wastewater System includes treatment facilities and a collection system. The following provides a description of historical system flows, the existing facilities, issues related to its operating permits, and new and proposed regulations.

Wastewater Treatment

The four wastewater treatment plants are the South Plant, the East Plant, the Ambassador Caffery Parkway Plant, and the Northeast Plant. The total permitted capacity for these plants is 18.5 MGD. The South Plant is an activated sludge facility with a capacity of 7.0 MGD. The East Plant and Northeast Plant are oxidation ditch facilities with capacities of 4.0 MGD and 1.5 MGD, respectively. The Ambassador Caffery Parkway Plant treatment system formerly included a rotating biological contactor ("RBC") and oxidation ditch but has undergone improvements to replace the RBC with sequencing batch reactors ("SBR"). Although the treatment capacity has been significantly increased, the permitted capacity will effectively remain at 6.0 MGD. The wastewater collection system consists of 570.3 miles of gravity sewers, interceptors, and force mains, with 11,431 manholes, and 145 pumping stations.

Inflow and Infiltration

The wastewater collection system has, in the past, experienced excessive wastewater flow resulting in treatment plant bypasses and overflows of the wastewater collection system. The excess flows are due to infiltration and inflow of surface and groundwater into the wastewater collection system during and after rainfall events. As a result of these continuing events, EPA issued administrative orders requiring treatment plant upgrades and expansions. LUS has completed these requirements for all of its wastewater treatment plants.

Historically, LUS has received compliance orders from LDEQ regarding discharge of sewage from LUS sewage pumping stations. LUS responded to these compliance orders and to each issue raised by LDEQ by describing past or planned actions that have been or will be undertaken by LUS to eliminate the causes of sewage overflows. Actions taken include the upgrade of the cited lift station to its maximum pumping capacity and modifications to the South Plant to handle excess flows. LUS reports that it is currently in compliance and has no new

administrative orders related to inflow and infiltration. LUS is proceeding with plans to expand the South Wastewater Treatment Plant to handle future inflow and infiltration issues.

Wastewater Discharge Permits

The wastewater discharge permit renewals for all four plants were completed in 2009 and do not expire until 2014. The Ambassador Caffery Parkway Plant, South Plant, and Northeast Plant's permits were reissued beginning in April 2009 and East Plant's beginning in June 2009. All renewed permits contain identical effluent limits for biological oxygen demand, total suspended solids, ammonia nitrogen, dissolved oxygen, total residual chlorine, and pH, and have not changed as a result of the renewals. However, the daily maximum criteria have changed to weekly maximum. Each plant must, among other things:

- Conduct quarterly whole effluent toxicity testing using bioassay methods.
- Perform an annual Environmental Audit Report including a resolution from the governing body.
- Operate an industrial pretreatment program.
- Submit monthly reports to LDEQ.

The 2011 Discharge Monitoring Reports for the treatment plants indicated a few minor exceedances of permit discharge limits. There was no indication that any of the exceedances were caused by a recurring issue or problem. LUS reports that the treatment plants are current with all fees and report submittals and there were no public complaints in 2011.

Bio-solids Reuse

LUS reports that the bio-solids reuse program continues to provide for disposal of all LUS wastewater treatment sludge. LUS contracts with privately-owned farms for use of their farmland for bio-solids application. LUS staff has noted that land use trends and potential changes in land ownership are likely to make continued use by LUS of private farmland more difficult in the future. LUS staff is investigating alternative methods of sludge management including improvement in sludge treatment to generate a marketable product. The cost of the conversion to more advanced treatment could be substantial.

Historical and Projected Wastewater Flows

Wastewater flows are measured at the intake of the treatment facility and vary annually depending on rainfall events.

LUS expects an average annual growth rate of approximately one percent in terms of projected retail wastewater flows through 2021. This is based on projected growth in the number of customers, with intake per customer remaining steady. While the fluctuations in rainfall make it more difficult to glean trends in wastewater flows, the four treatment facilities have adequate capacity to handle levels anticipated in the near term. Further, the permitted capacity is more than adequate at this time to accommodate the wastewater flows. Total retail wastewater flows decreased slightly between 2007 and 2011 as provided in Table 6.

Table 6
Historical Wastewater Retail Flows (1000 gallons) ⁽¹⁾

<u>Fiscal Year</u>	<u>Retail Intake Flow</u>
2007	5,711,781
2008	5,669,875
2009	5,570,825
2010	5,715,794
2011	5,190,182
CAGR ⁽²⁾	(2.4%)

(1) Source: LUS Financial and Operating Statements

(2) Compounded average annual growth rate for the period 2007-2011.

Proposed Wastewater System Facilities

LUS developed a CIP for its Wastewater System to upgrade the existing wastewater treatment plants and associated collection systems. This plan includes the development and expansion of existing collection systems into certain areas not currently served within the City and immediately adjacent to it. Table 7 displays the LUS estimated capital cost associated with the Wastewater CIP and is followed by a brief description below.

Table 7
Proposed Wastewater System Facilities (2013-2017) ⁽¹⁾⁽²⁾

<u>Project Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Treatment	\$2,010,000	\$13,460,000	\$16,710,000	\$5,490,798	\$5,490,798	\$43,161,597
Collection	4,015,000	3,555,000	1,275,000	1,509,202	1,509,202	11,863,403
Total	\$6,025,000	\$17,015,000	\$17,985,000	\$7,000,000	\$7,000,000	\$55,025,000

(1) Source: 2013 Proposed Budget for years 2016 and 2017 adjusted by LUS.

(2) The proposed facilities are funded by a combination of cash from operations and a \$45,000,000 bond issue in 2014 and \$10,000,000 in 2018.

Wastewater Treatment Plant Improvements

South Plant improvements include sludge handling and treatment, increased flow handling, and odor control. Other improvements include pumping and piping to allow diversion of flows from the Ambassador Caffery Parkway Plant to the South Plant. Normal replacements for all four plants are also included in the funding amounts set for in Table 7.

Wastewater Collection System Improvements

Proposed improvements to the wastewater collection system include installation of a new sewer interceptor on West Pont Des Mouton Road, improvements and extension to the existing sewer interceptor on Kaliste Saloom Road, replacement and upgrade to the existing lift station and force main at Brown Park, repair of pipes and manholes throughout the system, installation of emergency power generators and odor control at select lift stations, and normal replacements at lift stations.

New and Proposed Regulations

Based on statutory requirements, EPA periodically conducts reviews of wastewater regulations and standards to determine if a change in regulations is warranted. LUS monitors the planned changes to these regulations and has or will have incorporated these requirements into current and future operations. LUS does not anticipate that compliance with presently proposed changes will require major capital expenditures or major increases in costs of operations.

Security Issues

Following the terrorist attacks of September 11, 2001, increased emphasis has been placed on addressing security measures for the infrastructure systems and facilities throughout the United States. In 2002, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (“Bioterrorism Act”) was signed. The Bioterrorism Act requires that certain community water systems conduct Vulnerability Assessments and prepare Emergency Response Plans. LUS attained full compliance with the Bioterrorism Act early in 2003. LUS reports that as of the date of this Report it is still in compliance with the Bioterrorism Act.

Evaluation by SAIC of the security measures of the Utilities System is beyond the scope of this Report and SAIC has not conducted assessments of the measures LUS has undertaken to address security issues. The Facilities Management Division is responsible for security at all LUS facilities. The division is comprised of a combination of in-house and contracted security staffing.

During March 2011, SAIC interviewed LUS’ Information Technology staff who indicated that LUS is aware of the importance of cyber security and has implemented certain safeguards to protect the Utilities System from external threats.

LUS has stationed armed, uniformed Sheriff’s Department personnel at the Doc Bonin Plant 24 hours per day, seven days per week. The North Plant has security stationed only overnight. Security cameras with recorders have been installed at the water treatment plants. LUS staff has been provided training in emergency planning and reaction that is integrated with ongoing programs for hurricane emergency response.

All four wastewater treatment plants are gated requiring the use of a key pad to enter. Additionally, the Ambassador Caffery Parkway Plant, the South Plant, and the East Plant have video surveillance capabilities. LUS staff was reported to have been trained in emergency planning and appropriate response that is integrated with ongoing programs for hurricane emergency response.

Rates for Utilities System

Net revenues of the Utilities System are pledged to the payment of debt obligations of the Utilities System. LUS regularly reviews and sets rates for the Electric System, Water System and Wastewater System, independently. The Council and LPUA have the exclusive right to regulate LUS’ rates and charges for services within and outside the corporate limits of the City.

Currently, LUS retail rates adequately cover operating and maintenance costs, debt service obligations (including minimum debt service coverage requirements), capital expenditures paid from current earnings, and the required in-lieu-of-tax payments to the City. LUS pursues an overall financial objective where each system charges rates sufficient to render such system financially independent of the others, so that customers pay the full cost of service without subsidization. For the Electric System, Water System, and Wastewater System, rates are cost-based and charged to individual classes of customers based on customer use of the system and consumption patterns.

During 2009, LUS conducted a comprehensive cost-of-service study to examine the adequacy and equity of existing rates for the Electric System, Water System, and Wastewater System. This study was performed in accordance with generally accepted industry practices for municipal utilities. The analysis showed that rates for all three utilities were insufficient and rate changes were needed. As a result of the study, the Council passed Ordinance O-012-2010 on February 2, 2010. Rate increases went into effect on February 2, 2010 and an additional rate increase went into effect November 1, 2010. The rate changes were 11 percent for the Electric System, nine percent for the Water System retail and wholesale, and 18 percent for the Wastewater System. With these rate increases, the Electric System, Water System, and Wastewater System are anticipated to continue to cover their costs of providing adequate and reliable service for the time period covered by this Report.

Electric System

As indicated above, base rates for the Electric System were increased in February 2010 and in November 2010 (fiscal year 2011). With these increases, forecasted Electric System revenues are sufficient to fully fund the Electric System operation on a stand-alone basis.

Electric System Sales and Revenues

System sales and related revenues from the retail rate classes for fiscal year 2011 are presented in Table 8. The residential, small general service and large general service rate classes generate approximately 92 percent of Electric System retail revenues.

Table 8
Electric System Sales and Revenues by Rate Class for Fiscal Year 2011 ⁽¹⁾

<u>Rate Class</u>	<u>Retail Sales (kWh)</u>	<u>% of Total</u>	<u>Base Rate Revenue</u>	<u>Fuel Adjustment Revenue</u>	<u>Total Revenue</u>	<u>% of Total</u>
Residential	\$851,273,220	42.0	\$37,969,742	\$36,906,980	\$74,876,722	41.9%
Small General Service ⁽²⁾	211,379,183	10.4	12,849,704	9,164,352	22,014,056	12.3%
Large General Service ⁽²⁾	791,630,341	39.1	32,660,315	34,321,161	66,981,476	37.5%
Schools & Churches	112,504,779	5.6	4,449,242	4,877,649	9,326,891	5.2%
Governmental	34,737,425	1.7	1,393,733	1,506,042	2,899,775	1.6%
Lighting	<u>23,237,029</u>	<u>1.1</u>	<u>1,469,247</u>	<u>1,007,442</u>	<u>2,476,689</u>	<u>1.4%</u>
Total	\$2,024,761,977	100.0%	\$90,791,983	\$87,783,626	\$178,575,609	100.0%

(1) Source: LUS Financial and Operating Statement for fiscal year 2011.

(2) If a General Service customer exceeds 15,000 kWh of energy or 50 kW of demand for three consecutive months, the customer is placed in the Large General Service Rate Class. Below these levels, the customer is placed in the Small General Service Rate Class.

Section 94-120 of the LCG Code of Ordinances establishes that an Electric System monthly fuel adjustment charge ("FAC") is set using fuel, purchased power and associated costs. Accordingly, the costs included in the monthly FAC are natural gas fuel, LPPA coal fuel and related costs, purchased power expenses, and other related costs associated with fuel. The monthly charge is adjusted periodically as needed to recover the described costs.

Electric System Rate Comparisons

Overall, the Electric System retail rates are competitive compared to neighboring utilities. With respect to the residential rate class, based on monthly usage of 1,000 kWh, the 2012 LUS rates were approximately 19 percent below the highest residential rates in the region in August 2012 as demonstrated in Table 9. The rate shown in this table for Entergy Gulf State-LA includes a Rough Production Cost Equalization Adjustment credit of approximately 12 percent, which is not expected to continue after 2012.

Table 9
Electric Residential Rate Comparison ⁽¹⁾

<u>Utility</u>	<u>Average \$/kWh</u>
Entergy Gulf States-LA ⁽²⁾	0.07692
SLEMC	0.08212
LUS	0.08510
SWPCO	0.09154
Cleco	0.10462

(1) Source: LUS. Based on 1,000 kWh for August 2012.

(2) Includes Entergy Rough Production Cost Equalization Adjustment credit of approximately 12 percent for August 2012; credits are not expected to continue after 2012.

With respect to the commercial rate class, based on monthly usage of 9,000 kWh, 2012 LUS rates were 6.5 percent below the highest commercial rates in the region as demonstrated in Table 10.

Table 10
Electric Commercial Rate Comparison ⁽¹⁾

<u>Utility</u>	<u>Average \$/kWh</u>
SLEMCO	0.07173
SWEPCO	0.08501
Entergy Gulf States-LA ⁽²⁾	0.09526
LUS	0.09666
Cleco	0.10337

(1) Source: LUS. Based on 9,000 kWh for August 2012.

(2) Includes Entergy Rough Production Cost Equalization Adjustment credit of approximately 12 percent for August 2012; credits are not expected to continue after 2012.

Water System

The Water System average residential revenue per 1,000 gallons sold increased by approximately 17 percent from 2010 to 2011. The commercial average revenue per 1,000 gallons sold increased by approximately 23 percent from 2010 to 2011. Since 2007, the average residential revenue per 1,000 gallons sold has increased approximately 23 percent and commercial revenue per 1,000 gallons sold has increased approximately 35 percent.

Wastewater System

The Wastewater System average residential revenue per 1,000 gallons (intake) increased approximately 35 percent from 2010 to 2011. Since 2007, the average residential revenue per 1,000 gallons (intake) for the Wastewater System has increased by approximately 50 percent.

PROJECTION OF UTILITIES SYSTEM OPERATING RESULTS

This Report contains forward-looking statements about the operation of the Utilities System. These statements are based on assumptions and expectations of LUS as of the date of this Report. Actual results may differ materially from the forecast, and accordingly, no assurances are given and no representations are made that any of the assumptions are correct, that projections will be achieved, or that the forward-looking statements will correspond to actual results.

The Utilities System's sales were projected by SAIC to increase as estimated in this Report reflecting conditions of future economic growth, development of the service territories and future sales to customers outside the existing service territory limits, as estimated by LUS. SAIC reviewed: (1) historical operating information related to the operation of the Utilities System; (2) estimates and projections of the Utilities System; and (3) estimates of capital expenditures and operating expenses of LPPA, all as made available by LUS.

On the basis of such data, SAIC has prepared the Projected Operating Results for the period commencing November 1, 2011 (fiscal year 2012) and ending on October 31, 2021 (fiscal year 2021). Projected operating results for 2012 are based on actual data from July 2011 through June 2012. Projections for 2013 are based on the 2013 Proposed Budget. Projections for 2014 and beyond are provided by LUS and SAIC, as identified herein.

