

OFFICIAL STATEMENT

NEW ISSUE

Book-Entry Only

RATINGS:

See “BOND RATINGS” herein

In the opinion of Bond Counsel, under existing law, the interest on the Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. Further, pursuant to 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 of Louisiana or any political subdivision thereof. See “TAX EXEMPTION” herein and the proposed form of Bond Counsel opinion attached hereto as Appendix “E.”



\$59,465,000
Utilities Revenue Refunding Bonds, Series 2017
CITY OF LAFAYETTE, STATE OF LOUISIANA

Dated: Date of Delivery

Due: November 1, as shown below

The above-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, 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, 2018. 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 electric, water and wastewater utilities (the “Utilities System”).

The Bonds are being issued for the purpose of advance refunding some of the Issuer’s currently outstanding Utilities Revenue Bonds, Series 2010, 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.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See “BOND INSURANCE” herein and Appendix “H” —“SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto for a specimen Municipal Bond Insurance Policy.



MATURITY SCHEDULE
(Base CUSIP No. 506498)

Nov. 1	Amount	Interest Rate	Yield	CUSIP*	Nov. 1	Amount	Interest Rate	Yield	CUSIP*
2021	\$2,780,000	5.00%	1.180%	506498YS7	2029	4,105,000	5.00	2.390 [†]	506498ZA5
2022	2,915,000	5.00	1.330	506498YT5	2030	4,310,000	5.00	2.460 [†]	506498ZB3
2023	3,065,000	5.00	1.490	506498YU2	2031	4,520,000	4.00	2.740 [†]	506498ZC1
2024	3,215,000	5.00	1.660	506498YV0	2032	4,710,000	4.00	2.850 [†]	506498ZD9
2025	3,380,000	5.00	1.870	506498YW8	2033	4,895,000	4.00	2.950 [†]	506498ZE7
2026	3,545,000	5.00	2.040	506498YX6	2034	5,095,000	4.00	3.000 [†]	506498ZF4
2027	3,725,000	5.00	2.190	506498YY4	2035	5,295,000	4.00	3.050 [†]	506498ZG2
2028	3,910,000	5.00	2.320 [†]	506498YZ1					

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 October 13, 2017, against payment therefor.



The date of this Official Statement is September 7, 2017. 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 (“ABA”). CUSIP data herein is provided by CUSIP Global Services, which is operated on behalf of ABA by S&P Global Market Intelligence, 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.

† Priced at the stated yield to the November 1, 2027 optional redemption date at a redemption price of 100%.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE LAFAYETTE CITY-PARISH COUNCIL AND THE LAFAYETTE PUBLIC UTILITIES 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.

Assured Guaranty Municipal Corp. ("Assured") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured supplied by Assured and presented under the heading "Bond Insurance" and Appendix "H" – "Specimen Municipal Bond Insurance Policy".

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 “F.”

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
MAYOR-PRESIDENT OF THE LAFAYETTE CITY-PARISH
CONSOLIDATED GOVERNMENT

Joel Robideaux

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Director of Lafayette Utilities System

Terry J. Huval

Consulting Engineer

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Certified Public Accountants

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Foley & Judell, L.L.P.

Municipal Advisor

Government Consultants, Inc.

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

OFFICIAL STATEMENT

\$59,465,000

UTILITIES REVENUE REFUNDING BONDS, SERIES 2017

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 Fourth 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 (“LPUA”), the governing authority of the Lafayette Utilities System (the “Utilities Department” or “LUS”), on August 8, 2017, which will be amended on September 19, 2017, pursuant to which the Bonds are being issued (collectively, the “Fourth Supplemental Bond Ordinance”) and the hereinafter defined General Bond Ordinance.

Brief descriptions of the Issuer, LPUA, 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 August 31, 2017, (the “Consulting Engineer’s Report”) prepared by NewGen Strategies and Solutions, LLC, 225 Union Boulevard, Lakewood, Colorado 80228, Phone: (720) 633-9496 (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 authorized the issuance 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, the Third Supplemental Ordinance, which provided for the issuance of the \$153,960,000 Utilities Revenue Refunding Bonds, Series 2012 Bonds (the “Series 2012 Bonds”) was adopted on October 2, 2012 and the Fourth Supplemental Bond Ordinance 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”). Prior to the adoption of the General Bond Ordinance, the sole owner of the Utilities Revenue Bonds, Series 1996 (the “Series 1996 Bonds”) consented to be included as an Outstanding Parity Bond under, and subject to the provisions of the General Bond Ordinance.

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 49.2 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 127,657 in 2015.

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 Home Rule Charter of the Governing Authority (the “Charter”) provides that the governing authority of the Utilities Department 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 (i) outstanding \$1,155,000 Series 1996 Bonds, (ii) outstanding unrefunded \$11,100,000 Series 2010 Bonds and (iii) outstanding \$136,620,000 Series 2012 Bonds (collectively, the “Outstanding Parity Bonds”).

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“Assured”). See “BOND INSURANCE” herein and Appendix “H” attached hereto for a specimen Municipal Bond Insurance Policy.

PURPOSE OF ISSUE

The Bonds are being issued to provide funds to advance refund a portion of the Issuer’s outstanding Series 2010 Bonds described below (the “Refunded Bonds”) and pay the Costs of Issuance of the Bonds. The Series 2010 Bonds were issued for the purpose of acquiring, constructing, improving, renovating, equipping, upgrading and modifying the Utilities System, paying capitalized interest, funding a reserve and paying the costs of issuance of the Series 2010 Bonds.

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The Issuer presently anticipates that the Refunded Bonds will consist of the Series 2010 Bonds listed in the following table:

<u>Series</u>	<u>Maturity (November 1)</u>	<u>Interest Rate</u>	<u>Amount Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2010	2021	5.00%	\$3,075,000	November 1, 2020	100%
2010	2022	5.00	3,225,000	November 1, 2020	100
2010	2023	5.00	3,390,000	November 1, 2020	100
2010	2024	5.00	1,950,000	November 1, 2020	100
2010	2025	5.00	2,050,000	November 1, 2020	100
2010	2026	5.00	2,150,000	November 1, 2020	100
2010	2024	4.00	1,605,000	November 1, 2020	100
2010	2025	4.00	1,670,000	November 1, 2020	100
2010	2026	4.00	1,740,000	November 1, 2020	100
2010	2027	5.00	4,065,000	November 1, 2020	100
2010	2028	5.00	4,270,000	November 1, 2020	100
2010	2029	5.00	4,480,000	November 1, 2020	100
2010	2030	4.50	4,705,000	November 1, 2020	100
2010	2031	5.00	4,915,000	November 1, 2020	100
2010	2032	5.00	5,165,000	November 1, 2020	100
2010	2033	5.00	5,420,000	November 1, 2020	100
2010	2034	4.75	5,695,000	November 1, 2020	100
2010	2035	4.75	5,965,000	November 1, 2020	100

The Issuer will select the particular Series 2010 Bonds to be refunded through the issuance of the Bonds at or about the time of the pricing of the Bonds; and such selection will be based upon, among other things, market conditions existing at such time. No assurance can be given as to which Series 2010 Bonds will be finally selected for refunding, and the Series 2010 Bonds finally selected may not include all of the Series 2010 Bonds shown above and may include other Outstanding Parity Bonds.

Moneys sufficient to pay the principal or redemption price of and interest on the Refunded Bonds on the maturity date or redemption date therefor, as applicable, will be derived from a portion of the proceeds of the Bonds and certain amounts available under the Bond Ordinance.

The proceeds of the sale of the Bonds (exclusive of the amount of 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 a Defeasance and 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, 2020. 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 Defeasance Securities 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 Bond 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.

Fiscal Year Ending October 31	<u>Outstanding Parity Bonds⁽¹⁾</u>			<u>Series 2017 Bonds</u>			Aggregate Debt Service After Refunding⁽²⁾
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2017	\$11,955,000	\$10,737,018	\$22,692,018	--	--	--	\$22,692,018
2018	12,425,000	7,044,136	19,469,136	--	\$1,500,455	\$1,500,455	20,969,591
2019	11,805,000	6,476,825	18,281,825	--	2,728,100	2,728,100	21,009,925
2020	12,370,000	5,886,000	18,256,000	--	2,728,100	2,728,100	20,984,100
2021	12,985,000	5,270,625	18,255,625	--	2,728,100	2,728,100	20,983,725
2022	10,525,000	4,701,375	15,226,375	\$2,780,000	2,658,600	5,438,600	20,664,975
2023	11,050,000	4,162,000	15,212,000	2,915,000	2,516,225	5,431,225	20,643,225
2024	11,605,000	3,595,625	15,200,625	3,065,000	2,366,725	5,431,725	20,632,350
2025	12,185,000	3,000,875	15,185,875	3,215,000	2,209,725	5,424,725	20,610,600
2026	12,790,000	2,376,500	15,166,500	3,380,000	2,044,850	5,424,850	20,591,350
2027	13,435,000	1,720,875	15,155,875	3,545,000	1,871,725	5,416,725	20,572,600
2028	14,100,000	1,032,500	15,132,500	3,725,000	1,689,975	5,414,975	20,547,475
2029	13,600,000	340,000	13,940,000	3,910,000	1,499,100	5,409,100	19,349,100
2030	--	--	--	4,105,000	1,298,725	5,403,725	5,403,725
2031	--	--	--	4,310,000	1,088,350	5,398,350	5,398,350
2032	--	--	--	4,520,000	890,200	5,410,200	5,410,200
2033	--	--	--	4,710,000	705,600	5,415,600	5,415,600
2034	--	--	--	4,895,000	513,500	5,408,500	5,408,500
2035	--	--	--	5,095,000	313,700	5,408,700	5,408,700
2036	--	--	--	5,295,000	105,900	5,400,900	5,400,900

(1) Includes debt service on the unrefunded Series 2010 Bonds, the Series 2012 Bonds, and the Series 1996 Bonds which will mature on November 1, 2017.

(2) Totals may not add due to rounding.

ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources</u>	
Par Amount of Bonds	\$59,465,000.00
Reoffering Premium	10,000,577.70
Transfers from Series 2010 Sinking Fund	1,322,468.75
<u>Transfers from Series 2010 Reserve Fund</u>	<u>23,658,297.59</u>
TOTAL	\$94,446,344.04
<u>Uses of Funds</u>	
Deposit to Net Cash Escrow Fund	\$73,639,520.51
Deposit to Debt Service Reserve Fund	19,764,888.59
<u>Costs of Issuance⁽¹⁾</u>	<u>1,041,934.94</u>
TOTAL	\$94,446,344.04

Source: Raymond James & Associates, Inc.

(1) Includes legal fees, underwriter's discount, bond insurance premium and other issuance costs.

THE BONDS

The Issue

Fifty Nine Million Four Hundred Sixty-Five Thousand Dollars (\$59,465,000) of Utilities Revenue Refunding Bonds, Series 2017 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 Fourth Supplemental Bond Ordinance.

Average Life

The average life of the Bonds is approximately 11.9 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, 2018 (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.

Redemption Provisions

Optional Redemption. The Bonds maturing November 1, 2028 and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after November 1, 2027 at the principal amount thereof and accrued interest to the date fixed for redemption.

Selection of Bonds 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. 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.

Notice of Redemption

Notice of redemption of the Bonds is to be given by the Issuer by first mail, postage prepaid by notice deposited in the United States mail, or accepted means of electronic communication, 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. 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.

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 and exchanges 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, 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.

During any period after the initial delivery of the Bonds in book-entry form when the Bonds are delivered in multiple certificates form, upon request of a registered owner of at least \$1,000,000 in principal amount of Bonds outstanding, all payments of principal, premium, if any, and interest on the Bonds will be paid by wire transfer in immediately available funds to an account designated by such registered owner.

Provisions for Transfer, Registration and Assignment. The transfer of the Bond shall be registered on the registration books of the Paying Agent upon surrender of the Bond at the principal corporate trust office of the Paying Agent as Bond Registrar, duly endorsed by, or accompanied by written instrument of transfer in form and a guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new Bond or Bonds of the same maturity and of authorized denominations, for the same aggregate principal amount, will be issued to the transferee. Prior to due presentment for transfer of the Bond, the Issuer and the Paying Agent may deem and treat the registered owner thereof as the absolute owner thereof (whether or not the Bond is overdue) for the purpose of receiving payment of or on account of principal and interest on the Bond and for all purposes, and neither the Issuer nor the Paying Agent shall be affected by any notice to the contrary. Neither the Issuer nor the Paying Agent shall be required to (i) 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 or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part.

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 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 Power Sales Contract, dated May 1, 1977, executed June 3, 1977, with the Lafayette Public Power Authority (the “LPPA Contract”) and any 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 Ordinance, including but not limited to, Bonds, notes, bond anticipation notes, commercial paper and Guaranteed Debt which are delivered under the Bond Ordinance, including any Bonds and Parity Contract Obligations, but not including 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 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 “GENERAL COVENANTS OF THE ISSUER — Rate Covenant” herein.

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

Creation of Funds and Accounts

The Bond Ordinance creates and establishes a “Receipts Fund,” “Operating Fund,” “Sinking Fund,” “Reserve Fund” and “Capital Additions Fund” as defined below. 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 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 mean 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, 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 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 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 is a single account for the Outstanding Parity Bonds and the Reserve Fund Account will secure the Series 2017 Bonds and the Outstanding Parity Bonds along with and any future Reserve Secured Bonds that shall be designated as utilizing such Reserve Fund Account

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 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 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 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 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.

Creation of Liens; Issuance of Subordinated Indebtedness; Subordinated Contract Obligation and Debt

The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than 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 in accordance with the Bond Ordinance, 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 in this section, no Obligations may be issued under the Bond Ordinance, unless the Issuer shall have first complied with the requirements of this Section. Additional Obligations may be issued from time to time under the Bond Ordinance 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 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 Mayor-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) Mayor-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 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 Mayor-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.

(e) Obligations issued and Parity Debt incurred pursuant to the foregoing terms and conditions shall be deemed on a parity with all Obligations and Parity Debt then Outstanding, and all of the covenants and other provisions of the Bond 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 the Bond Ordinance and the holders of any Obligations and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with the foregoing.

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 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.

BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. The Issuer makes no representations as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the dates indicated. Summaries of or references to the Bond Insurance Policy are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. Reference is made to Appendix "H" for a specimen of the Bond Insurance Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

Assured is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than Assured, is obligated to pay any debts of Assured or any claims under any insurance policy issued by Assured.

Assured's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of Assured in its sole discretion. In addition, the rating agencies may at any time change Assured's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by Assured. Assured only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by Assured on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2017, S&P issued a research update report in which it affirmed Assured's financial strength rating of "AA" (stable outlook). Assured can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed Assured's insurance financial strength rating of "AA+" (stable outlook). Assured can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on Assured. Assured can give no assurance as to any further ratings action that Moody's may take.

For more information regarding Assured's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of Assured

At June 30, 2017:

- The policyholders' surplus of Assured was approximately \$2,222 million.

- The contingency reserves of Assured and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,289 million. Such amount includes 100% of Assured’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves of Assured and its subsidiaries (as described below) were approximately \$1,699 million. Such amount includes (i) 100% of the net unearned premium reserves of Assured and Assured’s wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the “Assured European Subsidiaries”) and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders’ surplus of Assured and the contingency reserves and net unearned premium reserves of Assured and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the Assured European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to Assured are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017).

All consolidated financial statements of Assured and all other information relating to Assured included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding Assured included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “Assured Information”) shall be modified or superseded to the extent that any subsequently included Assured Information (either directly or through incorporation by reference) modifies or supersedes such previously included Assured Information. Any Assured Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

Assured makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured has not independently verified, makes no representation regarding, and does not accept any

responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured supplied by Assured and presented under the heading “BOND INSURANCE”.

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 Obligations 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 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 under the Bond Ordinance 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 the Municipal Securities Rulemaking Board (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 has covenanted to 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 has covenanted to 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 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 under the Bond Ordinance, 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.

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 Mayor-President and nine Council members who are elected to four-year terms of office. The Mayor-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 LUS. The City owns the Utilities Systems' and Communications Systems' assets.

The Council is the governing authority of the LPPA, a political subdivision created for the purpose of acquiring electric generating facilities to provide power to the Utilities System. LPPA provides wholesale power to 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 Mayor-President. Joel Robideaux is the Mayor-President of the LCG and his term expires January 2020.

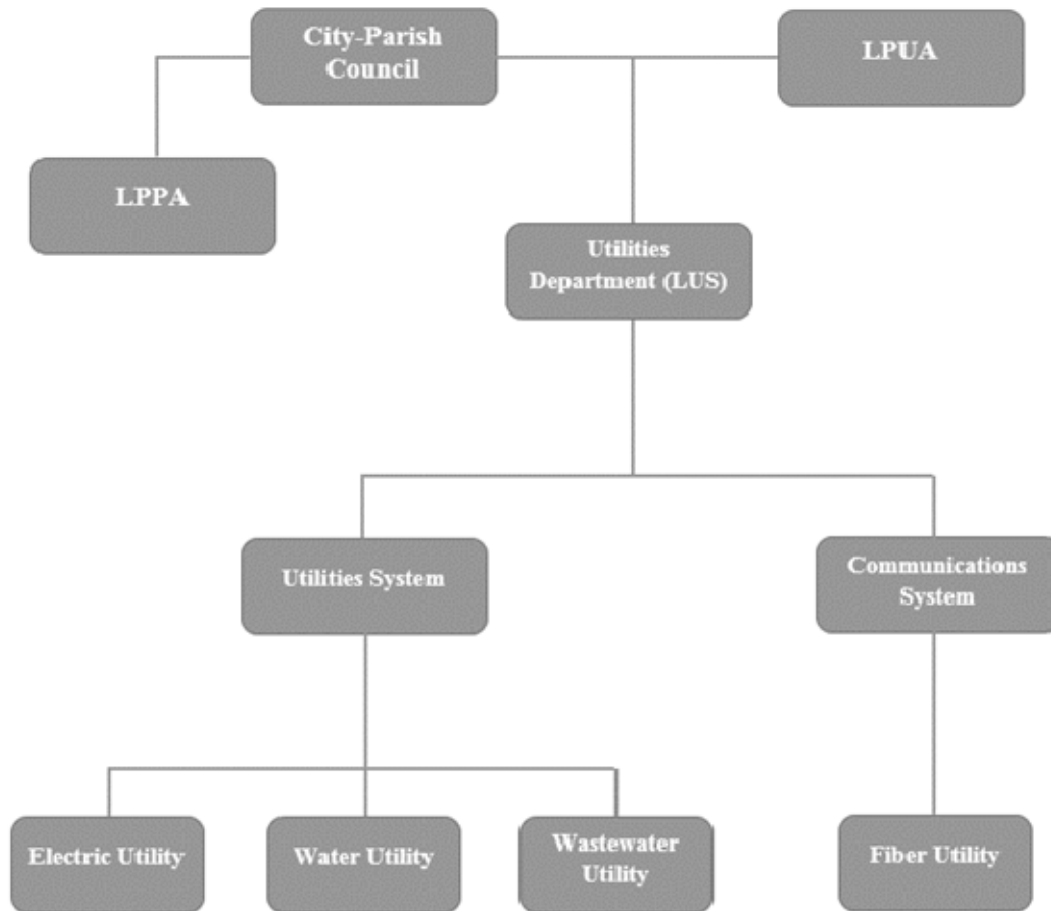
The following are the current members of the City-Parish Council:

	<u>Term Expires</u>
Kenneth P. Boudreaux, District 4, <i>Chair</i> *	January 2020
Kevin Naquin, District 1, <i>Vice Chair</i>	January 2020
Jay Castille, District 2	January 2020
Patrick "Pat" Lewis, District 3*	January 2020
Jared P. Bellard, District 5	January 2020
Bruce M Conque, District 6*	January 2020
Nanette S. Cook, District 7*	January 2020
Liz W. Hebert, District 8*	January 2020
William G. Theriot, District 9	January 2020

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

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LCG and LUS Structure



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), each 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 (the “Communications System”). The revenues from the Communications System are not pledged to the payment of the Bonds. See “COMMUNICATIONS SYSTEM”.

The Utilities System served approximately 68,060 accounts in 2016. The Electric System served 66,325 accounts, of which approximately 54,761 were residential and approximately 11,561 were commercial customers. The Water System and Wastewater System served 55,851 and 44,269 accounts, respectively.

Each of the Electric System, Water System and Wastewater System provides services primarily inside the City, but also on a limited basis to some areas outside the City limits. For more information regarding services provided outside the City limits, see “WATER SYSTEM – Wholesale Contracts”.

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 22 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 is 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 24 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.

Jeff Stewart — *Engineering and Power Supply Manager, Power Production Manager*. Jeff has over 16 years of experience in the public utility industry, working in utility marketing, distribution, transmission and substation engineering, distribution and transmission planning, and protective relaying and controls. He has a Bachelor of Science degree in Electrical Engineering from Louisiana State University and he is a registered Professional Engineer in the State of Louisiana.

Michael Boustany — *Electric Operations Manager*. Michael has 35 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 35 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 25 years with the Utilities System). He is a Graduate Civil Engineer with a Masters in Civil Engineering.

Tracy Mouton — *Environmental Compliance Manager*. Tracy has been in the environmental field with the Utilities System for 24 years, serving as the Environmental Compliance Manager since July 2017. Her education includes a Bachelor of Science in biology with a minor in chemistry from Jackson State University in Jackson, Mississippi.

Antonio Conner — *Customer & Support Services Manager*. Antonio has over 16 years of experience in the business administration and accounting fields. His previous experience encompasses various private entities, and for over the past 11 years has worked for the Utilities System in a financial reporting capacity. He holds a Bachelor of Science in Business Administration degree and a Master of Business Administration degree from the University of Louisiana at Lafayette. He is responsible for various support and customer service functions within the Utilities Department including financial monitoring and planning, rates, revenue assurance, employee development, meter services, utility conservation, customer service, business support services, and administration support services

Employees

As of October 31, 2016, the Utilities System had approximately 464 full-time employees and approximately 36 part-time employees on staff. The Utilities System has a budgeted 464 employees for fiscal year 2017.

Permits and Approvals

The Utilities System facilities are in material compliance with applicable environmental regulations and key environmental permits, approvals, and consent orders.

The Electric System's most recent North American Electric Reliability Corporation ("NERC") Critical Infrastructure Protection ("NERC CIP") audit in the fall of 2016 was successful with no material findings and no major violations. The Southwest Power Pool ("SPP") regional entity is LUS' compliance enforcement authority.

Environmental Stewardship

LUS promotes conservation and is committed to the efficient use of natural resources. LUS promotes energy star products, educates customers on energy and water conservation practices, and provides web-based tools for customers to better manage their consumption on a daily basis. In addition, LUS employs an energy conservation specialist who provides complimentary energy audits to customers and provides tips for reducing energy and water usage. Some of the programs LUS has initiated include land farming, availability of Kill-a-Watt™ meters, Nest® thermostats, and rain barrels.

ELECTRIC SYSTEM

General

The Electric System consists of power generation, transmission, substation, distribution, and customer facilities within and outside its service territory. LUS became a full market participant in the Midcontinent Independent System Operator ("MISO") as a Local Balancing Authority in 2013. MISO membership has required LUS to modify the methods and processes the utility uses to purchase and sell power. LUS now purchases all its energy needs from the MISO market and dispatches its generation facilities to the market as market power sales.

LUS entered into an agreement with the local rural electric cooperative, Southwest Louisiana Electric Membership Corporation ("SLEMCO"), defining an "area of influence" surrounding the City limits in which LUS may acquire SLEMCO customers and serve new electric customers. The agreement defines the number of customers that can be acquired and specifies the payment for acquired customers. 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 \$3,075,000 in 2018 to accommodate these customers.

Generation Facilities

The Issuer generates electricity with two natural gas-fired generating facilities located within the Parish, the T.J. Labbé Plant, and the Hargis-Hébert Plant, and the LPPA owned Rodemacher Unit 2 coal-fired generating plant located approximately 100 miles northwest of the City near Boyce, Louisiana. LPPA holds a 50 percent ownership interest in Rodemacher Unit 2 facilities, which is operated by Cleco.

The Utilities System has two local power plants that are retired and still in place, the Doc Bonin Plant and the Curtis Rodemacher Plant. The Doc Bonin and the Curtis Rodemacher Plants have been deemed economically obsolete. Curtis Rodemacher was retired several years ago. A decommissioning study for the Doc Bonin Plant was completed in May 2016. The study provided cost estimates for varying levels of decommissioning. In 2016, the Utilities System hired a consultant to perform an Integrated Resource Plan ("IRP") and evaluate overall power supply options, including plans for potentially replacing or repowering the Doc Bonin Plant. The study was completed in November 2016 and recommended developing and installing new natural gas fired reciprocating engines at the Doc Bonin site to replace the retiring Doc Bonin generation units. LUS is still evaluating its options with respect to the Doc Bonin site, but the potential cost of the installation of such reciprocating engines is included in the Electric System's 5-year Capital Improvement Plan. See " – Electric System Capital Improvement Plan".

The Curtis Rodemacher generating station remains retired with the Utilities System performing routine maintenance, upkeep, and site monitoring. Site monitoring and remediation includes periodic soil sampling and lead paint removal. LCG must retain ownership of the site due to the co-location of a large, critical substation at the site and related security needs. Periodic costs associated with site monitoring and upkeep will continue, as needed, to maintain ownership and environmental compliance.

T.J. Labbé and Hargis-Hébert Generation Stations

The T.J. Labbé Plant began operation in 2005 and consists of two natural gas-fired 48 MW General Electric model LM6000PC SPRINT combustion turbine generators ("CTG"). Three 50 percent gas compressors were installed in 2005 to boost the incoming natural gas delivery pressure to the required levels. LUS and T.J. Labbé Plant staff indicated that the compressors are not currently required to operate, as the natural gas supplier's delivery

pressure is higher than the CTGs design inlet pressure. Pressure regulators reduce the delivery pressure to the required inlet levels at the CTG. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. While the plant is staffed 24-hours per day, seven days a week, the Doc Bonin Plant staff is capable of CTG remote startup. The T.J. Labbé Plant is connected to the LUS transmission system at 230 kV. The plant also includes a 600-kilowatt (“kW”) emergency generator for black start capability.

Annual generation at the T. J. Labbé Plant has averaged approximately 27,474 megawatt hours (“MWh”) (net) over the 2012 to 2016 period with an average annual plant capacity factor of 3.4 percent. Annual natural gas consumption averaged 361,599 million British Thermal Units (“MMBtu”) over the same period. The annual average heat rate of the T. J. Labbé Plant was approximately 12,988 Btu per kilowatt-hours (“kWh”).

The Hargis-Hébert Plant began commercial operation in 2006 and is nearly identical to the T.J. Labbé Plant, with two natural gas-fired 48 MW General Electric model LM6000PC SPRINT CTGs. Natural gas compressors were not installed at the Hargis-Hébert Plant because the incoming natural gas delivery pressure is greater than the CTG’s design inlet pressure. The Hargis-Hébert Plant CTGs have the additional capability of providing voltage support to the transmission grid through a specially designed clutch system that was originally installed on each of the CTGs allowing the gas turbine to be shut down and uncoupled from the generator while the generator remains synchronized to the grid to supply or absorb reactive power. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. As with the T.J. Labbé Plant, the Hargis-Hébert Plant is staffed full-time, but is capable of remote startup and monitoring from the Doc Bonin Plant. The Hargis-Hébert Plant connects to the LUS transmission system at 69 kV. The plant has a 600-kW emergency generator for black start capability.

Annual generation at the Hargis-Hébert Plant has averaged approximately 24,578 MWh (net) over the 2012 to 2016 period, with an average annual plant capacity factor of 3 percent. Annual natural gas consumption averaged 288,146 MMBtu over the same period. The annual average heat rate of the Hargis-Hébert Plant was approximately 12,159 Btu per kWh.

Rodemacher Unit 2

Rodemacher Unit 2 is a 523 MW coal-fired generating station located at the Brame Energy Center near Boyce, Louisiana. Rodemacher Unit 2 is jointly owned by LPPA (50 percent), Cleco (30 percent), and the Louisiana Energy and Power Authority (“LEPA”) (20 percent) (the “Joint Owners”). The Agreement for Joint Ownership, Construction, and Operation (“Joint Ownership Agreement”) dated June 30, 1977, as amended, established the joint ownership of Rodemacher Unit 2. The Joint Owners share the output of Rodemacher Unit 2 based on the relative ownership percentages. LPPA’s ownership share of Rodemacher Unit 2 is 261.5 MW of capacity and the related energy output. The Joint Ownership Agreement remains in effect through June 30, 2032.

Annual generation at Rodemacher Unit 2 has averaged approximately 2,294 gigawatt hours (“GWh”) (net) over the 2012 to 2016 period with an average annual plant capacity factor of 53.6 percent. For additional information regarding the LPPA Contract with respect to Rodemacher Unit 2, see “- Power Supply/Sales Contracts” below.

MISO Market

The Utilities System became a MISO full Market Participant in December 2013. MISO provides reliability and wholesale market grid operation for interconnected utilities in the Midcontinent region of the U.S. LUS is a Local Balancing Authority within the MISO Balancing Authority footprint.

The Energy Authority (“TEA”) is registered as LUS’ Market Participant in MISO and was instrumental in easing the transition and successful integration into MISO. LUS evaluates and approves TEA’s strategies for energy market participation, as well as provides feedback on how the selected strategies worked compared to alternative strategies.