Utilities System

Operating Revenues

This section provides a description of the projected operating revenues for each of the Utility Systems.

Electric System

Electric System sales consist of retail sales to LUS native load customers and short-term market wholesale sales for periods when LUS is projected to have excess power that can be economically sold into the market. LUS has an agreement with TEA to perform wholesale power negotiations and transactions on its behalf. Costs to LUS per the TEA contract were included in the projected operating results as an operating expense. The margin on wholesale sales was determined to be relatively small and does not have a significant impact on LUS' long-term financial performance. Going forward, LUS may engage in wholesale energy sales into the short-term energy markets (i.e. "spot" markets) on a case-by-case basis and in situations where it is in LUS' economic interest to do so. It is projected that these wholesale energy sales will occur on a limited basis and are not estimated to be a significant source of revenue for LUS.

Electric System retail sales are based on projections that result in at an annual compounded rate of 2.6 percent for 2012 through 2021. Total retail and wholesale revenue is expected to grow approximately 3.0 percent from 2012 through 2021 as displayed in Table 11.

Table 11
Electric Sales and Revenue Forecast ⁽¹⁾

<u>Fiscal Year</u>	<u>Retail (MWh)</u>	<u>Wholesale (MWh)⁽²⁾</u>	<u>Retail Base Rate Revenue</u>	<u>Fuel Revenue</u>	<u>Wholesale Revenue⁽⁵⁾</u>	<u>Total Revenue</u>
2012 ⁽³⁾	1,991,447	243,896	\$89,508,340	\$84,518,262	\$8,052,476	\$182,079,078
2013 ⁽⁴⁾	2,166,151	4,800	97,197,975	87,434,978	192,000	184,824,953
2014	2,233,856	5,591	100,233,126	85,109,920	337,143	185,680,189
2015	2,271,026	5,656	101,900,936	95,678,325	362,558	197,941,818
2016	2,308,812	3,926	103,596,407	101,426,123	285,294	205,307,825
2017	2,347,221	3,580	105,319,814	105,272,870	260,470	210,853,153
2018	2,386,268	3,536	107,071,844	109,338,799	217,242	216,627,885
2019	2,425,957	3,462	108,852,703	114,456,664	226,286	223,535,652
2020	2,466,307	3,357	110,663,191	119,443,243	227,351	230,333,785
2021	2,502,896	3,450	\$112,304,923	\$124,919,516	\$249,546	\$237,473,985
CAGR ⁽⁶⁾	2.6%	N/A	2.6%	4.4%	N/A	3.0%

(1) Source: SAIC and LUS

(2) SAIC projects minimal wholesale sales; any additional wholesale sales would benefit Utilities System.

(3) Estimated based on 12 rolling months: July 2011 through June 2012.

(4) 2013 Proposed Budget

(5) As projected by SAIC based on the wholesale power market for years 2014-2021.

(6) Compounded average annual growth rate for the period 2012-2021.

Water System

The projection of Water System retail sales are based on projected customer growth giving consideration to historical water usage per customer. The water retail sales volumes are projected at an annual compounded growth rate of 1.8 percent as shown in Table 12.

Water System wholesale sales are projected to be relatively flat for years 2012 through 2021. Total revenue is expected to grow approximately 1.3 percent annually from 2012 through 2021.

Table 12
Water Sales and Revenue Forecast ⁽¹⁾

Fiscal Year	Retail (1000 gallons)⁽²⁾	Wholesale (1000 gallons)	Retail Revenue	Wholesale Revenue ⁽³⁾	Total Revenue
2012 ⁽⁴⁾	5,765,509	1,895,386	\$13,821,184	\$4,407,364	\$18,228,548
2013 ⁽⁵⁾	6,181,442	1,700,019	14,769,250	3,103,165	17,872,415
2014	6,294,188	1,718,258	15,038,641	3,136,457	18,175,097
2015	6,362,322	1,736,656	15,201,432	3,170,040	18,371,472
2016	6,431,162	1,755,240	15,365,912	3,203,963	18,569,875
2017	6,500,614	1,773,984	15,531,852	3,238,177	18,770,028
2018	6,570,870	1,792,939	15,699,714	3,272,778	18,972,492
2019	6,641,739	1,812,054	15,869,041	3,307,670	19,176,711
2020 ⁽⁶⁾	6,710,267	1,831,355	16,834,383	3,510,049	20,344,432
2021	6,767,736	1,846,780	\$16,978,557	\$3,539,613	\$20,518,170
CAGR ⁽⁷⁾	1.8%	(0.3%)	2.3%	(2.4%)	1.3%

(1) Source: SAIC and LUS

(2) Water sales projections are based on projections of growth in the electric customers for years 2014-2021.

(3) 2012 Wholesale Revenue includes one-time payment of \$825,000 from Broussard, see text for details.

(4) Estimated based on 12 rolling months: July 2011 through June 2012.

(5) 2013 Proposed Budget

(6) Assumes a 5 percent retail and wholesale rate increase in 2020.

(7) Compounded average annual growth rate for the period 2012-2021.

Wastewater System

Wastewater System retail sales estimates are based on projected customer growth giving consideration to historical usage per customer. The wastewater sales growth rate is projected to be approximately 1.3 percent per year, while revenues are projected to grow at approximately 3.4 percent annually as shown in Table 13. LUS does not provide wholesale wastewater service at this time.

Table 13
Wastewater Sales and Revenue Forecast ⁽¹⁾

<u>Fiscal Year</u>	<u>Sales (1000 gallons)⁽²⁾</u>	<u>Retail Revenue ⁽³⁾</u>
2012 ⁽⁴⁾	5,258,484	\$29,245,951
2013 ⁽⁵⁾	5,400,061	29,646,385
2014	5,498,555	31,696,477
2015	5,558,076	33,641,591
2016	5,618,215	35,705,890
2017	5,678,887	36,091,486
2018	5,740,263	36,481,550
2019	5,802,173	38,718,772
2020	5,862,039	39,118,265
2021	5,912,243	\$39,453,283
CAGR⁽⁶⁾	1.3%	3.4%

(1) Source: SAIC and LUS

(2) Wastewater customer and sales projections are based on growth in the water customer projections.

(3) Assumes a 5 percent rate increase in years 2014, 2015, 2016 and 2019.

(4) Estimated based on 12 rolling months: July 2011 through June 2012.

(5) 2013 Proposed Budget

(6) Compounded average annual growth rate for the period 2012-2021.

Operating Expenses

This section provides a description of the projected operating expenses for each of the Utility Systems.

Electric System

The Electric System expenses have been projected by SAIC for the 2012-2021 forecast periods. The natural gas costs are based on a natural gas price forecast prepared by SAIC for LUS and the expected generation from the Doc Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. Power related costs include RPS-2, purchased power costs, and non-fuel operations and maintenance costs. Power purchases are projected based on the wholesale power market forecast as compared to the LUS marginal cost of production. When economically favorable, purchases from the wholesale power market are assumed to occur.

The transmission expenses are projected based on data provided by LUS. Distribution expenses are analyzed on a historical dollars per customer basis and are projected into the future. The Administrative and General (“A&G”) expenses are projected based on historical data for the Utilities System. The compounded annual growth rate for projected total Electric System expenses is approximately 2.6 percent. Table 14 provides projections of Electric System expenses.

Table 14
Electric System Operations and Maintenance Expense Forecast ⁽¹⁾

<u>Fiscal Year</u>	<u>Production Expense</u>	<u>Transmission & Distribution</u>	<u>Customer Expenses ⁽²⁾</u>	<u>Administrative and General Expenses</u>	<u>Total</u>
2012 ⁽³⁾	\$118,062,224	\$14,059,717	\$3,015,636	\$11,043,562	\$146,181,139
2013 ⁽⁴⁾	117,411,844	14,311,635	2,529,097	10,208,898	144,461,474
2014	107,071,639	14,795,139	2,589,795	10,453,912	134,910,485
2015	113,940,849	15,099,971	2,651,950	10,704,805	142,397,576
2016	120,641,500	15,414,786	2,715,597	10,961,721	149,733,604
2017	126,425,044	15,740,414	2,780,772	11,224,802	156,171,032
2018	131,472,459	16,078,321	2,847,510	11,494,197	161,892,487
2019	138,802,467	16,318,049	2,915,850	11,770,058	169,806,424
2020	144,765,823	16,679,506	2,985,831	12,052,539	176,483,699
2021	\$151,085,959	\$17,028,941	\$3,057,491	\$12,341,800	\$183,514,191
CAGR ⁽⁵⁾	2.8%	2.2%	0.2%	1.2%	2.6%

(1) Source: SAIC and LUS

(2) Anticipated decrease in expenses due to Advanced Metering Infrastructure rollout.

(3) Estimated based on 12 rolling months: July 2011 through June 2012.

(4) Proposed 2013 Budget

(5) Compounded average annual growth rate for the period 2012-2021.

Water System

The Water System expenses have been projected by SAIC for the 2012-2021 forecast periods. The Production expenses are projected based on historical cost per 1,000 gallons. The distribution expenses are projected based on historical cost per customer. A&G expenses are projected based on historical data for the Utilities System. The compounded average annual growth in total expenses for the Water System is approximately 2.8 percent from 2012 to 2021, as provided in Table 15.

Table 15
Water System Operations and Transmission & Maintenance Expense Forecast ⁽¹⁾

<u>Fiscal Year</u>	<u>Production Expenses</u>	<u>Distribution Expenses</u>	<u>Customer Expenses ⁽²⁾</u>	<u>Administrative and General Expenses</u>	<u>Total</u>
2012 ⁽³⁾	\$4,452,662	\$2,258,737	\$1,331,522	\$4,198,745	\$12,241,667
2013 ⁽⁴⁾	4,739,009	3,000,685	685,857	4,020,304	12,445,855
2014	4,688,516	2,269,504	702,317	4,116,792	11,777,129
2015	4,852,448	2,349,938	719,173	4,215,595	12,137,154
2016	5,022,079	2,433,195	736,433	4,316,769	12,508,476
2017	5,197,524	2,519,329	754,108	4,420,372	12,891,333
2018	5,379,136	2,608,519	772,206	4,526,460	13,286,321
2019	5,566,960	2,700,786	790,739	4,635,095	13,693,580
2020	5,761,286	2,796,274	809,717	4,746,338	14,113,614
2021	\$5,949,246	\$2,888,483	\$829,150	\$4,860,250	\$14,527,129
CAGR ⁽⁵⁾	3.3%	2.8%	(5.1%)	1.6%	2.8%

(1) Source: SAIC and LUS

(2) Anticipated decrease in expenses due to Advanced Metering Infrastructure rollout in 2013.

(3) Estimated based on 12 rolling months: July 2011 through June 2012.

(4) Proposed 2013 Budget

(5) Compounded average annual growth rate for the period 2012-2021.

Wastewater System

The Wastewater System expenses are projected by SAIC for the 2012-2021 forecast period. The Treatment, Collection, and Customer Expenses are projected based on historical cost per customer. Administrative and general expenses are projected based on historical data for the Utilities System. The compounded annual growth rate is approximately 4.8 percent for all expenses combined. Table 16 provides a summary of the operations expense for the Wastewater System.

Table 16
Wastewater System Operations and Maintenance Expense Forecast ⁽¹⁾

<u>Fiscal Year</u>	<u>Treatment Expense⁽²⁾</u>	<u>Collection Expense</u>	<u>Customer Expenses</u>	<u>Administrative & General</u>	<u>Total</u>
2012 ⁽³⁾	\$5,405,205	\$3,747,274	\$1,126,905	\$5,534,759	\$15,814,144
2013 ⁽⁴⁾	8,086,278	3,332,148	1,028,785	6,030,457	18,477,668
2014	8,369,186	3,964,601	1,053,476	6,175,188	19,562,451
2015	8,661,810	4,103,221	1,078,759	6,323,392	20,167,183
2016	8,964,609	4,246,661	1,104,650	6,475,154	20,791,073
2017	9,277,786	4,395,018	1,131,161	6,630,557	21,434,522
2018	9,601,969	4,548,588	1,158,309	6,789,691	22,098,557
2019	9,937,242	4,707,412	1,186,109	6,952,643	22,783,406
2020	10,284,122	4,871,733	1,214,575	7,119,507	23,489,937
2021	\$10,619,639	\$5,030,672	\$1,243,725	\$7,290,375	\$24,184,411
CAGR ⁽⁵⁾	7.8%	3.3%	1.1%	3.1%	4.8%

(1) Source: SAIC

(2) Treatment Expense increase related to increase in power services in 2013.

(3) Estimated based on 12 rolling months: July 2011 through June 2012.

(4) 2013 Proposed Budget

(5) Compounded average annual growth rate for the period 2012-2021.

COMMUNICATIONS SYSTEM

As previously noted, the Utilities System also owns and operates a fiber optics telecommunications system known as the Communications System or the LUS Fiber. The infrastructure consists of a 65-mile, multiple-strand fiber backbone. The backbone currently supports a multiple OC-48 SONET based network for time division multiplexing transport access, an Ethernet based network for broadband data and high-speed Internet access to wholesale customers. Wholesale customers consist of major carriers, Competitive Local Exchange Carriers, Internet Service Providers and Application Service Providers that provide bandwidth, Internet, and voice services on a retail basis to medium and large business consumers.

The LUS Communications Division, operating as LUS Fiber, offers “triple-play” communications services (high-speed Internet, telephone, and cable television) to City residents and began operations in February 2009. The completion of the build-out phase occurred in September 2010, and is now available to all areas within its service territory.

The Communications System purchased the backbone network and inventory from the Utilities System. Those assets were transferred to the Communications Division on November 1, 2007. The Communications System also reimbursed the Utilities System for start-up costs. Both the purchase of assets and the reimbursement of start-up costs were funded by internal loans between the Utilities System and the Communications System at market terms and rates.

The Communications System currently has a debt service requirement associated with the Series 2007 Bonds and the Series 2012 Fiber Bonds. In June 2007, LUS issued \$110,405,000 in aggregate principal amount of its Series 2007 Bonds of which \$107,215,000 of the principal amount is outstanding as of the date of this Report.

The Series 2012 Fiber Bonds were issued on December 6, 2011 pursuant to the 2007 Bond Ordinance that provided for the issuance of \$125,000,000 of Communications System Revenue Bonds authorized at an election held on July 16, 2005, of which \$110,405,000 had previously been issued. The City issued the remaining \$14,595,000 of the original approved amount with the issuance of the Series 2012 Fiber Bonds.

The Council and LPUA have the authority to regulate the Communications System's rates and charges for services within the corporate limits of the City. The 2007 Bond Ordinance, Section 9.2, states that it is the duty of the Consulting Engineer to advise on any revisions of rates and charges.

LUS Internal Loans

The Communications System purchased the fiber backbone and inventory from LUS and the network was transferred to the Communications System on November 1, 2007. The Communications System is currently reimbursing the Utilities System for a series of loans issued for the purchase of assets, start-up costs, imputed taxes, installation costs, and other costs. In 2011, these outstanding loans were combined and refinanced to reflect existing market conditions. The total amount of these existing loans is approximately \$25 million. A brief description of the internal loans is presented below.

Backbone and Start-up Costs

If a municipal communications company is the predominant user of the fiber network, the Local Government Fair Competition Act in Louisiana requires that the municipal communications company owns the system. Pursuant to this rule, the Communications System bought the fiber system from the Utilities System and as a result, assumed a loan from the Utilities System for the backbone and start-up costs.

Installation Costs

For FY 2011, Communications System accepted an internal loan of \$5.5 million from the Utilities System to cover installation costs for new customers and other costs.

Imputed Tax Loans

Loans for imputed taxes are pursuant to the terms of a regulatory settlement. Imputed taxes are a proxy for the taxes that Communications System would pay if it were a commercial taxable entity. Some of the taxes that are imputed include income taxes, sales taxes, and property taxes. Based on a regulatory settlement, Communications System borrows the amount of the imputed taxes each year from the Utilities System and in return issues a payment for the imputed taxes back to the Utilities System creating a liability to repay debt. Communications System is required to impute taxes each year until such time it pays more in lieu of tax than imputed taxes. SAIC projects that the Communications System will borrow approximately \$3.2 million from the Utilities System between 2012 and 2013 for imputed taxes.

Communications System Rate Impact on the Utilities System

The financial performance of the Communications System has a financial impact on the Utilities System. The Communications System may obtain loans from the Utilities System as needed. In addition, it is expected there will be future positive financial impacts to the Utilities System from the Communications System.

Although the Communications System is financially separate from the Utilities System, if the Communications System encounters a Credit Event as defined in authorizing Bond Ordinance (O-053-2006) and defaults on the Series 2007 Bonds or the Series 2012 Fiber Bonds, the Utilities System Residual Revenues would be used to cover any debt service shortfalls. The Utilities System Residual Revenues are defined by Bond Ordinance as those revenues that are deposited into the Capital Additions Fund and are available for subordinated indebtedness.

PROJECTION OF COMMUNICATIONS SYSTEM OPERATING RESULTS

This Report contains forward-looking statements about the operation of the Communications System. These statements are based on assumptions and expectations of LUS as of the date of this Report. Actual results may differ materially from the forecast, and accordingly, no assurances are given and no representations are made that any of the assumptions are correct, that projections will be achieved, or that the forward-looking statements will correspond to actual results.

In developing the Projected Operating Results for the Communications Systems, SAIC has relied upon LUS for projections of the costs of the continued build out and operations of that system, including market penetration levels, revenue forecasts, and operations costs. Specific items of the Communications System include: Communications System services rates, number of customers, and operations costs, including cable TV programming costs.

Operating Revenues

Revenue forecasts for the Communications System are based on projections provided by LUS. LUS assumes a rate increase for cable TV in 2013. Rate changes for all products will occur as needed. Revenue and customer forecasts for the Communications System are summarized in Table 17.

Table 17
Communications System Revenue Forecast ⁽¹⁾

Fiscal Year	Number of Customers	Retail	Wholesale	Total
2012	14,164	\$21,465,951	\$3,100,105	\$24,566,056
2013	16,196	23,878,544	3,403,097	27,281,641
2014	17,550	27,828,258	3,403,097	31,231,355
2015	18,566	31,572,667	3,403,097	34,975,764
2016	19,378	33,745,526	3,484,771	37,230,298
2017	20,056	34,924,789	3,568,406	38,493,195
2018	20,636	35,935,586	3,654,048	39,589,633
2019	21,144	36,820,033	3,741,745	40,561,778
2020	21,595	37,606,208	3,831,547	41,437,755
2021	22,002	\$38,313,766	\$3,923,504	\$42,237,269
CAGR ⁽²⁾	5.0%	6.6%	2.7%	6.2%

(1) Source: LUS

(2) Compounded average annual growth rate for the period 2012-2021.

Operating Expenses

Operating expense projections for the Communications System are based on information provided by LUS. SAIC estimated the administrative and general expenses associated with the Communications System based on projections provided by LUS.

The Communications System has two major categories of operating expense; variable and fixed. The variable costs are cable TV programming and long distance expenses. These two expenses increase as the number of customers increases. Cable TV programming costs are also growing faster than the rate of inflation. Other operating expenses include fixed costs associated with labor, benefits, rents, maintenance, billing, customer service, and overhead.

LUS gained membership to the National Cable Television Cooperative (“NCTC”) in 2012. This cooperative is the single largest buyer of programming and LUS estimates that going forward, the Communications System is expected to save up to 20 percent on programming costs compared to the cost if it were not a member. Table 18 provides the Communications System operating expenses forecast from 2012 through 2021, as developed by LUS.

Table 18
Communications System Operations and Maintenance Expense
Forecast ⁽¹⁾

<u>Fiscal Year</u>	<u>Cost of Goods Sold</u>	<u>Operations, Maintenance, and Other Expenses ⁽²⁾⁽³⁾</u>	<u>Total</u>
2012	\$5,842,492	\$10,293,746	\$16,136,238
2013	6,343,951	8,269,299	14,613,250
2014	7,557,198	7,106,721	14,663,919
2015	7,549,333	7,168,381	14,717,714
2016	7,730,517	7,340,422	15,070,939
2017	7,916,049	7,516,593	15,432,642
2018	8,106,034	7,696,991	15,803,025
2019	8,300,579	7,881,719	16,182,298
2020	8,499,793	8,070,880	16,570,673
2021	\$8,703,788	\$8,264,581	\$16,968,369
CAGR ⁽⁴⁾	4.5%	-2.4%	0.6%

(1) Source: LUS

(2) Other Expenses are the operating expenses of the Communications System and include labor and benefits, maintenance contracts, overheads and allocated expenses, insurance, consultant, billing and all of other expenses needed to operate the system.

(3) Decrease in expenses is related to the sales commissions from 2013-2014.

(4) Compounded average annual growth rate for the period 2012-2021.

REVENUES AVAILABLE FOR LUS DEBT SERVICE

Utilities System

LUS has the following outstanding bonds: Series 2010 Bonds, Series 2004 Bonds, and the 1996 DEQ Loan No. CS-221011-01 Utilities Revenue Bonds, (the “1996 DEQ Bonds”) (collectively the “Outstanding Prior Bonds”). Collectively, the principal amounts outstanding for the debt issue as of the beginning of fiscal year 2012 is approximately \$277 million.

Based on current market conditions as of the date of this report, the Underwriter estimates that the Series 2012 Refunding Bonds will refund the Series 2004 Bonds and save LUS approximately \$24,117,023 from years 2013 through 2028 as shown below in Table 19.

Table 19
Series 2012 Refunding Bonds Savings ⁽¹⁾

Calendar	Series 2004	Series 2012	
<u>Year</u>	<u>Bonds</u>	<u>Refunding Bonds</u>	<u>Savings</u>
2013	\$15,663,594	\$15,485,483	\$178,110
2014	17,113,513	15,904,400	1,209,113
2015	17,113,513	15,489,400	1,624,113
2016	17,116,463	15,494,200	1,622,263
2017	17,116,050	15,491,000	1,625,050
2018	17,116,225	15,493,000	1,623,225
2019	17,115,675	15,493,250	1,622,425
2020	17,113,088	15,490,750	1,622,338
2021	17,112,150	15,489,500	1,622,650
2022	17,111,288	15,488,250	1,623,038
2023	17,113,925	15,490,750	1,623,175
2024	17,113,225	15,490,500	1,622,725
2025	17,112,613	15,486,250	1,626,363
2026	17,115,250	15,491,750	1,623,500
2027	17,111,000	15,485,000	1,626,000
2028 ⁽²⁾	<u>(1,463)</u>	<u>(1,624,400)</u>	<u>1,622,938</u>
Total	\$255,256,106	\$231,139,083	\$24,117,023

(1) Source: Underwriter

(2) Debt Service Reserve

For illustrative purposes, Table 20 shows the Utilities System Net Revenues Available for Debt Service. The Utilities System Net Revenues Available for Debt Service is equal to Gross Revenues less Operating Expenses, excluding payments made by LUS for the Debt Service.

Table 20
Utilities System Revenue and Debt Service Coverage Ratios ⁽¹⁾

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Existing and Anticipated Debt Service ^{(2), (3)}	Net Revenues Available After Debt Service	Debt Service Coverage
2012 ⁽⁴⁾	\$241,466,163	\$174,236,949	\$67,229,214	\$10,710,000	\$56,519,214	6.28
2013 ⁽⁵⁾	238,969,468	175,384,998	63,584,470	13,112,374	50,472,097	4.85
2014	240,548,293	166,250,065	74,298,228	24,711,123	49,587,105	3.01
2015	255,229,653	174,701,913	80,527,740	26,319,705	54,208,035	3.06
2016	265,107,330	183,033,153	82,074,177	26,170,367	55,903,810	3.14
2017	271,494,021	190,496,886	80,997,134	26,165,119	54,832,015	3.10
2018	277,992,125	197,277,364	80,714,761	26,591,553	54,123,208	3.10
2019	287,485,574	206,283,410	81,202,165	26,154,930	55,047,235	3.04
2020	295,964,969	214,087,250	81,877,719	28,963,805	52,913,914	2.83
2021	\$303,711,417	\$222,225,731	\$81,485,686	\$26,128,730	\$55,356,956	3.12

(1) Source: SAIC

(2) Capitalized interest is included in the debt service schedule.

(3) Includes anticipated bonds of approximately \$45,000,000 in 2014 and \$14,000,000 in 2018.

(4) Estimated based 12 rolling months: July 2011 through June of 2012.

(5) 2013 Proposed Budget.

It is estimated that the debt service coverage ratio for the existing and indicated debt service will range from a minimum of 2.83 to a maximum of 6.28 over the time period of 2012-2021 for the Utilities System.

PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation for this Report and the conclusions that follow, it has been necessary for us to make certain assumptions with respect to conditions which may occur in the future. While we believe these assumptions are reasonable for the purpose of this Report, they are dependent upon future events, and actual events may differ from those assumed. In addition, we used and relied upon certain information provided to us by others. While we believe these sources to be reliable, we have not independently verified the information and offer no assurances with respect thereto. To the extent that actual future conditions differ from those assumed herein or provided to us by others, the actual results will vary from those forecasted. This Report summarizes our work up to the date of the Report. Changed conditions occurring or becoming known after such date could affect the material presented as a result of such changes. The principal considerations and assumptions made by us and the principal information provided to us by others include the following:

1. As Consulting Engineer, we have made no determination as to the validity and enforceability of any contract, agreement, rule, or regulation applicable to LCG, the Utilities System and the operations thereof. For purposes of this Report, we have assumed that all such contracts, agreements, rules, and regulations will be fully enforceable in accordance with their terms.

2. We conducted our analysis and studies for this Report based on based on information provided by the bond market analysis performed by Morgan Keegan, interviews with LUS staff and management, historical LUS and LPPA Financial and Operating Statements, the 2013 Proposed Budget and the LUS CIP contained therein. LUS and LCG historical and budget information was provided to us by LUS and LCG.

3. Actual data for fiscal year 2012 was estimated based on a rolling 12 months of actual data from July 2011 through June 2012. This data was provided by LUS and has not been audited.

4. The Series 2012 Refunding Bonds will be used to refund the Series 2004 Bonds and save LUS approximately \$24,117,023 from years 2013 through 2028 as described in this Report.
5. The price of coal for LPPA's share of RPS-2 was assumed to be \$2.97/MMBtu in 2013 and is based on the 2013 Proposed Budget. Beyond 2014, we used our proprietary coal price forecast.
6. Based on the bond market analysis provided by Underwriter with respect to the issuance of the Series 2012 Refunding Bonds, we have assumed: (1) a principal amount of \$153,960,000; (2) no principal payment until November 1, 2015; (3) an annual debt service schedule as incorporated into Exhibit B-1 to this Report.
7. For the purposes of the Projected Operating Results and based on projections of Communications System revenues and expenses provided by LUS, we have assumed the Communications System will obtain additional imputed tax loans of approximately \$3.2 million from the Utilities System during the period from 2012 to 2013.
8. Financial information and analyses for the Communications System was prepared by LUS. SAIC relied exclusively upon the analysis and conclusions made by LUS for information related to current and projected operating and financial condition of the Communications System.
9. LUS will satisfy the regulatory reserve requirement for its Electric System from its power supply resources. The Doc Bonin Plant, T. J. Labbé Plant, Hargis-Hébert Plant, and RPS-2 are capable of sustained operations for the projection period, as estimated in this Report.
10. LUS will have coal availability to operate RPS-2 at a 65 percent capacity factor or better.
11. LUS will have adequate natural gas supply at the Doc Bonin Plant, T. J. Labbé Plant, and Hargis-Hébert Plant.
12. LUS will have sufficient transmission access to the wholesale power market in both the Entergy and Southern sub-regions to make wholesale power sales to third parties when economic to do so. Future wholesale sales in the spot market were assumed to be made through TEA. Costs to LUS per the TEA contract were included in the projected operating results as an operating expense. The margin on wholesale sales was determined to be relatively small and does not have a significant impact on LUS' long-term financial performance.
13. We relied upon our independently developed electricity price forecast for an estimate of wholesale spot market prices. These prices were used for projecting how generating units would be dispatched, estimating purchased power costs, wholesale sales revenues, and related costs.
14. We relied upon the LUS estimates for the costs of the capital improvement projects for the Electric System, Water System, and Wastewater System.
15. We relied upon the LUS estimates for the Communications System revenues, expenses, and capital program.
16. LUS will implement the capital improvement projects as described in this Report to increase and improve its capability, and to provide adequate and reliable service to its customers, as necessary.
17. The Managing Director of LPPA, who is also the Director of Utilities will operate and maintain LPPA, the Utilities System, and the Communications System following prudent utility practices.
18. The Director of Utilities will employ qualified and competent personnel for the Utilities System and the Communications System and will make all required renewals and replacements in a timely manner, all in such a manner that is consistent with prudent utility practices.

19. LUS will carry out its CIP expenditures for the Electric System, Water System, and Wastewater System and it will have adequate capacity to meet system needs through 2021.

20. Interest earnings from invested funds for years 2012-2021 held in reserves were estimated using interest rates provided by LCG. The projected interest rate for short-term reserves was assumed to be 0.16 percent in years 2012 through 2021. The projected interest rate for long-term reserves was assumed to be 0.56 percent in years 2012 through 2021.

21. The Electric System, Water System, and Wastewater System operation and maintenance expenses and certain other costs have been escalated using the Consumer Price Index ("CPI") forecast as reported in the March 2012 Blue Chip Economic Indicator projections. The CPI is assumed to be 2.4 percent through 2021.

22. We assumed future bond issues for the Utilities System in 2014 and 2018. Future Utilities System bonds were issued at the average coupon rate of the Bloomberg 30 year municipal rate as of September, 2012.

23. We assumed Wastewater System rate revenue increases of 5 percent in 2015, 5 percent in 2016 and 5 percent in 2018.

24. The Series 2012 LPPA Bonds will be used to implement the capital improvement projects authorized by the 2012 Supplemental Bond Ordinance approved by LPPA on October 2, 2012.

25. Future emission costs for carbon dioxide have not been included in the projected operating results. The costs for carbon dioxide emissions are unknown but could be significant.