As LUS joined MISO, it modified the methods and processes by which the utility purchases and sells power. In collaboration with TEA, LUS purchases power to meet load from the power market on an hourly basis. Simultaneously, MISO economically dispatches LUS’ generation assets into the market creating market sales for LUS. As a result of these changes, LUS reports the combined transaction as net purchased power (total market purchases less total market sales).

The MISO membership has improved the economic and over-all power supply situation for LUS. In addition to the transmission system improvements mentioned above, LUS also enjoys operational benefits resulting from MISO dispatch of its local generation, and is provided flexibility in the dispatch of LPPA's Rodemacher Unit 2 capacity.

Operations and Related Performance

Each division within the Electric System has a safety representative and full support from upper management. The Departmental Accident Review Committee evaluates all incidents to report on causes and measures to improve safety. LUS adopted the American Public Power Association ("APPA") Safety Manual.

The distribution system Dispatch Center addresses customer calls, dispatches, and tracks crews. The Dispatch Center utilizes an Elster automated metering infrastructure ("AMI") system as the primary means for detecting and tracking outages, supplemented with customer call tracking. The outage management system ("OMS") tracks outage locations over time to prioritize maintenance/replacement work and determine system reliability indices.

The Utilities System has an agreement with TEA who performs the wholesale power negotiations and transactions.

Transmission and Distribution

The Electric System has 47 miles of transmission lines and 989 miles of distribution lines. Transmission facilities operate at 69 kV, 138 kV, and 230 kV interconnecting with Entergy (at 230 kV and 138 kV) and Cleco (at 230 kV and 69 kV) systems. LPPA, the City, and Cleco have a Transmission Service Agreement ("TSA") that was signed in January 1991 and provides firm transmission service from Rodemacher Unit 2 to the City's interconnection points with Cleco.

Transmission substation facilities are at 230 kV, 138 kV, and 69 kV. The 230 kV transmission system includes 16 miles of line with interconnections to Cleco and Entergy. The 138 kV system equipment at the Doc Bonin Plant Substation connects to Entergy, as well as autotransformers to the 230 kV and 69 kV busses. The 69 kV transmission system consists of 31 miles of line. Fifteen distribution substations serve the 86 feeders on the LUS 13.8 kV distribution system. Existing transmission circuits are on a range of structure types including wood poles and steel towers.

The 989 miles of distribution lines include 474 miles of overhead and 515 miles of underground lines (13.8 kV). Overhead distribution poles are primarily creosote-treated southern yellow pine, with light-duty steel poles for corners or areas where guying is not possible.

All distribution facilities serving new subdivisions and commercial developments are underground. New underground cable is typically aluminum. All underground cable is installed in conduit with the exception of segments purchased from the local cooperative utility, SLEMCO. LUS is not pursuing conversion of overhead to underground facilities due to the significant costs incurred for such a conversion.

The transmission and distribution systems utilize dedicated fiber optic cables for secure communication and protection of the systems. Distribution capacitor bank controls and recloser controls are connected to the operations center via the fiber system.

Electric and Environmental Regulatory Compliance and Issues

The Utilities System is subject to continuing environmental regulation. Federal, state, and local standards and procedures, which regulate the impact of the Utilities System on the environment, are subject to change. Consequently, there is no assurance that the facilities owned or under contract to the Utilities System will remain subject to regulations that are currently in effect or will always be in compliance with regulations governing the protection of the environment that may be enacted in the future. The State of Louisiana (the "State"), through the Louisiana Department of Environmental Quality ("LDEQ"), establishes standards of performance and requires permits for the generating units of the Utilities System, as well as Rodemacher Unit 2 in which the City has an ownership interest. In addition, the LDEQ has been delegated authority over and implements certain programs established by the U.S. EPA.

The Utilities System facilities are in material compliance with applicable environmental regulations and key environmental permits, approvals and consent orders.

The Electric System's most recent North American Electric Reliability Corporation ("NERC") Critical Infrastructure Protection ("NERC CIP") audit in the fall of 2016 was successful with no material findings and no major violations. The Southwest Power Pool ("SPP") regional entity is LUS' compliance enforcement authority.

LUS has a separate environmental and compliance division for the Electric System. Individual personnel within the Electric Environmental Compliance division are assigned to: 1) NERC compliance; 2) spills, spill prevention control and countermeasure plans, and remediation; and 3) air quality. Compliance staff education and training takes place as standards are updated or newly created; and the staff participates in NERC reliability conferences.

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 for the Doc Bonin, T. J. Labbé and Hargis-Hébert Plants 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. The agreement automatically extends for 12-months following the end of the delivery period, unless terminated by either party.

Natural gas supply to the Doc Bonin Plant site is via a 10-mile-long, 10-inch gas supply line, owned by LUS that connects to the Texas Gas Transmission Corporation and the Columbia Gulf Transmission Company pipeline.

Natural gas is supplied to the T. J. Labbé Plant through an expansion pipeline that is approximately one-half mile long and is connected to the 10-inch gas supply line serving the Doc Bonin Plant.

Natural gas to the Hargis-Hébert Plant is supplied from an interconnection to the east-west Gulf South Pipeline Company, LP ("Gulf South") system located between Louisiana Highway 89 and Commission Boulevard. Gulf South operates and maintains the 10-inch lateral, which terminates at the metering station located on the Hargis-Hébert Plant property.

Coal from the Powder River Basin in Wyoming is the predominant fuel used at Rodemacher Unit 2. Coal is supplied under three contracts: Arch Coal Sales Company Inc. ("Arch Coal"), Peabody Coal Sales LLC ("Peabody"), and Cloud Peak Energy Inc. LPPA owns two unit trains that deliver the coal to the plant from Wyoming. Cleco coordinates the deliveries in conjunction with their unit trains. Coal price adjustments are based on sulfur content in the coal and the heating value (British Thermal Units per pound ("Btu/lb")) of the delivered coal.

An annual physical observation of the coal inventory is performed based on an aerial photographic survey and density measurements. An adjustment to inventory occurs when the survey indicates a variance in the results of the physical inventory of at least plus or minus 3 percent.

Power Supply / Sales Contracts

LPPA — Rodemacher Unit 2 Power Station

The Issuer entered into the LPPA Contract 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 Mayor-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, and LPPA has agreed to sell, all of LPPA's share of the power and energy derived from LPPA's 50% ownership interest of a 523 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 ("Rodemacher Unit 2") which is operated by Cleco Corporate Holdings, LLC ("Cleco"). The LPPA Contract expires on August 31, 2047.

Under the LPPA Contract, payments by the Issuer are specified to be sufficient to pay all costs of LPPA in connection with Rodemacher Unit 2, including LPPA's share of operation and maintenance of Rodemacher Unit 2, coal inventory costs, debt service requirements, and all other financial obligations of LPPA's share of Rodemacher Unit 2. The obligations of the Issuer to make the payments under the LPPA Contract are required to constitute operating expenses of the Issuer payable solely from the revenues of the Utilities System. Such payments are required to be made whether or not Rodemacher Unit 2 is operating or operable. As a result of being defined as operating expenses, the LPPA expenses are payable prior to the payment of debt service on the Issuer's Bonds. As of the date of this Official Statement, LPPA has \$85,170,000 aggregate principal amount of debt currently outstanding. In order to finance and refinance its portion of the costs of certain improvements, renewals, repairs and replacements for Rodemacher Unit 2, LPPA sold (i) \$65,100,000 of its Electric Revenue Bonds, Series 2012 on November 28, 2012 and delivered said bonds on December 21, 2012 and (ii) \$29,035,000 of its Electric Revenue Refunding Bonds, Series 2015 on October 14, 2015 and delivered said bonds on November 13, 2015.

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 2016, such payments aggregated \$48,326,966.

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 Rodemacher 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 Rodemacher Unit 2 assuming the incurrence of such capital and operating costs for Rodemacher 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 should increase in the future.

Hydro Purchased Power

LUS has a long-term contract with the Southwestern Power Administration ("SPA") for U.S. Department of Energy hydro power. The bilateral agreement is for 22,320 MWh annually and ends June 1, 2018. The hydropower is generated by 24 Corps of Engineers dams in the region.

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Electric System Sales

Customers

The ten largest retail customers of the Electric System are set forth in the following table:

Electric System Largest Retail Customers Twelve months ended October 31, 2016

<u>Customer</u>	<u>2016 Revenues</u>	<u>% of Total Retail Revenues</u>
University of Louisiana	\$4,069,103	2.35%
Lafayette General Hospital	2,727,532	1.57
Our Lady Of Lourdes	1,907,356	1.10
Lafayette Consolidated Government-Street Lighting	1,585,497	0.91
Stuller Inc.	952,558	0.55
Wal-Mart Louisiana LLC – Store #531	865,476	0.50
Haliburton – Gulf Coast Campus	803,106	0.46
Acadiana Mall	779,129	0.45
University Hospital & Clinics Inc.	723,105	0.42
<u>International Paper</u>	<u>704,254</u>	<u>0.41</u>
TOTAL	\$15,117,116	8.72%
TOTAL REVENUES	\$173,348,232	

Source: LUS; Consulting Engineer's Comprehensive Annual Report, April 2017.

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 2,900,099 MWh during Fiscal Year 2016 as described in the following table.

<u>Fiscal Year</u>	<u>Retail Sales (MWh) ⁽¹⁾</u>	<u>Wholesale Sales (MWh) ⁽²⁾</u>	<u>MISO Market Sales (MWh) ⁽³⁾</u>	<u>MISO Market Purchases (MWh) ⁽³⁾</u>
2012	1,970,448	132,272	0	0
2013	1,979,136	37,151	0	0
2014	2,027,115	942	1,013,733	1,852,629
2015	2,050,434	0	1,100,385	2,113,086
2016	2,027,945	0	872,154	2,098,275

Source: LUS, Burns & McDonnell, and Aces Power LLC. LUS Financial and Operating Statements, 2012–2016, audited.

- (1) Electric System projections based on Load Forecast for LUS developed by Burns & McDonnell for years 2018 through 2026. The retail sales do not include transmission or distribution losses.
- (2) After LUS joined MISO, all sales were sales to the MISO Market.
- (3) Market sales and purchases for years 2018 through 2026 were based on an hourly dispatch model by Aces Power LLC.

Projected Demand and Resources

The 2016 IRP evaluated the overall power supply options including future options for the Doc Bonin Plant. As part of the 2016 IRP, the consultant also developed a long-term load forecast. Per the 2016 IRP, LUS' projected system load growth will average 1.0 percent annually reaching 2,292,285 MWh by 2026. The number of residential customers are projected to increase by 1.3 percent on an average annual basis. The LUS system annual peak is projected to increase from 447 in 2016 to 531 MW by 2026, an average annual growth rate of 1.7 percent.

MISO's resource adequacy is based on the system coincident peak and reserves. As a MISO participant, LUS is required to maintain its relative share of capacity and reserves, also called Resource Adequacy. MISO applies a forced outage rate to each units' installed capacity values to calculate an unforced capacity value ("UCAP"). The LUS units' UCAP values may be applied toward LUS' Resource Adequacy. The Hargis-Hébert Plant with a gross capacity of 100 MW has a UCAP value of 85.1 MW. The T.J. Labbé Plant with a gross capacity

of 100 MW has a UCAP value of 89.4 MW. Rodemacher Unit 2 with a gross capacity of 261 MW has a UCAP value of 233.7 MW.

With the economic suspension status of the Doc Bonin Plant during 2016 and the subsequent retirement in 2017, LUS did not have sufficient capacity to meet the MISO requirements. As such, LUS contracted for 40 MW of capacity through May 2020. In addition, due to potential capacity shortfalls, LUS has secured an additional 20 MW for 2017 and an additional 33 MW for 2018. LUS has extended existing capacity contracts to meet near-term capacity requirements and LUS is evaluating the replacement of the Doc Bonin Plant with reciprocating engines to support longer term capacity requirements of MISO.

Electric System Capital Improvement Plan

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. Each spring, the budgeting process begins with LUS preparing and submitting its Proposed Operating and Capital Budget to LCG. The budget may then be adjusted or presented to the Council for approval. The Utilities System develops a 5 year Capital Improvement Plan (“CIP”) for each utility. A breakdown of the categories included in the CIP for the Electric System, contained in the LCG Proposed Operating & Capital Budget 2017-2018 (the “2018 Proposed Budget”) is outlined below. No assurances can be given as to the amount of expenditures that will be included in the CIP that is ultimately approved in connection with the approval of the annual budget.

The Electric System CIP contained in the 2018 Proposed Budget totals \$181.7 million approximately \$120.0 million of which is for the potential construction of reciprocating engines at the Doc Bonin site. LUS plans to fund the CIP for the Electric System with a combination of cash and issuance of revenue bonds.

Electric System Capital Improvement Program (2018-2022) ⁽¹⁾⁽²⁾

Project Description	2018	2019	2020	2021	2022	Total
Acquisitions	\$3,075,000	\$0	\$0	\$0	\$0	\$3,075,000
Production	29,015,000	93,560,000	160,000	110,000	110,000	122,955,000
Distribution	3,191,000	1,870,000	1,560,000	860,000	110,000	7,591,000
Substation	7,485,000	11,135,000	1,135,000	835,000	835,000	21,425,000
Transmission	1,810,000	3,610,000	3,010,000	10,000	10,000	8,450,000
<u>General Plant</u>	<u>7,210,000</u>	<u>360,000</u>	<u>5,410,000</u>	<u>5,260,000</u>	<u>10,000</u>	<u>18,250,000</u>
TOTAL	\$51,786,000	\$110,535,000	\$11,275,000	\$7,075,000	\$1,075,000	\$181,746,000

Source: 2018 Proposed Budget. Amounts are in 2017 dollars.

- (1) Does not include the LPPA Rodemacher Unit 2 capital improvement program.
- (2) The Electric System Projects are expected to be partially funded by future debt.

WASTEWATER SYSTEM

General

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 is comprised a wastewater collection system, four wastewater treatment plants at various locations throughout the City, and waste sludge management and disposal facilities. The total combined permitted treatment capacity for the four plants is 18.5 MGD. In addition, LUS is responsible for integrating small, community-type package wastewater treatment plants into the main Wastewater System. In 2016, LUS provided wastewater services to 44,269 customers.

Wastewater Treatment and Collection

The four main wastewater treatment plants are the South Sewage Treatment Plant (the “South Plant”), the East Sewage Treatment Plant (the “East Plant”), the Ambassador Caffery Plant, and the Northeast Sewage Treatment Plant (the “Northeast Plant”). The total permitted capacity for these plants is 18.5 million gallons per day (“MGD”). The South Plant and the East Plant are activated sludge facilities with capacities of 7.0 MGD and 4.0 MGD, respectively. The Northeast Plant is an oxidation ditch facility with a permitted capacity of 1.5 MGD. 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.

LUS purchased land surrounding the existing South Plant site for future construction of additional retention and treatment facilities to serve growth in the system and the potential addition of packaged plants in the area. The planned expansion will increase the capacity of the South Plant from 7.0 MGD to a total capacity of 12.0 MGD. LUS has prepared engineering plans and begun initial phases of construction for the South Plant expansion project.

The Wastewater System consists of 570 miles of gravity sewer collection pipes and interceptors and 89 miles of sewer force mains, with 12,313 manholes and 179 sanitary sewer lift stations. As the City area is relatively flat, with little to no elevation relief, the wastewater collection system requires a significant number of lift stations to pump and re-pump wastewater to the four treatment plants. The 179 sanitary sewer lift stations consist of approximately 30 percent Gorman Rupp style suction lift stations, and 60 percent submersible stations of various makes and descriptions.

LUS is also charged with the responsibility of assimilating small, community-type package wastewater treatment plants into the Wastewater System. These package plants are increasingly utilized to serve subdivisions and rural areas that are not currently in the LUS service area. To date, 15 package wastewater treatment plants are now operated and maintained as LUS’ Wastewater System infrastructure, with two or three additional package plants likely to be added in 2017. Each of the package plants carries its own discharge permit, and their relatively isolated locations mean that they do not affect LUS capacity as both treatment and discharge are located at the package plant site. Additional packaged plant integration capacity will be provided by the future South Plant and Wastewater System expansions should those service areas be able to be incorporated into the existing collection system.

Wastewater Discharge Permits

The wastewater discharge permit renewals for all four plants were completed in 2014 and do not expire until 2019. 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. The quality of various discharge parameters of each treatment unit are recorded on wastewater discharge monitoring reports (“DMRs”) and submitted monthly to LDEQ. The 2016 Discharge Monitoring Reports for the various treatment plants and operating units indicate all operating units were in compliance with NPDES discharge limits, no notices of violation of effluent limits were received, LUS is current with all fees and report submittals, and there were no public complaints received in 2016.

Operations and Related Performance

In 2016, the average daily wastewater volume treated by the four plants was 7.1 MGD. The average operating volumes treated by the four plants is less than each plant’s permitted capacity except the Ambassador Caffery Plant. Ambassador Caffery Plant’s average wastewater flow is at its permitted level of 6.0 MGD. While the flows are at the permitted level, the SBR system at the Ambassador Caffery Plant is capable of treating up to 9.25 MGD as a peak or maximum flow. At times, the Ambassador Caffery Plant treats wastewater flows above its permitted levels in times of emergency operations or diversions to replace or repair other plant or collection system infrastructure. This situation occurred eight times in 6 years. These infrequent periods of flows exceeding the Ambassador Caffery Plant’s permitted levels are within the plant’s treatment capacity limits and does not inhibit or negatively impact the Wastewater System’s operations. It is not uncommon for wastewater utilities to occasionally exceed permitted discharge limits for brief periods of time during events such as emergency operations, accommodating repairs and replacements in the system, or during excessive precipitation events.

LUS disposes of biosolids, the sludge byproduct of water and wastewater treatment plant operation, to privately owned farmland disposal sites leased by LUS. Waste sludge is transported and applied to privately owned land farms that are under lease to LUS for that purpose. Each of the leased locations is an active farming operation. LUS is required to accommodate their farming activities such as crop and livestock rotation, and access to farming operations during inclement weather. This arrangement makes it necessary for LUS to secure more acreage than is actually required for actual biosolids disposal. LUS currently leases approximately 2,700 acres for sludge disposal, with year-to-year leases that each include a 30-day notice end-of-lease clause.

LUS has evaluated purchasing and owning land to dispose of the biosolids to eliminate the reliance on the multiple active farm leases, which could be cancelled with 30-day notice. As LUS currently treats biosolids to Class B sludge, disposal requires approximately 300 acres of land.

Environmental Regulatory Compliance and Issues

LUS has environmental compliance and testing staff to provide direct environmental compliance support for the Water and Wastewater Systems. The testing lab is certified by the State of Louisiana to run the majority of the tests necessary for potable water quality reports and wastewater discharge monitoring reports (“DMR”). All wastewater systems in Louisiana are required to file an annual Municipal Water Pollution Prevention (“MWPP”) audit report for each operating facility. These reports, among other things, compare the design hydraulic and biological treatment capacity of each plant with the actual conditions to identify plant design capacity exceedances. At times, LUS exceeds the design flow capacity at their wastewater treatment plants. Planned improvements to wet-weather holding facilities and head-works facilities will help to alleviate capacity exceedances related to excessive rainfall events.

The Clean Water Act of 1972 (“CWA”) requires all states to participate in the National Pollutant Discharge Elimination System (“NPDES”), and to file DMRs regarding wastewater quality at the point of discharge or introduction into the environment. The Vermilion River is considered oxygen deficient; therefore, LUS must comply with the limitations established for the release of carbonaceous biological oxygen demand (“CBOD”) and ammonia nitrogen (“NH₃”) into the river. Discharge permits were issued to LUS for each operating unit by the LDEQ that reflect the total maximum daily loading (“TMDL”) standards set for the Vermilion River in 2003. See “- Wastewater Discharge Permits” above.

New rules from the EPA for dental facilities concerning discharges containing Amalgam have been approved. LUS is contacting local facilities regarding types of waste being discharged to issue proper certifications. Enforcement will begin in July 2020.

In April 2017, the EPA performed a random audit of the Wastewater System. LUS provided requested documentation, including the wastewater master plan and flow studies. The EPA toured the four wastewater plants and select lift stations. The EPA found no issues with the LUS work order system and process by which wastewater complaints are addressed and repairs made. Although final results of the audit are still pending (as of July 2017), LUS expects no major findings with the report.

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 October 31, 2016**

<u>Customer</u>	<u>2016 Revenues</u>	<u>% of Total Revenues</u>
University of Louisiana	\$719,208	2.50%
Borden Company	332,486	1.16
Lafayette General Hospital	214,005	0.74
Our Lady of Lourdes	138,655	0.48
Bayou Shadows Apartments	137,695	0.48
Lafayette Parish Correctional Facility	133,140	0.46
South Point Apartments	111,090	0.39
Single Source Supply, LLC	103,725	0.36
Pinehook South Apartments	96,990	0.34
<u>Emberwood Apartments</u>	<u>83,470</u>	<u>0.29</u>
TOTAL	\$2,070,464	7.2%
TOTAL REVENUES	\$28,752,436	

Source: LUS; Consulting Engineer’s Comprehensive Annual Report, April 2017.

In addition, LUS is currently under contract for the collection, treatment and disposal of wastewater and operation and maintenance of the system for the Grossie Avenue area. This area includes a small number of customers served by a separately owned wastewater collection system owned by the Parish. This agreement was

entered into in 1995 between the City and the Parish via a U.S. Department of Housing and Urban Development grant. Flows from the approximately 50 customers are treated at the ESTP. The agreement has a 40-year term and expires in August 2035.

Historical and Projected Wastewater Flows

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

Wastewater System collection volumes increased in 2016 by 9.3 percent from 2015 collection volumes. Collection volumes in 2016 are higher than historical collection volumes over the 2012–2015 historical period. The increases to flows are attributed primarily to the frequency of wet weather events during the year in addition to an increase in customers. Historical Wastewater System collection volumes are shown in the table below.

Historical Wastewater Retail Collection (1000 gallons)

<u>Fiscal Year</u>	<u>Total Retail Collection</u>
2012	5,448,397
2013	5,730,473
2014	5,476,065
2015	5,734,225
<u>2016</u>	<u>6,267,402</u>
CAGR⁽¹⁾	3.6%

Source: Consulting Engineer and LUS. LUS Financial and Operating Statements, 2012–2016, audited.

(1) Compounded average annual growth rate for the period 2012-2016.

Wastewater System Capital Improvement Program

The table that follows displays the Utilities System’s estimated capital costs associated with the Wastewater System CIP. 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 each annual budget.

The Wastewater System CIP contained in the 2018 Proposed Budget totals \$50.6 million and includes a SSTP expansion, SSTP odor controls, sludge handling improvements, NETP expansion, and digester rehab. LUS started work on the SSTP expansion project. LUS expects to fund future expenses on this project and other wastewater projects with a combination of cash and future revenue bonds.

Wastewater System Capital Improvement Program (2018-2022)^{(1) (2)}

<u>Project Description</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Treatment	\$24,910,000	\$ 4,610,000	\$4,460,000	\$680,000	\$1,060,000	\$35,720,000
Collection	<u>5,275,000</u>	<u>6,045,000</u>	<u>1,385,000</u>	<u>1,145,000</u>	<u>1,035,000</u>	<u>14,885,000</u>
TOTAL	\$30,185,000	\$10,655,000	\$5,845,000	\$1,825,000	\$2,095,000	\$50,605,000

Source: 2018 Proposed Budget.

(1) Amounts are in 2017 dollars.

(2) The Wastewater System Projects are expected to be partially funded by future debt.

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 its current and future operations. The Utilities System does not anticipate that compliance with any presently proposed regulatory 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

General

The Water System consists of 20 ground water wells, two water treatment facilities, elevated and ground treated-water storage and a distribution system consisting of 1,126 miles of distribution piping. The wells serve the Water System with a combined production capacity of 53.8 MGD. The primary service area is the City of Lafayette and service is also provided to six wholesale water customers outside of the City, including local municipalities and certain unincorporated areas of Lafayette Parish.

Water Supply

The Chicot underground aquifer is the sole source of raw 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 for all or parts of fifteen parishes in Louisiana and parts of Texas 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.

Studies conducted by the LDEQ indicate that the water quality of the Chicot aquifer generally does not exceed the maximum contaminant levels (“MCL”) for pollutants listed in the federal primary drinking water standards. The Chicot raw water supply is treated by a multi-step purification process at water treatment facilities that are monitored 24-hours a day by LUS operators, and certified by Louisiana Department of Health and Hospitals (“LA DHH”) to ensure that all water delivered to its customers is safe to drink, and is of acceptable secondary quality.

Water Treatment and Production

The Water System includes two water treatment facilities (the South and North Water Treatment Plants), and a total of 20 ground water wells to provide raw water for treatment, as well as supplemental volume and pressure to the system. The South Water Plant (“SWP”) has a capacity of 23.0 million gallons per day (“MGD”) and the North Water Plant (“NWP”) has a capacity of 20.8 MGD. Both the NWP and SWP use coagulation, sedimentation, and filtration to remove iron and manganese with lime-softening for hardness reduction and hypochlorite for finished water disinfection.

Sixteen deep well pumps located at the SWP and NWP provide the raw water supply for treatment at both facilities. The remaining four pumps are located remote from the treatment plants and provide additional volume and pressure to the system. Water Well Nos. 24 and 26, located at the Gloria Switch remote site, provide supplemental volume and pressure to the northern end of the distribution system. Treatment at this site consists of application of potassium permanganate followed by six pressure filters, and hypochlorite is added for disinfection. Finished water is stored in a ground storage tank and delivered to the system with high-service pumps.

Water Well Nos. 23 and 25, located at the Commission Boulevard remote site, provide additional volume and pressure to the wholesale users on the southern end of the distribution system including Broussard, Youngsville, and Milton. The Commission Boulevard site also includes the Fabacher Field re-boost facilities consisting of a 2.0 million gallon (“MG”) ground storage tank and high service pumps that are used to improve pressure conditions at the outer limits of the distribution system.

Water production facilities are provided with on-site backup electric generation facilities that are adequate to sustain an acceptable level of water production in the event of power failures or other catastrophic events. The SWP is equipped with full power generation capacity capable of maintaining full production output, while the NWP is equipped sufficiently to provide approximately 60 percent of production output.

Water Distribution and Storage

The water distribution system consists of 1,126 miles of pipe and the treated water storage of approximately 15.25 MG. LUS also utilizes the Communications System assets and fiber connections to manage, monitor, and control the water flows and storage volumes on the Water System.

The treated water storage includes 4.3 MG of elevated storage and 10.95 MG of ground storage, including finished water and booster pumping station clear wells. As the geographical service area and customer base have increased over the past several years, there has not been a corresponding increase in the amount and size of distribution lines. Current capacity and water pressure in the system is adequate. LUS has completed several projects in recent years to improve the distribution system and related pressure. LUS plans for additional distribution improvements to meet the demands from future residential and commercial development as outlined in Water System Capital Improvement Program (“Water System CIP”). See “ - Water System Capital Improvement Program” below.

Operations and Related Performance

The two water treatment plants are each capable of producing over 20 MGD of treated water and LUS has completed several projects in recent years to improve the distribution system and related pressures. LUS operates the two treatment plants for base load water treatment capacity with each plant producing an average of 10 to 12 MGD. The remote wells located at the Gloria Switch and the Commission Boulevard sites are used to supplement the flow at the extremities of the system to improve the pressure and capacity limitations on the distribution system. In 2016, the system average day demand was 21.8 MGD, with a peak-day demand of 26.9 MGD.

The lost and not accounted for water increased from 6.4 percent of total treated water in 2015 to 7.4 percent in 2016. The amount of lost and not accounted for water is within the range of acceptable industry standards of 15 percent. Much of the unaccounted-for water is primarily due to aggressive line flushing for hydrants, and for compliance with the LA DHH Emergency Rule. Responding to insurance requirements, LUS flushes hydrants twice per year. Fire hydrants are required to be tested by Property Insurance Association of Louisiana (“PIAL”) in order to obtain or retain a higher fire insurance rating for the City. In addition, the 2013 LA DHH Emergency Rule was established to protect Water Systems from the effects of the *Naegleria fowleri* amoeba and has resulted in significant increases in flushing due to the requirement to maintain 0.5 milligram per liter (“mg/l”) of free or total chlorine to all extremities of the distribution system.

Wholesale Contracts

In addition to the Water System within the City limits, LUS operates and maintains water distribution facilities outside the City limits as a wholesale water provider. Wholesale services are provided in accordance with contracts between LCG and the district customers. LCG has six wholesale contracts serving seven specific customers, including two water districts and five neighboring water systems or cities. These six wholesale contracts include Water District North, Water District South, the City of Scott, the City of Broussard, Milton Water System, and the City of Youngsville. 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. Both the North and South Water Districts constructed their own additions and extensions according to standards set by LUS.

These wholesale customers represented 28 percent of the total water volume and 26 percent of total water sales revenue in 2016. The wholesale customer portion of total Water System sales volume has remained stable over the past few years; however, the corresponding revenues have increased due to wholesale rate increases. Each of the contracts is a long-term contract between 25 and 40 years in length, with the exception of the City of Scott and the City of Broussard. The City of Broussard contract is set to expire in 2020, while the City of Scott contract will expire in 2022. The remaining contracts are set to expire after 2031.

Environmental Regulatory Compliance and Issues

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 for 2017 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. The Utilities System monitors planned changes to these regulations and either has incorporated or will incorporate the current requirements into current and future operations. The Issuer does not anticipate that compliance with presently proposed changes current regulations or presently proposed changes to regulations will require major capital expenditures.