26. No uncontrollable circumstances or changes in environmental regulations will occur which would result in the need to increase operating expenses or make additional capital expenditures.

27. All permits, approvals, and permit modifications necessary to operate RPS-2 and the Utilities System will be maintained and renewed. Any changes in required permits and approvals will not require significant changes in design or cause a significant increase in the costs associated with the Utilities System and RPS-2 or cause a reduction in generation.

PRINCIPAL CONCLUSIONS

Based upon the foregoing principal considerations and assumptions and upon the studies and analyses summarized or discussed in this Report, which should be read in its entirety in conjunction with the following, we are of the opinion that:

1. Based on our role as Consulting Engineer, we find the Utilities System to be in generally good condition and maintained consistent with prudent utility practices. These practices continue to include prudent operation and maintenance practices, implementation of planned capital improvements and replacements.

2. Based on our understanding of LUS business objectives, planning and strategy combined with our assessment of the condition of the Utilities System, we believe the capital projects proposed by LUS in its CIP to be justified and reasonable.

3. Revenues that the City can expect to derive from the operation of the Utilities System are projected to be adequate to provide for: (1) the estimated operation and maintenance expenses of the Utilities System; (2) debt service on all Utilities System currently outstanding bonds and all other payments required to be made pursuant to the LUS Bond Ordinance; (3) deposits to fund capital additions as estimated in this Report; (4) the estimated ILOT payments to the City; and (5) the required reserves.

Respectfully submitted,

SAIC Energy, Environment & Infrastructure, LLC

EXHIBITS

Exhibit B-1 LUS Historical and Projected Operating Results

Exhibit B-1 Lafayette Utilities System
Historical & Projected Operating Results (1)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues:					
Electric					
Base Rate - Electric (2)	\$70,333,804	\$71,213,614	\$71,907,624	\$80,680,077	\$90,791,982
Fuel Charge - Electric (3)	95,816,026	118,299,538	90,932,968	83,750,043	87,783,625
Wholesale Sales (4)	1,150,327	1,329,215	1,334,735	3,952,181	6,145,005
Other Revenues (5)	8,871,510	9,342,942	8,838,837	5,949,298	7,650,950
Water					
Retail Sales (6)	10,677,248	11,379,071	11,399,719	12,076,955	13,856,966
Wholesale Sales (7)	2,078,985	2,383,734	2,502,213	3,030,138	4,241,593
Other Revenues (8)	1,419,767	1,119,952	772,282	666,644	745,649
Wastewater					
Retail Sales (9)	21,479,609	21,893,058	21,320,392	23,982,152	29,326,976
Other Revenues (10)	1,854,189	1,752,863	637,459	712,907	782,552
Fiber					
Wholesale Sales (11)	1,856,789	0	414	0	192
Other Revenues (12)	88,449	0	0	0	0
Total Operating Revenues	\$215,626,703	\$238,713,987	\$209,646,643	\$214,800,394	\$241,325,490
Operating Expenses:					
Electric					
Generation (13)	\$5,685,003	\$6,495,265	\$6,648,921	\$10,191,250	\$10,088,321
Fuel - Gas Generation (14)	27,863,787	46,286,299	26,187,503	35,639,036	43,553,606
Purchased Power - LPPA (15)	62,412,389	61,874,524	65,840,205	64,653,777	64,047,865
Purchased Power - Other (16)	14,803,604	23,405,229	17,660,119	12,114,427	9,415,304
Other (17)	22,211,506	22,317,783	26,462,845	24,736,972	26,666,603
Water (18)	9,222,556	9,820,340	11,253,724	10,885,922	11,783,706
Wastewater (19)	13,233,467	14,198,414	15,442,369	14,781,373	15,285,321
Fiber (20)	897,270	1,501	5,725	0	0
Total Operating Expenses	\$156,329,581	\$184,399,355	\$169,501,412	\$173,002,757	\$180,840,725
Balance Available for Debt Service	\$59,297,122	\$54,314,631	\$40,145,231	\$41,797,637	\$60,484,765
Debt Service:					
Existing (21)					
1996 LDEQ Bonds	\$1,177,333	\$1,172,258	\$1,176,445	\$1,174,821	\$1,172,460
2004 Series Bonds	9,535,713	9,535,713	9,535,713	9,535,713	9,535,713
2010 Series Bonds	0	0	0	0	0
Total Existing Bonds	10,713,045	10,707,970	10,712,158	10,710,534	10,708,173
Series 2012 Refunding Bonds (22)	0	0	0	0	0
Anticipated Future Issues(23)					
Electric System	\$0	\$0	\$0	\$0	\$0
Water System	0	0	0	0	0
Sewer System	0	0	0	0	0
Debt Service	\$10,713,045	\$10,707,970	\$10,712,158	\$10,710,534	\$10,708,173
Debt Service Coverage Ratio (24)	5.54	5.07	3.75	3.90	5.65
Balance After Debt Service	\$48,584,077	\$43,606,661	\$29,433,073	\$31,087,104	\$49,776,593
Other Income (Expenditures):					
Interest on Customer Deposits (25)	(\$12,907)	(\$14,400)	(\$14,855)	(\$9,213)	\$0
Fiber Start Up Expenses (26)	0	(42,409)	0	0	0
AMI One Time Cash Flow Benefit (27)	0	0	0	0	0
Miscellaneous (28)	22,556	(113,277)	(190,444)	97,405	(619,437)
Debt Service Escrow Fund True Up (29)	0	0	0	0	0
Working Capital Reserve (30)	0	0	0	0	0
In-Lieu-of-Tax Payment (31)	(18,611,595)	(18,799,006)	(18,660,233)	(19,462,859)	(19,199,649)
Normal Capital (32)	(14,227,268)	(8,302,116)	(7,583,947)	(7,563,917)	(3,732,906)
Total Other Income (Expenditures)	(\$32,829,214)	(\$27,271,208)	(\$26,449,479)	(\$26,938,584)	(\$23,551,992)
Bond Reserve & Capital Additions	\$15,754,863	\$16,335,453	\$2,983,594	\$4,148,520	\$26,224,601

Exhibit B-1 Lafayette Utilities System
Historical & Projected Operating Results (1)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues:					
Electric					
Base Rate - Electric (2)	\$89,508,340	\$97,197,975	\$100,233,126	\$101,900,936	\$103,596,407
Fuel Charge - Electric (3)	84,518,262	87,434,978	85,109,920	95,678,325	101,426,123
Wholesale Sales (4)	8,052,476	192,000	337,143	362,558	285,294
Other Revenues (5)	9,781,238	5,254,311	3,814,149	4,000,513	4,178,727
Water					
Retail Sales (6)	13,821,184	14,769,250	15,038,641	15,201,432	15,365,912
Wholesale Sales (7)	4,407,364	3,103,165	3,136,457	3,170,040	3,203,963
Other Revenues (8)	1,000,144	624,654	530,768	547,052	562,997
Wastewater					
Retail Sales (9)	29,245,951	29,646,385	31,696,477	33,641,591	35,705,890
Other Revenues (10)	1,131,270	746,750	651,613	727,207	782,017
Fiber					
Wholesale Sales (11)	(66)	0	0	0	0
Other Revenues (12)	0	0	0	0	0
Total Operating Revenues	\$241,466,163	\$238,969,468	\$240,548,293	\$255,229,653	\$265,107,330
Operating Expenses:					
Electric					
Generation (13)	\$12,755,680	\$8,288,838	\$8,521,114	\$8,687,281	\$8,862,040
Fuel - Gas Generation (14)	37,966,296	17,033,656	20,119,449	22,140,470	24,050,642
Purchased Power - LPPA (15)	58,959,030	63,602,775	57,902,428	60,790,976	63,386,403
Purchased Power - Other (16)	12,567,645	16,197,854	19,763,933	21,577,902	23,623,157
Other (17)	23,932,488	39,338,351	28,603,561	29,200,948	29,811,362
Water (18)	12,241,667	12,445,855	11,777,129	12,137,154	12,508,476
Wastewater (19)	15,814,144	18,477,668	19,562,451	20,167,183	20,791,073
Fiber (20)	0	0	0	0	0
Total Operating Expenses	\$174,236,949	\$175,384,998	\$166,250,065	\$174,701,913	\$183,033,153
Balance Available for Debt Service	\$67,229,214	\$63,584,470	\$74,298,228	\$80,527,740	\$82,074,177
Debt Service:					
Existing (21)					
1996 LDEQ Bonds	\$1,174,288	\$1,170,304	\$1,170,509	\$1,169,829	\$1,173,190
2004 Series Bonds	9,535,713	6,586,856	7,600,000	8,000,000	0
2010 Series Bonds	0	3,056,030	6,212,650	6,192,375	6,194,775
Total Existing Bonds	10,710,000	10,813,190	14,983,159	15,362,204	7,367,965
Series 2012 Refunding Bonds (22)	0	2,299,183	8,509,500	7,484,400	15,329,300
Anticipated Future Issues(23)					
Electric System	\$0	\$0	\$0	\$0	\$0
Water System	0	0	0	0	0
Sewer System	0	0	1,218,464	3,473,102	3,473,102
Debt Service	\$10,710,000	\$13,112,374	\$24,711,123	\$26,319,705	\$26,170,367
Debt Service Coverage Ratio (24)	6.28	4.85	3.01	3.06	3.14
Balance After Debt Service	\$56,519,214	\$50,472,097	\$49,587,105	\$54,208,035	\$55,903,810
Other Income (Expenditures):					
Interest on Customer Deposits (25)	\$0	\$0	\$0	\$0	\$0
Fiber Start Up Expenses (26)	0	0	1,835,336	1,970,030	1,970,030
AMI One Time Cash Flow Benefit (27)	0	1,941,476	0	0	0
Miscellaneous (28)	(779,291)	(797,994)	(817,146)	(836,758)	(856,840)
Debt Service Escrow Fund True Up (29)	(2,509,394)	(9,485,023)	(202,798)	(23,512)	(251,831)
Working Capital Reserve (30)	0	(0)	0	0	0
In-Lieu-of-Tax Payment (31)	(21,596,096)	(24,184,151)	(22,920,836)	(23,345,222)	(23,824,962)
Normal Capital (32)	(7,362,000)	(8,280,304)	(6,849,468)	(7,090,283)	(7,339,502)
Total Other Income (Expenditures)	(\$32,246,782)	(\$40,805,996)	(\$28,954,912)	(\$29,325,744)	(\$30,303,105)
Bond Reserve & Capital Additions	\$24,272,432	\$9,666,101	\$20,632,193	\$24,882,290	\$25,600,705

Exhibit B-1 Lafayette Utilities System
Historical & Projected Operating Results (1)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating Revenues:					
Electric					
Base Rate - Electric (2)	\$105,319,814	\$107,071,844	\$108,852,703	\$110,663,191	\$112,304,923
Fuel Charge - Electric (3)	105,272,870	109,338,799	114,456,664	119,443,243	124,919,516
Wholesale Sales (4)	260,470	217,242	226,286	227,351	249,546
Other Revenues (5)	4,366,739	4,462,982	4,569,887	4,676,010	4,777,837
Water					
Retail Sales (6)	15,531,852	15,699,714	15,869,041	16,834,383	16,978,557
Wholesale Sales (7)	3,238,177	3,272,778	3,307,670	3,510,049	3,539,613
Other Revenues (8)	580,355	596,537	614,824	625,984	632,636
Wastewater					
Retail Sales (9)	36,091,486	36,481,550	38,718,772	39,118,265	39,453,283
Other Revenues (10)	832,260	850,679	869,729	866,494	855,506
Fiber					
Wholesale Sales (11)	0	0	0	0	0
Other Revenues (12)	0	0	0	0	0
Total Operating Revenues	\$271,494,021	\$277,992,125	\$287,485,574	\$295,964,969	\$303,711,417
Operating Expenses:					
Electric					
Generation (13)	\$9,062,193	\$9,331,069	\$9,544,886	\$9,775,734	\$9,955,756
Fuel - Gas Generation (14)	24,732,584	26,619,250	27,990,421	29,905,630	31,136,311
Purchased Power - LPPA (15)	66,903,130	68,003,383	70,676,551	74,090,223	76,473,199
Purchased Power - Other (16)	25,011,127	26,764,934	29,857,493	30,291,763	32,808,050
Other (17)	30,461,998	31,173,851	31,737,073	32,420,349	33,140,874
Water (18)	12,891,333	13,286,321	13,693,580	14,113,614	14,527,129
Wastewater (19)	21,434,522	22,098,557	22,783,406	23,489,937	24,184,411
Fiber (20)	0	0	0	0	0
Total Operating Expenses	\$190,496,886	\$197,277,364	\$206,283,410	\$214,087,250	\$222,225,731
Balance Available for Debt Service	\$80,997,134	\$80,714,761	\$81,202,165	\$81,877,719	\$81,485,686
Debt Service:					
Existing (21)					
1996 LDEQ Bonds	\$1,170,593	\$1,172,036	\$0	\$0	\$0
2004 Series Bonds	0	0	0	0	0
2010 Series Bonds	6,193,825	6,196,525	6,190,125	9,010,125	6,189,425
Total Existing Bonds	7,364,418	7,368,561	6,190,125	9,010,125	6,189,425
Series 2012 Refunding Bonds (22)	15,327,600	15,274,500	15,265,625	15,254,500	15,240,125
Anticipated Future Issues(23)					
Electric System	\$0	\$0	\$0	\$0	\$0
Water System	0	135,826	350,308	350,308	350,308
Sewer System	3,473,102	3,812,666	4,348,872	4,348,872	4,348,872
Debt Service	\$26,165,119	\$26,591,553	\$26,154,930	\$28,963,805	\$26,128,730
Debt Service Coverage Ratio (24)	3.10	3.04	3.10	2.83	3.12
Balance After Debt Service	\$54,832,015	\$54,123,208	\$55,047,235	\$52,913,914	\$55,356,956
Other Income (Expenditures):					
Interest on Customer Deposits (25)	\$0	\$0	\$0	\$0	\$0
Fiber Start Up Expenses (26)	1,970,030	1,970,030	1,970,030	1,970,030	1,970,030
AMI One Time Cash Flow Benefit (27)	0	0	0	0	0
Miscellaneous (28)	(877,404)	(898,462)	(920,025)	(942,106)	(964,716)
Debt Service Escrow Fund True Up (29)	(238,813)	598,665	(1,726,578)	1,068,331	(335,820)
Working Capital Reserve (30)	0	0	0	0	0
In-Lieu-of-Tax Payment (31)	(24,318,280)	(24,618,445)	(24,905,865)	(25,421,540)	(25,833,789)
Normal Capital (32)	(7,597,294)	(7,864,179)	(8,140,226)	(8,425,863)	(8,701,958)
Total Other Income (Expenditures)	(\$31,061,760)	(\$30,812,391)	(\$33,722,664)	(\$31,751,148)	(\$33,866,253)
Bond Reserve & Capital Additions	\$23,770,255	\$23,310,816	\$21,324,571	\$21,162,766	\$21,490,703