LUS reports that the water treatment plants and supplemental wells are currently in compliance with all operating permits, and meet all applicable drinking water standards of the SDWA. The NWP permit to discharge

wastewater associated with the treatment of potable water is current and effective through January 1, 2020, at which point it will be automatically renewed for five years. The SWP permit to discharge wastewater from the treatment of potable water, stormwater, and sanitary wastewater is current and effective through December 1, 2019.

In November 2013, an LA DHH Emergency Rule for distribution systems went into effect requiring all publicly owned water systems to maintain a minimum 0.5 mg/l chlorine residual throughout the piping distribution system. This requirement is based solely on the presence of the deadly *Naegleria fowleri* amoeba, which was detected in two water systems within the State of Louisiana. LA DHH had previously reduced the minimum chlorine residual from 0.2 mg/l to a trace amount, meaning any amount is acceptable, due to the potential of generating cancer-causing agents as a by-product of chlorination. The Water System has maintained the management and enforcement of 2014 LA DHH regulations for backflow prevention for individual users which were to become null and void on January 1, 2016. However, these regulations were adopted and enforced by the Louisiana State Uniform Construction Code Council. As the regulations may be re-implemented in future years as an Emergency Rule, LUS continues to maintain its backflow prevention program.

Pursuant to the requirements of the 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 for 2016 shows that the water quality of the Utilities System is well within the regulatory limits established by the EPA.

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 October 31, 2016**

<u>Customer</u>	<u>2016 Revenues</u>	<u>% of Total Revenues</u>
University of Louisiana	\$270,005	1.48%
Lafayette General Hospital	128,081	0.70
Our Lady Of Lourdes	106,736	0.58
Borden Company	70,316	0.38
Lafayette Parish Correctional Center	54,284	0.30
Bayou Shadows Apartments	45,736	0.25
Target Stores (North)	53,650	0.29
Advanced Polymer Systems	36,963	0.20
South Point Apartments	36,965	0.20
<u>Lafayette General Southwest</u>	<u>35,649</u>	<u>0.19</u>
TOTAL	\$838,385	4.58%
TOTAL REVENUES	\$18,286,651	

Source: LUS; Consulting Engineer’s Comprehensive Annual Report, April 2017.

Historical Water Sales

Water System total sales in 2016 were 0.2 percent lower than 2015, driven by a decrease in retail water sales, mostly due to increasing customer knowledge of efficiency and conservation practices. Wholesale water sales increased due to increased residential and commercial development in areas served by the wholesale customers. Historical Water System volume sales are show in the table on the next page.

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

<u>Fiscal Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>
2012	5,743,099	1,858,479	7,601,578
2013	5,494,648	1,893,375	7,388,023
2014	5,426,408	2,004,355	7,430,763
2015	5,419,758	2,116,545	7,536,303
<u>2016</u>	<u>5,402,650</u>	<u>2,117,627</u>	<u>7,520,277</u>
CAGR ⁽¹⁾	(1.5)%	3.3%	(0.3)%

Source: LUS Financial and Operating Statements, 2012–2016, audited.

(1) Compounded average annual growth rate for the period 2012-2016.

Water System Capital Improvement Program

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 each annual budget.

The Water System CIP contained in the 2018 Proposed Budget totals \$15.0 million and includes building rehabilitation, treatment plant upgrades, and water main replacement, upgrades, and extensions. LUS plans to fund the Water System CIP with a combination of cash and the issuance of revenue bonds.

**Water System
Capital Improvement Program (2018-2022) ⁽¹⁾⁽²⁾**

<u>Project Description</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Production	\$1,530,000	\$2,080,000	\$580,000	\$1,180,000	\$930,000	\$6,300,000
<u>Distribution</u>	<u>1,980,000</u>	<u>860,000</u>	<u>1,735,000</u>	<u>3,335,000</u>	<u>760,000</u>	<u>8,670,000</u>
TOTAL	\$3,510,000	\$2,940,000	\$2,315,000	\$4,515,000	\$1,690,000	\$14,970,000

Source: 2018 Proposed Budget.

(1) Amounts are in 2017 dollars.

(2) The Water System projects are expected to be partially funded by future debt.

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 ILOT 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.

In 2016, the Utilities System conducted a rate study to examine which showed that rates for each of the Electric System, Water System, and Wastewater System were insufficiently recovering all costs. As a result the rates for each of the systems were increased effective November 1, 2016 and will increase again effective November 1, 2017. The rate increases being implemented in 2016 and 2017 were designed to collect sufficient revenues to meet all operating costs, debt service coverage requirements, ILOT requirements, maintain reserves and fund capital expenses through 2021. The November 1, 2016 rate increases were 2.8 percent for the Electric System, 7.4 percent for the Water System (retail only), and 6.1 percent for the Wastewater System. The November 1, 2017

rate increases were 2.8 percent for the Electric System, 7.2 percent for the Water System (retail only), and 5.7 percent for the Wastewater System.

The Electric System rates consist of a Fuel Charge (“FC”) and base rates (customer, energy, demand charges). The FC passes fuel, purchased power, environmental, and other eligible costs directly to customers. The Electric System base rate increases are 6.0 percent in 2017 and 2018. The Electric System 2.8 percent rate increases represent the effective rate increases for 2017 and 2018.

Electric System Rates

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. 2016	\$7.00	\$ --	\$0.04371
R-1-O	Residential-Non City	Nov. 2016	7.70	--	0.04808
C-1	Small Commercial	Nov. 2016	10.00	--	0.05938
C-2	Large Commercial	Nov. 2016	50.00	8.50	0.01992

Source: The Utilities System

Electric System Sales by Customer Class

As of October 31, 2016, residential and commercial customers represent approximately 91 percent of Electric System sales. The Utilities System’s commercial customer base is diverse and no single commercial customer represents more than 3 percent of its retail revenues.

Electric System Customer Class Statistics as of October 31, 2016

<u>Customer Class</u>	<u>Number of Customers</u>	<u>Percent of Total</u>	<u>Sales (kWh)</u>	<u>Percent of Total</u>
Residential	53,874	81.2%	807,595,766	39.8%
Residential - Outside the City	887	1.3%	14,555,523	0.7%
Commercial without Demand - Small	7,740	11.7%	197,808,060	9.8%
Commercial Small and Large - Outside of City	157	0.2%	11,819,166	0.6%
Commercial with Demand - Large	1,244	1.9%	812,480,175	40.1%
Private Security Lighting	1,735	2.6%	6,828,239	0.3%
Street Lighting	2	0.0%	16,175,434	0.8%
Schools and Churches	430	0.6%	56,547,682	2.8%
Schools and Churches - Outside the City	0	0.0%	47,040	0.0%
University of Louisiana - Lafayette	82	0.1%	69,567,354	3.4%
<u>Interdepartmental</u>	<u>175</u>	<u>0.3%</u>	<u>34,520,454</u>	<u>1.7%</u>
TOTAL METERS IN SERVICE	66,325	100.0%	2,027,944,893	100.0%

Source: Consulting Engineer

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

Electric System Rate Comparisons

The Electric System’s residential electric rates have historically been among the lowest in the state and surrounding region. The following tables and figures compare the average residential and commercial rates for the selected electric utilities in the region. As shown in the table below, the Electric System’s residential rates are currently the lowest in the region. With respect to the residential rate class, based on a monthly usage of 1,000 kWh, the 2017 Utilities System rates were approximately 26 percent below the highest residential rates in the region as demonstrated in the table below.

Electric Residential Rate Comparison

<u>City</u>	<u>Average \$/kWh ⁽¹⁾</u>
LUS ⁽²⁾	\$0.08897
Shreveport ⁽³⁾	\$0.08999
Lake Charles ⁽⁴⁾	\$0.09264
Baton Rouge ⁽⁴⁾	\$0.09264
Alexandria	\$0.10548
New Orleans ⁽⁵⁾	\$0.11395
New Iberia ⁽⁶⁾	\$0.11962

Source: LUS. Rates as of July 2017.

- (1) Based upon 1,000 kWh per month consumption.
- (2) Does not reflect rate increase effective November 1, 2017.
- (3) Served by SWEPCO.
- (4) Served by Entergy Gulf States.
- (5) Served by Entergy New Orleans.
- (6) Served by Cleco.

The Electric System's commercial rates are also competitive based on a comparison of the commercial rates for a 131 kW demand customer with a monthly energy usage of 48,144 kWh.

Electric System Commercial Rate Comparison

<u>City</u>	<u>Average \$/kWh ⁽¹⁾</u>
Lake Charles ⁽²⁾	\$0.0755
Baton Rouge ⁽²⁾	\$0.0755
LUS ⁽³⁾	\$0.0829
New Iberia ⁽⁴⁾	\$0.0956
Shreveport ⁽⁵⁾	\$0.0966
Alexandria	\$0.1002
New Orleans ⁽⁶⁾	\$0.1031

Source: Consulting Engineer. Rates as of July 2017.

- (1) Based upon an average customer of 131 kW demand and 48,144 kWh per month.
- (2) Served by Entergy Gulf States.
- (3) Does not reflect rate increase effective November 1, 2017.
- (4) Served by Cleco.
- (5) Served by SWEPCO.
- (6) Served by Entergy New Orleans.

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Water System Rates

Water Retail Rate Summary

<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. 2016	Winter Months	\$0.00165	3/4	\$ 44.85
			Summer Tier 1	0.00165	1	8.10
			Summer Tier 2	0.00265	1 ½	16.15
					2	25.85
					3	48.50
					4	80.85
					6	161.65
W-1-0	Residential, Non-City	Nov. 2016	Winter Months	\$0.00330	3/4	\$ 9.70
			Summer Tier 1	0.00330	1	16.15
			Summer Tier 2	0.00530	1 ½	32.35
					2	51.75
W-2	Commercial	Nov. 2016	Each Month	\$0.00185	3/4	\$ 4.85
					1	8.10
					1 ½	16.15
					2	25.85
					3	48.50
					4	80.85
					6	161.65
W-2-0	Commercial, Non-City	Nov. 2016	Each Month	\$0.00370	3/4	\$ 9.70
					1	16.15
					1 ½	32.35
					2	51.75
					4	161.65

Source: The Utilities System.

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.

Wastewater System Rates

Wastewater System Rate Summary

<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. 2016	\$7.65	\$0.00570
S-1-0	Residential, Non-City	Nov. 2016	9.20	0.00685
S-2	Commercial	Nov. 2016	16.15	0.00590
S-2-0	Commercial, Non-City	Nov. 2016	24.20	0.00710

Source: The Utilities System.

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TREND IN FINANCES

The combined summary schedules of the Utilities System for the five fiscal years ended October 31, 2016 and for the eight months ended June 30, 2016 and June 30, 2017 follow:

**LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT
LAFAYETTE UTILITIES SYSTEM INCOME STATEMENTS**

	Twelve months ended October 31,					Eight months ended June 30,	
	2012	2013	(audited) 2014	2015	2016	(unaudited)	
						2016	2017
OPERATING REVENUES:							
Electric	\$97,060,235	\$93,111,312	\$95,395,327	\$96,291,739	\$95,194,646	\$57,667,703	\$60,240,904
Electric Retail Fuel Adjustment	76,824,304	93,158,373	105,375,603	84,910,901	78,153,587	48,710,925	49,220,876
Water	17,704,385	17,394,122	17,746,170	18,028,081	18,286,651	11,770,133	12,992,922
Wastewater	29,145,030	28,617,205	28,579,957	28,791,165	28,752,436	19,005,298	20,251,995
Fiber	415	0	40	0	0	0	0
TOTAL OPERATING REVENUES	\$220,734,370	\$232,281,011	\$247,097,098	\$228,021,885	\$220,387,318	\$137,154,059	\$142,706,697
OPERATING EXPENSES:							
Electric Fuel & Purch Power	\$93,334,902	\$96,443,791	\$105,679,639	\$88,717,783	\$85,345,312	\$52,995,073	\$58,510,984
Electric Other Production	14,862,330	12,868,472	7,893,377	8,190,689	6,902,595	3,726,914	3,853,535
Other Electric	29,687,697	30,849,592	33,514,860	33,098,450	34,446,286	21,837,482	21,994,031
Water	12,136,044	11,948,312	12,950,319	13,099,239	13,761,106	8,351,869	8,400,432
Wastewater	16,144,199	16,305,244	17,428,365	17,566,682	18,295,151	11,174,481	11,427,754
Fiber	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$166,165,173	\$168,415,411	\$177,466,560	\$160,672,843	\$158,750,451	\$ 98,085,819	\$104,186,736
NET OPERATING REVENUES	\$54,569,197	\$63,865,600	\$69,630,538	\$67,349,042	\$61,636,867	\$39,068,240	\$38,519,961
DEPRECIATION	\$19,376,753	\$20,978,328	\$22,130,030	\$22,881,380	\$23,601,958	\$15,554,786	\$15,799,125
OTHER INCOME:							
Interest Income	\$1,273,167	\$2,243,940	\$1,313,230	\$1,426,311	\$1,704,947	\$1,115,640	\$1,249,832
Unrealized Gain/Loss on Invs	0	0	30,750	91,526	117,778	0	0
Amortization of Debt Premium	503,471	2,608,147	3,029,199	3,028,445	3,020,974	2,013,983	2,008,397
Water Tapping Fees	86,100	105,100	104,100	107,420	78,320	56,300	46,280
Communications Lease Income	0	0	97,073	36,952	27,648	16,128	25,378
Contributions in Aid of Construct	0	7,135	0	0	56,063	56,063	0
Misc. Non Operating Revenue	8,869,047	5,408,764	2,877,693	3,414,729	2,566,471	1,167,462	1,317,550
Total Other Income	\$10,731,784	\$10,373,086	\$7,452,045	\$8,105,384	\$7,572,201	\$4,425,576	\$4,647,437
OTHER EXPENSES:							
Loss on Disposition of Property	\$0	\$0	\$250,980	\$313,714	\$329,136	\$ 9,693	\$20,663
Interest Expense	11,042,341	9,438,459	9,180,021	10,623,334	10,970,238	7,313,492	7,002,532
Amortization on Plant	1,735,578	1,735,581	1,646,801	1,406,190	989,789	659,859	521,845
Amortization - Other	221,828	1,295,081	1,269,526	1,269,525	1,266,821	844,547	842,671
Interest on Customer Deposits	0	13,831	11,746	3,206	821	33	74
Tax Collections/Non Operating	308,182	322,829	0	0	0	0	0
Misc. Non Operating Expense	788,059	1,830,478	1,921,605	1,383,331	1,589,252	905,672	1,198,278
Total Other Expense	\$14,095,989	\$14,636,258	\$14,280,680	\$14,999,299	\$15,146,058	\$9,733,296	\$9,586,063
NET INCOME BEFORE IN LIEU OF TAXES	\$31,828,239	\$38,624,100	\$40,671,873	\$37,573,746	\$30,461,053	\$18,205,734	\$17,782,210
In-Lieu-of-Taxes (ILOT)	\$21,596,096	\$22,131,617	\$22,073,833	\$22,847,494	\$23,306,557	\$10,000,000	\$12,522,745
NET INCOME	\$10,232,143	\$16,492,483	\$18,598,040	\$14,726,252	\$7,154,496	\$8,205,734	\$5,259,465

**CITY OF LAFAYETTE UTILITIES SYSTEM
HISTORICAL DEBT SERVICE COVERAGE CALCULATION**

	FY 12⁽¹⁾	FY 13⁽¹⁾	FY 14⁽¹⁾	FY 15⁽¹⁾	FY 16⁽¹⁾	June 30 /16⁽²⁾	June 30 /17⁽²⁾
Operating Revenues	\$222,007,121	\$234,524,951	\$248,410,288	\$229,448,195	\$222,092,266	\$139,565,652	\$145,345,737
Operating Expenses	166,165,173	168,415,411	177,466,560	160,672,843	158,750,451	98,991,491	105,385,014
Net Available Revenues	55,841,948	66,109,540	70,943,728	68,775,352	63,341,815	40,574,161	39,960,723
Debt Service	15,311,868	22,917,286	23,333,915	22,924,293	22,925,238	22,925,238	22,928,798
Debt Service Coverage	3.6	2.9	3.0	3.0	2.8	1.8	1.7

(1) Source: LUS Financial and Operating Statements, 2012-2016, audited.

(2) Source: LUS. Figures unaudited.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Base rate revenues for all utilities services provided by the Electric System, Water System, and Wastewater System remained stable from fiscal year 2012 to fiscal year 2016. Fuel adjustment revenues varied between fiscal year 2012 and fiscal year 2016, with a high of \$105.4 million in 2014 and low of \$76.8 million in 2012, mainly due to fluctuations in fuel and purchased power costs. Such fluctuations were the major factor that influenced the changes in total operating revenues during that period.

Operating expense fluctuations from fiscal year 2012 to fiscal year 2016 were mostly influenced by changes in fuel and purchased power costs in the electric system, which spiked to \$105.7 million in 2014 because of an increase in weather-related generation needs and fell back to \$88.7 million in 2015 and \$85.3 million in 2016. Increases in other electric, water and wastewater operational costs also affected the overall increase (when excluding fuel and purchased power) from fiscal years 2012 to 2016. For this period, the increases in other electric, water and wastewater operation costs were \$4.8 million, \$1.6 million, and \$2.2 million, respectively.

Balance available for debt service increased from \$55.8 million in fiscal year 2012 to \$63.3 million in fiscal year 2016. Debt service increased from fiscal year 2012 to fiscal year 2016 by \$12.6 million, thereby reducing debt service coverage from 3.6x in fiscal year 2012 to 2.8x in fiscal year 2016; however, the balance available after debt service remained stable when comparing fiscal year 2012 and fiscal year 2016.

CONSULTING ENGINEER’S REPORT

Included in Appendix “B” hereto is the Consulting Engineer’s Report. The Consulting Engineer’s Report includes a description of 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 AND OTHER REGULATORY MATTERS**

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.

Environmental Issues

The Utilities System is subject to continuing environmental regulation. Federal, state, and local standards and procedures, which regulate the impact of the Utilities System on the environment, are subject to change. Consequently, there is no assurance that the facilities owned or under contract to the Utilities System will remain subject to regulations that are currently in effect or will always be in compliance with future regulations governing the protection of the environment. The State of Louisiana (the “State”) through the Louisiana Department of Environmental Quality (“LDEQ”) establishes standards of performance and requires permits for the generating units of the Utilities System as well as Rodemacher Unit 2 in which the City has an ownership interest. In addition, the LDEQ has been delegated authority over and implements certain programs established by the EPA.

The Utilities System facilities are in material compliance with applicable environmental regulations and key environmental permits, approvals and consent orders.

Acid Rain Program. The EPA issued a Title IV permit, which addresses the Acid Rain Program provisions of the Clean Air Act as applicable to Rodemacher Unit 2. The Acid Rain Program established (1) a trading system for sulfur dioxide (“SO₂”) allowances, which are allocated to each facility, and (2) NO_x emission limits for coal-fired units.

Each SO₂ allowance is equal to one ton of SO₂ emissions. If the facility emits more than the allocated SO₂ allowances, it may purchase additional allowances in the established market or may transfer allowances from another of the Owner’s facilities. Emission allowances may be banked, transferred, purchased, or sold. The Rodemacher Unit 2 receives an annual allocation of 18,212 SO₂ allowances (tons). LPPA’s share of the total SO₂ allocation is based on its ownership interest in the facility.

Rodemacher Unit 2’s historical SO₂ emissions have been below permitted levels. The operation of Rodemacher Unit 2 will not be restricted due to the SO₂ emission limits of the air permit because the plant currently burns, and is expected to continue to burn, 0.7 lbs/MMBtu sulfur coal. Total SO₂ emissions are directly related to the sulfur content of the coal. The average annual SO₂ emission rate over the past five years has been 50 percent to 75 percent less than the permit limit of 1.2 lb/MMBtu.

NO_x emissions under the Rodemacher Unit 2 Title IV Permit are limited to 0.46 lb/MMBtu. In addition, Rodemacher Unit 2 is allocated NO_x allowances under CSAPR, which requires the purchase of additional allowances if actual NO_x emissions are greater than allocated.

Clean Air Interstate Rule and Cross State Air Pollution Rule. In July 2011, the EPA finalized the Cross State Air Pollution Rule (“CSAPR”) to replace the existing Clean Air Interstate Rule (“CAIR”). In August 2012, the U.S. Court of Appeals for the District of Columbia Circuit invalidated CSAPR. On April 29, 2014, the U.S. Supreme Court reversed the Court of Appeals, upholding all aspects of the rule that had resulted in the Court of Appeals’ invalidation. The Supreme Court remanded CSAPR to the Court of Appeals for further proceedings. On November 21, 2014, the EPA issued an interim final rule amending the CSAPR compliance deadlines to align with the October 23, 2014 ruling that granted EPA’s motion to lift the stay of CSAPR and delay its deadlines for three years. The interim final rule provides that compliance with CSAPR Phase 1 emissions budgets were required in 2015 and 2016 and compliance with Phase 2 will be required in 2017 and beyond.

Under CSAPR, each facility is assigned an allocation of NO_x (tons), which may be emitted during the Ozone Season (May – September). In the event that the facility exceeds the limit during the Ozone Season, 10.

The impact of CSAPR on the Utilities System is not expected to be significant for the Hargis-Hébert, and T. J. Labbé Plants because the current proposed allowance allocations are roughly equivalent to the recent emissions at all of the Utilities System natural gas generating plants. Similarly, CSAPR is not expected to impact operations at Rodemacher Unit 2 as the allocation is equivalent to recent emissions history and improved performance from the SNCR installation.

Mercury and Air Toxics Standard. On February 16, 2012, the U.S. EPA issued the final ruling titled *National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units*, commonly referred to as MATS. To comply with MATS requirements, Rodemacher Unit 2 completed the installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and ID booster fans. As of the date of this Report, all the new equipment and systems are functioning properly. The results of contract guarantee testing indicate that the equipment is operating per design to meet MATS requirements. On June 29, 2015, the U.S. Supreme Court effectively remanded the U.S. EPA's MATS requirements to the District of Columbia Circuit Court. The U.S. Supreme Court's decision did not prohibit the U.S. EPA from regulating mercury emissions; however, it did require the U.S. EPA to consider costs for those plants yet to meet the MATS requirements. The U.S. EPA subsequently submitted revised cost/benefit analyses, which were approved by the District of Columbia Circuit Court. In December 2015, the U.S. Supreme Court refused to grant a stay on MATS, thus MATS will be fully implemented. The court rulings on MATS do not affect Rodemacher Unit 2, as it is has completed an upgrade and meets MATS requirements.

Regional Haze Rule. The Regional Haze Rule requires certain existing large stationary emissions sources, such as coal-fired power generation units, to install Best Available Retrofit Technology ("BART") to improve visibility at certain National Parks designated as Class I areas. Under the rule, certain types of older sources may be required to install BART to control particulate matter, sulfur dioxide ("SO₂"), and NO_x emissions. Some of the effects of the Regional Haze Rule could require Rodemacher Unit 2 to install additional controls for these emissions. In 2012, the U.S. EPA issued a final action allowing states participating in the CSAPR trading program to use those programs instead of source specific BART to meet the requirements for the Regional Haze Rule.

The Regional Haze Rule BART requirement was eventually superseded by the approval of CSAPR in 2014. However, CSAPR, which in Louisiana only applies to NO_x emissions during the Ozone Season, recently replaced CAIR, which previously applied to annual emissions of SO₂ and NO_x, as well as Ozone Season NO_x. Previously, BART applicable sources complying with CAIR regulations were considered by the U.S. EPA to be in compliance with BART. Now, in Louisiana, sources will only comply with seasonal NO_x control under CSAPR. Therefore, BART applicable sources in Louisiana are no longer considered by the U.S. EPA to have an SO₂ control equivalent to BART. As a result, emission sources that fall under Regional Haze Rule BART requirements must be evaluated for their effect on pertinent Class I areas and possibly require further evaluation for the necessity of installing BART.

Preliminary modeling is performed to determine the impact of BART eligible sources on visibility at Class I areas. If there is significant impact demonstrated, a BART controls analysis is performed using inputs taking into consideration such factors as cost of controls, amount of emission reductions, and degree of visibility improvement. The analysis considers the existing impairment of the Class I area and economic impacts to the facility, resulting in a dollar per incremental visibility improvement for each pollution control scenario evaluated. Emission control equipment, such as scrubbers, would need to be economically acceptable according to the regulatory agency judgement. In February 2017, LDEQ submitted to the U.S. EPA a proposed state implementation plan ("SIP") indicating how BART applicable Electric Utility Steam Generating Units ("EGUs") in Louisiana would comply with the BART requirements. For Brame Energy Center, the SIP proposal document includes the U.S. EPA-acceptable visibility modeling results, which shows enough visibility impact on the pertinent Class I areas to warrant the BART controls analysis for the Rodemacher Unit 2. The SIP document also includes the BART analysis and its findings. LDEQ proposed in the SIP document that BART for Rodemacher Unit 2 will be continued operation of the existing dry sorbent injection system ("DSI"), but at an enhanced mode. That is, the DSI system will be operated with increased reagent injection in order to meet a lower SO₂ limit. BART for NO_x was proposed as continuing participation in the CSAPR trading allowance trading program. After consideration of the LDEQ submittal, the U.S. EPA will propose via the public notice and comment procedure, an implementation plan for Louisiana. The U.S. EPA has targeted to finalize and publish the plan for Louisiana by year-end 2017.

Coal Combustion Residue. On December 19, 2014, the U.S. EPA finalized the Coal Combustion Residue (“CCR”) Rule and it was published on April 17, 2015 in the Federal Register. Rodemacher Unit 2 has two surface impoundments; the Fly Ash Pond and the Bottom Ash Pond, to which the CCR Rule applies. The rule became effective 180 days after publication in the Federal Register. The final rule classifies coal ash as solid waste rather than hazardous waste. Classifying coal residue as a solid waste eliminates potential increased disposal costs associated with special handling, transportation, and disposal requirements for hazardous waste. Most of the Rodemacher Unit 2 coal combustion residue (e.g., flyash and bottom ash) is removed on a regular basis from the site by truck and sold for beneficial use. As a result of the latest U.S. EPA ruling, Rodemacher Unit 2 continues marketing and selling their coal ash for beneficial use.

The rule establishes technical requirements for CCR landfills and surface impoundments. In addition, the rule redefines beneficial use. The rule does not affect beneficial use applications started before the effective date of the rule. Beneficial use applications started after the effective date of the new rule will need to be evaluated according to new definitions of beneficial use and disposal.

The final rule establishes minimum national criteria for CCR landfills; CCR surface impoundments; and all lateral expansions of CCR units including location restrictions, liner design criteria, structural integrity requirements, operating criteria, groundwater monitoring and corrective action requirements, closure and post-closure care requirements, and recordkeeping, notification, and Internet posting requirements. CCR surface impoundments that do not receive CCR after the effective date of the rule, but still contain water, will be subject to all applicable regulatory requirements. Regulatory requirements must be met unless the owner or operator of the facility dewater and installs a final cover system on these inactive units no later than three years from publication of the rule.

The final CCR Rule requires the owner or operator of an existing CCR surface impoundment to document, no later than October 17, 2016, whether the impoundment was constructed to meet the liner requirements included in the final rule (40 Code of Federal Regulations (“CFR”) 257.71). In compliance with this requirement, Cleco obtained certification from a qualified professional engineer attesting that both the Bottom Ash Pond and the Fly Ash Pond meet the requirements of the final CCR Rule. In addition, a CCR Groundwater Monitoring Program is in place to determine the integrity of the liners in the Flyash and Bottom Ash Ponds, as required by the CCR Rule.

Annual inspections required by CCR for the Bottom Ash pond and Fly Ash pond were conducted in December 2016 by Providence Engineering & Environmental Group LLC. The inspection reports state that the reservoirs and slopes are in good conditions, and no corrective actions were needed. The anticipated date of closure for both the Fly Ash and Bottom Ash impoundments is no sooner than 2020.

National Ambient Air Quality Standards. The Clean Air Act requires the EPA to set National Ambient Air Quality Standards (“NAAQS”) to protect public health and the environment. Ambient air quality monitoring and air dispersion models are used to monitor air quality in a region or predict concentrations of pollutants for a given area. When pollution exceeds an allowable air quality standard, an area may be designated as a “Nonattainment Area,” which typically requires emissions reductions from sources within the region and more restrictive permit limits for new sources. Rapides Parish and the surrounding region in Northern Louisiana is currently designated as “Attainment” for all criteria pollutants. Therefore, the more stringent nonattainment area regulations do not apply to Rodemacher Unit 2 under the current NAAQS.

In addition to NAAQS implementation, the EPA must update the standards every five years to maintain pace with new developments in health and science. Standards for NO_x (1-hour), PM_{2.5}, SO₂ (1-hour), and ozone have all been updated within the past five years, and Rapides Parish continues to meet the standards. If future updates to the NAAQS result in a Nonattainment Area designation, LDEQ would evaluate emission sources in the region and emissions reductions at Rodemacher Unit 2 could be required.

New Source Performance Standards. On October 23, 2015, the EPA also published the final New Source Performance Standard (“NSPS”) designed to reduce carbon pollution from new power plants. This regulation, which only applies to new facilities, limits coal fired power plant carbon dioxide (“CO₂”) emissions to 1,400 lb/MWh (gross). Traditional coal fired power plants cannot meet this limit without some form of CO₂ abatement, such as carbon capture and sequestration. Existing plants that commenced construction per the definition at 40 CFR) Subpart 60 prior to January 8, 2014 are not subject to the rule. Rodemacher Unit 2 commenced construction prior to January 8, 2014, and as such, is not subject to the rule.