EXHIBITS

Exhibit B-1 LUS Historical and Projected Operating Results

Footnotes to Exhibit B-1

1. Historical operating results are based on actual data provided by LUS. Projected operating results for 2012 are based on actual data from July 2011 through June 2012. Projections for 2013 are based on the 2013 Proposed Budget. Projections for 2014 and beyond are provided by LUS and SAIC, as identified herein.
2. Electric: Base Rate – Beyond 2013, an average of the 2013 base rate revenue per kWh is applied to projections of energy sold.
3. Electric: Fuel Charge - Electric – Beyond 2013, fuel charge revenues are calculated based on estimated fuel cost and purchased power as developed by SAIC.
4. Electric: Wholesale Sales - Beyond 2013, wholesale sales are determined by SAIC based on projections of market prices compared to LUS' marginal cost of generation.
5. Electric: Other Revenues – Other revenues include interest income and other income. Beyond 2013, interest income projections are based on projected investment rates provided by LUS and calculated fund balances; other revenues projections are based on a five year historic average.
6. Water: Retail Sales – Beyond 2013, an average of the 2013 retail rate revenue per 1000 gallons sold is applied to projections of gallons sold. In 2020 there is a projected five percent retail rate increase. Water volumes are projected based on projections at an annual compounded growth rate from LUS of just over one percent for 2013 through 2021.
7. Water: Wholesale Sales – Beyond 2013, an average of the 2013 wholesale rate revenue per 1000 gallons sold is applied to projections of gallons sold. In 2020, there is a projected five percent wholesale rate increase.
8. Water: Other Revenues – Other revenues include interest income and other income. Beyond 2013, interest income projections are based on projected investment rates provided by LUS and calculated fund balances; other income projections are based on an average historic growth rate.
9. Wastewater: Retail Sales – Beyond 2013, an average of the 2013 retail rate revenue per 1000 gallons intake is applied to projections of gallons intake. There is a projected five percent retail rate increase in each of the following years: 2014, 2015, 2016 and 2019. Wastewater volumes are projected based on projections at an annual compounded growth rate from LUS of just over one percent for 2013 through 2021.
10. Wastewater: Other Revenues – Other revenues include interest income and other income. Projected investment rates provided by LUS and calculated fund balances; other income projections are based on an average an average historic growth rate.
11. Fiber: Wholesale – Fiber revenues represent actual revenues before the Communications System was fully established. From 2013 forward, the Communications System wholesale revenues are excluded from Utilities System revenues.
12. Fiber: Other Revenues – Fiber revenues represent actual revenues before the Communications System was fully established.
13. Generation – Beyond 2013, generation expenses for the Doc Bonin Plant, the T.J. Labbé Plant, and Hargis-Hébert Plant are estimated based on a combination of actual expenses escalated at inflation and unit output as provided by SAIC.
14. Fuel - Gas Generation – Beyond 2013, the fuel expenses are based on a natural gas price forecast prepared by SAIC and SAIC's projections of generation.
15. Purchased Power - LPPA – Beyond 2013, the LPPA purchased power costs are based on the wholesale purchase power contact between LPPA and LUS and include RPS-2 debt service, capital expenditures, and fixed O&M expenses as estimated by LUS. Variable O&M expenses and fuel expenses for RPS-2 are

estimated based on a combination of actual expenses escalated at inflation and unit output as provided by SAIC.

16. Purchased Power - Other – Beyond 2013, purchased power includes LUS’ hydro allocation plus market purchases. Market purchases are estimated going forward in consideration of the Entergy wholesale power market forecast compared to LUS’ marginal cost of production as estimated by SAIC.
17. Other – Other electric expenses include Transmission, Distribution, Customer Accounting, Sales and Administrative and General. Beginning in 2013, there is a slight decrease in Distribution, Customer and Administrative and General expenses due to the implementation of the AMI (“Advanced Metering Infrastructure”) system. Beyond 2013, these expenses are based on the prior year’s cost and are escalated annually at the rate of inflation.
18. Water – The Water System incurs production and distribution expenses. Beginning in 2013, there is a slight decrease in Distribution, Customer and Administrative and General expenses due to the implementation of the AMI system. Beyond 2013, these expenses are based on the prior year’s cost and are escalated annually at the rate of inflation.
19. Wastewater – The Wastewater System incurs treatment and collection expenses. Beyond 2013, the expenses based on the prior year’s cost and are escalated annually at the rate of inflation.
20. Fiber – Fiber expenses represent historical expenses before the Communications System was fully established.
21. Existing Debt Service – Existing Debt Service is categorized into outstanding 1996 DEQ Bonds, the Series 2004 Bonds, and the Series 2010 Bonds. The 1996 DEQ Bonds debt service will expire in 2018.
22. Series 2012 Refunding Bonds – Debt service payments for the proposed bonds.
23. Anticipated Future Issues – Anticipated Utilities System bonds are issued at the average coupon rate of 3.5 percent based on the Bloomberg 30 year municipal rate as of August 3, 2012.
24. Debt Service Coverage Ratio – Debt Service coverage is calculated as the Net Revenues Available for Debt Service divided by Net Debt Service.
25. Interest on Customer Deposits – Other Income includes Interest on Customer Deposits and is escalated based on customer growth as provided by LUS.
26. Fiber Start Up Expenses–LUS provided a series of loans to the Communications System from 2005 to 2009 for start up expenses. The Communications System is currently reimbursing LUS for these expenses.
27. AMI One Time Cash Flow Benefit – A one-time benefit equal to three days’ revenue from electric, water and sewer accounts is anticipated in 2013 as estimated by LUS.
28. Miscellaneous – Includes miscellaneous non-operating income (expense).
29. Debt Service Escrow Fund True Up – LUS makes interest payments on May 1 and November 1 of each year. LUS makes one principal payment on November 1 of each year. LUS sets aside the cash for the interest payments over the 6 months prior to the payment date and cash for the principal payments over the 12 month period prior to the payment date. The debt service escrow fund true up makes a cash adjustment to account for these set asides.
30. Working Capital Reserve – According to LUS, the working capital reserve is fully funded and is not projected to require future funding.
31. In-Lieu-of-Tax Payment – The In-Lieu-of-Tax Payment is calculated per the Bond Ordinance. Historical In-Lieu-of-Tax Payment are calculated using an accrual methodology, while projections are calculated using a cash flow methodology.
32. Normal Capital – The 2012 normal capital expenses are based on LUS estimates. The 2013 normal capital expenses are based on the 2013 Proposed Budget. Beyond 2013, the normal capital projections are based on the historical average system expenses increased by projected customer growth.

**FINANCIAL AND STATISTICAL DATA
RELATIVE TO THE CITY OF LAFAYETTE AND
THE PARISH OF LAFAYETTE, STATE OF LOUISIANA**

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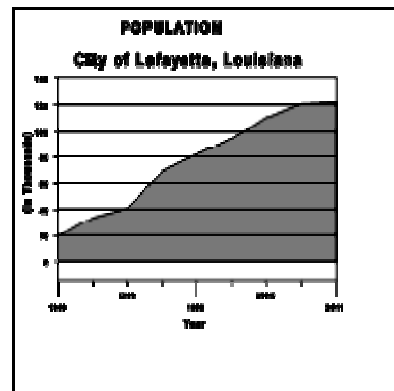
FINANCIAL AND STATISTICAL DATA RELATIVE TO THE CITY OF LAFAYETTE AND THE PARISH OF LAFAYETTE, STATE OF LOUISIANA

Location and Area of the City

The City of Lafayette, State of Louisiana (the “City”) is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico. The City is governed by the Lafayette City-Parish Council (the “Governing Authority”) and is the Parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the City is approximately 51.75 square miles.

Population of the City of Lafayette

<u>Year</u>	<u>Population</u>
1940	19,210
1950	33,541
1960	40,400
1970	68,908
1980	81,961
1990	94,440
2000	110,257
2010	120,623
2011	122,130



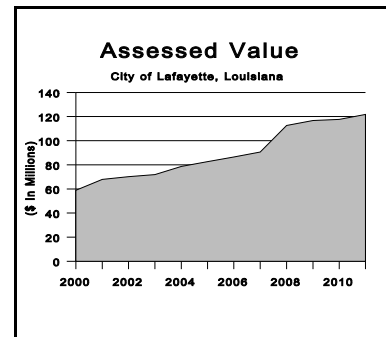
Sources: U. S. Census Bureau; Louisiana Census.

Assessed Value of Taxable Property of the City

The trend in the assessed valuation of the City appears in the following table.

<u>Year</u>	<u>Assessed Value</u>	<u>Year</u>	<u>Assessed Value</u>
2000	\$ 588,802,969	2006	\$ 864,796,608
2001	678,289,181	2007	906,310,363
2002	702,369,634	2008	1,126,670,410
2003	718,675,774	2009	1,167,335,011
2004	785,936,702	2010	1,176,713,420
2005	826,075,484	2011	1,217,474,359

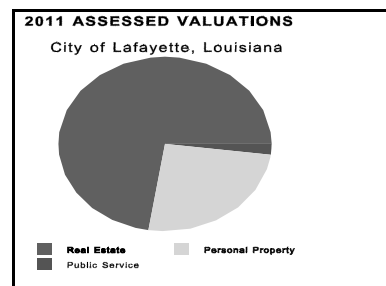
Sources: Louisiana Tax Commission; Lafayette Parish Assessor.



A breakdown of the City’s 2011 assessed valuation (Fiscal Year 2012) by classification of property follows:

<u>Classification of Property</u>	<u>2011 Assessed Valuation</u>
Real Estate	\$ 885,664,950
Personal Property	309,691,530
Public Service Property	22,117,879
Total:	<u>\$1,217,474,359</u>

Source: Lafayette Parish Assessor.



Millage Rates

The recent trend in the *ad valorem* tax rates levied within the boundaries of the City follows:

	Millage Rates				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>City of Lafayette</u>					
General	5.42	5.42	5.42	5.42	5.42
Public Roads	1.25	1.25	1.29	1.29	1.29
Playground/Recreation Maint.	1.86	1.86	1.92	1.92	1.92
Public Buildings	1.10	1.13	1.13	1.13	1.13
Police & Fire Depts. Bonds	3.18	3.18	3.18	3.18	3.18
Police Salaries	3.00	3.00	3.00	3.00	3.00
Fire Salaries	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
Total	17.81	17.84	17.94	17.94	17.94
<u>Overlapping Parishwide Taxes</u>					
Schools	4.59	4.59	4.59	4.59	4.59
School District No. 1	0.19	--	--	--	--
Special	7.27	7.27	7.27	7.27	7.27
Special School Improvement	5.00	5.00	5.00	5.00	5.00
School 1985 Operation	16.70	16.70	16.70	16.70	16.70
Courthouse & Jail Maintenance	2.25	2.34	2.34	2.34	2.34
Library (1997-2006)	2.91	--	--	--	--
Library (1999-2008)	1.55	1.55	--	--	--
Library (2003-2013)	2.00	2.00	--	--	--
Library (2003-2012)	--	--	2.00	2.00	2.00
Library (2007-2016)	--	2.91	2.91	2.91	2.91
Library (2009-2018)	--	--	1.61	1.61	1.61
Health Unit Maintenance	0.99	0.99	0.99	0.99	0.99
Juvenile Detention Maintenance	1.13	1.13	1.17	1.17	1.17
Lafayette Economic Development Authority	1.92	1.58	1.92	1.92	1.92
Assessment District	1.56	1.56	1.56	1.56	1.56
Law Enforcement 16.79	16.79	16.79	16.79	16.79	
Airport Maintenance	1.71	1.71	1.71	1.71	1.71
Minimum Security Maintenance	1.92	2.06	2.06	2.06	2.06
Bridges and Maintenance	4.17	4.17	4.17	4.17	4.17
Lafayette Parish Bayou Vermilion- Bond & Interest 0.20	0.20	0.20	0.20	0.10	
Maintenance	0.75	0.75	0.75	0.75	0.75
Drainage Maintenance	3.34	3.34	3.34	3.34	3.34
Public Improvement Bonds	3.50	3.50	3.40	3.00	3.00
Teche-Vermilion Water District	1.48	1.26	1.26	1.26	1.50
Mosquito Abatement & Control	1.50	1.50	1.50	1.50	1.50
<u>Other Parish Taxes:</u>					
Parish Tax (Inside Municipalities)	1.52	1.52	1.62	1.52	1.52
Lafayette Center Development District	10.91	10.91	10.91	10.91	10.91

Sources: Louisiana Tax Commission; Lafayette Parish Assessor.

Leading Taxpayers

The ten largest property taxpayers of the City and their 2011 assessed valuations follow.

			2011 Assessed Valuation
	<u>Name of Taxpayer</u>	<u>Type of Business</u>	
1.	Franks Casing Crew	Oil Field Equipment Manufacturer	\$ 18,223,007
2.	Stuller, Inc.	Jewelry Manufacturer	16,736,950
3.	AT&T/Bellsouth	Telecommunications	14,651,805
4.	PHI Inc.	Air Transportation	12,151,146
5.	WalMart Stores Inc.	Retail	10,927,610
6.	HCA Regional Health System	Medical & Surgical Healthcare	10,475,123
7.	IBERIABANK	Banking	10,185,272
8.	JPMorgan Chase	Banking	8,791,377
9.	Schlumberger	Oil Well Services	6,429,477
10.	Cox Communications	Telecommunications	5,917,612
			<u>\$114,489,379*</u>

* Approximately 9.40% of the 2011 total assessed valuation of the City.
Source: Lafayette Parish Assessor.

SUMMARY DEBT STATEMENT AS OF OCTOBER 2, 2012 (For additional information, see Appendix "D" of this Official Statement)

A. Direct Debt of the City of Lafayette

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Sales Tax Bonds	\$305,855,000
Utilities Revenue Bonds	276,510,000
Certificates of Indebtedness	5,705,000
Communications System Revenue Bonds	121,810,000
Taxable Limited Tax Bonds	41,235,000

B. Overlapping Debt of the Parish of Lafayette

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Unlimited <i>Ad Valorem</i> Tax Bonds	\$66,715,000

C. Overlapping Debt of the Lafayette Parish School Board

<u>Type of Obligation</u>	<u>Principal Outstanding</u>	
Public School Bonds	\$45,240,000	
Certificates of Indebtedness	7,417,000	Limited
Tax Bonds (Taxable QSCB)	21,460,775	
LCDA QZAB	709,341	

D. Overlapping Debt of the Law Enforcement District of the Parish of Lafayette

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Limited Tax Revenue Bonds	\$21,000,000

E. Overlapping Debt of Lafayette Parish Bayou Vermilion District

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Unlimited <i>Ad Valorem</i> Tax Bonds	\$1,435,000

F. Underlying Debt of the Lafayette Public Power Authority

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Electric Revenue Bonds	\$38,720,000

G. <u>Partially Underlying Debt of Lafayette Parish Waterworks District North</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Water Revenue Bonds	\$5,294,763

H. <u>Partially Underlying Debt of Lafayette Parish Waterworks District South</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Water Revenue Bonds	\$3,088,000

Short Term Indebtedness

According to the Chief Financial Officer of the Governing Authority, other than normal accounts payable and as otherwise stated in this Official Statement, the City has no short term indebtedness other than normal accounts payable or as otherwise disclosed in this Official Statement.

Default Record

According to the Chief Financial Officer of the Governing Authority, the City has never defaulted in the payment of its outstanding bonds or obligations.