Water Discharge Permit. The Louisiana Pollution Discharge Elimination System (“LPDES”) Permit was renewed by LDEQ. The permit is required for discharges of wastewater and stormwater to surface waters. The permit establishes monitoring, reporting, and recordkeeping requirements, as well as limitations on emissions. The permitted discharge points, all of which are not exclusively used for Rodemacher Unit 2 effluent, are:

- Outfall 001 – Cooling pond discharge, including coal sedimentation pond effluent, seal well overflow, bottom ash and secondary settling pond effluent, chemical metal cleaning waste, clarifier sludge sedimentation pond effluent, and low volume wastewaters.
- Outfall R-02 – Coal sedimentation pond effluent.
- Outfall R-03 – Units 1 and 2 seal well effluent and general plant washdown effluent

Based on discussions with plant staff, the Consulting Engineer is not aware of any outstanding NOVs or any material compliance issues with the LPDES Permit.

Other Regulatory Matters

Other operations of the Utilities System outside the Electric System are also 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

The Communications System, also known as LUS Fiber, operates a 100 percent fiber optic system, which provides video, Internet, and telephone services to residential and business customers within the City limits. The Communications System provides services to over 20,000 customers, who can choose to purchase any, or all, of the Communications System’s triple-play services of cable television (“CATV”), Internet, or phone. These services are in competition with regional and national data, and communications providers including Cox Communications, Dish, and AT&T/DirecTV. LUS Fiber continues to provide some of the fastest broadband service in the country, with its 1-gigabit fiber home service offering equal upload and download speeds with its fiber equipment connecting directly to the home.

The fiber optic system began in 1998 with bulk fiber serving the Electric System’s supervisory control, and data acquisition (“SCADA”) system, transmission line protection systems, and LUS facilities. Further expansion offered communications and data services to governmental and educational facilities, and retail data, telephone, and CATV services to the public. The first retail customers began receiving service in February 2009. The Communications System includes numerous 10-gigabit circuits deployed in multiple loops for greater redundancy that span the entire City and connect with national fiber backbone through contracts with various providers. The Communications System added a third 10-gigabit Internet drain to cover capacity required in the near future. The three 10-gigabit fiber connections are a fixed cost for LUS with data bursts above the various committed gigabit levels leading to additional variable costs. Currently the system consists of 67 miles of backbone fiber, 136 miles of distribution fiber, and 514 miles of access fiber connecting to 26,197 individual premise locations.

In preparation for providing retail communications services, the Communications System purchased the fiber optic system from the Utilities System in 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. As of the date of this Official Statement, the Communications System has borrowed \$27,873,160 from the Utilities System for the acquisition of the already-existing fiber infrastructure, start-up costs and operations. The Communications System repayment of the loans will continue through 2033.

In addition to the loans from the Utilities System, the Communications System has issued Communications System Revenue Bonds (“Communications System Bonds”) for the purposes of expanding and upgrading the fiber optic infrastructure from wholesale to retail telecommunications services. As of the date of this Official Statement, \$105,225,000 in aggregate principal amount of Communications System Bonds are outstanding. The repayment of the Utilities System loans is subordinate to the Communications System Bonds debt service.

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.

LITIGATION

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.

Notwithstanding the foregoing, like any other municipal entity, the Issuer is a party to various lawsuits from time to time, and other disputes. The Issuer believes that the estimated costs and expenses of defense of such litigation will be entirely within the applicable insurance policy limits (subject to applicable deductibles) or not in excess of the total available reserves therefor. Therefore the Issuer does not believe that an unfavorable ruling on any actual litigation which is currently pending, except as disclosed below, would have a material adverse effect on the financial condition of the Issuer.

In June, 2016 a class action lawsuit was filed against LCG which challenges the validity of the City's collection of in lieu of tax (“ILOT”) payments from LUS. More specifically, this suit alleges that the City wrongfully collected ILOT payments from LUS of over \$400 million dollars since 1976. LUS makes an ILOT payment to the City annually, which is common, justified, and industry practice for municipal owned utilities. Plaintiffs claim these payments were a disguised ad valorem tax assessed upon LUS customers in violation of Louisiana Law. LCG and LUS have denied all of the plaintiffs' allegations and maintain these claims are wholly without merit. The timeline within which a definitive resolution of the issues involved in the class action lawsuit will be reached is indeterminable, at this time.

LEGAL MATTERS

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 section below 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 Defeasance Securities 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 Bingham Arbitrage Rebate Services, Inc. Such verifications will be based upon certain information supplied to Bingham Arbitrage Rebate Services, Inc. by or on behalf of the Issuer.

UNDERWRITING

Raymond James & Associates, Inc., New Orleans, Louisiana (the “Underwriter”) has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds at a purchase price of \$69,064,188.95 (representing the principal amount of the Bonds, plus a net original issue premium of \$10,000,577.70, and less Underwriter’s discount of \$401,388.75). 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.

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 for federal income tax purposes and is not an item of tax preference of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. See Appendix “E” – “Form of Legal Opinion”.

State Taxes

The opinion of Bond Counsel will state that under the Act, interest on the Bonds is exempt from all taxation by the State of Louisiana or any political subdivision thereof. 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 is taken into account in determining 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 maturing on November 1, 2021 through November 1, 2035 (the “Premium 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 Premium Bond on a constant yield basis over the remaining term of the Premium 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 Premium Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Premium Bond.

BOND RATINGS

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) are expected to assign their ratings of AA" (stable outlook) and "A2" (stable outlook), respectively, to the Bonds, each with the understanding that the municipal bond insurance policy of Assured will be issued upon delivery of the Bonds. See "BOND INSURANCE." S&P has assigned an initial underlying rating of “AA-” to the Bonds. Moody’s assigned an initial underlying rating of and “A1” 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 Beneficial Owners 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, 2017 (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.

Except as provided below, the Issuer has filed all continuing disclosure reports currently required by its prior undertakings under the Rule; however, due to differing compliance dates contained within the continuing disclosure certificates, not all reports were timely filed. Additionally, the Issuer has failed to timely file notice of certain events as required by its prior undertakings. While the Issuer has not made any determination as to materiality, the following summarizes the results of the Issuer’s last five years of filings.

The Issuer's undertakings in connection with its Communications System Revenue Bonds, Series 2007 and Series 2012A and Taxable Communications System Revenue Bonds, Series 2012B had a compliance date of May 1. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the Annual Report timely on May 1, 2013; the Issuer satisfied the reporting requirements for the Engineering Report timely on May 1, 2013, however, said report was not properly associated with the City's Communication System Revenue Bonds. The Engineering Report for Fiscal Year 2012 was re-filed with the MSRB for convenience on August 28, 2014. For Fiscal Year 2012 and 2013, the Issuer filed additional financial and Operating Data on the Communications System late on November 26, 2014.

The Issuer's undertakings in connection with its Public Improvement Sales Tax Bonds, Series 2003A, Series 2003B, Series 2003C, Series 2003D, Series 2005B and Series 2005C, and its Public Improvement Sales Tax Refunding Bonds, Series 2003, Series 2004A, Series 2004 and Series 2005 had a continuing disclosure compliance date of April 1. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the sales tax collections late on April 30, 2013. For Fiscal Year 2013, the Issuer satisfied the reporting requirements for the Comprehensive Annual Financial Report and the sales tax collections late on April 30, 2014. For each of Fiscal Year 2012 and 2013, the Issuer satisfied the reporting requirements for the top sales tax dealers on August 20, 2014. For Fiscal Year 2014, the Issuer satisfied the reporting requirements for the Comprehensive Annual Financial Report and the sales tax collections late on April 30, 2015 and April 29, 2015, respectively. For Fiscal Year 2014, the Issuer satisfied the reporting requirements for the top sales tax dealers on April 29, 2015.

The Issuer's undertakings in connection with its Public Improvement Sales Tax Bonds, Series 2001A, Series 2001B, Series 2006A, Series 2007A and Series 2007B, and its Public Improvement Sales Tax Refunding Bonds, Series 2005A, Series 2006B and Series 2006C, Taxable Public Improvement Sales Tax Build America Bonds, Series 2009A and Series 2009B, and Taxable Public Improvement Sales Tax Recovery Zone Economic Development Bonds, Series 2009A, had a continuing disclosure compliance date of May 1. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the sales tax collections timely on April 30, 2013. For Fiscal Year 2013, the Issuer satisfied the reporting requirements for the Comprehensive Annual Financial Report and the sales tax collections timely on April 30, 2014. For each of the foregoing years, the Issuer satisfied the reporting requirements for the top sales tax dealers on August 20, 2014.

The Issuer's undertakings in connection with its Public Improvement Sales Tax Bonds, Series 2011, and Series 2013, and Public Improvement Sales Tax Refunding Bonds, Series ST-2011A, Series ST-2011B, Series ST-2011C Series ST-2011D, Series ST-2012A, and Series ST-2012B had a compliance date of June 30. For Fiscal Year 2012 the Issuer satisfied the reporting requirement for the sales tax dealers late on August 20, 2014. For Fiscal Year 2013 the Issuer satisfied the reporting requirement for the sales tax dealers late on August 20, 2014. On November 17, 2014, the Issuer filed additional financial information missed in earlier filings for Fiscal Year 2012, 2013 and 2014.

The Issuer's undertakings in connection with its Utility Revenue Bonds, Series 2004 had an annual compliance date of May 1. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements late on August 19, 2014. For Fiscal Year 2013, the Issuer satisfied the reporting requirements for the Comprehensive Annual Financial Report late on August 19, 2014.

Finally, the Issuer failed to file on a timely basis certain Event Notices including those related to changes in ratings assigned to the insurers of insured bonds or to the underlying ratings. The Issuer has not made any determination as to the materiality of the foregoing, and the Issuer is not aware of any other disclosures required by the prior undertakings that it has failed to file.

The Issuer has established procedures to ensure compliance with and proper filing of the reports and notices required by its prior undertakings and the Continuing Disclosure Certificate in the future. Such procedures include, but are not limited to, (i) designating the Issuer's Chief Financial Officer with the duty of ensuring proper filings, (ii) educating the Lafayette City-Parish Consolidated Government on an ongoing basis regarding the importance of the proper content and filing of the reports and notices required by the Continuing Disclosure Certificate and its prior undertakings, and (iii) periodically checking MSRB/EMMA to ensure such reports and notices have been properly filed and indexed. In addition, the Issuer has enrolled in the MSRB/EMMA reminder service, which will help ensure the proper officials of the Issuer are advised of upcoming filing deadlines. Furthermore, the Louisiana Legislature enacted Act 463 of the 2014 Regular Session of the Louisiana Legislature ("Act 463"), effective August 1, 2014, which provides additional procedures designed to ensure compliance with the Continuing Disclosure Certificate by (i) requiring public entities, such as the Issuer, to keep certain records demonstrating compliance with the Continuing Disclosure Certificate, and (ii) mandating that the Issuer's auditor, as part of the preparation of the Issuer's annual financial audit, review the Issuer's compliance with its continuing disclosure undertakings and record keeping requirements.

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. 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.

MUNICIPAL ADVISOR

Government Consultants, Inc. (the "Municipal Advisor") is serving as municipal advisor to the Issuer with respect to the pricing and sale of the Bonds. In its role as municipal advisor, the Municipal Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing tax-exempt securities or other public securities.

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.

For convenience, copies of certain financial information with respect to the Issuer may be obtained through the following website: www.LafayetteUtilityBonds.com. No information or statement on the Issuer's website is included by specific cross-reference herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Except as specifically provided herein, such websites and the information or links contained therein, including specifically (but not limited to) the information on the Issuer's website, are not included by reference herein, and are not part of this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

Although the Issuer has prepared the information on its website for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and the Issuer assumes no liability or responsibility for errors or omissions contained on any website. Further, the Issuer disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. The Issuer also assumes no liability or responsibility for any errors or omissions or for any updates to dated information contained on any website.

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MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders or beneficial owners of the Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

The execution and delivery of this Official Statement has been duly authorized and approved by the City.

**CITY OF LAFAYETTE,
STATE OF LOUISIANA**

/s/ Joel Robideaux
Joel Robideaux
Mayor-President

/s/ Kenneth P. Boudreaux
Kenneth P. Boudreaux
Council Chair

/s/ Veronica L. Williams
Veronica L. Williams
Clerk of the Council

**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:

<u>Issue</u>	<u>Date of Issue</u>	<u>Principal Outstanding</u>	<u>Maturing Nov. 1, 2004 to Nov. 1:</u>	<u>Authorized by Ordinance Adopted on:</u>
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 reputations, 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 insure, or whose letters of credit, surety bonds or other credit facilities secure, 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 a part 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 cannot 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.

CONSULTING ENGINEER'S REPORT

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CONSULTING ENGINEER'S REPORT

**UTILITIES REVENUE REFUNDING BOND FINANCING
SERIES 2017**

AUGUST 31, 2017



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August 31, 2017

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

**Subject: Consulting Engineer's Report
Utilities Revenue Refunding Bond Financing, Series 2017
Lafayette Utilities System**

Ladies and Gentleman:

INTRODUCTION

NewGen Strategies and Solutions, LLC ("NewGen" or "Consulting Engineer") presents this Consulting Engineer's Report ("Report") of our financial and technical due diligence related to the City of Lafayette, Louisiana's ("City") proposal to refinance the majority of its outstanding Utilities Revenue Bonds, Series 2010 ("Series 2010 Bonds"). The refunding of \$65,535,000 aggregate principal amount of Series 2010 Bonds through the issuance by the City of \$57,845,000 of its Utilities Revenue Refunding Bonds, Series 2017 ("Series 2017 Bonds") is expected to reduce the total debt service payments by approximately \$6,003,152 over the term of the Series 2017 Bonds.

Lafayette City-Parish Consolidated Government (referred to as "Lafayette Consolidated Government" or "LCG") governs the City and the Parish of Lafayette (the "Parish"). LCG includes a Mayor-President and nine City-Parish Council members (the "Council"), elected by the Parish to four-year terms of office.

Upon consolidation of the City and Parish governing authorities into LCG, it was specifically recognized that the Home Rule Charter (the "Charter") should accommodate for the governing of the City utility system. As a result, the Charter created the Lafayette Public Utilities Authority ("LPUA") as the governing authority of the Utilities Department. The Charter further provides that Council members whose districts include 60 percent or more of citizens residing within City boundaries also serve as LPUA members. The Utilities Department includes the electric, water, and wastewater utilities and the Communications System and is called the Lafayette Utilities System ("LUS"). The Electric System (including generation, transmission, and distribution facilities), the Water System (including supply, treatment, transmission, distribution, and storage facilities), and the Wastewater System (including wastewater collection and treatment facilities) will be referred to collectively as the "Utilities System."

The Mayor-President and Chief Administrative Officer supervise all LCG department, office, and agency administration, except as may otherwise be provided by the Charter. Certain LCG departments are involved in LUS' day-to-day management and operation. The Communications System consists of a separate Communications Services Enterprise Fund with a distinct set of accounts, funds, and bond pledge. Utilities System revenue bonds

finance the Electric System, Water System, and Wastewater System, while the Communications System revenue bonds finance the Communications System.

In addition to being the governing authority of the City and Parish, the Council is also the governing authority of the Lafayette Public Power Authority (“LPPA”). LPPA is a political subdivision specifically created to finance electric generating facilities in order to provide power to the City’s Electric System. LPPA owns a 50 percent share of a coal fired generating unit. LPPA provides the output of the generating facility by way of wholesale power sales to LUS.

The Communications System offers an array of services in the competitive market including fiber leases, wholesale broadband, and retail customer services. In the retail market, the Communications System offers “triple play” services. “Triple play” is a common term in the industry that refers to cable television (“CATV”), Internet, and telephone services. The system is comprised of a 67-mile fiber backbone system with direct connections to national, major Tier 1 broadband providers.

Series 2017 Bonds

LUS proposes to issue the Series 2017 Bonds in the amount of \$57.8 million to refund the majority of its outstanding Series 2010 Bonds. The expected sources and uses of the Series 2017 Bonds are described below in Table 1.

**Table 1
Sources and Uses of the Series 2017 Bonds (Preliminary)**

<u>Sources of Funds</u>	<u>Amount</u>
Par Amount of Bonds	\$57,845,000.00
Reoffering Premium	10,196,282.90
Transfers from Prior Issue Debt Service Reserve Funds	<u>23,761,918.00</u>
Total Sources	\$91,803,200.90
 <u>Uses of Funds</u>	
Deposit to Net Cash Escrow Fund	\$72,177,968.86
Deposit to Debt Service Reserve Fund	18,798,238.88
Cost of Issuance	433,154.50
Total Underwriter’s Discount (0.675%)	390,453.75
Rounding Amount	<u>3,384.91</u>
Total Uses	\$91,803,200.90

Source: Raymond James & Associates, Inc.

Structure, Organization, and Management

Lafayette Consolidated Government

The Lafayette Parish electorate and the City adopted the Charter to consolidate the City and Parish governmental functions. The Charter also defined the new LCG departmental structure. LCG manages and operates the Utilities System and Communications System through its departmental structure. The Utilities Department is primarily responsible for the Utilities and Communications Systems management and operations; however, other LCG departments provide vital functions to LUS operations, including the Office of Finance and Management, the Department of Information Services and Technology, and the Legal Department. The City owns the Utilities and Communications Systems’ assets. LCG operates on a fiscal year (“FY”), beginning November 1st and ending on October 31st of the following year. Unless otherwise stated, all data in this Report is presented on a FY basis.

Figure 1, below, shows the City’s Utilities System and Communications System organizational structure.

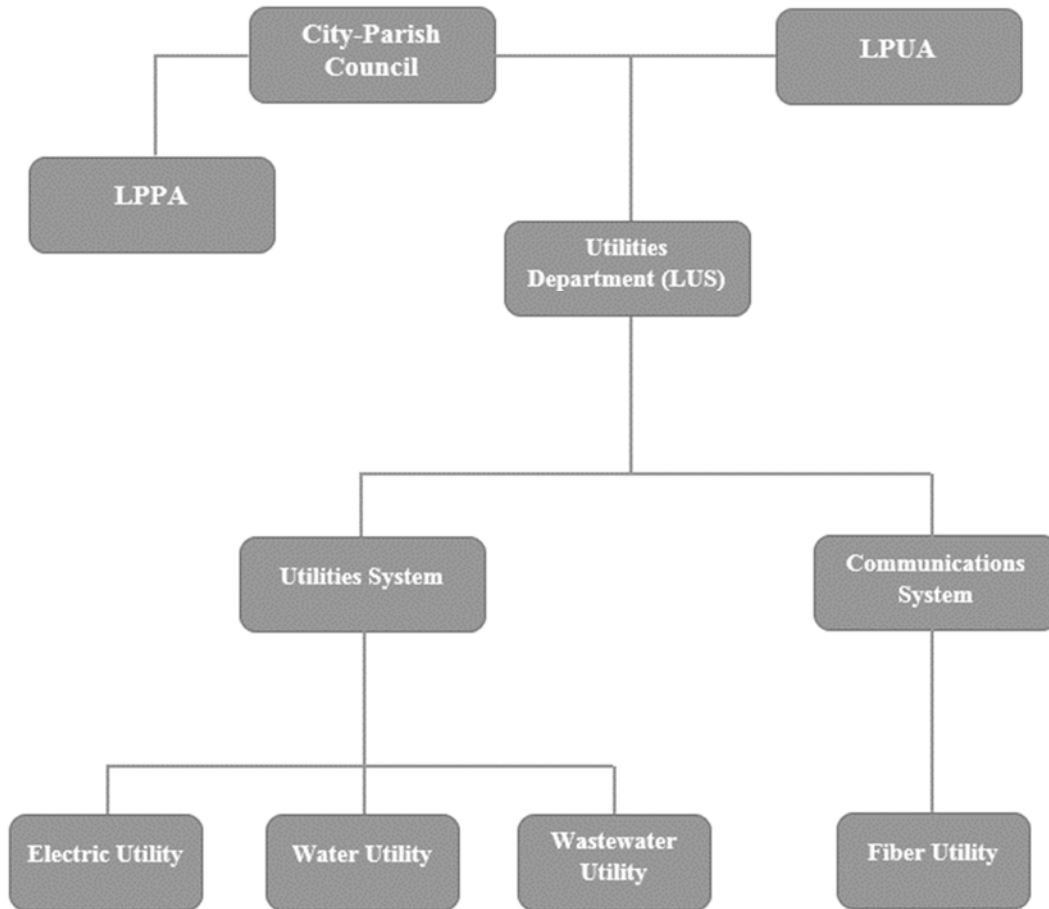


Figure 1
City of Lafayette, Louisiana
Utilities’ Organizational Chart

Utilities System

The Mayor-President appoints the Utilities Director, subject to LPUA’s approval. In addition to the appointment and approval, there are certain further requirements for appointment of a Utilities Director in current or future bond resolutions and covenants.

As a department of LCG, LUS is managed and operated in accordance with current bond resolution and covenant conditions. Of critical importance is the “Flow of Funds,” which specifies how to treat revenues and related margins resulting from LUS operations. Available margins, once operation and maintenance (“O&M”) expenses have been paid, are first required to meet debt service obligations, then a formula is applied to determine amounts for capital improvements and replacements funding, and the payment amount to the City’s General Fund as in lieu of taxes (“ILOT”). LPUA determines rates, approves the LUS budget, and issues debt as approved by the Mayor-President and Council.

The Utilities Director oversees management and operations of LUS, consistent with the provision of services to LUS from other LCG departments mentioned above. The Charter specifies the Utilities Director’s duties to manage the following:

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

The current Utilities Director is Mr. Terry Huval. Mr. Huval graduated from the University of Louisiana at Lafayette with a B.S. in Electrical Engineering, and was appointed as Utilities Director in December 1994. Eight LUS functional areas report to the Utilities Director. These functional areas include the following divisions: Support Services, Customer Service, Environmental Compliance, Power Production, Electric Operations, Water Operations, Wastewater Operations, and Engineering, as shown below in Figure 2.

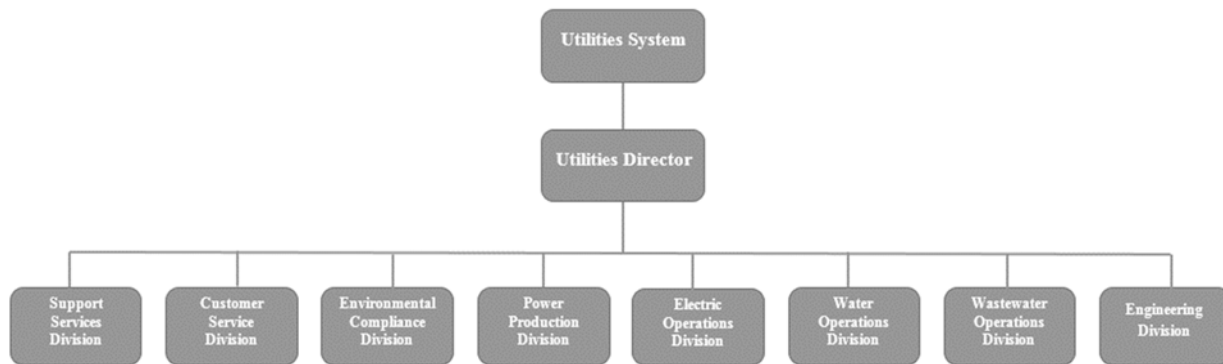


Figure 2
Utilities System Organizational Chart

Service Territory

The Utilities System serves electric, water, and wastewater customers primarily within the City limits. The Utilities System also serves certain electric, water, and wastewater customers residing in the Parish, but outside the City limits. As of 2016, LUS served 66,325 Electric customers, 55,851 Water customers, and 44,269 Wastewater customers. As of the end of 2016, the Communications System served 36 wholesale customers and over 20,000 retail customers with CATV, Internet, or telephone, or some combination of the three services. Currently, Communications System services are primarily offered within the City limits.

LUS entered into an agreement with the local rural electric cooperative, Southwest Louisiana Electric Membership Corporation (“SLEMCO”), defining an “area of influence” surrounding the City limits in which LUS may acquire SLEMCO customers and serve new electric customers. The agreement defines the number of acquirable customers and specifies the payment for acquired customers.

LUS serves retail water customers inside and outside the City limits while providing wholesale water for other Parish water distribution companies.

LUS serves wastewater customers inside and outside the City limits. In addition, LUS serves packaged wastewater treatment systems outside the City limits.

Communications System

The Utilities Director is responsible for the Communications System operations and management. Communications System employees and facilities are organized separately from other LUS utility operations; however, several services such as engineering, accounting, billing, and reporting functions are shared among the Utilities System and Communications System. In accordance with the requirement to maintain separate Utilities System and Communications System funds, all costs associated with these services are accounted for separately.

The Communications System includes approximately 70 employees, reporting to the following four divisions: Operations, Warehouse, Business Support Services, and Engineering.

FINDINGS AND CONCLUSIONS

NewGen was engaged to perform operational, technical, and financial due diligence services related to the issuance of the Series 2017 Bonds. This includes preparation of this Report on our analyses, findings, recommendations, and conclusions. In performance of these services, NewGen assessed the operational, technical, and financial condition of the Utilities System.

In preparation of this Report, NewGen relied on information provided by LCG, LUS, LPPA, and Raymond James & Associates, Inc. (the “Underwriter”). NewGen supplemented this information with physical observations of LUS’ properties and facilities, in addition to interviews with LUS management and staff, LCG personnel, and Cleco Corporate Holdings, LLC (“Cleco”) personnel. NewGen’s field investigations were conducted in early March 2017, with subsequent interviews and assessments in July 2017. These investigations and interviews were combined with financial and performance metrics to provide the basis for our findings and conclusions. The totality of the analyses, findings, and conclusions allows us to offer our opinions regarding the current financial integrity of the Utilities System as a whole, and forecast the future financial condition for 10 years. NewGen’s analyses and financial forecasts provide the basis of our opinions.

Based upon our information and assumptions relied upon, as included in this Report, NewGen is of the opinion:

1. Based on our visual observation and review of the Utilities System and Communications System, NewGen finds the systems to be in generally good condition and properly maintained in accordance with prudent utility and industry practices.
2. Projected revenues from the Utilities System are sufficient to meet all financial obligations including operating expenses, debt service, capital improvements, ILOT payments, and required reserves.
3. Utilities System Residual Balance Available for Communications Debt Service (as defined in the General Bond Ordinance) is sufficient to meet Communications System debt service if a Credit Event were to occur.

UTILITIES SYSTEM

The Utilities System operates the Electric, Water, and Wastewater Systems. LUS serves customers primarily within the City limits. Each utility provides services to certain customers outside of the City limits and wholesale customers. As of the end of 2016, LUS served 66,325 electric customers, 55,851 water customers, and 44,269 wastewater customers. Combined LUS' customer growth since 2012 was stable with an average increase of 1.1 percent per year. Customer growth projections average 1.3 percent annually from November 1, 2016 through October 31, 2026 (the "Projected Period"). Table 2 includes the historical and projected customers served by each utility.

Table 2
Utilities System
Historical and Projected Number of Customers

<u>FY</u>	<u>Electric</u> ⁽¹⁾		<u>Water</u> ⁽²⁾		<u>Wastewater</u> ⁽³⁾	
	<u>No. of Customers</u>	<u>Customer Growth</u>	<u>No. of Customers</u>	<u>Customer Growth</u>	<u>No. of Customers</u>	<u>Customer Growth</u>
Historical						
2012	63,911	0.6%	53,088	0.6%	42,049	0.3%
2013	64,496	0.9%	53,926	1.6%	42,586	1.3%
2014	65,262	1.2%	54,637	1.3%	43,068	1.1%
2015	65,847	0.9%	55,109	0.9%	43,521	1.1%
2016	66,325	0.7%	55,851	1.3%	44,269	1.7%
Projected						
2017	67,279	1.4%	56,703	1.5%	44,928	1.5%
2018	68,240	1.4%	57,537	1.5%	45,569	1.4%
2019	69,193	1.4%	58,366	1.4%	46,206	1.4%
2020	70,147	1.4%	59,199	1.4%	46,843	1.4%
2021	71,099	1.4%	60,032	1.4%	47,479	1.4%
2022	71,997	1.3%	60,820	1.3%	48,078	1.3%
2023	72,867	1.2%	61,596	1.3%	48,659	1.2%
2024	73,722	1.2%	62,365	1.2%	49,230	1.2%
2025	74,568	1.1%	63,128	1.2%	49,795	1.1%
2026	75,405	1.1%	63,887	1.2%	50,354	1.1%
Average Annual Growth (2017–2026)		1.3%		1.3%		1.3%

Source: NewGen and LUS. LUS Financial and Operating Statements, 2012–2016, audited.

(1) Electric System projections based on Load Forecast for LUS developed by Burns & McDonnell.

(2) Water System projections based on historical customer growth and specific growth forecasts for wholesale customers.

(3) Wastewater System projections based on historical customer growth.

LUS generated a total of \$222,092,266 of cash revenues in 2016 comprised of \$174,354,151 from electric services, \$18,593,541 from water services, and \$29,144,574 from wastewater services. 2016 revenues were approximately 3.2 percent lower than 2015, with the electric revenues 4.2 percent lower and water revenues 1.7 percent higher than the previous year. Wastewater revenues were 0.1 percent higher than 2015. Table 3 includes historical and projected revenues for each utility service.