Bank Balances

The Governing Authority reported the following balances in its various funds as of September 30, 2012:

GENERAL OPERATING FUNDS:	<u>CASH AND INVESTMENTS</u>
General Fund-City	\$15,013,991
Property Tax Escrow Fund	24,492
General Fund-Parish	7,781,606
Grants-Federal	(255,481)
Grants-State	(1,504,712)
LA Supreme Court Drug Grant	(113,301)
Safe & Drug Free Schools Grant Fund	(14,263)
DHH-Governor's Initiative Health Grant	5,894
DHH-Acadiana Recovery Inpatient Grant	(164,716)
ARC US Probation Outpatient	9,543
Community Development	(316,255)
Home Programs	(157,194)
Urban Infill Home Program	1,059,629
Emergency Shelter Grant	(13,667)
HUD-ARRA Fund	(1,375,303)
WIA Grants	(1,165,984)
HUD Housing Loan Prog	684,269
LPTFA 1st time Homebuyers	27,092
FTA Planning Grants	(37,187)
FHWA Plan Grants	(162,860)
FHWA I-49 Grant	(115,111)
FTA Capital	(536,225)
DOTD Travel Management	(63,993)
Recreation & Parks	(759,004)
Natural History Museum	(75,514)
Municipal Transit System	(1,550,908)

GENERAL OPERATING FUNDS:	<u>CASH AND INVESTMENTS</u>
Heymann Performing Arts Center	111,379
Animal Control Shelter	631,605
Traffic Safety	5,003,116
Acadiana Recovery Center Non-Grant	539,204
Combined Golf Courses	96,035
Urban Development Action	39
State Seized/Forfeited Property	12,101
Fed Narc Seized /Forfeited Property	12,687
Criminal Non-Support	(90,542)
Road & Bridge Maintenance	8,580,118
Drainage Maintenance	11,859,337
Correctional Center	(158,265)
Library Fund	33,210,055
Courthouse Complex	5,695,876
Juvenile Detention Facility	3,269,700
Public Health Unit	7,176,347
War Memorial Building	(23,065)
Criminal Court	(2,189,456)
Coroner	(43,591)
Mosquito Abatement	6,792,098
Justice Department Federal Equitable Sharing Fund	163,746
Court Services Fund	113,746
Parking Program	134,179
Codes & Permits	2,754,998
Environmental Services	(1,958,442)
Payroll	2,971
Unemployment Compensation	(49,246)
Metro Code Retirement Account	3
Group Hospitalization	7,395,473
Hurricane Katrina	286,522
Hurricane Rita	331,383
BNSF Train Derailment 05/08	(6)
Hurricane Gustav	(1,404,219)
Hurricane Isaac	(41,974)
Central Printing	(61,418)
Central Vehicle Maintenance	3,046,496
Total General Operating Funds	<u>\$107,423,828</u>
Debt Service Funds:	
1961 City Sales Tax Trust Fund	\$ 75
TIF City Sales Tax Trust Fund-MM101	634,339
TIF City Sales Tax Trust Fund-MM103	176,244
1961 Sales Tax Bond Sinking Fund	5,308,720
1961 Sales Tax Bond Reserve Fund	16,251,430
1985 Sales Tax Bond Sinking Fund	5,935,880
1985 Sales Tax Reserve Fund	14,158,122
Contingency Sinking-Parish	3,894,925
2011 Certificates of Indebt	214,282
2012 Limited Tax Refund	7,438

GENERAL OPERATING FUNDS:	CASH AND
Consolidated Sewerage Sinking Fund	INVESTMENTS
Consolidated Paving Districts Sinking Fund	325,443
Total Debt Service Funds	<u>411,254</u>
	\$ <u>47,318,152</u>

Construction Funds:

Sales Tax Capital Improvement Fund	\$ 25,818,378
2003 Parish Library GOB Construction Fund	1,342,663
1999 Parish Certificates of Indebt Sinking	44,324
2001 Parish General Obligation Bonds	119,671
2003 Parish General Obligation Bonds	369,416
2005 Parish General Obligation Bonds	7,020,574
2010 Parish General Obligation Bonds	14,105,422
1993 Sales Tax Bond Construction	21,539
1997A Sales Tax Bond Construction	59
1997B Sales Tax Bond Construction	(91,335)
1998 Sales Tax Bond Construction	1,748
1999B Sales Tax Bond Construction	315,350
1999A Sales Tax Bond Construction	2
2000B Sales Tax Bond Construction	33,828
2000A Sales Tax Bond Construction	50,617
2001A Sales Tax Bond Construction	7,405
2001B Sales Tax Bond Construction	30,693
2002A Sales Tax Bond Construction	4,863
2003B Sales Tax Bond Construction	86,781
2003C Sales Tax Bond Construction	374
2003D Sales Tax Bond Construction	75,221
2005B Sales Tax Bond Construction	888,728
2005C Sales Tax Bond Construction	18,262
2007A Sales Tax Bond Construction	7,141,483
2007B Sales Tax Bond Construction	874,374
2009A Sales Tax Bond Construction	17,237,877
2009B Sales Tax Bond Construction	17,725,224
2010 Sales Tax Bond Construction	<u>25,867,172</u>
Total Construction Funds	<u>\$119,110,713</u>

Other:

Firemen Pension & Relief	\$ 684,446
Police Pension & Relief	(20,543)
Risk Management	<u>175,707</u>
Total Other	\$ <u>839,610</u>

Utility System Funds:

Receipts Fund	\$ 618,367
Operation and Maintenance	7,104,719
Bond & Interest	8,447,811
Capital Additions Fund	73,600,889
Security Deposit Fund	7,436,038
Bond Reserve Fund	24,846,818

GENERAL OPERATING FUNDS:	CASH AND INVESTMENTS
2010 Bond Construction Fund	<u>31,089,539</u>
Total Utilities System Funds	<u>\$153,144,181</u>
LPPA Funds:	
LPPA Revenue Fund	\$ 7,898,636
LPPA Operating Fund	6931,805
LPPA Fuel Cost Stability Fund	4,500,000
LPPA Bond Reserve Fund	8,986,471
LPPA Reserve & Contingency Fund	5,163,741
LPPA Bond Interest & Principal Fund	7,383,177
LPPA 2007 Bond Construction Fund	4,005,850
Total LPPA Funds	\$ <u>44,869,680</u>
Communications System Funds:	
Receipts Account	\$ 46,178
Operating Account	936,291
Debt Service Account	5,654,112
2012A Bond Account	6,586,535
2012B Bond Account	5,260,070
Capital Additions Account	1,598,819
Bond Construction Account	<u>213,196</u>
Total Communications System Funds	\$ <u>20,295,201</u>
TOTAL ALL FUNDS	<u>\$493,001,365</u>

* Some of the funds listed are dedicated for Parish purposes and others are for City purposes.
Source: Lafayette City-Parish Consolidated Government. Figures unaudited.

GASB 45

Effective with the fiscal year beginning November 1, 2007, the Governing Authority implemented Government Accounting Standards Board Statement Number 45 ("GASB 45"). A summary of the impact of the Governing Authority's post employment benefit obligations on the finances of the City is explained in Note 12-Post Retirement Health Care and Life Insurance Benefits-of the 2011 Comprehensive Annual Financial Report of the Governing Authority. See pages 67 and 68 of the audit.

As required by GASB Statement No. 45 ("Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions"), the City has determined that the accrued actuarial liability for benefits associated with Other Post Employment Benefits ("OPEB"), as of November 1, 2010 (the most recent actuarial valuation date) was approximately \$21,237,786 for the primary government and \$72,354 for component units. The covered payroll (annual payroll of active employees covered by the plan) was \$103,002,778 for the primary government and \$1,356,889 for the component units, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.1% for the primary government and 5.33% for the component units. A trust was established with an effective date of November 1, 2007, but was not funded at all, had no assets, and hence had a funded ratio of zero. The valuation was conducted by an independent actuary and amounts determined regarding the funded status of the plan, the accrued liability and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future, including future employment, mortality and the healthcare cost trend. More detailed information relating to OPEB, as of November 1, 2010, is contained in the Comprehensive Annual Financial Report of the Governing Authority which can be found on their website at <http://lafayettela.gov/Finance/>.

ECONOMIC INDICATORS

A comprehensive revision of the estimates of Per Capita Personal Income by State were published in April 2012 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The recent trends in revised per capita personal income for Lafayette Parish, Louisiana, and the Nation are indicated in the following table:

	<u>Per Capita Personal Income</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Lafayette Parish	\$38,369	\$40,880	\$45,896	\$42,331	\$43,733
Louisiana	33,287	35,794	37,861	36,177	37,039
United States	37,725	39,506	40,947	38,846	39,937

Source: U.S. Department of Commerce, Bureau of Economic Analysis. April 25, 2012.

(The personal income level for the United States is derived as the sum of the county estimates; it differs from the national income and product accounts (NIPA) estimate of personal income because by definition, it omits the earnings of Federal civilian and military personnel stationed abroad and others. It can also differ from the NIPA estimate because of different data sources and revision schedules.)

Employment

The Louisiana Workforce Commission has issued revised not seasonally adjusted annual average statistics for various employment areas within Louisiana. The revised not seasonally adjusted annual average figures for Lafayette Parish and Louisiana were reported as follows:

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
2007	109,244	106,340	2,904	2.7	3.8
2008	111,724	108,310	3,414	3.1	4.4
2009	111,325	105,801	5,524	5.0	6.6
2010	112,610	106,218	6,392	5.7	7.5
2011	114,282	107,967	6,315	5.5	7.3

The preliminary figures for the Lafayette Metropolitan Statistical Area for October 2012 were reported as follows:

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>MSA Rate</u>	<u>State Rate</u>
10/12	149,185	143,022	6,163	4.2	6.3*

The preliminary figures for the Parish for October 2012 were reported as follows:

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
10/12	124,229	119,275	4,954	4.1	6.3*

* The seasonally adjusted rate was 7.4.

Source: Louisiana Workforce Commission. September 25, 2012.

The following table shows the composition of the employed work force in the Lafayette MSA:

**Nonfarm Wage and Salary Employment by Major Industry
(Employees in Thousands)**

	<u>Revised Aug. 2011</u>	<u>Revised July 2012</u>	<u>Preliminary Aug. 2012</u>
Mining & Logging	16.2	18.8	18.8
Construction	6.6	7.5	7.3
Manufacturing	10.8	12.4	12.2
Trade, Transportation, & Utilities	28.9	31.2	31.3
Information	2.6	2.8	2.7
Financial Activities	8.5	9.3	9.4
Professional and Business Services	17.4	19.7	19.8
Educational and Health Services	23.0	25.1	25.3
Leisure and Hospitality	15.3	16.6	16.6
Other Services	4.5	4.9	4.9
Government	<u>17.2</u>	<u>16.8</u>	<u>16.9</u>
Total	<u>151.0</u>	<u>165.1</u>	<u>165.2</u>

Source: Louisiana Workforce Commission.

The names of several of the largest employers located in the City are as follows:

	<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate No. of Employees</u>
1.	Lafayette Parish School System	Education	4,505
2.	Lafayette Consolidated Government	Government	2,178
3.	University of LA Lafayette	Education	1,962
4.	Lafayette General Medical Center	Healthcare	1,936
5.	WalMart Stores Inc.	Retail	1,735
6.	Our Lady of Lourdes Reg Med Ct	Healthcare	1,327
7.	Stuller, Inc.	Jewelry Manufacturer	1,175
8.	Regional Medical Center of Acadiana	Healthcare	1,110
9.	University Medical Center	Healthcare	958
10.	United Vision Logistics	Transportation	812

Source: Lafayette Economic Development Authority - *Economic Profile*.

There can be no assurance that any employer listed will continue to locate in the City or continue employment at the level stated.

**ANNUAL AVERAGE LAFAYETTE PARISH CONCURRENT ECONOMIC INDICATORS,
2007, 2008, 2009, 2010 AND FIRST QUARTER 2012**
(All data not seasonally adjusted.)

LAFAYETTE PARISH

	2007	2008	2009	2010	2012
EMPLOYMENT					
Total	134,520	135,895	130,901	131,027	136,248
Agriculture, Forestry, Fishing & Hunting	134	118	97	88	87
Mining	15,890	16,650	14,577	14,680	16,974
Utilities	491	488	495	499	503
Construction	5,940	6,258	6,575	5,981	6,142
Manufacturing	8,980	8,988	8,209	8,095	8,860
Wholesale Trade	6,896	7,110	6,836	7,030	7,360
Retail Trade	15,648	15,857	15,703	15,685	16,105
Transportation & Warehousing	4,342	4,455	3,849	3,556	3,930
Information	3,503	3,332	2,876	2,736	2,622
Finance & Insurance	3,288	3,209	3,054	3,075	3,076
Real Estate, Rental & Leasing	4,915	4,180	3,893	4,005	4,420
Professional & Technical Services	7,548	7,886	7,582	7,657	8,501
Management of Companies & Enterprises	3,060	28,557	2,917	2,783	2,912
Administrative & Waste Services	6,507	6,453	5,602	6,142	5,294
Educational Services	7,768	7,788	7,883	7,893	8,013
Health Care & Social Assistance	18,797	19,082	19,486	19,998	20,330
Arts, Entertainment & Recreation	2,003	2,061	2,089	2,071	2,101
Accommodation & Food Services	12,070	12,206	12,200	12,148	12,335
Other Services, except Public Administration	3,186	3,324	3,216	3,112	3,042
Public Administration	3,386	3,455	3,604	3,711	3,515
EARNINGS (\$ in Thousands)					
Total	Annual \$5,607,084	Annual \$5,949,184	Annual \$5,632,038	Annual \$5,847,951	Quarterly \$1,626,549
Agriculture, Forestry, Fishing, and Hunting	3,344	3,902	3,597	2,652	701
Mining	1,189,982	1,332,468	1,130,318	1,234,362	397,934
Utilities	20,786	22,662	24,589	24,389	6,271
Construction	257,793	290,550	320,679	285,038	69,291
Manufacturing	402,018	428,702	385,781	400,999	122,459
Wholesale Trade	354,119	385,551	353,103	377,296	104,289
Retail Trade	387,865	408,338	397,554	396,914	110,731
Transportation & Warehousing	174,756	189,470	158,174	159,272	43,345
Information	129,414	130,329	111,313	111,780	30,263
Finance & Leisure	174,727	168,627	164,253	172,507	48,795
Real Estate, Rental & Leasing	274,945	235,266	211,235	225,556	72,597
Professional & Technical Services	414,330	448,944	431,640	452,200	118,542
Management of Companies & Enterprises	210,876	188,125	173,040	170,878	54,887
Administrative & Waste Services	203,044	199,423	191,644	207,512	42,989
Educational Services	285,653	305,134	317,154	315,302	78,065
Health Care & Social Assistance	680,506	737,107	765,100	812,810	198,566
Arts, Entertainment & Recreation	27,846	30,396	31,948	33,232	7,627
Accommodation & Food Services	178,890	188,366	189,805	194,691	50,642
Other Services, except Public Administration	91,230	100,495	99,056	98,278	25,527
Public Administration	136,496	149,730	165,286	169,441	39,514

Source: Louisiana Workforce Commission.

Banking Facilities

The City is served by the following banks:

Banks

American Bank & Trust Company
Bank of Sunset & Trust Company
Business First Bank
Capital One, National Association
Farmers-Merchants Bank & Trust Company
First Bank and Trust
First Louisiana National Bank
First National Bank of Louisiana
Gulf Coast Bank
Home Bank
IBERIABANK

JPMorgan Chase Bank, National Association
M C Bank & Trust Co.
MidSouth Bank, N.A.
Rayne State Bank & Trust Company
Regions Bank
St. Landry Bank & Trust Company
St. Martin Bank & Trust Company
Teche Federal Bank
Tri-Parish Bank
Whitney Bank

GENERAL REMARKS

The City

The City is located in the heart of Acadiana, an eight parish area in the center of southern Louisiana, between New Orleans and Houston. The region was settled in 1763 by exiled Acadians from Nova Scotia. French and Acadian culture, handwork and traditions are very much in evidence in and around the City and both French and English languages are still spoken.

City-Parish Government

On November 2, 1992, the voters of the Parish approved a home-rule charter that merged the governing authorities of the City of Lafayette and the Parish of Lafayette effective June 3, 1996. *There was no change in the corporate status of the City nor any change in the revenues providing the security for the Bonds that are the subject of this Official Statement.*

Section 4-17 of the Lafayette City-Parish Consolidated Government Home Rule Charter (the "Charter") provides for administrative reorganization whereby the City-Parish President proposes and the City-Parish Consolidated Council (the "Council") approves various organizational changes. In May 1998, the Council adopted an ordinance providing for the reorganization of certain functions and departments under the Charter.

The Governing Authority of the Lafayette City-Parish Consolidated Government is the Council, consisting of nine members elected from nine single member districts. The Charter further provides that the City-Parish President succeeds to all powers of the Mayor of the City. The names of the incumbent City-Parish President and Council members are listed on the title page to this Official Statement.

Industry, Commerce and Agriculture

The City is the natural economic, commercial, agricultural, retail and cultural center of the region because of its location as the geographic center of Acadiana. The Parish's location between New Orleans and Houston and its proximity to the largest and richest oilfields in Louisiana and the Gulf of Mexico make the oil industry a factor in the City's economy. However, the City's employment has significantly diversified over the years and today mining represents 10% of employment. Also, the City's economy is largely driven by its position as a major regional trade and retail center serving an area with a population of over 600,000 people. A third significant factor in the City's economy are the educational and medical facilities located within its boundaries. The University of Louisiana at Lafayette ("ULL"), the second largest institution of higher education in the State, is located in the City. ULL had a 2011 (Fall Semester) enrollment of approximately 16,885 full-time and part-time students. There are five acute care hospitals located in the City which serve the entire region, including Lafayette General Hospital, Our Lady of Lourdes Hospital, University Medical Center, Regional Medical Center of Acadiana and Woman's Hospital.

With its excellent climate and soil, Lafayette Parish is a strong agricultural area in the State. The main crops are soy beans, rice, wheat and corn. Dairy and beef cattle, sheep and hogs are raised extensively throughout the Parish.

Lafayette's unique culture and quality of life draws thousands of visitors to Lafayette. It is well-known for its great food, music, and festivals, along with many historical attractions, museums and art exhibitions. The "Acadian Village" is a replica of a Cajun settlement, with homes and buildings, their furnishings, all reflecting the Cajun living conditions of yore. Vermilionville Living History Museum is a similar tourist attraction located on the beautiful grounds on the banks of Bayou Vermillion and is laid out as a historic village authentically portraying life in Acadiana between 1765 and 1890. Located near Vermilionville is the Acadian Cultural Center belonging to the Jean Lafitte National Park System offering various Cajun and Creole-related topics. Although the City is modern in most respects, there is a strong interest in preserving the flavor and customs of the past. Accordingly, recent history has shown a renewed interest in the cajun language, zydeco music, cajun cuisine and historical sites in the area.

Lafayette is also home to nationally recognized festivals. Festival Interenational de Louisiane is an annual four day free celebration that brings talented artists from francophone countries around world. French, African, Caribbean, and Hispanic cultures participate via music, dance and craft performances. Festivals Acadiens et Creoles is a weekend festival featuring Cajun, Creole, and Zydeco musicians.

In recent years, the City has positioned itself, through its unique, publicly-owned fiber optic loop, as a technology leader with high-tech infrastructure designed to encourage economic development and improve and reduce costs of telecommunications services to its citizens. An example of this is the \$27 million, 70,000 square foot Louisiana Immersive Technologies Enterprise ("LITE") which is one of very few facilities in the world that combine high performance computing capabilities with advanced visualization.

APPENDIX D

**STATEMENT OF DIRECT, OVERLAPPING, UNDERLYING
AND PARTIALLY UNDERLYING BONDED DEBT AS OF OCTOBER 2, 2012**

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**STATEMENT OF DIRECT, OVERLAPPING, UNDERLYING
AND PARTIALLY UNDERLYING BONDED DEBT AS OF OCTOBER 2, 2012**
(The accompanying notes are an integral part of this statement.)

<u>Notes</u>	<u>Name of Issuer & Issue</u>	<u>Interest Rates (%)</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>	<u>Principal Amount Due Within One Year</u>
(1)	<u>Direct Debt of the City of Lafayette, State of Louisiana</u>					
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2003	3.625	2/20/03	3/01/13	\$ 1,010,000	\$1,010,000
(2)	Public Improvement Sales Tax Bonds, Series 2003A	5.0	1/01/03	3/01/13	435,000	435,000
(2)	Public Improvement Sales Tax Bonds, Series 2003C	4.0-4.9	11/01/03	3/01/14	545,000	265,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2005	3.25-5.0	3/22/05	3/01/24	34,175,000	2,290,000
(2)	Public Improvement Sales Tax Bonds, Series 2005B	4.0-6.0	6/01/05	3/01/30	21,585,000	750,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2006B	4.0-5.0	9/07/06	3/01/25	9,125,000	510,000
(2)	Public Improvement Sales Tax Bonds, Series 2007A	4.0-7.0	8/01/07	3/01/32	15,555,000	460,000
(2)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009A	3.43-7.08	8/18/09	3/01/33	28,245,000	930,000
(2)	Taxable Public Improvement Sales Tax Recovery Zone Economic Development Bonds, Series 2009A	7.23	8/18/09	3/01/34	3,640,000	0
(2)	Public Improvement Sales Tax Bonds, Series 2011	2.0-5.0	6/28/11	3/01/36	28,000,000	330,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011A	2.0-5.0	6/01/11	3/01/26	16,075,000	825,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011C	2.0-5.0	12/08/11	3/01/27	7,940,000	55,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2012A	2.0-4.0	6/01/12	3/01/28	11,445,000	50,000
(3)	Public Improvement Sales Tax Bonds, Series 2003B	5.0	1/01/03	5/01/13	590,000	590,000
(3)	Public Improvement Sales Tax Bonds, Series 2003D	5.5-5.75	11/01/03	5/01/14	1,305,000	640,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2004	3.75-5.0	2/03/04	5/01/15	2,895,000	1,230,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2004A	3.5-4.3	5/01/04	5/01/20	2,085,000	220,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2005A	4.0-5.0	3/22/05	5/01/24	17,480,000	1,290,000
(3)	Public Improvement Sales Tax Bonds, Series 2005C	4.0-5.25	6/01/05	5/01/30	2,005,000	70,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2006A	4.0-5.0	9/07/06	5/01/25	11,720,000	735,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2006C	4.0-5.0	11/30/06	5/01/23	26,215,000	1,850,000
(3)	Public Improvement Sales Tax Bonds, Series 2007B	4.5-6.0	8/01/07	5/01/32	1,945,000	60,000
(3)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009B	3.43-7.23	8/18/09	5/01/34	25,210,000	765,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011B	2.0-4.25	6/01/11	5/01/26	11,580,000	635,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011D	2.0-5.0	12/08/11	5/01/27	11,340,000	60,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2012B	2.0-5.0	6/01/12	5/01/28	13,710,000	90,000
(4)	Utilities Revenue Bonds, Series 1996	2.95	8/22/96	11/01/17	6,440,000	995,000
(4)	Utilities Revenue Bonds, Series 2004	4.0-5.25	8/10/04	11/01/28	183,990,000	580,000
(4)	Utilities Revenue Bonds, Series 2010	3.0-5.0	12/15/10	11/01/35	86,080,000	0
(5)	Certificates of Indebtedness, Series 2011	3.65	5/11/11	5/01/26	5,705,000	305,000
(6)	Communications System Revenue Bonds, Series 2007	4.0-5.25	6/28/07	11/01/31	107,215,000	3,320,000
(6)	Communications System Revenue Bonds, Series 2012A	4.0-5.0	1/26/12	11/01/31	7,595,000	0
(6)	Taxable Communications System Revenue Bonds, Series 2012B	5.0-6.0	1/26/12	11/01/31	7,000,000	0
(7)	Taxable Limited Tax Refunding Bond, Series 2012	3.75	3/02/12	5/01/28	41,235,000	1,660,000

Notes	Name of Issuer & Issue	Interest Rates (%)	Dated Date	Final Maturity Date	Principal Outstanding	Principal Amount Due Within One Year
(8)	<u>Overlapping Debt of the Parish of Lafayette, State of Louisiana</u>					
(9)	General Obligation Bonds, Series 2003 (a) (Roads)	4.0	12/01/03	3/01/14	\$ 410,000	\$ 200,000
(9)	General Obligation Bonds, Series 2003 (b) (Drainage)	4.0	12/01/03	3/01/14	260,000	125,000
(9)	General Obligation Bonds, Series 2003 (c) (Fire Protection)	4.0	12/01/03	3/01/14	10,000	5,000
(9)	General Obligation Bonds, Series 2003 (d) (Jail)	4.0	12/01/03	3/01/14	185,000	90,000
(9)	General Obligation Bonds, Series 2003 (e) (Courthouse)	4.0	12/01/03	3/01/14	65,000	30,000
(9)	General Obligation Bonds, Series 2003 (f) (Recreation)	4.0	12/01/03	3/01/14	40,000	20,000
(9)	General Obligation Bonds, Series 2003 (g) (Library)	4.0	12/01/03	3/01/14	480,000	235,000
(9)	General Obligation Bonds, Series 2005	4.0-5.0	6/01/05	3/01/30	12,215,000	420,000
(9)	General Obligation Bonds, Series 2010	2.25-5.0	1/12/11	3/01/35	24,790,000	655,000
(9)	General Obligation Refunding Bonds, Series 2010	2.25-5.0	1/12/11	3/01/26	11,945,000	630,000
(9)	General Obligation Refunding Bonds, Series 2012	2.0-4.0	5/03/12	3/01/28	16,315,000	60,000
(10)	<u>Overlapping Debt of the Parish School Board of the Parish of Lafayette, State of Louisiana</u>					
(5)	Certificates of Indebtedness, Series 2007	3.61	12/17/07	11/01/17	4,245,000	625,000
(5)	Refunding Certificates of Indebtedness, Series 2010	3.06	12/29/10	11/01/23	3,172,000	220,000
(11)	LCDA QZAB	0	2/01/02	11/01/15	709,341	218,259
(12)	Public School Refunding Bonds, Series 2004	4.0	3/01/04	4/01/13	1,670,000	1,670,000
(12)	Public School Refunding Bonds, Series 2008	3.5-5.0	6/30/08	4/01/19	36,195,000	3,040,000
(12)	Public School Refunding Bonds, Series 2010	2.0-4.0	5/27/10	4/01/21	7,375,000	725,000
(13)	Limited Tax Bonds (Taxable QSCB), Series 2009	0.8	12/11/09	10/01/24	10,000,000	(a)
(13)	Limited Tax Bonds (Taxable QSCB), Series 2011	0	3/01/11	10/01/26	10,000,000	(a)
(13)	Limited Tax Bonds (Taxable QSCB), Series 2012	0	4/03/12	3/01/27	1,460,775	(a)
(a)	<i>Various amounts are required to be deposited annually into a sinking fund.</i>					
(14)	<u>Overlapping Debt of the Law Enforcement District of the Parish of Lafayette, State of Louisiana</u>					
(15)	Limited Tax Revenue Bonds, Series 2012	2.0-4.0	3/01/12	3/01/32	21,000,000	680,000
(16)	<u>Overlapping Debt of Lafayette Parish Bayou Vermilion District</u>					
(9)	General Obligation Bonds, Series 2004	3.1-4.5	5/01/04	3/01/24	1,435,000	90,000
(17)	<u>Underlying Debt of Lafayette Public Power Authority</u>					
(18)	Electric Revenue Refunding Bonds, Series 2002	3.9	9/01/02	11/01/12	1,105,000	1,105,000
(18)	Electric Revenue Refunding Bonds, Series 2003A	5.0	8/04/03	11/01/12	4,180,000	4,180,000
(18)	Electric Revenue Refunding Bonds, Series 2003B	5.0	8/04/03	11/01/12	1,390,000	1,390,000
(18)	Electric Revenue Bonds, Series 2007	3.75-5.0	12/06/07	11/01/32	32,045,000	560,000
(19)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District North, Lafayette Parish, Louisiana</u>					
(20)	Water Revenue Bonds	5.625	6/30/93	10/27/32	736,044	19,208
(20)	Water Revenue Bonds, Series 1998	4.75	5/05/98	10/27/37	1,407,719	28,551
(20)	Water Revenue Bonds, Series 2004	3.95	6/03/04	10/01/25	2,236,000	94,000
(20)	Water Revenue Refunding Bonds, Series 2005	4.3	6/02/05	10/01/20	915,000	99,000
(21)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District South, Lafayette Parish, Louisiana</u>					
(20)	Water Revenue Refunding Bonds, Series 2011	2.9	12/21/11	8/01/21	3,088,000	311,000

NOTES

- (1) The 2011 total assessed valuation of the City of Lafayette is approximately \$1,217,474,359, all of which is taxable for municipal purposes.
- (2) Payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of the special one percent (1%) sales and use tax being levied and collected by the issuer, pursuant to elections held in the issuer on May 13, 1961, November 20, 1965, March 22, 1977, and July 21, 2001, subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.