Table 3
Utilities System
Historical and Projected Revenues

<u>FY</u>	<u>Electric Operating Revenues</u> ⁽¹⁾	<u>Water Operating Revenues</u> ⁽²⁾	<u>Wastewater Operating Revenues</u> ⁽³⁾	<u>Total Operating Revenues</u> ⁽⁴⁾
Historical				
2012	\$174,890,121	\$17,803,423	\$29,313,577	\$222,007,121
2013	188,071,217	17,559,754	28,893,980	234,524,951
2014	201,891,247	17,783,466	28,735,575	248,410,288
2015	182,044,163	18,284,817	29,119,216	229,448,195
2016	\$174,354,151	\$18,593,541	\$29,144,574	\$222,092,266
Projected				
2017	\$186,386,843	\$20,637,846	\$31,685,081	\$238,709,770
2018	187,688,987	22,194,715	33,991,743	243,875,445
2019	197,523,868	22,368,686	34,456,306	254,348,859
2020	202,357,187	22,632,282	34,982,521	259,971,990
2021	200,726,154	22,961,543	35,802,852	259,490,549
2022	201,997,955	23,556,164	36,637,136	262,191,255
2023	206,125,918	24,342,425	37,429,408	267,897,751
2024	210,091,553	24,951,832	38,250,716	273,294,101
2025	215,651,146	25,783,813	39,126,854	280,561,813
2026	\$221,127,045	\$26,378,082	\$39,956,330	\$287,461,457

Source: NewGen and LUS. LUS Financial and Operating Statements, 2012–2016, audited.

- (1) Electric Total Operating Revenues include revenue from base rates, fuel adjustments charges, interest income, and other miscellaneous revenues. Fuel adjustment charges represent approximately half of the Electric System revenues and vary based on fuel and energy market prices. The variations in annual electric operating revenues are a result of these market fluctuations. The projected revenues include base rate increases of 6.0 percent in 2017, 6.0 percent in 2018, and 0.5 percent per year from 2021 through 2026.
- (2) Water Total Operating Revenues include revenue from rates, interest income, and other miscellaneous revenues. The projected revenues include retail rate increases of 7.4 percent in 2017, 7.2 percent in 2018, and 1.0 percent per year from 2021 through 2026.
- (3) Wastewater Total Operating Revenues include revenue from rates, interest income, and other miscellaneous revenues. The projected revenues include rate increases of 6.1 percent in 2017, 5.7 percent in 2018, and 1.0 percent per year from 2021 through 2026.
- (4) Total Operating Revenues do not reflect corrections made to the Communications System Imputed Tax transfers for years 2009 through 2012. Utilities System and Communications System Income Statements were not restated over this period as a result of these corrections. Rather a prior period adjustment was made to the 2013 balance sheets included in the Financial and Operating Statements for both the Communications and Utilities Systems.

The Electric System operates power generation, transmission, distribution, and customer assets. LPPA’s Rodemacher Unit 2 provides the largest portion of LUS’ power generation capacity. The Water System includes raw water treatment plants, distribution system, and customer assets. The Wastewater System includes sewage treatment plants, collection piping, and customer assets. Table 4 shows the five-year projected Utilities System Capital Improvement Plan as contained in the LCG Proposed Operating & Capital Budget 2017–2018 (“2018 Proposed Budget”).

Table 4
Utilities System
Capital Improvement Program

<u>Utility</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Electric ⁽¹⁾					
Acquisitions	\$3,075,000	\$0	\$0	\$0	\$0
Production	29,015,000	93,560,000	160,000	110,000	110,000
Distribution	3,191,000	1,870,000	1,560,000	860,000	110,000
Substation	7,485,000	11,135,000	1,135,000	835,000	835,000
Transmission	1,810,000	3,610,000	3,010,000	10,000	10,000
General Plant	<u>7,210,000</u>	<u>360,000</u>	<u>5,410,000</u>	<u>5,260,000</u>	<u>10,000</u>
Total Electric	\$51,786,000	\$110,535,000	\$11,275,000	\$7,075,000	\$1,075,000
Water					
Production	\$1,530,000	\$2,080,000	\$580,000	\$1,180,000	\$930,000
Distribution	<u>1,980,000</u>	<u>860,000</u>	<u>1,735,000</u>	<u>3,335,000</u>	<u>760,000</u>
Total Water	\$3,510,000	\$2,940,000	\$2,315,000	\$4,515,000	\$1,690,000
Wastewater					
Treatment	\$24,910,000	\$4,610,000	\$4,460,000	\$680,000	\$1,060,000
Collection	<u>5,275,000</u>	<u>6,045,000</u>	<u>1,385,000</u>	<u>1,145,000</u>	<u>1,035,000</u>
Total Wastewater	\$30,185,000	\$10,655,000	\$5,845,000	\$1,825,000	\$2,095,000
Total Capital Program	\$85,481,000	\$124,130,000	\$19,435,000	\$13,415,000	\$4,860,000

Source: 2018 Proposed Budget. Amounts are in 2017 dollars.

- (1) Does not include the LPPA Rodemacher Unit 2 capital improvement program.
- (2) Amounts are in 2017 dollars.
- (3) The projects are expected to be partially funded by future debt.

Table 5 summarizes the historical debt service coverage for the Utilities System. The debt service coverage ratio (“DSCR”) exceeds the minimum coverage requirement of 1.0 required by the bond ordinance.

**Table 5
Utilities System
Historical Debt Service Coverage**

<u>FY</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Available Revenues</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2012	\$222,007,121	\$166,165,173	\$55,841,948	\$15,311,868	3.6
2013	234,524,951	168,415,411	66,109,540	22,917,286	2.9
2014	248,410,288	177,466,560	70,943,728	23,333,915	3.0
2015	229,448,195	160,672,843	68,775,352	22,924,293	3.0
2016	\$222,092,266	\$158,750,451	\$63,341,815	\$22,925,238	2.8

Source: LUS Financial and Operating Statements, 2012–2016, audited.

(1) Includes interest income and other miscellaneous revenue.

(2) Operating expenses include O&M and other expenses such as customer service, and administrative and general (“A&G”) costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.

(3) Debt service includes the Series 1996 Bonds, Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds. By 2014, the Series 2004 Bonds were partially refunded and fully redeemed by the Series 2012 Bonds.

Descriptions of the electric, water, and wastewater utilities are included below. Each description includes details regarding customer sales or consumption, facilities, operations, regulatory impacts, and competitive benchmarking of services.

Electric System Description

LUS operates an Electric System providing reliable power and electricity to 66,325 customers. The Electric System consists of power generation, transmission, substation, distribution, and customer facilities within and outside its service territory. Electric System retail sales decreased 1.1 percent between 2015 and 2016. Future retail sales are projected to increase by approximately 1.0 percent per year through 2026.

LUS became a full market participant as a Local Balancing Authority in MISO in 2013. MISO membership has required LUS to modify the methods and processes the utility uses to purchase and sell power. The Energy Authority (“TEA”) has been designated to handle day-ahead schedules for LUS. Additional detail describing how TEA and MISO support the Electric System operations are described later in this section.

Participation in the MISO market requires a buy-all/sell-all type of transaction. LUS must buy all of its load from the MISO market. Correspondingly, MISO dispatches LUS’ generation units and all of the generation is sold into the MISO market. The MISO Market Sales shown below represent LUS’ sales into the MISO market from LUS generating units. The MISO Market Purchases represent purchases from the MISO market. Joining MISO contributed to the significant increase in Market Sales in 2014, 2015, and 2016 as shown in Table 6.

Table 6
Electric System
Historical and Projected Retail, Wholesale and Market Sales and Market Purchases

<u>FY</u>	<u>Retail Sales (MWh) ⁽¹⁾</u>	<u>Retail Sales Growth</u>	<u>Wholesale Sales (MWh) ⁽²⁾</u>	<u>MISO Market Sales (MWh) ⁽⁴⁾</u>	<u>MISO Market Purchases (MWh) ⁽⁴⁾</u>
Historical					
2012	1,970,448	(2.7%)	132,272	0	0
2013	1,979,136	0.4%	37,151	0	0
2014	2,027,115	2.4%	942	1,013,733	1,852,629
2015	2,050,434	1.2%	0	1,100,385	2,113,086
2016	2,027,945	(1.1%)	0	872,154	2,098,275
Projected					
2017 ⁽³⁾	2,025,598	(0.1%)	0	1,018,885	2,095,601
2018	2,112,391	4.3%	0	1,390,898	2,338,000
2019	2,134,899	1.1%	0	1,299,090	2,379,090
2020	2,157,185	1.0%	0	1,083,961	2,380,537
2021	2,179,087	1.0%	0	1,285,208	2,412,505
2022	2,201,045	1.0%	0	1,408,297	2,507,631
2023	2,223,307	1.0%	0	1,386,495	2,522,675
2024	2,245,971	1.0%	0	1,429,076	2,559,894
2025	2,268,977	1.0%	0	1,458,271	2,567,892
2026	2,292,284	1.0%	0	1,512,969	2,585,246

Source: LUS, Burns & McDonnell, and Aces Power LLC. LUS Financial and Operating Statements, 2012–2016, audited.

- (1) Electric System projections based on Load Forecast for LUS developed by Burns & McDonnell for years 2018 through 2026. The retail sales do not include transmission or distribution losses.
- (2) After LUS joined MISO, all sales were sales to the MISO Market.
- (3) The 2017 sales were estimated by LUS based on actuals through May 2017.
- (4) Market sales and purchases for years 2018 through 2026 were based on an hourly dispatch model by Aces Power LLC.

As shown in Table 7, retail sales by customer class as of October 31, 2016, indicate that residential and commercial customers represent approximately 91 percent of Electric System sales. LUS commercial customer base is diverse, as no single customer represents more than 3 percent of LUS retail revenues.

Table 7
Electric System
Customer Class Statistics as of October 31, 2016

<u>Customer Class</u>	<u>Number of Customers</u>	<u>Percent of Total</u>	<u>Sales (kWh)</u>	<u>Percent of Total</u>
Residential	53,874	81.2%	807,595,766	39.8%
Residential – Outside the City	887	1.3%	14,555,523	0.7%
Commercial without Demand – Small	7,740	11.7%	197,808,060	9.8%
Commercial Small and Large – Outside of City	157	0.2%	11,819,166	0.6%
Commercial with Demand – Large	1,244	1.9%	812,480,175	40.1%
Private Security Lighting	1,735	2.6%	6,828,239	0.3%
Street Lighting	2	0.0%	16,175,434	0.8%
Schools and Churches	430	0.6%	56,547,682	2.8%
Schools and Churches – Outside the City	0	0.0%	47,040	0.0%
University of Louisiana – Lafayette	82	0.1%	69,567,354	3.4%
Interdepartmental	175	0.3%	34,520,454	1.7%
Total Meters In Service	66,325	100.0%	2,027,944,893	100.0%

Source: LUS Financial and Operating Statements, 2012–2016, audited.

Production

The Electric System peak demand occurs in the summer and was 447 megawatts (“MW”) in 2016. LUS operates two power generation plants, while LPPA represents LUS’ interest in a third power generating unit, Rodemacher Unit 2.

LUS generates electricity with two natural gas-fired generating plants located within the Parish, and the LPPA-owned Rodemacher Unit 2 coal-fired generating plant located approximately 100 miles northwest of the City near Boyce, Louisiana. LPPA holds a 50 percent ownership in Rodemacher Unit 2, which is operated by Cleco.

When LUS joined MISO on December 19, 2013, MISO modified the methods and processes by which the Electric System generates, purchases, and sells power. In collaboration with TEA, LUS purchases power to meet load from the MISO market on an hourly basis. Simultaneously, LUS generation assets are economically dispatched into the market creating market power sales for LUS.

LUS has two local power plants that are retired and still in place, the Doc Bonin Plant and the Curtis Rodemacher Plant. The Doc Bonin and the Curtis Rodemacher Plants were deemed economically obsolete. Curtis Rodemacher was retired several years ago. A decommissioning study for the Doc Bonin Plant was completed in May 2016. The study provided cost estimates for varying levels of decommissioning.

The Curtis Rodemacher generating station remains retired with LUS performing routine maintenance, upkeep, and site monitoring. Site monitoring and remediation includes periodic soil sampling and lead paint removal. LCG must retain ownership of the site due to the co-location of a large, critical substation at the site and related security needs. Periodic costs associated with site monitoring and upkeep will continue, as needed, to maintain ownership and environmental compliance.

Doc Bonin Plant

All Doc Bonin Plant units not being offered into the MISO market were retired as of April 1, 2017; MISO approval for the retirement of Doc Bonin Unit 1 (“Unit 1”) was not required because Unit 1 was never registered for dispatch within MISO.

The Doc Bonin Plant consists of three natural gas-fired generating units. Each unit includes a conventional utility boiler, steam turbine generator, and the necessary auxiliary equipment. Heat rejection for each unit is provided by a dedicated mechanical draft cooling tower. The Water System provides makeup water for the cooling tower and supplies the plant's water treatment system for boiler water.

Unit 1 began commercial operation in 1964 and has a nameplate capacity of 54 MW. The Unit 1 boiler is a conventional utility boiler, manufactured by Babcock & Wilcox, capable of providing steam at 1,250 pound per square inch ("psi") to the Westinghouse non-reheat, tandem compound bottom exhaust, steam turbine. Unit 1 is interconnected to the LUS transmission system at 69 kilovolts ("kV").

Unit 2 began commercial operation in 1970 and has a nameplate capacity of 100 MW. The Unit 2 boiler is a conventional utility boiler, manufactured by Combustion Engineering, capable of providing steam at 1,800 psi to the General Electric tandem compound, bottom exhaust, steam turbine. Unit 2 is interconnected to the LUS transmission system at 69 kV.

Unit 3 began commercial operation in 1976 and has a nameplate capacity of 187 MW. The Unit 3 boiler is a conventional boiler, manufactured by Babcock & Wilcox, capable of providing steam at 1,800 psi to the General Electric tandem compound, bottom exhaust, steam turbine. Unit 3 is interconnected to the transmission system at 138 kV.

In 2016, LUS hired a consultant to perform an Integrated Resource Plan ("2016 IRP") and evaluate overall power supply options, including plans for potentially replacing or repowering the Doc Bonin Plant. The study recommended developing and installing new natural gas fired reciprocating engines at the Doc Bonin site. The cost for installing the reciprocating engines is included in the 2018 Proposed Budget five-year capital improvement program ("CIP").

T.J. Labbé Plant

The T.J. Labbé Plant began operation in 2005 and consists of two natural gas-fired 48 MW General Electric model LM6000PC SPRINT combustion turbine generators ("CTG"). In 2005, three 50 percent gas compressors were installed to boost the incoming natural gas delivery pressure to the required levels. LUS and T.J. Labbé Plant staff indicated that the compressors are not currently required to operate, as the natural gas supplier's delivery pressure is higher than the CTGs design inlet pressure. Pressure regulators reduce the delivery pressure to the required inlet levels at the CTG. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. While the plant is staffed 24-hours per day, seven days a week, the Doc Bonin Plant staff is capable of CTG remote startup. The T.J. Labbé Plant is connected to the LUS transmission system at 230 kV. The plant also includes a 600-kilowatt ("kW") emergency generator for black start capability.

The LM6000 CTG is an aero-derivative natural gas turbine that is commonly used in the power generation industry. In the electric utility industry, the first LM6000 CTG was introduced in 1991 and began commercial operations in 1992. The two LM6000 CTGs are equipped with supplemental inlet air cooling and compressor intercooling using a proprietary GE SPRay-INTERcooled system called "SPRINT." This system allows the CTGs to optimize output over a wide range of ambient conditions. Each CTG system includes a chilled water system for inlet air cooling. Each combustion turbine package includes a gas turbine generator, unit enclosures, support structures, an air inlet system, an exhaust outlet, lube oil systems, a fire protection system, a control system, a water wash system, drawings, data, manuals, and a training package.

Annual generation at the T.J. Labbé Plant has averaged approximately 27,474 megawatt-hours ("MWh") (net) over the 2012 to 2016 period with an average annual plant capacity factor of 3.4 percent. Annual natural gas consumption averaged 361,599 million British Thermal Units ("MMBtu") over the same period. The annual average heat rate of the T.J. Labbé Plant was approximately 12,988 Btu per kilowatt-hours ("kWh").

Hargis-Hébert Plant

The Hargis-Hébert Plant began commercial operation in 2006 and is nearly identical to the T.J. Labbé Plant, with two natural gas-fired 48 MW General Electric model LM6000PC SPRINT CTGs (see LM6000PC SPRINT details above). Natural gas compressors were not installed at the Hargis-Hébert Plant because the incoming natural gas delivery pressure is greater than the CTG's design inlet pressure. The Hargis-Hébert Plant

CTGs have the additional capability of providing voltage support to the transmission grid through a specially designed clutch system that was originally installed on each of the CTGs allowing the gas turbine to be shut down and uncoupled from the generator while the generator remains synchronized to the grid to supply or absorb reactive power. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. As with the T.J. Labbé Plant, the Hargis-Hébert Plant is staffed full-time, but is capable of remote startup and monitoring from the Doc Bonin Plant. The Hargis-Hébert Plant connects to the LUS transmission system at 69 kV. The plant has a 600-kW emergency generator for black start capability.

Annual generation at the Hargis-Hébert Plant has averaged approximately 24,578 MWh (net) over the 2012 to 2016 period, with an average annual plant capacity factor of 3 percent. Annual natural gas consumption averaged 288,146 MMBtu over the same period. The annual average heat rate of the Hargis-Hébert Plant was approximately 12,159 Btu per kWh.

Rodemacher Unit 2

Rodemacher Unit 2 is a 523 MW coal-fired generating station located at the Brame Energy Center near Boyce, Louisiana. Rodemacher Unit 2 is jointly owned by LPPA (50 percent), Cleco (30 percent), and the Louisiana Energy and Power Authority (“LEPA”) (20 percent) (the “Joint Owners”). The Agreement for Joint Ownership, Construction, and Operation (“Joint Ownership Agreement”) dated June 30, 1977, as amended, established the joint ownership of Rodemacher Unit 2. The Joint Owners share the output of Rodemacher Unit 2 based on the relative ownership percentages. LPPA’s ownership share of Rodemacher Unit 2 is 261.5 MW of capacity and the related energy output. Rodemacher Unit 2 began commercial operation in 1982 and is operated by Cleco. The Joint Ownership Agreement remains in effect through June 30, 2032.

LPPA and the City entered a Power Sales Contract (“PSC”) on May 1, 1977 in which LPPA agrees to sell and the City agrees to purchase 100 percent of LPPA’s share of the capacity and energy produced by Rodemacher Unit 2. According to the PSC, LPPA costs are passed to LUS as purchased power costs, which are considered operating expenses. As a result of being defined as operating expenses, the LPPA expenses have priority over LUS debt. These contractual terms provide a higher level of security on the LPPA debt service than if the City had issued the debt. The PSC expires on August 31, 2047.

Major equipment at Rodemacher Unit 2 includes a Foster Wheeler conventional pulverized coal steam boiler, with a steam rating of 3,800,000 pounds per hour at 2,500 pounds per square inch gauge (“psig”) and a main steam and reheat temperature of 1,005 degrees Fahrenheit (“°F”), and a General Electric reheat steam turbine generator with bottom exhaust. Lake Rodemacher supplies the cooling water for the steam turbine condenser and plant. Lake Rodemacher is a man-made lake located within the boundaries of the 6,000 acre Brame Energy Center site. An electrostatic precipitator, with a 99.5 percent efficiency rating when burning coal, is utilized for fly ash removal. The addition of a Selective Non-Catalytic Reduction (“SNCR”) System with urea injection improved nitrogen oxide (“NO_x”) control in 2013. The plant recently completed installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and induced draft (“ID”) booster fans as a result of the United States (“U.S.”) Environmental Protection Agency (“EPA”) Mercury and Air Toxics Standard (“MATS”) requirements.

The Joint Owners are in the process of reviewing a Natural Gas Conversion Study for Rodemacher Unit 2. The Joint Owners will obtain additional details from a recently authorized Front End Engineering Design Study. The Joint Owners continue to evaluate options to ensure long-term operation of Rodemacher Unit 2.

Annual generation at Rodemacher Unit 2 has averaged approximately 2,294 gigawatt hours (“GWh”) (net) over the 2012 to 2016 period, with average annual plant capacity factor of 53.6 percent.

Fuel Supply

Natural Gas

Natural gas for the Doc Bonin, T.J. Labbé, and Hargis-Hébert Plants is provided under a base contract between Atmos Energy Marketing, LLC and TEA, acting on the behalf of LUS. The agreement was signed in February 2004 and automatically extends for 12-months following the end of the Delivery Period, unless terminated by either party. The latest Transaction Confirmation #7, for a Firm Supply of up to 20,000 MMBtu per day, establishes

monthly and daily rates based on Henry Hub indices, plus 20 cents (\$0.20) per MMBtu, plus Gulf South Pipelines current transmission tariff, plus taxes or assessments.

Natural gas supply to the Doc Bonin Plant site is via a 10-mile-long, 10-inch gas supply line, owned by LUS that connects to the Texas Gas Transmission Corporation and the Columbia Gulf Transmission Company pipeline.

Natural gas is supplied to the T.J. Labbé Plant through an expansion pipeline that is approximately one-half mile long and is connected to the 10-inch gas supply line serving the Doc Bonin Plant.

Natural gas to the Hargis-Hébert Plant is supplied from an interconnection to the east-west Gulf South Pipeline Company, LP (“Gulf South”) system located between Louisiana Highway 89 and Commission Boulevard. Gulf South operates and maintains the 10-inch lateral, which terminates at the metering station located on the Hargis-Hébert Plant property.

Coal for Rodemacher Unit 2

Coal from the Powder River Basin in Wyoming is the predominant fuel used at Rodemacher Unit 2. Coal is supplied under three contracts: Arch Coal Sales Company Inc. (“Arch Coal”), Peabody CoalSales LLC (“Peabody”), and Cloud Peak Energy Inc. LPPA owns two unit trains that deliver the coal to the plant from Wyoming. Cleco coordinates the deliveries in conjunction with their unit trains. Coal price adjustments were based on sulfur content in the coal and the heating value (British Thermal Units per pound (“Btu/lb”)) of the delivered coal.

An annual physical observation of the coal inventory is performed based on an aerial photographic survey and density measurements. An adjustment to inventory occurs when the survey indicates a variance in the results of the physical inventory of at least plus or minus 3 percent.

Hydro Purchased Power

LUS has a long-term contract with the Southwestern Power Administration (“SPA”) for U.S. Department of Energy hydro power. The bilateral agreement is for 22,320 MWh annually and ends June 1, 2018. The hydropower is generated by 24 Corps of Engineers dams in the region.

Capacity Contracts

MISO’s resource adequacy is based on the system coincident peak and reserves. As a MISO participant, LUS is required to maintain its relative share of capacity and reserves. With the economic suspension status of the Doc Bonin Plant during 2016 and the following retirement, LUS did not have sufficient capacity to meet the MISO requirements. As such, LUS contracted for 40 MW of capacity through May 2020. In addition, due to potential capacity shortfalls, LUS has secured an additional 20 MW for 2017 and an additional 33 MW for 2018.

Transmission and Distribution

The Electric System has 47 miles of transmission lines and 989 miles of distribution lines. Transmission facilities operate at 69 kV, 138 kV, and 230 kV interconnecting with Entergy (at 230 kV and 138 kV) and Cleco (at 230 kV and 69 kV) systems. LPPA, the City, and Cleco have a Transmission Service Agreement (“TSA”) signed in January 1991 to provide firm transmission service from Rodemacher Unit 2 to the City’s interconnection points with Cleco.

Transmission substation facilities are at 230 kV, 138 kV, and 69 kV. The 230-kV transmission system includes 16 miles of line with interconnections to Cleco and Entergy. The 138-kV system equipment at the Doc Bonin Plant Substation connects to Entergy, as well as autotransformers to the 230 kV and 69 kV busses. The 69-kV transmission system consists of 31 miles of line. Fifteen distribution substations serve the 86 feeders on the LUS 13.8 kV distribution system. Existing transmission circuits are on a range of structure types including wood poles and steel towers.

The 989 miles of distribution include 474 miles of overhead and 515 miles of underground lines (13.8 kV). Overhead distribution poles are primarily creosote-treated southern yellow pine, with light-duty steel poles for corners or areas where guying is not possible.

All distribution facilities serving new subdivisions and commercial developments are underground. New underground cable is typically aluminum. All underground cable is installed in conduit with the exception of segments purchased from the local cooperative utility, SLEMCO. LUS is not aggressively pursuing conversion of overhead to underground facilities due to the significant costs incurred for the conversion.

The transmission and distribution systems utilize dedicated fiber optic cables for secure communication and protection of the system. Distribution capacitor bank controls and recloser controls are connected to the operations center via the fiber system.

Capital Improvement Program

Each spring, the budgeting process begins with LUS preparing and submitting their proposed operating and capital budget to LCG. The budget may then be adjusted or presented to the Council for approval. The Utilities System develops a five-year CIP for each utility, referred to by LUS as the five-year Capital Outlay Program. The Electric System CIP is reviewed, updated, and budgeted annually and is presented below in Table 8.

Table 8
Electric System
Capital Improvement Program ^{(1) (2)}

Description	2018	2019	2020	2021	2022	Total
Acquisitions	\$3,075,000	\$0	\$0	\$0	\$0	\$3,075,000
Production	29,015,000	93,560,000	160,000	110,000	110,000	122,955,000
Distribution	3,191,000	1,870,000	1,560,000	860,000	110,000	7,591,000
Substation	7,485,000	11,135,000	1,135,000	835,000	835,000	21,425,000
Transmission	1,810,000	3,610,000	3,010,000	10,000	10,000	8,450,000
General Plant	<u>7,210,000</u>	<u>360,000</u>	<u>5,410,000</u>	<u>5,260,000</u>	<u>10,000</u>	<u>18,250,000</u>
Total Electric	\$51,786,000	\$110,535,000	\$11,275,000	\$7,075,000	\$1,075,000	\$181,746,000

Source: 2018 Proposed Budget

- (1) Does not include the LPPA Rodemacher Unit 2 capital improvement program.
- (2) Amounts are in 2017 dollars.
- (3) The Electric System projects are expected to be partially funded by future debt.

The Electric System CIP contained in the 2018 Proposed Budget totals \$181.7 million over the five-year period. LUS plans to fund the CIP with a combination of cash and future revenue bonds.

LUS entered an agreement with the local rural electric cooperative, SLEMCO, defining an “area of influence” surrounding the City limits in which LUS may acquire SLEMCO customers and serve new electric customers. The agreement defines the numbers of customers that can be acquired and specifies the payment for acquired customers. The Utilities System entered 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 capital expenses of \$3,075,000 in 2018 to accommodate acquisition of more than 400 customers.

Of the \$181.7 million, approximately \$120.0 million was included for the construction of reciprocating engines at the Doc Bonin site. LUS has extended existing capacity contracts to meet near-term capacity requirements, while the installation of the reciprocating engines will support longer term capacity requirements in MISO. Other improvements include light emitting diode (“LED”) streetlights, general plant improvements, and substation upgrades.

MISO Market

LUS became a MISO full Market Participant in December 2013. MISO provides reliability and wholesale market grid operation for interconnected utilities in the midcontinent region of the U.S. LUS is a Local Balancing Authority within the MISO Balancing Authority footprint.

TEA is registered as LUS' Market Participant in MISO and was instrumental in easing the transition and successful integration into MISO. LUS evaluates and approves TEA's strategies for energy market participation, as well as provides feedback on how the selected strategies worked compared to alternative strategies.

As LUS joined MISO, it modified the methods and processes by which the utility purchases and sells power. In collaboration with TEA, LUS purchases power to meet load from the power market on an hourly basis. Simultaneously, MISO economically dispatches LUS' generation assets into the market creating market sales for LUS. As a result of these changes, LUS reports the combined transaction as net purchased power (total market purchases less total market sales).

The MISO membership has improved the economic and over-all power supply situation for LUS. In addition to the transmission system improvements mentioned above, LUS also enjoys operational benefits resulting from MISO dispatch of its local generation, and is provided flexibility in the dispatch of LPPA's Rodemacher Unit 2 capacity.

Projected Demand and Resources

The 2016 IRP evaluated the overall power supply options including future options for the Doc Bonin Plant. As part of the 2016 IRP, the consultant also developed a long-term load forecast. Per the 2016 IRP, LUS' projected system load growth will average 1.0 percent annually reaching 2,292,285 MWh by 2026. The number of residential customers are projected to increase by 1.3 percent on an average annual basis. The LUS system annual peak is projected to increase from 447 in 2016 to 531 MW by 2026, an average annual growth rate of 1.7 percent.

As a MISO participant, LUS is required to maintain its relative share of capacity and reserves, also called Resource Adequacy. MISO applies a forced outage rate to each units' installed capacity values to calculate an unforced capacity value ("UCAP"). The LUS units' UCAP values may be applied toward LUS' Resource Adequacy. The Hargis-Hébert Plant with a gross capacity of 100 MW has a UCAP value of 85.1 MW. The T.J. Labbé Plant with a gross capacity of 100 MW has a UCAP value of 89.4 MW. Rodemacher Unit 2 with a gross capacity of 261 has a UCAP value of 233.7 MW. LUS has extended existing capacity contracts to meet near-term capacity requirements, while the replacement of the Doc Bonin Plant with reciprocating engines will support longer term capacity requirements in MISO.

Operations and Related Performance

Each division within the Electric System has a safety representative and full support from upper management. The Departmental Accident Review Committee evaluates all incidents to report on causes and measures to improve safety. LUS adopted the American Public Power Association ("APPA") Safety Manual.

The distribution system Dispatch Center addresses customer calls, dispatches, and tracks crews. The Dispatch Center utilizes an Elster automated metering infrastructure ("AMI") system as the primary means for detecting and tracking outages, supplemented with customer call tracking. The outage management system ("OMS") tracks outage locations over time to prioritize maintenance/replacement work and determine system reliability indices.

Security

An evaluation of the Utilities System security measures is beyond the scope of this Report and a security assessment was not conducted. Based on site visits and discussions with LUS, we learned that the physical security includes the use of fencing, magnetic gates, card swipes, and key pads at critical facilities. In addition, armed personnel are stationed at the Doc Bonin Plant site. LUS security protocols also include employee and contractor background checks, routine training on requirements and policies, and standard entry procedures for all electric facilities.

The North American Electric Reliability Corporation (“NERC”) is a regulatory authority whose mission is to assure the reliability and security of the bulk power system in North America. NERC develops and enforces reliability and security standards including the Critical Infrastructure Protection (“NERC CIP”). The NERC CIP plan consists of standards and requirements covering the security of electronic perimeters and the protection of critical cyber assets, as well as personnel and training, security management, and disaster recovery planning. LUS complies with all NERC CIP requirements. The Electric System’s most recent NERC CIP audit in the fall of 2016 was successful, with no material findings and no major violations. The Southwest Power Pool (“SPP”) regional entity is LUS’ compliance enforcement authority.

Electric and Environmental Regulatory Compliance and Issues

The Utilities System is subject to continuing environmental regulation. Federal, state, and local standards and procedures, which regulate the impact of the Utilities System on the environment, are subject to change. Consequently, there is no assurance that the facilities owned or under contract to the Utilities System will remain subject to regulations that are currently in effect or will always be in compliance with future regulations governing the protection of the environment. The State of Louisiana (the “State”) through the Louisiana Department of Environmental Quality (“LDEQ”) establishes standards of performance and requires permits for the generating units of the Utilities System, as well as Rodemacher Unit 2 in which the City has an ownership interest. In addition, the LDEQ has been delegated authority over and implements certain programs established by the U.S. EPA.

The Utilities System facilities are in material compliance with applicable environmental regulations and key environmental permits, approvals, and consent orders.

LUS has separate electric environmental and compliance divisions. Individual personnel within the Electric Environmental Compliance division are assigned to: 1) NERC compliance; 2) spills, spill prevention control and countermeasure plans, and remediation; and 3) air quality. Compliance staff education and training takes place as standards are updated/created; and the staff participates in NERC reliability conferences.

Clean Air Interstate Rule and Cross State Air Pollution Rule

In July 2011, the U.S. EPA finalized the Cross State Air Pollution Rule (“CSAPR”) to replace the existing Clean Air Interstate Rule (“CAIR”). In August 2012, the U.S. Court of Appeals for the District of Columbia Circuit invalidated CSAPR. On April 29, 2014, the U.S. Supreme Court reversed the Court of Appeals, upholding all aspects of the rule that had resulted in the Court of Appeals’ invalidation. The Supreme Court remanded CSAPR to the Court of Appeals for further proceedings. On November 21, 2014, the U.S. EPA issued an interim final rule amending the CSAPR compliance deadlines to align with the October 23, 2014 ruling that granted U.S. EPA’s motion to lift the stay of CSAPR and delay its deadlines for three years. The interim final rule provides that compliance with CSAPR Phase 1 emissions budgets were required in 2015 and 2016 and compliance with Phase 2 will be required in 2017 and beyond.

Under CSAPR, each facility is assigned an allocation of NO_x (tons), which may be emitted during the Ozone Season (May – September). In the event that the facility exceeds the limit during the Ozone Season, additional allowances may be withdrawn from the owner’s banked allowances or allowances may be purchased.

The impact of CSAPR on the Utilities System is not expected to be significant for the Hargis-Hébert and T.J. Labbé Plants because the current proposed allowance allocations are roughly equivalent to the recent emissions at all of the Utilities System natural gas generating plants. Similarly, CSAPR is not expected to impact operations at Rodemacher Unit 2 as the allocation is equivalent to recent emissions history and improved performance from the SNCR installation.

Current Rodemacher Unit 2 Environmental Issues

Regional Haze Rule

The Regional Haze Rule requires certain existing large stationary emissions sources, such as coal-fired power generation units, to install Best Available Retrofit Technology (“BART”) to improve visibility at certain National Parks designated as Class I areas. Under the rule, certain types of older sources may be required to install BART to control particulate matter, sulfur dioxide (“SO₂”), and NO_x emissions. Some of the effects of the

Regional Haze Rule could require Rodemacher Unit 2 to install additional controls for these emissions. In 2012, the U.S. EPA issued a final action allowing states participating in the CSAPR trading program to use those programs instead of source specific BART to meet the requirements for the Regional Haze Rule.

The Regional Haze Rule BART requirement was eventually superseded by the approval of CSAPR in 2014. However, CSAPR, which in Louisiana only applies to NO_x emissions during the Ozone Season, recently replaced CAIR, which previously applied to annual emissions of SO₂ and NO_x, as well as Ozone Season NO_x. Previously, BART applicable sources complying with CAIR regulations were considered by the U.S. EPA to be in compliance with BART. Now, in Louisiana, sources will only comply with seasonal NO_x control under CSAPR. Therefore, BART applicable sources in Louisiana are no longer considered by the U.S. EPA to have an SO₂ control equivalent to BART. As a result, emission sources that fall under Regional Haze Rule BART requirements must be evaluated for their effect on pertinent Class I areas and possibly require further evaluation for the necessity of installing BART.

Preliminary modeling is performed to determine the impact of BART eligible sources on visibility at Class I areas. If there is significant impact demonstrated, a BART controls analysis is performed using inputs taking into consideration such factors as cost of controls, amount of emission reductions, and degree of visibility improvement. The analysis considers the existing impairment of the Class I area and economic impacts to the facility, resulting in a dollar per incremental visibility improvement for each pollution control scenario evaluated. Emission control equipment, such as scrubbers, would need to be economically acceptable according to the regulatory agency judgement. In February 2017, LDEQ submitted to the U.S. EPA a proposed state implementation plan (“SIP”) indicating how BART applicable Electric Utility Steam Generating Units (“EGUs”) in Louisiana would comply with the BART requirements. For Brame Energy Center, the SIP proposal document includes the U.S. EPA-acceptable visibility modeling results, which shows enough visibility impact on the pertinent Class I areas to warrant the BART controls analysis for the Rodemacher Unit 2. The SIP document also includes the BART analysis and its findings. LDEQ proposed in the SIP document that BART for Rodemacher Unit 2 will be continued operation of the existing dry sorbent injection system (“DSI”), but at an enhanced mode. That is, the DSI system will be operated with increased reagent injection in order to meet a lower SO₂ limit. BART for NO_x was proposed as continuing participation in the CSAPR trading allowance trading program. After consideration of the LDEQ submittal, the U.S. EPA will propose via the public notice and comment procedure, an implementation plan for Louisiana. The U.S. EPA has targeted to finalize and publish the plan for Louisiana by year-end 2017.

Acid Rain Program

The U.S. EPA issued a Title IV permit, which addresses the Acid Rain Program provisions of the Clean Air Act as applicable to Rodemacher Unit 2. The Acid Rain Program established (1) a trading system for SO₂ allowances, which are allocated to each facility, and (2) NO_x emission limits for coal-fired units.

Each SO₂ allowance is equal to one ton of SO₂ emissions. If the facility emits more than the allocated SO₂ allowances, it may purchase additional allowances in the established market or may transfer allowances from another of the Owner’s facilities. Emission allowances may be banked, transferred, purchased, or sold. The Rodemacher Unit 2 receives an annual allocation of 18,212 SO₂ allowances (tons). LPPA’s share of the total SO₂ allocation is based on its ownership interest in the facility.

Rodemacher Unit 2’s historical SO₂ emissions have been below permitted levels. The operation of Rodemacher Unit 2 will not be restricted due to the SO₂ emission limits of the air permit because the plant currently burns, and is expected to continue to burn, 0.7 lbs/MMBtu sulfur coal. Total SO₂ emissions are directly related to the sulfur content of the coal. The average annual SO₂ emission rate over the past five years has been 50 percent to 75 percent less than the permit limit of 1.2 lb/MMBtu.

NO_x emissions under the Rodemacher Unit 2 Title IV Permit are limited to 0.46 lb/MMBtu. In addition, Rodemacher Unit 2 is allocated NO_x allowances under CSAPR, which requires the purchase of additional allowances if actual NO_x emissions are greater than allocated.

Mercury and Air Toxics Standard

On February 16, 2012, the U.S. EPA issued the final ruling titled *National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-fired Electric Utility Steam Generating Units and Standards of*

Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units, commonly referred to as MATS. To comply with MATS requirements, Rodemacher Unit 2 completed the installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and ID booster fans. As of the date of this Report, all the new equipment and systems are functioning properly. The results of contract guarantee testing indicate that the equipment is operating per design to meet MATS requirements. On June 29, 2015, the U.S. Supreme Court effectively remanded the U.S. EPA's MATS requirements to the District of Columbia Circuit Court. The U.S. Supreme Court's decision did not prohibit the U.S. EPA from regulating mercury emissions; however, it did require the U.S. EPA to consider costs for those plants yet to meet the MATS requirements. The U.S. EPA subsequently submitted revised cost/benefit analyses, which were approved by the District of Columbia Circuit Court. In December 2015, the U.S. Supreme Court refused to grant a stay on MATS, thus MATS will be fully implemented. The court rulings on MATS do not affect Rodemacher Unit 2, as it has completed an upgrade and meets MATS requirements.

Coal Combustion Residue

Most of the Rodemacher Unit 2 coal combustion residue (e.g., flyash and bottom ash) is removed on a regular basis from the site by truck and sold for beneficial use. On December 19, 2014, the U.S. EPA finalized the Coal Combustion Residue ("CCR") Rule and it was published on April 17, 2015 in the Federal Register. Rodemacher Unit 2 has two surface impoundments; the Fly Ash Pond and the Bottom Ash Pond, to which the CCR Rule applies. The rule became effective 180 days after publication in the Federal Register. The final rule classifies coal ash as solid waste rather than hazardous waste. Classifying coal residue as a solid waste eliminates potential increased disposal costs associated with special handling, transportation, and disposal requirements for hazardous waste. As a result of the latest U.S. EPA ruling, Rodemacher Unit 2 continues marketing and selling their coal ash for beneficial use.

The rule establishes technical requirements for CCR landfills and surface impoundments. In addition, the rule redefines beneficial use. Note that the rule does not affect beneficial use applications started before the effective date of the rule. Beneficial use applications started after the effective date of the new rule will need to be evaluated according to new definitions of beneficial use and disposal. The rule defines beneficial use as needing to meet the following criteria:

1. The CCR must provide a functional benefit;
2. The CCR must substitute for the use of a virgin material, conserving natural resources that would otherwise need to be obtained through practices such as extraction;
3. The use of CCRs must meet relevant product specifications, regulatory standards, or design standards when available, and when such standards are not available, CCRs are not used in excess quantities; and
4. When un-encapsulated use of CCRs involves placement on the land of 12,400 tons or more in non-roadway applications, the user must demonstrate and keep records, and provide such documentation upon request, that environmental releases to ground water, surface water, soil, and air are comparable to or lower than those from analogous products made without CCRs, or that environmental releases to ground water, surface water, soil, and air will be at or below relevant regulatory and health based benchmarks for human and ecological receptors during use.

The new criteria for "beneficial use" excludes the use of CCR in large-scale placement or fill, such as mine fills.

The final rule establishes minimum national criteria for CCR landfills; CCR surface impoundments; and all lateral expansions of CCR units including location restrictions, liner design criteria, structural integrity requirements, operating criteria, groundwater monitoring and corrective action requirements, closure and post-closure care requirements, and recordkeeping, notification, and Internet posting requirements. CCR surface impoundments that do not receive CCR after the effective date of the rule, but still contain water, will be subject to all applicable regulatory requirements. Regulatory requirements must be met unless the owner or operator of the facility dewater and installs a final cover system on these inactive units no later than three years from publication of the rule.

The final CCR Rule required the owner or operator of an existing CCR surface impoundment to document, no later than October 17, 2016, whether the impoundment was constructed to meet the liner requirements included in the final rule (40 Code of Federal Regulations (“CFR”) 257.71). In compliance with this requirement, Cleco obtained certification from a qualified professional engineer attesting that both the Bottom Ash Pond and the Fly Ash Pond meet the requirements of the final CCR Rule. In addition, a CCR Groundwater Monitoring Program is in place to determine the integrity of the liners in the Flyash and Bottom Ash Ponds, as required by the CCR Rule.

Annual inspections required by CCR for the Bottom Ash pond and Fly Ash pond were conducted in December 2016 by Providence Engineering & Environmental Group LLC. The inspection reports state that the reservoirs and slopes are in good conditions, and no corrective actions were needed. The anticipated date of closure for both the Fly Ash and Bottom Ash impoundments is no sooner than 2020.

Opacity Compliance

The Rodemacher Unit 2 Title IV and Title V Permit renewals were approved in 2013 and are set to expire on October 14, 2018. The permits allow for the burning of coal, natural gas, and No. 2 fuel oil in Rodemacher Unit 2. However, coal is the predominant fuel. The unit has a Continuous Emission Monitoring (“CEM”) System installed; annual CEM Relative Accuracy Test Audit (“RATA”) testing is required.

Cooling Water Supply and 316(b) Regulation

Circulating water for the cooling tower and boiler makeup is pumped from Lake Rodemacher by circulating water pumps located at the screened water intake. Rainfall runoff from around Lake Rodemacher provides makeup for water lost to evaporation. LDEQ has issued an opinion that Lake Rodemacher is not subject to the requirements of 316(b) because it was constructed for support of the power plant operations and is not considered “waters of the state.” To the best of our knowledge, the U.S. EPA has not opined or ruled otherwise.

Wastewater Permit

The Louisiana Pollution Discharge Elimination System (“LPDES”) Permit was renewed by LDEQ. The permit is required for discharges of wastewater and stormwater to surface waters. The permit establishes monitoring, reporting, and recordkeeping requirements, as well as limitations on emissions. The permitted discharge points, all of which are not exclusively used for Rodemacher Unit 2 effluent, are:

- Outfall 001 – Cooling pond discharge, including coal sedimentation pond effluent, seal well overflow, bottom ash and secondary settling pond effluent, chemical metal cleaning waste, clarifier sludge sedimentation pond effluent, and low volume wastewaters.
- Outfall R-02 – Coal sedimentation pond effluent.
- Outfall R-03 – Units 1 and 2 seal well effluent and general plant washdown effluent.

Based on our discussions with plant staff, we are not aware of any outstanding Notice of Violation or any material compliance issues with the LPDES Permit.

Wastewater Effluent Standards

A 2009 study performed by the U.S. EPA determined that the 1982 steam electric power generating effluent guidelines do not adequately address the pollutants being discharged and have not kept pace with changes in the electric power industry. The U.S. EPA evaluated the technologies and costs to remove those metals and identified the best available technology to affect their control in coal-fired power plant effluent. The U.S. EPA proposed more stringent limits for new metals and parameters for individual wastewater streams generated by steam electric power plants, with an emphasis on coal-fired power plants. The U.S. EPA proposed the power plant Effluent Limitation Guidelines (“ELGs”) for coal-fired steam electric plants and accepted comments on the rule until September 20, 2013.

The U.S. EPA finalized the rule on September 30, 2015. The rule sets federal limits on the levels of toxic metals discharged in wastewater. The rule establishes new requirements for power plant wastewater streams including flue gas desulfurization, fly ash, bottom ash, flue gas mercury control, and gasification of fuels such as coal

and petroleum coke. The effluent limit requirements must be incorporated into the plant's LPDES permits. However, as of April 24, 2017, the U.S. Court of Appeals for the 5th Circuit granted a request to place a 120-day hold on litigation of the implementation of the effluent guidelines. The U.S. EPA requested the temporary hold to provide the agency time to review and reconsider the rule and implementation. Power plants were to comply with the rule between years 2018 and 2023; but the U. S. EPA's announcement on April 25, 2017 regarding the court ruling also postponed the compliance dates. During LDEQ's development of the Brame Energy Center's LPDES permit renewal, LDEQ incorporated applicable aspects of U.S. EPA's Guidance Document on this subject. Whether the changes will be in the renewed permit will depend on the outcome of the U.S. EPA's review.

Oil Storage and Disposal

The Brame Energy Center maintains a Spill Prevention Control and Countermeasure ("SPCC") Plan to meet the requirements of the Federal Oil Pollution Prevention regulations. The SPCC must be updated to comply with U.S. EPA regulations and revisions to the regulations. A Facility Response Plan ("FRP") was submitted to the U.S. EPA, which demonstrates the facility's preparedness to respond to oil spills. Cleco maintains a contract with an emergency response contractor for oil spill cleanup services. The SPCC Plan is not required to be submitted for review, but the U.S. EPA can perform a review of the SPCC Plan at any time.

LPPA has no ownership interest in, or liability for, the fuel oil storage tanks located on the Brame Energy Center site.

Potential Future Regulatory Requirements

National Ambient Air Quality Standards

The Clean Air Act requires the U.S. EPA to set National Ambient Air Quality Standards ("NAAQS") to protect public health and the environment. Ambient air quality monitoring and air dispersion models are used to monitor air quality in a region or predict concentrations of pollutants for a given area. When pollution exceeds an allowable air quality standard, an area may be designated as a "Nonattainment Area," which typically requires emissions reductions from sources within the region and more restrictive permit limits for new sources. Rapides Parish and the surrounding region in Northern Louisiana is currently designated as "Attainment" for all criteria pollutants. Therefore, the more stringent nonattainment area regulations do not apply to Rodemacher Unit 2 under the current NAAQS.

In addition to NAAQS implementation, the U.S. EPA must update the standards every five years to maintain pace with new developments in health and science. Standards for NO_x (1-hour), PM_{2.5}, SO₂ (1-hour), and ozone have all been updated within the past five years, and Rapides Parish continues to meet the standards. If future updates to the NAAQS result in a Nonattainment Area designation, LDEQ would evaluate emission sources in the region and emissions reductions at Rodemacher Unit 2 could be required.

New Source Performance Standards

On October 23, 2015, the U.S. EPA also published the final New Source Performance Standard ("NSPS") designed to reduce carbon pollution from new power plants. This regulation, which only applies to new facilities, limits coal fired power plant carbon dioxide ("CO₂") emissions to 1,400 lb/MWh (gross). Traditional coal fired power plants cannot meet this limit without some form of CO₂ abatement, such as carbon capture and sequestration. Existing plants that commenced construction per the definition at 40 CFR) Subpart 60 prior to January 8, 2014 are not subject to the rule. Rodemacher Unit 2 commenced construction prior to January 8, 2014, and as such, is not subject to the rule.

Clean Power Plan Emission Guidelines

If implemented, the Clean Power Plan ("CPP") requires each state to submit an implementation plan to incorporate the CO₂ guidelines for existing power plants. Louisiana's goal is a 30.7 percent reduction on a rate basis (units of greenhouse gas ("GHG") per MWh), or by 17.7 percent on a mass basis (mass in tons GHG), by 2030, using 2012 as the baseline. Clean Air Act Section 111(d) is the basis for the regulation, and under this section, state standards for existing sources must reflect the level of emissions performance achievable through the application of the best system of emission reduction ("BSER"), with significant flexibility in the design of their plans.

The U.S. EPA suggested three “Building Blocks” that states may utilize to achieve their state specific emission targets:

1. Efficiency improvements at existing coal fired power plants.
2. Increased generation from natural gas combined cycle plants.
3. Increased generation from renewable and other low- or zero-carbon sources.

Regarding Building Block 1, the final rule suggests that existing coal-fired units can achieve heat rate improvements in the range of 2.1 percent to 4.3 percent. States may develop plans using all or some of these approaches. In addition, the final rule allows for “trading-ready” plans, meaning that states or regions can create market trading programs for CO₂ similar to the NO_x and SO₂ programs already being used under the CSAPR. Louisiana has not yet determined its approach; the LDEQ website indicates that the agency will solicit public input via listening sessions.

The timeline for planning and implementation is long-term as written, and will be even longer term with the current delay. As noted on the LDEQ website, the CPP may be substantially modified or vacated in its entirety. An Executive Order signed on March 17, 2017 included a review of the CPP, and a subsequent letter from the U.S. EPA Administrator to state governors on March 30th, noted they do not need to take any action to comply with the CPP in the near-future.

Contracts

In addition to interconnection agreements for transmission services, fuel supply arrangements mentioned above, and LUS’ membership in MISO as a market participant, LUS maintains a number of contracts and agreements important to its day-to-day utility operations. Among the day-to-day operations contracts are agreements relating to maintenance of key equipment, testing services, customer acquisitions, and certain analysis functions. These contracts are summarized in Table 9.

Table 9
Electric System
Contracts and Agreements

<u>Contracts & Agreements Between</u>	<u>Date Signed/Renewed</u>	<u>Termination Date</u>	<u>Provisions</u>
LPPA – Cleco, LEPA	November 15, 1982	June 30, 2032 or end of useful life	Joint ownership of Rodemacher Unit 2
City – Louisiana Generating	May 23, 1983	Upon 3 year notice	Interchange agreement for electric transmission
City – Entergy Louisiana	October 6, 1988	Upon 18 month notice	Interchange agreement for electric transmission
LCG – Cleco	1991	August 29, 2021 ⁽¹⁾	Interconnection agreement for delivery of power
LCG – LPPA	May 1, 1997	August 31, 2047 or when bonds have been paid	Purchase of power from LPPA’s 50 percent share in Rodemacher Unit 2
LPPA – Cloud Peak Energy	December 11, 2002	Upon 180 days’ notice	Purchase of coal for Rodemacher Unit 2
LCG – SPA	January 1, 2004	May 31, 2018	Purchase of hydro power
LCG – SLEMCO	September 10, 2004	September 10, 2019	Customer acquisition agreement
LPPA – Peabody	November 7, 2007	60 days’ written notice	Purchase of coal for Rodemacher Unit 2
LPPA – Arch Coal Sales, Inc.	August 4, 2009	Upon 30 days’ notice	Purchase of coal for Rodemacher Unit 2
LCG – GE	May 1, 2012	December 31, 2018	CTG Maintenance Services
LCG – Entergy Gulf States	June 22, 2012	June 21, 2032; year to year thereafter	Interconnection agreement for delivery of power
LCG – MISO	December 26, 2012	2 years from Effective Date, thereafter 1 year terms	Agreement between Local Balancing Authorities and MISO
LCG – Other Transmission	January 4, 2013	Coincides with MISO Owners Agreement	Supplemental Agreement between Transmission Facilities Owners and MISO regarding Independent System Operator (“ISO”) services and functions
LCG – MISO	February 4, 2013	Coincides with MISO Owners Agreement	Agency Agreement for Open Access Transmission Service
LCG – Other Transmission Facilities Owners	February 4, 2013	30 years from the earliest Effective Date for any signatory, thereafter 5 year terms	Agreement of Transmission Facilities Owners to Organize MISO
LCG – TEA	June 1, 2013	Upon 6-months’ notice, but not prior to 48 months after the Effective Date	Power and Fuel Marketing
TEA – ATMOS	July 1, 2017	June 30, 2018 ⁽²⁾	Supply of natural gas for Hargis Hébert Plant facilities
LCG – MISO	August 1, 2013	Upon 30 day notice	Agreement to procure satellite phone link

Table 9
Electric System
Contracts and Agreements

<u>Contracts & Agreements Between</u>	<u>Date Signed/Renewed</u>	<u>Termination Date</u>	<u>Provisions</u>
LCG – SPP	August 9, 2013	Upon mutual agreement	Firm point-to-point transmission service
LCG – MISO	September 25, 2013	2 years from Effective Date, thereafter 1 year terms	Modeling, Data, and Analysis reliability standards compliance obligations
LCG – Other Transmission Facilities Owners	December 10, 2013	5 years from Effective Date, thereafter 1 year term	Settlement Agreement between Transmission Owners and MISO on Filing Rights
LCG – NRG	July 10, 2015	May 2020	40.0 MW of capacity from June 2016 – May 2020
LCG – TEA	January 16, 2017	May 2019	33.0 MW of capacity from June 2017 – May 2019
TEA – ATMOS	July 1, 2017	June 30, 2018 ⁽²⁾	Supply of natural gas for T.J. Labbé Plant

(1) Notice of termination was not given within three years of initial expiration. Therefore, the term was automatically extended for five years. LCG must notify Cleco by August 29, 2018 if LCG intends to terminate the contract.

(2) Evergreen/Rollover provision.

Competition and Benchmarking

LUS' residential electric rates have historically been among the lowest in the state and surrounding region. The following tables compare the average residential and commercial rates for selected electric utilities in the region. As shown in Table 10, LUS residential rates are currently the lowest in the region. The residential rate comparison assumes a customer with a monthly energy usage of 1,000 kWh.

Table 10
Electric System
Residential Rate Comparison

<u>Utility</u>	<u>Average \$/kWh ⁽¹⁾</u>
LUS ⁽²⁾	\$0.08897
Shreveport ⁽³⁾	\$0.08999
Lake Charles ⁽⁴⁾	\$0.09264
Baton Rouge ⁽⁴⁾	\$0.09264
Alexandria	\$0.10548
New Orleans ⁽⁵⁾	\$0.11395
New Iberia ⁽⁶⁾	\$0.11962

Source: LUS. Rates as of July 2017.

(1) Based upon 1,000 kWh per month consumption.

(2) Rate increase effective November 1, 2016.

(3) Served by SWEPCO.

(4) Served by Entergy Gulf States.

(5) Served by Entergy New Orleans.

(6) Served by Cleco.

LUS conducted a rate study in 2016, which showed that the Electric System rates were insufficiently recovering revenues to cover costs. As a result, Electric System base rates were increased November 1, 2016 by 6.0 percent and will increase again November 1, 2017 by 6.0 percent as approved by LPUA.

LUS commercial rates are competitive in the region. The commercial rate comparison assumes a 131-kW demand customer with a monthly energy usage of 48,144 kWh.

Table 11
Electric System
Commercial Rate Comparison

<u>Utility</u>	<u>Average \$/kWh ⁽¹⁾</u>
Lake Charles ⁽²⁾	\$0.0755
Baton Rouge ⁽²⁾	\$0.0755
LUS ⁽³⁾	\$0.0829
New Iberia ⁽⁴⁾	\$0.0956
Shreveport ⁽⁵⁾	\$0.0966
Alexandria	\$0.1002
New Orleans ⁽⁶⁾	\$0.1031

Source: NewGen. Rates as of July 2017.

(1) Based upon an average customer of 131 kW demand and 48,144 kWh per month.

(2) Served by Entergy Gulf States.

(3) Rate increase effective November 1, 2016.

(4) Served by Cleco.

(5) Served by SWEPCO.

(6) Served by Entergy New Orleans.

Historical Financial Performance

Electric System debt service includes the Series 2010 Bonds and Series 2012 Bonds. Table 12 shows historical debt service and the associated DSCR. The DSCR exceeds the minimum coverage requirement of 1.0.

Table 12
Electric System
Historical Debt Service Coverage

<u>FY</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Available Revenues</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2012	\$174,890,121	\$137,884,929	\$37,005,192	\$10,740,043	3.4
2013	188,071,217	140,161,855	47,909,362	16,497,762	2.9
2014	201,891,247	147,087,876	54,803,370	16,852,621	3.3
2015	182,044,163	130,006,922	52,037,241	16,500,796	3.2
2016	\$174,354,151	\$126,694,194	\$47,659,957	\$16,503,966	2.9

Source: LUS Financial and Operating Statements, 2012–2016, audited.

(1) Includes interest income and other miscellaneous revenue.

(2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.

(3) Debt service includes the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds. By 2014, the Series 2004 Bonds were partially refunded and fully redeemed by the Series 2012 Bonds.

Water System Description

As of 2016, LUS provided potable water to 55,851 residential, commercial, industrial, and wholesale customer accounts. LUS' responsibilities include raw water supply, water treatment, transmission and distribution of finished potable water, metering, and sales. LUS obtains all of its raw water supply needs from the Chicot aquifer. The Water System includes two water treatment facilities, 20 ground water wells, elevated and ground treated-water storage, and 1,126 miles of distribution piping.

Water System total sales in 2016 were 0.2 percent lower than 2015, driven by a decrease in retail water sales. Historical and projected Water System volume sales are show in Table 13. Future total Water System sales are projected to increase at an average of 1.1 percent.

Table 13
Water System
Historical and Projected Retail and Wholesale Sales

<u>FY</u>	<u>Retail Sales</u> <u>(1,000 gallons)</u>	<u>Retail Sales</u> <u>Growth</u>	<u>Wholesale Sales</u> <u>(1,000 gallons)</u>	<u>Wholesale Sales</u> <u>Growth</u>	<u>Total Sales</u> <u>(1,000 gallons)</u>	<u>Total Sales</u> <u>Growth</u>
Historical						
2012	5,743,099	(1.4%)	1,858,479	0.7%	7,601,578	(0.9%)
2013	5,494,648	(4.3%)	1,893,375	1.9%	7,388,023	(2.8%)
2014	5,426,408	(1.2%)	2,004,355	5.9%	7,430,763	0.6%
2015	5,419,758	(0.1%)	2,116,545	5.6%	7,536,303	1.4%
2016	5,402,650	(0.3%)	2,117,627	0.1%	7,520,277	(0.2%)
Projected ⁽¹⁾						
2017	5,561,158	2.9%	2,284,935	7.9%	7,846,092	4.3%
2018	5,640,618	1.4%	2,373,181	3.9%	8,013,798	2.1%
2019	5,719,348	1.4%	2,326,794	(2.0%)	8,046,142	0.4%
2020	5,798,246	1.4%	2,318,548	(0.4%)	8,116,793	0.9%
2021	5,876,921	1.4%	2,176,418	(6.1%)	8,053,339	(0.8%)
2022	5,951,135	1.3%	2,229,114	2.4%	8,180,250	1.6%
2023	6,023,012	1.2%	2,283,249	2.4%	8,306,261	1.5%
2024	6,093,745	1.2%	2,338,862	2.4%	8,432,607	1.5%
2025	6,163,649	1.1%	2,395,995	2.4%	8,559,644	1.5%
2026	6,232,827	1.1%	2,454,694	2.4%	8,687,521	1.5%

Source: LUS Financial and Operating Statements, 2012–2016, audited.