- (3) Payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of the special one percent (1%) sales and use tax now being levied and collected by the issuer, pursuant to elections held in the issuer on May 4, 1985, November 15, 1997, and July 21, 2001, subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.
- (4) Payable as to principal and interest, solely from the income and revenues to be derived from the operation of the Lafayette Utilities System, subject only to the prior payment of the reasonable expenses of administration, operation and maintenance of the Utilities System.
- (5) Secured by and payable solely from an irrevocable pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each of the fiscal years during which the obligations are outstanding.
- (6) The Bonds shall be special obligations of the issuer, payable first, from the net income and revenues of the communications system and second, to the amount necessary, from a secondary or subordinate pledge of the revenues of the utilities system.
- (7) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived by the issuer from the levy and collection of a special tax of 5.42 mills (such rate being subject to adjustment from time to time due to reassessment), which the issuer is authorized to impose and collect in each year. Said special tax is authorized to be levied on all the property subject to taxation within the corporate boundaries of the issuer.
- (8) The 2011 total assessed valuation of the Parish of Lafayette is approximately \$1,994,635,544 of which approximately \$1,643,740,403 is taxable.
- (9) Secured by and payable from unlimited *ad valorem* taxation.
- (10) The 2011 total assessed valuation of the Lafayette Parish School Board is approximately \$1,994,635,544 of which approximately \$1,643,740,403 is taxable.
- (11) Payable from available funds of the Lafayette Parish School Board.
- (12) Payable solely from and secured by an irrevocable pledge and dedication of the avails or net proceeds of the one percent (1%) sales and use tax being levied and collected by the issuer, authorized at an election held on September 18, 1965, subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.
- (13) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived by the issuer from the levy and collection of a special tax of 4.59 mills (such rate being subject to adjustment from time to time due to reassessment) authorized to be levied each year on all the property subject to taxation within the corporate boundaries of the issuer.
- (14) The 2011 total assessed valuation of the Law Enforcement District of the Parish of Lafayette is approximately \$1,994,635,544 of which approximately \$1,643,740,403 is taxable.
- (15) Secured by and payable from an irrevocable pledge and dedication of the annual revenues of a special *ad valorem* tax of 8.03 mills (such rate being subject to adjustment from time to time due to reassessment) within the issuer, authorized to be imposed and collected each year on all the property subject to taxation within the corporate boundaries of the issuer.
- (16) The 2011 total assessed valuation of Lafayette Parish Bayou Vermilion District is approximately \$1,994,635,544 of which approximately \$1,643,740,403 is taxable.
- (17) The Lafayette Public Power Authority is parishwide, and levied no *ad valorem* taxes in 2011.
- (18) Secured by a pledge of project power revenues of the Lafayette Public Power Authority attributable to the project after payment of operating expenses.
- (19) Lafayette Parish Waterworks District North includes an area lying to the North of the Township line between Township 9 South and Township 10 South, except those areas included in any municipality or other water district, and except certain areas adjacent to the City of Lafayette. The District levied no *ad valorem* taxes in 2011.
- (20) Payable solely from the income and revenues derived or to be derived from the operation of the utility system of the issuer, subject only to the prior payment of the reasonable and necessary expenses of operating and maintaining the system.
- (21) Lafayette Parish Waterworks District South includes an area lying to the South of the Township line between Township 9 South and Township 10 South, except those areas included in any municipality or other water district and/or certain water systems, and except certain areas adjacent to the City of Lafayette. The District levied no *ad valorem* taxes in 2011.

(NOTE: The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, the Lafayette Economic Development Authority, the Lafayette Public Trust Financing Authority, Lafayette Industrial Development Board, Lafayette I-10 Corridor District at Mile Marker 103, the Lafayette Parish Industrial Development Board, District No. 4 Regional Planning and Development Commission and all operating and capital leases.)

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FORM OF LEGAL OPINION

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FORM OF LEGAL OPINION

Set forth below is the proposed form of opinion of Foley & Judell, L.L.P, bond counsel to the Issuer. It is preliminary and subject to change prior to delivery of the Bonds.

[Date of Closing]

Honorable Lafayette City-Parish Council
Lafayette City-Parish Consolidated Government
Lafayette, Louisiana

\$ _____
**UTILITIES REVENUE REFUNDING BONDS, SERIES 2012
CITY OF LAFAYETTE, STATE OF LOUISIANA**

We have acted as bond counsel to the City of Lafayette, State of Louisiana (the "Issuer"), in connection with the issuance of the captioned bonds (the "Bonds"). The Bonds are issued as fully registered bonds, are dated, bear interest at the rates, are subject to redemption and mature on the dates and in the principal amounts as set forth in the Ordinance (hereinafter defined).

The Bonds have been issued by the Issuer pursuant to an ordinance adopted on June 29, 2004, as supplemented by ordinances adopted on June 29, 2004, November 2, 2010, October 2, 2012 and _____, 2012 (collectively the "Ordinance") for the purpose of paying a portion of the costs of refunding all or a portion of the Issuer's Utilities Revenue Bonds, Series 2004 (the "Refunded Bonds"), and paying the costs of issuance of the Bonds, under the authority of Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), and other constitutional and statutory authority.

In accordance with the Ordinance, the Issuer has entered into a Defeasance and Escrow Deposit Agreement (the "Escrow Agreement") with respect to the Refunded Bonds, with The Bank of New York Mellon Trust Company, N.A., in the City of Baton Rouge, Louisiana (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, and certain additional moneys provided by the Issuer, have been deposited in trust with the Escrow Agent for the purpose of providing moneys to pay the principal of, premium and interest on the Refunded Bonds to their redemption date of November 1, 2014, irrevocable provision having been made in the Ordinance for the call for redemption of the Refunded Bonds on said date.

The Issuer, in and by the Ordinance, has entered into certain covenants and agreements with the owner of the Bonds with respect to the security and payment of the Bonds, including a provision for the issuance of *pari passu* obligations, for the terms of which reference is made to the Ordinance. Capitalized terms used but not defined herein shall have the meaning given to them in the Ordinance.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings of the Issuer relating to the issuance of the Bonds, and such other documents, proofs and matters of law as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations contained in the Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

On the basis of the foregoing examinations, we are of the opinion, as of the date hereof and under existing law, that:

1. The Issuer is a validly existing political subdivision of the State of Louisiana with the power to adopt the Ordinance and to authorize and issue the Bonds.
2. Said proceedings, documents and proofs show lawful authority for the issuance of the Bonds pursuant to the Act, other constitutional and statutory authority, and the Ordinance.
3. The Bonds are valid and binding special and limited obligations of the Issuer and are secured by and payable as to principal and interest, solely from the income and revenues to be derived from the operation of the Utilities System, subject only to the prior payment of the reasonable expenses of administration, operation and maintenance of the Utilities System (the "Net Revenues"), and the Ordinance creates a valid pledge of the Net Revenues.
4. The Bonds have been issued on a parity in all respects with the Issuer's outstanding (i) Utilities Revenue Bonds, Series 2010, (ii) Utilities Revenue Bonds, Series 1996, and (iii) unrefunded Utilities Revenue Bonds, Series 2004 (collectively the "Outstanding Parity Bonds"), rank equally with and enjoy complete parity of lien with the Outstanding Parity Bonds on the Net Revenues; the lien of the owners of the Bonds and the owners of the Outstanding Parity Bonds on the Net Revenues will be prior and superior to the lien on such Net Revenues of any obligations hereafter issued and payable therefrom except *pari passu* additional obligations hereafter issued within the terms, limitations and restrictions contained in the Ordinance.
5. The Escrow Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding obligation of the Issuer.
6. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, it should be noted however, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings.
7. Pursuant to the Act, the Bonds and the income therefrom are exempt from all taxation by the State of Louisiana or any political subdivision thereof.

In rendering the opinion expressed in numbered paragraph 6 above, we have relied on representations of the Issuer with respect to questions of fact material to our opinion without undertaking to verify the same by independent investigation and have assumed continuing compliance with covenants in the Ordinance pertaining to the Internal Revenue Code of 1986, as amended, which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing covenants in the Ordinance, interest on the Bonds could be included in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Escrow Agreement and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforceability may also be subject to the exercise of the sovereign police powers of the State, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

**FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

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**FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

**\$153,960,000
UTILITIES REVENUE REFUNDING BONDS, SERIES 2012
OF THE CITY OF LAFAYETTE, STATE OF LOUISIANA**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Lafayette, State of Louisiana, (the "Issuer"), in connection with the issuance of \$153,960,000 of Utilities Revenue Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to an ordinance dated June 29, 2004, as supplemented on October 2, 2012 and _____, 2012 (collectively, the "Ordinance"), and are described in that certain Official Statement dated December 14, 2012 (the "Official Statement"), which contains certain information concerning the Issuer, the revenues securing the Bonds and certain financial and other information relating thereto. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bondholders" shall mean both the owners and beneficial owners of any of the Bonds.

"Dissemination Agent" shall mean the Issuer's Chief Administrative Officer, or any successor Dissemination Agent designated by the Issuer.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the single centralized repository for the collection and availability of continuing disclosure documents for purposes of the Rule. The continuing disclosure documents must be provided to the MSRB in portable document format (PDF) to the following:

Municipal Securities Rulemaking
Board Electronic Municipal Market
Access Center
<http://emma.msrb.org>

"Official Statement" shall have the meaning given such term in the first paragraph hereof.

"Ordinance" shall have the meaning given such term in the first paragraph herein.

"Participating Underwriter" shall mean Morgan Keegan & Company, Inc., of New Orleans, Louisiana, the original purchaser of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"Rule" shall mean Rule 15c2-12 (b) (5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than June 30 of each year, commencing with the Annual Report for the fiscal year ending October 31, 2012, provide to the MSRB an Annual Report which is consistent with the requirements set forth below. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as set forth below; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in (a) above, the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

1. Audited financial statements for the preceding fiscal year.
2. Basis of accounting used by the Issuer in reporting its financial statements. The Issuer follows GAAP principles and mandated Louisiana statutory accounting requirements as in effect from time to time. In the event of any material change in such requirements, the impact of such changes will be described in the Annual Report of the year such change occurs.
3. The Annual Engineering Report required to be prepared by the Ordinance, which Report shall include the operational and statistical data under the heading "TRENDS IN FINANCE" in the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a deemed final official statement, it shall be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events.

The Issuer shall provide in a timely manner, not in excess of 10 business days, to the MSRB via EMMA notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of the holders (including Beneficial Owners) of the Bonds, if material;
- (h) bond calls, if material, and tender offers;

- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar events;
- (m) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

With respect to events (d) and (e), the Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

With respect to event (h), the Issuer does not undertake to provide notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event if the terms, dates and amounts of redemption are set forth in detail in the Official Statement.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if:

- (a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or type of business conducted;
- (b) This Disclosure Certificate, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by an opinion of a nationally recognized bond counsel or by approving vote of the holders of the Bonds pursuant to the terms of the Ordinance at the time of the amendment.

In the event of any such amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report relating to the Issuer and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of change of accounting principles, on the presentation) of financial information or operating date being presented by or in respect of the Issuer.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer

chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bond owner may take such actions as may be necessary and appropriate, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Bondholders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Other Stipulations. Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB. Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be word-searchable (without regard to diagrams, images and other non-textual elements).

Date: _____, 2013

CITY OF LAFAYETTE, STATE OF LOUISIANA

By: _____
Chief Administrative Officer

EXHIBIT A
to Continuing Disclosure Certificate

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Lafayette, State of Louisiana

Name of Bond Issue: \$153,960,000 Utilities Revenue Refunding Bonds, Series 2012

Date of Issuance: January 11, 2013

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report as required by the Continuing Disclosure Certificate dated January 11, 2013. The Issuer anticipates that its Annual Report will be filed by

_____.

Date: _____

CITY OF LAFAYETTE, STATE OF LOUISIANA

By: _____
Chief Administrative Officer

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BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The Bonds initially will be issued solely in book-entry only form to be held in the system maintained by DTC. So long as such book-entry only system is used, only DTC will receive or have the right to receive physical delivery of the Bonds and Beneficial Owners (as defined herein) will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Bond Ordinance.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the Issuer nor the Underwriter make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

SO LONG AS CEDE & CO. (OR ANY OTHER NOMINEE REQUESTED BY DTC) IS THE REGISTERED OWNER OF THE BONDS AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OR OWNERS OF THE BONDS SHALL MEAN CEDE & CO. (OR SUCH OTHER NOMINEE), AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds such as redemptions, tenders, defaults, and proposed amendments to the Bond Ordinance. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Except as described below, neither DTC nor Cede & Co. nor any other nominee of DTC will take any action to enforce covenants with respect to any security registered in the name of Cede & Co. or such other nominee of DTC. Under its current procedures, on the written instructions of a Direct Participant given in accordance with DTC's Procedures, DTC will cause Cede & Co. to sign a demand to exercise certain bondholder rights. In accordance with DTC's current procedures, Cede & Co. will sign such document only as record holder of the quantity of securities referred to therein (which is to be specified in the Direct Participant's request to DTC for such document) and not as record holder of all the securities of that issue registered in the name of Cede & Co. Also, in accordance with DTC's current procedures, all factual representations to the Issuer, the Trustee or any other party to be made by Cede & Co. in such document must be made to DTC and Cede & Co. by the Direct Participant in its request to DTC.

For so long as the Bonds are issued in book-entry form through the facilities of DTC, any Beneficial Owner desiring to cause the Issuer or the Trustee to comply with any of its obligations with respect to the Bonds must make arrangements with the Direct Participant or Indirect Participant through whom such Beneficial Owner's ownership interest in the Bonds is recorded in order for the Direct Participant in whose DTC account such ownership interest is recorded to make the request of DTC described above.

NEITHER THE ISSUER NOR THE TRUSTEE NOR THE BOND REGISTRAR NOR THE PAYING AGENT NOR THE UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT PARTICIPANT OR INDIRECT PARTICIPANT) WILL HAVE ANY OBLIGATION TO THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF THE BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

As long as the book-entry system is used for the Bonds, the City or the Trustee, as applicable, will give or cause to be given any notice of redemption or any other notices required to be given to Holders of Bonds only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for such redemption, or of any other action premised on such notice. If less than all of the Bonds of a particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds of such maturity to be redeemed.

Principal or redemption price of and interest on the Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, the Trustee or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Issuer, the Trustee or the Paying Agent, as the case may be, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the “record date.” The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts securities, such as the Bonds, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE ISSUER NOR THE TRUSTEE NOR THE BOND REGISTRAR NOR THE PAYING AGENT NOR THE UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT PARTICIPANT OR INDIRECT PARTICIPANT) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

For every transfer and exchange of a beneficial ownership in the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Discontinuation of the Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. In addition, if the Issuer determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds or of the Issuer, the Issuer may, upon satisfaction of the applicable procedures of DTC with respect thereto, terminate the services of DTC with respect to the Bonds. Upon the resignation of DTC or determination by the Issuer that DTC is unable to discharge its responsibilities, the Issuer may, within ninety days, appoint a successor depository. If no such successor is appointed or the Issuer determines to discontinue the book-entry only system, Bond certificates will be printed and delivered. Transfers and exchanges of Bonds shall thereafter be made as provided in the Bond Ordinance.

If the book-entry only system is discontinued with respect to the Bonds, the persons to whom Bond certificates are delivered will be treated as “Holders” of Bonds for all purposes of the Bond Ordinance including without limitation the payment of principal, premium, if any, and interest on Bonds, the redemption of Bonds, and the giving to the Issuer or the Trustee of any notice, consent, request or demand pursuant to the Bond Ordinance for any purpose whatsoever. In such event, interest on the Bonds will be payable by check or draft of the Paying Agent mailed to such Holders at the addresses shown on the registration books maintained on behalf of the Issuer, and the principal and redemption price of all Bonds will be payable at the principal corporate trust office of the Paying Agent.

The information in this Appendix “G” concerning DTC and DTC’s book-entry system has been obtained from sources that the Issuer and the Underwriter believe to be reliable. No representation is made herein by the City or the Underwriter as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date of the Official Statement to which this APPENDIX “G” is attached.

THE ISSUER AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS; (ii) CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS

THE REGISTERED OWNERS OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER, THE UNDERWRITER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS; (3) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND ORDINANCE TO BE GIVEN TO BONDHOLDERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

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