Retail and wholesale sales volumes based on customer growth and historical sales per customer and specific growth forecasts for wholesale customers.

Water Supply

LUS’ sole raw water supply is the Chicot aquifer, a confined aquifer that supplies water for public water systems (14 percent); aquaculture (17 percent); irrigation (58 percent); and industry, power generation, and other uses (11 percent). The Chicot aquifer is designated as a “sole-source” aquifer for all or parts of 15 parishes in Louisiana and parts of Texas. The Chicot aquifer is designated a sole source by the U.S. EPA; thus, special consideration for federal permitting of projects that could adversely affect it are required.

Studies conducted by the LDEQ indicate that the water quality of the Chicot aquifer generally does not exceed the maximum contaminant levels (“MCL”) for pollutants listed in the federal primary drinking water standards. The Chicot raw water supply is treated by a multi-step purification process at water treatment facilities that are monitored 24-hours a day by LUS operators, and certified by Louisiana Department of Health and Hospitals (“LA DHH”) to ensure that all water delivered to its customers is safe to drink and is of acceptable secondary quality.

Water Treatment and Production

The Water System includes two water treatment facilities (the South and North Water Treatment Plants), and a total of 20 ground water wells to provide raw water for treatment, as well as supplemental volume and pressure to the system. The South Water Plant (“SWP”) has a capacity of 23.0 million gallons per day (“MGD”) and the North Water Plant (“NWP”) has a capacity of 20.8 MGD. Both the NWP and SWP use coagulation, sedimentation, and filtration to remove iron and manganese with lime-softening for hardness reduction and hypochlorite for finished water disinfection.

Sixteen deep well pumps located at the SWP and NWP provide the raw water supply for treatment at both facilities. The remaining four pumps are located remote from the treatment plants and provide additional volume and pressure to the system. Water Well Nos. 24 and 26, located at the Gloria Switch remote site, provide supplemental volume and pressure to the northern end of the distribution system. Treatment at this site consists of application of potassium permanganate followed by six pressure filters, and hypochlorite is added for disinfection. Finished water is stored in a ground storage tank and delivered to the system with high-service pumps.

Water Well Nos. 23 and 25, located at the Commission Boulevard remote site, provide additional volume and pressure to the wholesale users on the southern end of the distribution system including Broussard, Youngsville, and Milton. The Commission Boulevard site also includes the Fabacher Field re-boost facilities consisting of a 2.0 million gallon (“MG”) ground storage tank and high service pumps that are used to improve pressure conditions at the outer limits of the distribution system.

Water production facilities are provided with on-site backup electric generation facilities that are adequate to sustain an acceptable level of water production in the event of power failures or other catastrophic events. The SWP is equipped with full power generation capacity capable of maintaining full production output, while the NWP is equipped sufficiently to provide approximately 60 percent of production output.

Water Distribution and Storage

The water distribution system consists of 1,126 miles of pipe and the treated water storage of approximately 15.25 MG. LUS also utilizes the Communications System assets and fiber connections to manage, monitor, and control the water flows and storage volumes on the Water System.

The treated water storage includes 4.3 MG of elevated storage and 10.95 MG of ground storage, including finished water and booster pumping station clear wells. As the geographical service area and customer base have increased over the past several years, there has not been a corresponding increase in the amount and size of distribution lines. Current capacity and water pressure in the system is adequate. LUS has completed several projects in recent years to improve the distribution system and related pressure. LUS plans for additional distribution improvements to meet the demands from future residential and commercial development as outlined in the CIP.

Capital Improvement Program

The Water System CIP is reviewed, updated, and budgeted annually and is presented below in Table 14.

Table 14
Water System
Capital Improvement Program ^{(1) (2)}

<u>Description</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Production	\$1,530,000	\$2,080,000	\$580,000	\$1,180,000	\$930,000	\$6,300,000
Distribution	<u>1,980,000</u>	<u>860,000</u>	<u>1,735,000</u>	<u>3,335,000</u>	<u>760,000</u>	<u>8,670,000</u>
Total Water	\$3,510,000	\$2,940,000	\$2,315,000	\$4,515,000	\$1,690,000	\$14,970,000

Source: 2018 Proposed Budget.

(1) Amounts are in 2017 dollars.

(2) The Water System projects are expected to be partially funded by future debt.

The Water System CIP contained in the 2018 Proposed Budget totals \$15.0 million and includes building rehabilitation, treatment plant upgrades, and main replacement, upgrades, and extensions. LUS plans to fund the CIP with a combination of cash and future revenue bonds.

Operations and Related Performance

The two water plants are each capable of producing over 20 MGD of treated water and LUS has completed several projects in recent years to improve the distribution system and related pressures. To maintain acceptable system pressure, LUS plans for additional improvements with future residential and commercial growth. LUS operates the two treatment plants for base load water treatment capacity with each plant producing an average of 10 to 12 MGD. The remote wells located at the Gloria Switch and the Commission Boulevard sites are used to supplement the flow at the extremities of the system to improve the pressure and capacity limitations on the distribution system. In 2016, the system average day demand was 21.8 MGD, with a peak-day demand of 26.9 MGD.

The lost and not accounted for water increased from 6.4 percent of total treated water in 2015 to 7.4 percent in 2016. The amount of lost and not accounted for water is within the range of acceptable industry standards of 15 percent. Much of the unaccounted-for water is primarily due to aggressive line flushing for hydrants, and for compliance with the LA DHH Emergency Rule. Responding to insurance requirements, LUS flushes hydrants twice per year. Fire hydrants are required to be tested by Property Insurance Association of Louisiana (“PIAL”) in order to obtain or retain a higher fire insurance rating for the City. In addition, the 2013 LA DHH Emergency Rule was established to protect Water Systems from the effects of the *Naegleria fowleri* amoeba and has resulted in significant increases in flushing due to the requirement to maintain 0.5 milligram per liter (“mg/l”) of free or total chlorine to all extremities of the distribution system.

Security

Based on site visits and discussions with LUS, we learned that the physical security includes the use of fencing, magnetic gates, card swipes, and key pads at critical facilities. LUS security protocols also include employee and contractor background checks, routine training on requirements and policies, and standard entry procedures for all electric facilities.

Environmental Regulatory Compliance and Issues

LUS reports that the water treatment plants and supplemental wells are currently in compliance with all operating permits, and meet all applicable drinking water standards of the Safe Drinking Water Act (“SDWA”). The NWP permit to discharge wastewater associated with the treatment of potable water is current and effective through January 1, 2020, at which point it is automatically renewed. The SWP permit to discharge wastewater from the treatment of potable water, stormwater, and sanitary wastewater is current and effective through December 1, 2019.

In November 2013, an LA DHH Emergency Rule for distribution systems went in to effect (which remains in effect at the time of this Report) requiring all publicly owned water systems to maintain a minimum 0.5 mg/l chlorine residual throughout the piping distribution system. This requirement is based solely on the presence of the deadly *Naegleria fowleri* amoeba, which was detected in two water systems within the State of Louisiana. LA DHH had previously reduced the minimum chlorine residual from 0.2 mg/l to a trace amount, meaning any amount is acceptable, due to the potential of generating cancer-causing agents as a by-product of chlorination. Finally, the Water System has implemented the management and enforcement of 2014 LA DHH regulations for backflow prevention for individual users, which were to become null and void on January 1, 2016. However, these regulations were adopted and enforced by the Louisiana State Uniform Construction Code Council. As the regulations may be re-implemented in future years as an Emergency Rule, LUS continues to maintain its backflow prevention program.

Pursuant to the requirements of the 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 for 2016 shows that the water quality of the Utilities System is well within the regulatory limits established by the U.S. EPA.

Contracts

In addition to the Water System within the City limits, LUS operates and maintains water distribution facilities outside the City limits as a wholesale water provider. Wholesale services are provided in accordance with contracts between LCG and the district customers. LCG has six wholesale contracts serving seven specific customers, including two water districts and five neighboring water systems or cities. These six wholesale contracts include Waterworks District North, Waterworks District South, the City of Scott, the Town of Broussard,

Milton Water System, and the Town of Youngsville. Water service to Waterworks District North customers is billed by LCG in the name of the Waterworks District North consistent with the applicable rate schedules. Both the North and South Water Districts constructed their own additions and extensions according to standards set by LUS.

These wholesale customers represent 28 percent of the total water volume and 26 percent of total water sales revenue in 2016. The wholesale customer portion of total Water System sales volume has remained stable over the past few years; however, the corresponding revenues have increased due to wholesale rate increases.

Each contract is a long-term contract between 25 and 40 years in length, with the exception of the City of Scott and the Town of Broussard. The Town of Broussard contract is set to expire in 2020, while the City of Scott contract will expire in 2022. The Waterworks District North and Waterworks District South contracts expire in 2032 and 2035, respectively. The Milton Water System contract expires in 2037 and the Town of Youngsville contract expires in 2038.

Competition and Benchmarking

LUS' residential and commercial water rates have historically been among the lowest in the state and surrounding region. The following tables compare the average residential and commercial rates for selected water utilities in the region.

**Table 15
Water System
Residential Rate Comparison**

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
LUS ⁽²⁾	\$2.31
Alexandria	\$2.83
Lake Charles	\$3.30
Shreveport	\$3.86
Baton Rouge	\$4.23
New Iberia	\$4.90
New Orleans	\$6.75

Source: LUS. Rates as of July 2017.

(1) Assumes monthly water consumption of 7,000 gallons per month.

(2) Rate increase effective November 1, 2016.

LUS conducted a rate study in 2016, which showed that the Water System rates were insufficiently recovering revenues to cover costs. As a result, Water System retail rates were increased November 1, 2016 by 7.4 percent and will increase again November 1, 2017 by 7.2 percent as approved by LPUA.

Table 16
Water System
Commercial Rate Comparison

<u>Utility</u>	<u>Average</u> <u>\$/1,000 gallons ⁽¹⁾</u>
LUS ⁽²⁾	\$2.71
Alexandria	\$3.07
Shreveport	\$3.78
Baton Rouge	\$3.87
New Iberia	\$4.12
Lake Charles	\$4.15
New Orleans	\$7.31

Source: NewGen. Rates as of July 2017.

(1) Assumes monthly consumption of 30,000 gallons and a 2-inch meter.

(2) Rate increase effective November 1, 2016.

Historical Financial Performance

Current Water System debt service includes the Series 2010 Bonds and Series 2012 Bonds. Table 17 shows historical debt service and the associated DSCR. The DSCR exceeds the minimum coverage requirement of 1.0.

Table 17
Water System
Historical Debt Service Coverage

<u>FY</u>	<u>Operating</u> <u>Revenues ⁽¹⁾</u>	<u>Operating</u> <u>Expenses ⁽²⁾</u>	<u>Net</u> <u>Available</u> <u>Revenues</u>	<u>Debt</u> <u>Service ⁽³⁾</u>	<u>Debt Service</u> <u>Coverage Ratio</u>
2012	\$17,803,423	\$12,136,044	\$5,667,379	\$1,160,387	4.9
2013	17,559,754	11,948,312	5,611,442	1,802,140	3.1
2014	17,783,466	12,950,319	4,833,147	1,809,191	2.7
2015	18,284,817	13,099,239	5,185,577	1,802,076	2.9
2016	\$18,593,541	\$13,761,106	\$4,832,435	\$1,801,748	2.7

Source: LUS Financial and Operating Statements, 2012–2016, audited.

(1) Includes interest income and other miscellaneous revenue.

(2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.

(3) Debt service includes the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds. By 2014, the Series 2004 Bonds were partially refunded and fully redeemed by the Series 2012 Bonds.

Wastewater System Description

As of 2016, LUS provided wastewater services to 44,269 customers. The Wastewater System is comprised of a wastewater collection system, four wastewater treatment plants at various locations throughout the City, and waste sludge management and disposal facilities. The total combined permitted treatment capacity for the four plants is 18.5 MGD. In addition, LUS is responsible for integrating small, community-type package wastewater

treatment plants into the main Wastewater System. These package plants serve subdivisions and rural areas that are not currently in the LUS service area.

Wastewater System collection volumes increased in 2016 by 9.3 percent from 2015 collection volumes. Collection volumes in 2016 are higher than historical collection volumes over the 2012–2015 historical period. The increases to flows are attributed primarily to the frequency of wet weather events during the year in addition to an increase in customers. Historical and Projected Wastewater System collection volumes are shown in Table 18. Future wastewater volumes are projected to increase at an average 1.3 percent over the Projected Period.

Table 18
Wastewater System
Historical and Projected Retail Collection

	<u>Total Retail Collection</u>		
<u>FY</u>	<u>(1,000 gallons)</u>	<u>(MGD)</u>	<u>Growth</u>
Historical			
2012	5,448,397	14.9	5.0%
2013	5,730,473	15.7	5.2%
2014	5,476,065	15.0	(4.4%)
2015	5,734,225	15.7	4.7%
2016	6,267,402	17.1	9.3%
Projected ⁽¹⁾			
2017	5,829,227	16.0	(7.0%)
2018	5,915,563	16.2	1.5%
2019	5,979,128	16.4	1.1%
2020	6,073,409	16.6	1.6%
2021	6,154,353	16.9	1.3%
2022	6,229,022	17.1	1.2%
2023	6,306,812	17.3	1.2%
2024	6,380,194	17.4	1.2%
2025	6,452,973	17.7	1.1%
2026	6,525,909	17.9	1.1%

Source: NewGen and LUS. LUS Financial and Operating Statements, 2012–2016, audited.
Retail collection volumes based on customer growth and historical collection per customer.

Wastewater Treatment

The four main wastewater treatment plants include the South Sewage Treatment Plant (“SSTP”), the East Sewage Treatment Plant (“ESTP”), the Ambassador Caffery Treatment Plant (“ACTP”), and the Northeast Treatment Plant (“NETP”). The SSTP and ESTP are activated sludge facilities with a permitted capacity of 7.0 MGD and 4.0 MGD, respectively. The ACTP is a 6.0 MGD treatment plant that was originally constructed with rotating biological contactors (“RBC”) and an oxidation ditch, but the Sequencing Batch Reactors (“SBR”) has since replaced the RBC process. LUS finds the SBR system to be extremely efficient and flexible by easily processing varying flow ranges. The NETP is an oxidation ditch treatment facility with a 1.5 MGD permitted capacity. The total permitted capacity for the Wastewater System is 18.5 MGD. The total treatment capacity of the Wastewater System, including the plant treatment capacity and storage is 33.5 MGD.

LUS purchased land surrounding the existing SSTP site for future construction of additional retention and treatment facilities to serve growth in the system and the potential addition of packaged plants in the area. The planned expansion will increase the capacity of the SSTP from 7.0 MGD to a total capacity of 12.0 MGD. LUS has prepared engineering plans and begun initial phases of construction for the SSTP expansion project.

Wastewater Collection

The collection system consists of 570 miles of gravity sewer collector pipes and interceptors, 12,313 sanitary sewer manholes, 179 sanitary sewer lift stations, and 89 miles of sewer force mains. As the City area is relatively flat, with little to no elevation relief, the wastewater collection system requires a significant number of lift stations to pump and re-pump wastewater to the four treatment plants. The 179 sanitary sewer lift stations consist of approximately 30 percent Gorman Rupp style suction lift stations, and 60 percent submersible stations of various makes and descriptions.

LUS is also charged with the responsibility of assimilating small, community-type package wastewater treatment plants into the Wastewater System. These package plants are increasingly utilized to serve subdivisions and rural areas that are not currently in the LUS service area. To date, 15 package wastewater treatment plants are now operated and maintained as LUS' Wastewater System infrastructure, with two or three additional package plants likely to be added in 2017. Each of the package plants carries its own discharge permit, and their relatively isolated locations mean that they do not affect LUS capacity as both treatment and discharge are located at the package plant site. Additional packaged plant integration capacity will be provided by the future SSTP and Wastewater System expansions should those service areas be able to be incorporated into the existing collection system.

Capital Improvement Program

The Wastewater System CIP is reviewed, updated, and budgeted annually and is presented below in Table 19.

Table 19
Wastewater System
Capital Improvement Program ^{(1) (2)}

<u>Description</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Treatment	\$24,910,000	\$4,610,000	\$4,460,000	\$680,000	\$1,060,000	\$35,720,000
Collection	<u>5,275,000</u>	<u>6,045,000</u>	<u>1,385,000</u>	<u>1,145,000</u>	<u>1,035,000</u>	<u>14,885,000</u>
Total Wastewater	\$30,185,000	\$10,655,000	\$5,845,000	\$1,825,000	\$2,095,000	\$50,605,000

Source: 2018 Proposed Budget.

(1) Amounts are in 2017 dollars.

(2) The Wastewater System projects are expected to be partially funded by future debt.

The Wastewater System CIP contained in the 2018 Proposed Budget totals \$50.6 million and includes a SSTP expansion, SSTP odor controls, sludge handling improvements, NETP expansion, and digester rehab. LUS started work on the SSTP expansion project. LUS expects to fund future expenses on this project and other wastewater projects with a combination of cash and future revenue bonds.

Operations and Related Performance

In 2016, the average daily wastewater volume treated by the four plants was 7.1 MGD. The average operating volumes treated by the four plants is less than each plant's permitted capacity except ACTP. ACTP's average wastewater flow is at its permitted level of 6.0 MGD. While the flows are at the permitted level, the SBR system at ACTP is capable of treating up to 9.25 MGD as a peak or maximum flow. The ACTP treats wastewater flows above its permitted levels in times of emergency operations or diversions to replace or repair other plant or collection system infrastructure. This situation occurred eight times in 2016. These infrequent periods of flows exceeding ACTP's permitted levels are within the plant's treatment capacity limits and does not inhibit or negatively impact the Wastewater System's operations. It is not uncommon for wastewater utilities to occasionally exceed

permitted discharge limits for brief periods of time during events such as emergency operations, accommodating repairs and replacements in the system, or during excessive precipitation events.

LUS disposes of biosolids, the sludge byproduct of water and wastewater treatment plant operation, to privately owned farmland disposal sites leased by LUS. Waste sludge is transported and applied to privately owned land farms that are under lease to LUS for that purpose. Each of the leased locations is an active farming operation. LUS is required to accommodate their farming activities such as crop and livestock rotation, and access to farming operations during inclement weather. This arrangement makes it necessary for LUS to secure more acreage than is actually required for biosolids disposal. LUS currently leases approximately 2,700 acres for sludge disposal, with year-to-year leases that each include a 30-day notice end-of-lease clause.

LUS has evaluated purchasing and owning land to dispose of the biosolids to eliminate the reliance on the multiple active farm leases, which could be cancelled with 30-day notice. As LUS currently treats biosolids to Class B sludge, disposal requires approximately 300 acres of land.

Security

Based on site visits and discussions with LUS, we learned that the physical security includes the use of fencing, magnetic gates, card swipes, and key pads at critical facilities. LUS security protocols also include employee and contractor background checks, routine training on requirements and policies, and standard entry procedures for all electric facilities.

Environmental Regulatory Compliance and Issues

LUS has environmental compliance and testing staff to provide direct environmental compliance support for the Water and Wastewater Systems. The testing lab is certified by the State of Louisiana to perform the majority of the tests necessary for potable water quality reports and wastewater discharge monitoring reports (“DMR”). All wastewater systems in Louisiana are required to file an annual Municipal Water Pollution Prevention (“MWPP”) audit report for each operating facility. These reports, among other things, compare the design hydraulic and biological treatment capacity of each plant with the actual conditions to identify plant design capacity exceedances. At times, LUS exceeds the design flow capacity at their wastewater treatment plants. Planned improvements to wet-weather holding facilities and head-works facilities will help to alleviate capacity exceedances related to excessive rainfall events.

The Clean Water Act of 1972 (“CWA”) requires all states to participate in the National Pollutant Discharge Elimination System (“NPDES”), and to file DMRs regarding wastewater quality at the point of discharge or introduction into the environment. The Vermilion River is considered oxygen deficient; therefore, LUS must comply with the limitations established for the release of carbonaceous biological oxygen demand (“CBOD”) and ammonia nitrogen (“NH₃”) into the river. Discharge permits were issued to LUS for each operating unit by the LDEQ that reflect the total maximum daily loading (“TMDL”) standards set for the Vermilion River in 2003.

The wastewater discharge permit renewals for all four plants were completed in 2014 and do not expire until 2019. 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. The quality of various discharge parameters of each treatment unit are recorded on DMRs and submitted monthly to LDEQ. The 2016 Discharge Monitoring Reports for the various treatment plants and operating units indicate all operating units were in compliance with NPDES discharge limits, no notices of violation of effluent limits were received, LUS is current with all fees and report submittals, and there were no public complaints received in 2016.

New rules from the U.S. EPA for dental facilities concerning discharges containing Amalgam have been approved. LUS is contacting local facilities regarding types of waste being discharged to issue proper certifications. Enforcement will begin in July 2020.

In April 2017, the U.S. EPA performed a random audit of the LUS sanitary Wastewater System. LUS provided requested documentation, including the wastewater master plan and flow studies. The U.S. EPA toured the four wastewater plants and select lift stations. The U.S. EPA took no issues with the LUS work order system and

process by which wastewater complaints are addressed and repairs made. Although final results are still pending (as of July 2017), LUS expects no major findings with the report.

Contracts

LUS is currently under contract for wastewater O&M for the Grossie Avenue area. This area includes a small number of customers served by a separately owned wastewater collection system. This agreement was made in 1995 via a U.S. Department of Housing and Urban Development grant. Flows from the approximately 50 customers are treated at the ESTP. The 40-year agreement expires in August 2035.

Competition and Benchmarking

LUS’ residential and commercial wastewater rates are similar to and competitive with the utilities benchmarked in the state and surrounding region. The following tables compare the average residential and commercial rates for selected wastewater utilities in the region.

**Table 20
Wastewater System
Residential Rate Comparison**

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
Alexandria	\$2.76
Lake Charles	\$4.33
Baton Rouge	\$5.80
LUS ⁽²⁾	\$6.71
Shreveport	\$8.68
New Orleans	\$8.97

Source: LUS. Rates as of July 2017.

(1) Assumes monthly water consumption of 7,000 gallons per month.

(2) Rate increase effective November 1, 2016.

LUS conducted a rate study in 2016, which showed that the Wastewater System rates were insufficiently recovering revenues to cover costs. As a result, Wastewater System rates were increased November 1, 2016 by 6.1 percent and will increase again November 1, 2017 by 5.7 percent as approved by LPUA.

Table 21
Wastewater System
Commercial Rate Comparison

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
Alexandria	\$2.41
Lake Charles	\$3.88
LUS ⁽²⁾	\$6.44
Baton Rouge	\$7.35
Shreveport	\$8.13
New Orleans	\$9.90

Source: NewGen. Rates as of July 2017.

(1) Assumes monthly consumption of 30,000 gallons and a 20-inch meter.

(2) Rate increase effective November 1, 2016.

Historical Financial Performance

Current Wastewater System debt service includes the Series 1996 Bonds, Series 2010 Bonds, and Series 2012 Bonds. Table 22 shows historical debt service and the associated DSCR. The DSCR exceeds the minimum coverage requirement of 1.0.

Table 22
Wastewater System
Historical Debt Service Coverage

<u>FY</u>	<u>Operating Revenues ⁽¹⁾</u>	<u>Operating Expenses ⁽²⁾</u>	<u>Net Available Revenues</u>	<u>Debt Service ⁽³⁾</u>	<u>Debt Service Coverage Ratio</u>
2012	\$29,313,577	\$16,144,199	\$13,169,378	\$3,411,437	3.9
2013	28,893,980	16,305,244	12,588,736	4,617,384	2.7
2014	28,735,575	17,428,365	11,307,211	4,672,103	2.4
2015	29,119,216	17,566,682	11,552,534	4,621,420	2.5
2016	\$29,144,574	\$18,295,151	\$10,849,422	\$4,619,524	2.3

Source: LUS Financial and Operating Statements, 2012–2016, audited.

(1) Includes interest income and other miscellaneous revenue.

(2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.

(3) Debt service includes the Series 1996 Bonds, the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds. By 2014, the Series 2004 Bonds were partially refunded and fully redeemed by the Series 2012 Bonds.

Projected Operating Results

This section contains forward looking financial statements based on NewGen’s current expectations and projections about future events and financial trends regarding the Utilities System. Projections as contained herein reflect estimates of what might occur in the future based on the information available to NewGen as of the date of this Report. NewGen cannot predict the future or guarantee future financial performance of the Utilities System. To the extent that assumptions used in these projections vary from those actually observed, financial performance as presented herein will vary from actual performance. NewGen prepared a 10-year projection of financial and operating data for each of the Electric, Water, and Wastewater Systems. Projections were based on NewGen’s review of

historical operating results, the 2017 Approved Budget, 2018 Proposed Budget, visual observations of the Utilities System assets, and other assumptions and considerations as listed in the Report. The projections prepared by NewGen are for the Projected Period of November 1, 2016 through October 31, 2026. LUS provided actual historical data for 2012 through 2016.

Information and Assumptions Relied Upon

The projected operating results for the Utilities System rely upon the following information and assumptions gathered in the course of our review.

1. NewGen assumed LUS will operate and maintain the Utilities System following prudent utility practices. Prudent utility practices mean practices, methods, and acts that would be expected to accomplish the desired results in a workmanlike manner consistent with applicable laws and other government requirements and reliability, safety, and environmental protection.
2. NewGen assumed LUS will hire and maintain competent personnel. If needed, LUS will provide training to personnel to ensure the safety of personnel and reliability of the utility.
3. NewGen assumed LUS will maintain and renew any required permits or approvals related to the utility including electric, water, and wastewater treatment plants and sites.
4. NewGen assumed there will not be further regulation of LUS facilities that require major capital expenditures for LUS to be in compliance.
5. NewGen assumed the Rodemacher Unit 2, Hargis-Hébert Plant, T.J. Labbé Plant, and the proposed reciprocating engines at the Doc Bonin site will be maintained and operated in good condition throughout the Projected Period.
6. NewGen assumed the water treatment plants, ground water wells, and system will be maintained and operated in good condition throughout the Projected Period.
7. NewGen assumed the wastewater treatment plants and system will be maintained and operated in good condition throughout the Projected Period.
8. NewGen assumed that all existing contracts will be honored.
9. NewGen assumed standard operating procedure for LUS and did not include the effects of any event outside of LUS' control including force majeure.
10. NewGen assumed LUS will have adequate coal, natural gas, and water supply for operation of the power plants.
11. NewGen assumed LUS will have adequate water supply from the Chicot aquifer to meet the customers' needs.
12. NewGen assumed that LUS will continue to be a market participant in MISO including providing capacity and meeting all other operational and financial requirements.
13. NewGen assumed adequate transmission access in MISO to buy and sell power as needed.
14. Utilities System financial and operating data was provided by LUS, LCG, LPPA, interviews with LUS, LCG, and Cleco staff, and visual observations of the Utilities System facilities. Data provided by LUS, LCG, LPPA, and Cleco includes historical financial and operating data for 2012–2016, 2017 Approved Budget, 2018 Proposed Budget, and an LPPA Operating and Capital Budget. Raymond James & Associates, Inc. provided the bond refunding analysis.

15. NewGen relied upon an hourly dispatch model provided by ACES Power LLC. Using this forecast, assumptions pertaining to the dispatch of LUS' generating units were developed. The model projected MISO market purchases, MISO market sales, LUS fuel costs associated with Rodemacher Unit 2, Hargis-Hébert Plant, T.J. Labbé Plant, and the proposed reciprocating engines at the Doc Bonin site. The structure of LUS' electric rates enable the direct pass through of MISO power supply costs, LUS fuel costs, environmental, and other eligible costs directly to customers.
16. Future costs associated with emissions or potential environmental compliance have not been included in the projected operating results. The implementation and financial impacts of the CPP are evolving and currently unknown. The Projected Period does not include any capital or debt associated with compliance with the CPP. All operating expenses associated with environmental compliance are included in the Fuel Charge ("FC") and passed through to customers.
17. NewGen relied upon the most recent semi-annual Blue Chip Economic Indicator projection of gross domestic product ("GDP"), dated March 2017. The GDP was used to escalate O&M expenses and capital. Per the Blue Chip forecast, the GDP is projected to be 2.1 percent over the Projected Period.
18. NewGen relied upon the most recent semi-annual Blue Chip Economic Indicator dated March 2017, projection of 3-month Treasury Bill, for short-term and long-term investments.
19. Projected interest costs associated with future Utilities System bonds were assumed to be 5 percent. NewGen assumed that future bond terms are 30-years with levelized annual debt service.

Important Assumptions Impacting Utilities System Projected Operating Results

Although there are many variables that influence the Utilities System projected operating results, a few key variables have an important influence on the financial integrity of the systems. These variables include growth in:

- Electric and water sales
- Adequacy of rates and rate structure
- Capital additions and improvements associated with the Utilities System

Sustained growth in electric and water sales reduces the frequency of rate increases and provides an increasing revenue stream. The Electric System rate structure includes base rates and a monthly FC. The FC continues on a month-to-month basis until which time the Utilities Director determines that eligible costs warrant an adjustment to the current charge. The FC passes fuel, purchased power, environmental, and other eligible costs directly to customers. This mechanism protects LUS from the financial risk associated with unforeseen and potentially detrimental volatility in power costs that may be associated with the MISO market.

The Utilities System is capital intensive. Each system must be maintained and expanded to meet customer growth, increasing demands, and applicable regulations. This ensures a high-level of reliability.

Revenue Projection

Historically, electric and water sales have shown steady growth as described earlier in this Report. Projected operating results assume that electric retail sales will grow at an average annual rate of approximately 1.4 percent over the Projected Period. Water retail sales project growth at an average annual rate of approximately 1.3 percent, and wholesale sales project growth at an average annual rate of approximately 0.8 percent over the Projected Period. The wholesale sales projection assumes the loss of one wholesale customer in 2020. The

discontinued water wholesale customer represents less than 3 percent of the Water System’s revenues. Wastewater sales are a function of water retail sales.

The revenue projection assumes periodic rate increases as indicated in Tables 23, 24, and 25. Rate increases are required to meet system operating costs, debt service coverage, capital planning requirements, the ILOT test, and minimum cash reserve requirements.

Table 23
Electric System
Projected Electric Retail Sales and Revenues

<u>FY</u>	<u>Retail Sale (MWh) ⁽¹⁾</u>	<u>Retail Sales: Base Rate Revenue ⁽²⁾</u>	<u>Retail Sales: FC Revenue</u>	<u>Other Revenue</u>	<u>Total Operating Revenues</u>	<u>Electric Base Rate Increase</u>
2017	2,025,598	\$96,468,410	\$84,811,773	\$5,106,660	\$186,386,843	6.0%
2018	2,112,391	107,316,511	74,968,769	5,403,706	187,688,987	6.0%
2019	2,134,899	108,352,247	83,495,919	5,675,701	197,523,868	0.0%
2020	2,157,185	109,367,166	87,365,974	5,624,047	202,357,187	0.0%
2021	2,179,087	110,920,032	84,308,861	5,497,261	200,726,154	0.5%
2022	2,201,045	112,497,232	83,815,805	5,684,918	201,997,955	0.5%
2023	2,223,307	114,105,035	86,108,693	5,912,190	206,125,918	0.5%
2024	2,245,971	115,745,318	88,289,113	6,057,122	210,091,553	0.5%
2025	2,268,977	117,416,996	92,120,468	6,113,682	215,651,146	0.5%
2026	2,292,284	\$119,118,861	\$95,840,413	\$6,167,770	\$221,127,045	0.5%

Source: NewGen and LUS.

(1) Electric System projections based on Load Forecast developed by Burns & McDonnell.

(2) Base Rate Revenue projections reflect revenue from customer, energy, and demand charges by customer class.

The FC revenue, as shown in Table 24, includes the following items: MISO market purchases less market sales, a portion of purchased power related transmission costs, LPPA fuel and fuel handling costs, LPPA reagent costs, LPPA MATS O&M costs, LPPA debt service associated with the rail cars, LPPA debt service associated with the MATS project, LUS fuel costs, hydro purchased power costs, capacity contract costs, and TEA costs.

Table 24
Water System
Projected Retail and Wholesale Sales and Revenues

FY	Retail Sales (1,000 gallons) ⁽¹⁾	Wholesale Sales (1,000 gallons) ⁽²⁾	Retail Sales Revenue	Wholesale Sales Revenue	Other Revenue	Total Operating Revenues	Water Retail Rate Increase ⁽³⁾
2017	5,561,158	2,284,935	\$14,514,622	\$5,568,958	\$554,267	\$20,637,846	7.4%
2018	5,640,618	2,373,181	15,793,730	5,873,484	527,501	22,194,715	7.2%
2019	5,719,348	2,326,794	16,014,176	5,768,741	585,769	22,368,686	0.0%
2020	5,798,246	2,318,548	16,235,088	5,754,200	642,994	22,632,282	0.0%
2021	5,876,921	2,176,418	16,631,686	5,650,432	679,425	22,961,543	1.0%
2022	5,951,135	2,229,114	17,020,246	5,830,703	705,215	23,556,164	1.0%
2023	6,023,012	2,283,249	17,406,504	6,220,380	715,540	24,342,425	1.0%
2024	6,093,745	2,338,862	17,793,736	6,419,713	738,383	24,951,832	1.0%
2025	6,163,649	2,395,995	18,182,764	6,849,685	751,364	25,783,813	1.0%
2026	6,232,827	2,454,694	\$18,573,824	\$7,070,135	\$734,124	\$26,378,082	1.0%

Source: NewGen and LUS.

(1) Retail Sales projections based on customer growth and historical usage per customer.

(2) Wholesale sales volumes were based on specific growth forecasts for wholesale customers. The decrease in Wholesale Sales reflects discontinued service to a wholesale customer.

(3) Water Wholesale rate increases are 5 percent in each of the years 2021, 2023, and 2025.

Table 25
Wastewater System
Projected Retail Collection and Revenues

FY	Retail Collection (1,000 gallons) ⁽¹⁾	Retail Sales Revenue	Other Revenue	Total Operating Revenue	Wastewater Rate Increase
2017	5,829,227	\$31,023,160	\$661,921	\$31,685,081	6.1%
2018	5,915,563	33,296,265	695,478	33,991,743	5.7%
2019	5,979,128	33,654,043	802,262	34,456,306	0.0%
2020	6,073,409	34,184,713	797,808	34,982,521	0.0%
2021	6,154,353	34,978,978	823,874	35,802,852	1.0%
2022	6,229,022	35,746,140	890,996	36,637,136	1.0%
2023	6,306,812	36,539,602	889,807	37,429,408	1.0%
2024	6,380,194	37,315,843	934,873	38,250,716	1.0%
2025	6,452,973	38,096,598	1,030,256	39,126,854	1.0%
2026	6,525,909	\$38,937,599	\$1,018,731	\$39,956,330	1.0%

Source: NewGen and LUS.

(1) Retail collection volumes based on customer growth and historical collection per customer.

Table 26 summarizes the combined revenues of the Electric, Water, and Wastewater Systems.

**Table 26
Utilities System
Operating Revenues**

<u>FY</u>	<u>Total Operating Revenues ⁽¹⁾</u>
2017	\$238,709,770
2018	243,875,445
2019	254,348,859
2020	259,971,990
2021	259,490,549
2022	262,191,255
2023	267,897,751
2024	273,294,101
2025	280,561,813
2026	\$287,461,457

(1) Total Operating Revenues include revenue from base rates, fuel adjustment charges, interest income, and other miscellaneous revenues.

Expense Projection

The Utilities System’s largest expenses are related to purchased power and the power generation function. NewGen relied upon an hourly dispatch model provided by ACES Power LLC. Using this forecast, assumptions pertaining to the dispatch of LUS’ generating units were developed. The model projected MISO market purchases, MISO market sales, and LUS fuel costs associated with Rodemacher Unit 2, T.J. Labbé Plant, Hargis-Hébert Plant, and the proposed reciprocating engines at the Doc Bonin site.

The structure of LUS’ electric rates and the FC enable the direct pass through of MISO power supply costs, eligible LPPA costs, environmental, and other eligible costs and credits to customers. The Utilities Director may adjust the FC monthly to ensure that the charge adequately recovers eligible costs as closely as possible. LPPA fuel and fuel handling costs, reagent costs, MATS O&M costs, debt service associated with the rail cars, and debt service associated with the MATS project are included in the FC calculation. Over the Projected Period, approximately 86 percent of LPPA debt service is passed through the FC. Electric System base rates recover the remaining LPPA debt service obligation.

Other Electric System operating expenses include transmission, distribution, customer service, and A&G expenses. Water System operating expenses include production, distribution, customer service, and A&G expenses. Water production is the largest expense for the Water System. Wastewater System operating expenses include treatment, collection, customer service, and A&G expenses. Wastewater treatment is the largest expense for the Wastewater System.

As a result of these assumptions, Tables 27, 28, and 29 summarize the Electric, Water, and Wastewater Systems’ expense projections.

Table 27
Electric System
Projected Operating Expenses

<u>FY</u>	<u>Production</u>	<u>Transmission</u>	<u>Distribution</u>	<u>Customer Accounts Service & Sales</u>	<u>Administrative & General</u>	<u>Total Operating Expenses</u> ⁽¹⁾
2017	\$105,766,016	\$8,637,055	\$12,157,179	\$2,954,635	\$11,688,071	\$141,202,958
2018	95,084,068	8,484,726	12,542,480	3,028,770	11,933,521	131,073,565
2019	96,028,211	12,472,093	12,805,872	3,105,067	12,184,125	136,595,368
2020	105,051,808	13,078,801	13,074,795	3,183,600	12,439,992	146,828,996
2021	103,205,943	12,402,637	13,349,366	3,264,448	12,701,231	144,923,625
2022	100,192,061	7,433,612	13,629,703	3,347,694	12,967,957	137,571,026
2023	102,955,947	7,491,257	13,915,926	3,433,423	13,240,284	141,036,837
2024	105,663,603	7,576,409	14,208,161	3,521,724	13,518,330	144,488,226
2025	110,035,681	7,605,072	14,506,532	3,612,689	13,802,215	149,562,189
2026	\$114,259,855	\$7,634,853	\$14,811,169	\$3,706,414	\$14,092,062	\$154,504,353

Source: NewGen and LUS.

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Table 28
Water System
Projected Operating Expenses

<u>FY</u>	<u>Production</u>	<u>Distribution</u>	<u>Customer Accounting, Collecting Service and Information</u>	<u>Administrative & General</u>	<u>Total Operating Expenses</u> ⁽¹⁾
2017	\$5,711,102	\$2,595,550	\$1,164,381	\$4,770,178	\$14,241,211
2018	5,883,082	2,653,914	1,191,952	4,870,352	14,599,299
2019	6,039,920	2,713,548	1,220,258	4,972,629	14,946,355
2020	6,206,269	2,774,524	1,249,323	5,077,055	15,307,171
2021	6,301,123	2,836,854	1,279,170	5,183,673	15,600,819
2022	6,492,649	2,900,342	1,309,824	5,292,530	15,995,345
2023	6,695,939	2,965,120	1,341,312	5,403,673	16,406,045
2024	6,905,003	3,031,277	1,373,659	5,517,150	16,827,090
2025	7,124,372	3,098,859	1,406,896	5,633,010	17,263,137
2026	\$7,350,191	\$3,167,900	\$1,441,049	\$5,751,303	\$17,710,444

Source: NewGen and LUS.

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

**Table 29
Wastewater System
Projected Operating Expenses**

<u>FY</u>	<u>Treatment</u>	<u>Collection</u>	<u>Customer Accounting, Collecting, Service and Information</u>	<u>Administrative & General</u>	<u>Total Operating Expenses ⁽¹⁾</u>
2017	\$6,991,678	\$4,561,873	\$1,367,333	\$5,760,683	\$18,681,567
2018	7,109,612	4,626,538	1,400,336	5,881,658	19,018,143
2019	7,285,106	4,746,312	1,434,247	6,005,172	19,470,837
2020	7,453,480	4,854,457	1,469,095	6,131,281	19,908,313
2021	7,598,847	4,941,970	1,504,911	6,260,038	20,305,765
2022	7,755,589	5,040,075	1,541,728	6,391,499	20,728,891
2023	7,926,826	5,150,167	1,579,578	6,525,720	21,182,292
2024	8,099,987	5,261,726	1,618,497	6,662,760	21,642,970
2025	8,282,676	5,381,388	1,658,521	6,802,678	22,125,263
2026	\$8,468,523	\$5,503,036	\$1,699,687	\$6,945,534	\$22,616,780

Source: NewGen and LUS.

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Debt Service

Current Utilities System debt service includes payments of principal and interest on the Series 1996 Bonds, Series 2010 Bonds, and Series 2012 Bonds. New debt service assumes and includes debt service on bond issues in years 2017, 2018, 2019, and 2024. Projected operating results assume future bond issues to fund a portion of the Utilities System capital requirements.

According to the PSC, the LPPA costs are passed to LUS as purchased power costs, which are considered operating expenses. As a result of being defined as operating expenses, the LPPA expenses have priority over LUS debt. If a Communications System Credit Event (e.g., Communications System inability to make debt service payments) occurs, bond covenants require that the Utilities System meet the credit obligation of the Communications System with funds available in the Utilities System Capital Additions Fund after LUS met its debt service requirements.

Tables 30, 31, 32, and 33 show projected debt service for each system and the Utilities System and the associated DSCR. The DSCR ratio exceeds the minimum coverage requirement of 1.0 required by the bond ordinance.

The unaudited LUS Financial and Operating Statements for year-to-date through May 2017, indicate that the Net Available Revenues are aligned with the projections in this Report.

Table 30
Electric System
Projected Debt Service Coverage

<u>FY</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Available Revenues</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2017	\$186,386,843	\$141,202,958	\$45,183,885	\$16,503,813	2.7
2018	187,688,987	131,073,565	56,615,422	20,360,375	2.8
2019	197,523,868	136,595,368	60,928,500	26,874,402	2.3
2020	202,357,187	146,828,996	55,528,190	26,909,965	2.1
2021	200,726,154	144,923,625	55,802,529	26,705,840	2.1
2022	201,997,955	137,571,026	64,426,929	26,705,995	2.4
2023	206,125,918	141,036,837	65,089,081	26,711,382	2.4
2024	210,091,553	144,488,226	65,603,327	26,713,546	2.5
2025	215,651,146	149,562,189	66,088,956	26,716,647	2.5
2026	\$221,127,045	\$154,504,353	\$66,622,692	\$26,726,630	2.5

Source: NewGen and LUS.

- (1) Includes interest income and other miscellaneous revenue.
- (2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.
- (3) Debt service includes the Series 2010 Bonds, the Series 2012 Bonds, Series 2017 Bonds, and proposed bond issuances in years 2018 and 2019. By 2020, the Series 2010 Bonds will be fully redeemed by the proceeds of the Series 2017 Bonds.

Table 31
Water System
Projected Debt Service Coverage

<u>FY</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Available Revenues</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2017	\$20,637,846	\$14,241,211	\$6,396,636	\$1,802,861	3.5
2018	22,194,715	14,599,299	7,595,416	2,293,718	3.3
2019	22,368,686	14,946,355	7,422,330	2,864,218	2.6
2020	22,632,282	15,307,171	7,325,111	2,867,327	2.6
2021	22,961,543	15,600,819	7,360,724	2,773,555	2.7
2022	23,556,164	15,995,345	7,560,819	2,772,883	2.7
2023	24,342,425	16,406,045	7,936,380	2,773,151	2.9
2024	24,951,832	16,827,090	8,124,742	2,997,264	2.7
2025	25,783,813	17,263,137	8,520,676	3,000,432	2.8
2026	\$26,378,082	\$17,710,444	\$8,667,639	\$3,001,575	2.9

Source: NewGen and LUS.

- (1) Includes interest income and other miscellaneous revenue.
- (2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.
- (3) Debt service includes the Series 2010 Bonds, the Series 2012 Bonds, Series 2017 Bonds, and proposed bond issuances in years 2018, 2019, and 2024. By 2020, the Series 2010 Bonds will be fully redeemed by the proceeds of the Series 2017 Bonds.

**Table 32
Wastewater System
Projected Debt Service Coverage**

FY	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenues	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2017	\$31,685,081	\$18,681,567	\$13,003,514	\$4,622,124	2.8
2018	33,991,743	19,018,143	14,973,600	5,832,114	2.6
2019	34,456,306	19,470,837	14,985,468	5,850,150	2.6
2020	34,982,521	19,908,313	15,074,208	5,850,354	2.6
2021	35,802,852	20,305,765	15,497,087	5,765,485	2.7
2022	36,637,136	20,728,891	15,908,245	5,765,212	2.8
2023	37,429,408	21,182,292	16,247,117	5,766,252	2.8
2024	38,250,716	21,642,970	16,607,746	6,738,765	2.5
2025	39,126,854	22,125,263	17,001,591	6,747,110	2.5
2026	\$39,956,330	\$22,616,780	\$17,339,550	\$6,749,669	2.6

Source: NewGen and LUS.

- (1) Includes interest income and other miscellaneous income.
- (2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.
- (3) Debt service includes the Series 2010 Bonds, the Series 2012 Bonds, Series 2017 Bonds, and proposed bond issuances in years 2018, 2019, and 2024. By 2020, the Series 2010 Bonds will be fully redeemed by the proceeds of the Series 2017 Bonds.

**Table 33
Utilities System
Projected Debt Service Coverage**

FY	Operating Revenues ⁽¹⁾	Operating Expenses	Net Available Revenues for Debt Service	Debt Service ⁽²⁾	Debt Service Coverage Ratio
2017	\$238,709,770	\$174,125,735	\$64,584,035	\$22,928,798	2.8
2018	243,875,445	164,691,008	79,184,437	28,486,207	2.8
2019	254,348,859	171,012,560	83,336,299	35,588,769	2.3
2020	259,971,990	182,044,480	77,927,510	35,627,646	2.2
2021	259,490,549	180,830,210	78,660,339	35,244,881	2.2
2022	262,191,255	174,295,262	87,895,992	35,244,090	2.5
2023	267,897,751	178,625,174	89,272,577	35,250,784	2.5
2024	273,294,101	182,958,286	90,335,815	36,449,575	2.5
2025	280,561,813	188,950,589	91,611,224	36,464,188	2.5
2026	\$287,461,457	\$194,831,577	\$92,629,881	\$36,477,875	2.5

Source: NewGen and LUS.

- (1) Includes interest income and other miscellaneous revenue.
- (2) Operating expenses include O&M and other expenses such as customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.
- (3) Debt service includes the Series 2010 Bonds, the Series 2012 Bonds, Series 2017 Bonds, and proposed bond issuances in years 2018, 2019, and 2024. By 2020, the Series 2010 Bonds will be fully redeemed by the proceeds of the Series 2017 Bonds.

Other Expenses

Other expense items include ILOT, normal capital and special equipment, and other miscellaneous expenses. Normal capital and special equipment expenses are projected based on historical data.

The Utilities System ILOT calculation provides for an ILOT payment of up to 12 percent of the Receipts Fund deposits. Receipt Fund deposits include all revenues with the exception of income received from the sale of assets and charges between divisions of the Utilities System.

To be eligible to make the ILOT payment, the Utilities System must first pass an ILOT test. The ILOT test ensures that the Utilities System retains sufficient cash to meet capital obligations. If cash available after payment of operating expenses and debt service less 7.5 percent of the Non-fuel Revenues is greater than 12 percent of the Non-fuel Revenues, the Utilities System passes the test and makes the ILOT payment to the City. The Non-fuel Revenues are Gross Receipts less fuel costs and other miscellaneous items. Should the Utilities System fail the ILOT test, the Utilities System pays an amount equal to the amount of cash available after debt service less 7.5 percent of the Non-fuel Revenues.

Tables 34, 35, and 36 summarize Utilities System Other Expenses for the Projected Period.

**Table 34
Electric System
Projected Other Expenses**

<u>FY</u>	<u>ILOT</u>	<u>Normal Capital & Special Equipment</u>	<u>Other Expenses (Revenues) ⁽¹⁾</u>	<u>Total Other Expenses</u>
2017	\$16,418,392	\$5,303,620	(\$688,716)	\$21,033,296
2018	17,056,221	5,626,250	(1,130,350)	21,552,121
2019	18,402,906	6,122,453	(461,649)	24,063,711
2020	18,556,336	6,251,025	(703,821)	24,103,540
2021	18,672,333	6,382,297	(722,178)	24,332,452
2022	18,848,864	6,516,325	(744,149)	24,621,040
2023	19,064,160	6,653,168	(763,827)	24,953,500
2024	19,285,900	6,792,884	(5,835,147)	20,243,637
2025	19,501,931	6,935,535	(820,531)	25,616,935
2026	\$19,710,089	\$7,081,181	(\$846,786)	\$25,944,484

Source: NewGen and LUS.

(1) Other Expenses include interest on customer deposits, tax collections/non-operating, and other miscellaneous non-operating expenses. Other Revenues include contribution in aid of construction, communications lease income, and miscellaneous non-operating revenues.

Table 35
Water System
Projected Other Expenses

<u>FY</u>	<u>ILOT</u>	<u>Normal Capital & Special Equipment</u>	<u>Other Expenses (Revenues) ⁽¹⁾</u>	<u>Total Other Expenses</u>
2017	\$2,091,759	\$2,231,150	(\$288,074)	\$4,034,836
2018	2,319,917	2,479,670	(314,947)	4,484,639
2019	2,501,277	1,719,058	(285,920)	3,934,415
2020	2,519,818	1,755,158	(280,732)	3,994,244
2021	2,549,095	1,792,016	(283,627)	4,057,484
2022	2,578,714	1,829,649	(285,092)	4,123,270
2023	2,645,994	1,868,071	(288,818)	4,225,247
2024	2,729,601	1,907,301	(712,085)	3,924,817
2025	2,798,316	1,947,354	(299,645)	4,446,024
2026	\$2,886,484	\$1,988,249	(\$302,185)	\$4,572,547

Source: NewGen and LUS.

(1) Other Expenses include interest on customer deposits, tax collections/non-operating, and other miscellaneous non-operating expenses. Other Revenues include water tapping fees, contribution in aid of construction, communications lease income, and miscellaneous non-operating revenues.

Table 36
Wastewater System
Projected Other Expenses

<u>FY</u>	<u>ILOT</u>	<u>Normal Capital & Special Equipment</u>	<u>Other Expenses (Revenues) ⁽¹⁾</u>	<u>Total Other Expenses</u>
2017	\$3,511,485	\$2,090,200	(\$266,697)	\$5,334,987
2018	3,817,191	2,343,200	(254,047)	5,906,344
2019	4,094,718	1,611,244	(259,562)	5,446,399
2020	4,151,397	1,645,080	(252,558)	5,543,919
2021	4,215,522	1,679,626	(257,285)	5,637,863
2022	4,314,960	1,714,899	(260,374)	5,769,484
2023	4,416,124	1,750,911	(264,052)	5,902,984
2024	4,512,301	1,787,681	(507,713)	5,792,269
2025	4,612,018	1,825,222	(252,402)	6,184,838
2026	\$4,718,375	\$1,863,552	(\$252,432)	\$6,329,494

Source: NewGen and LUS.

(1) Other Expenses include interest on customer deposits, tax collections/non-operating, and other miscellaneous non-operating expenses. Other Revenues include contribution in aid of construction, communications lease income, and miscellaneous non-operating revenues.

Capital Improvement Program

During the Projected Period, the Utilities System CIP reflects capital projects designed to upgrade, renew, and expand the system to meet customer growth requirements. Table 37 represents the Utilities System CIP.

Over the Projected Period, approximately 41 percent of the Utilities System CIP is funded from cash available in the Capital Additions Fund and 59 percent from new debt.

Table 37
Utilities System
Projected Capital Improvement Program ^{(1) (2)}

<u>FY</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total Capital Program</u>
2017	\$8,370,500	\$3,520,000	\$2,245,000	\$14,135,500
2018	52,873,506	3,583,710	30,818,885	87,276,101
2019	115,226,216	3,064,777	11,107,209	129,398,201
2020	12,000,346	2,463,929	6,221,022	20,685,297
2021	7,688,284	4,906,375	1,983,197	14,577,856
2022	1,192,716	1,875,061	2,324,410	5,392,187
2023	13,593,638	2,265,606	7,363,221	23,222,465
2024	13,879,104	2,313,184	7,517,848	23,710,137
2025	14,170,566	2,361,761	7,675,723	24,208,049
2026	\$14,468,147	\$2,411,358	\$7,836,913	\$24,716,418

Source: NewGen and LUS.

(1) Amounts are in nominal dollars.

(2) The projected operating results assume the CIP is partially funded by deposits of \$100,000,000, \$100,000,000, \$11,000,000 in years 2018, 2019, and 2024, respectively from bond issues.

Bond Reserve Fund and Cash Available

Cash available reflects remaining funds available to the Utilities System once all other credit obligations of the Utilities System are satisfied. For the Utilities System, LUS has established a financial objective that requires a minimum cash balance of \$8,000,000 to be held in the Operation and Maintenance Fund. The Operation and Maintenance Fund resides in the Operating Fund providing a cash reserve to meet system O&M expense requirements. Once O&M expense requirements and debt service obligations are met by LUS, accumulated cash balances are transferred to a Capital Additions Fund and such amounts are applied to capital projects or other lawful uses. The Projected Period assumes that capital additions for the Utilities System will be paid with a combination of cash balances available in the Capital Additions Fund and new debt.

As a result of these assumptions, Table 38 shows the projected Utilities System fund balances.

Table 38
Utilities System
Projected Reserves and Cash Available Balance

FY	Reserve Fund – Bond Reserve Fund Balance (Restricted) ⁽¹⁾	Operating Fund – Operation and Maintenance Fund – Available Cash Balance (Unrestricted) ⁽²⁾	Capital Additions Fund – Available Cash Balance (Unrestricted) ⁽³⁾	Total Available Cash Balance (Unrestricted)
2017	\$18,798,239	\$8,000,000	\$27,550,466	\$35,550,466
2018	20,060,639	8,000,000	52,616,914	60,616,914
2019	27,701,201	8,000,000	42,103,762	50,103,762
2020	27,701,201	8,000,000	34,179,778	42,179,778
2021	27,701,201	8,000,000	35,503,570	43,503,570
2022	27,701,201	8,000,000	51,796,470	59,796,470
2023	27,701,201	8,000,000	49,985,924	57,985,924
2024	21,990,604	8,000,000	61,840,685	69,840,685
2025	21,990,604	8,000,000	64,760,423	72,760,423
2026	\$21,990,604	\$8,000,000	\$61,305,393	\$69,305,393

Source: NewGen and LUS.

- (1) A Bond Reserve Fund is required for the existing Series 2010 Bonds, and Series 2012 Bonds under the bond ordinance. The 2017 reserve fund balance represents an adjustment for the Series 2017 Bonds. Projected bond issues in years 2018, 2019, and 2024 may require bond reserve adjustments under the bond ordinance, which reserve deposits are assumed to be funded with bond monies.
- (2) The Operation and Maintenance Fund goal for the Utilities System is \$8,000,000.
- (3) The cash available represents the annual balance and accrual of cash margins from operations.

The complete Utilities System Projected Operating Results with detailed footnotes can be found in Exhibit B-1 at the end of this Report.

LPPA

LPPA is a political subdivision specifically created to finance electric generating facilities in order to provide power to the City’s Electric System. LPPA owns a 50 percent share of a coal fired generating unit. LPPA provides the output of the generating facility by way of wholesale power sales to LUS.

Rodemacher Unit 2 is a 523 MW coal-fired generating station located at the Brame Energy Center near Boyce, Louisiana. The Joint Owners share the output of Rodemacher Unit 2 based on the relative ownership percentages. LPPA’s ownership share of Rodemacher Unit 2 is 261.5 MW of capacity and the related energy output.

LPPA agrees to sell and the City agrees to purchase 100 percent of LPPA’s share of the capacity and energy produced by Rodemacher Unit 2. According to the PSC, the LPPA costs are passed to LUS as purchased power costs, which are considered operating expenses. As a result of being defined as operating expenses, the LPPA expenses have priority over LUS debt. These contractual terms provide a higher level of security on the LPPA debt service than if the City had issued the debt.

As Table 39 shows, the projected DSCR exceeds the minimum requirement of 1.0. The Operating Revenues are provided exclusively from LUS and generally equal Operating Costs. To the extent that debt service coverage is greater than 1.0, any available cash is applied to capital improvement projects.

Table 39
LPPA
Projected Debt Service Coverage

FY	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenues	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2017	\$55,116,117	\$46,117,186	\$8,998,931	\$6,926,306	1.3
2018	57,590,120	48,196,301	9,393,819	6,916,606	1.4
2019	55,158,757	45,569,466	9,589,290	6,916,206	1.4
2020	57,031,123	45,012,308	12,018,816	6,922,456	1.7
2021	60,073,389	44,647,983	15,425,407	6,916,306	2.2
2022	57,602,876	47,112,846	10,490,030	6,925,156	1.5
2023	58,255,205	47,684,664	10,570,541	6,919,406	1.5
2024	60,112,964	49,466,736	10,646,228	6,926,406	1.5
2025	62,173,326	51,439,726	10,733,600	6,923,856	1.6
2026	\$65,235,741	\$54,402,581	\$10,833,160	\$6,931,606	1.6

Source: NewGen, LPPA, and Cleco.

(1) Revenues received from LUS.

(2) Operating expenses do not include capital.

(3) Includes the Series 2007 Bonds, Series 2012 Bonds, and Series 2015 Bonds debt service. The Series 2007 Bonds final payment is due November 1, 2017.

COMMUNICATIONS SYSTEM

The Communications System, also known as LUS Fiber, operates a 100 percent fiber optic system, which provides video, Internet, and telephone services to residential and business customers within the City limits. The Communications System provides services to over 20,000 customers, who can choose to purchase any, or all, of the Communications System’s triple-play services of CATV, Internet, or phone. These services are in competition with regional and national data, and communications providers including Cox Communications, Dish, and AT&T/DirecTV.

The fiber optic system began in 1998 with bulk fiber serving the Electric System’s supervisory control, and data acquisition (“SCADA”) system, transmission line protection systems, and LUS facilities. Further expansion offered communications and data services to governmental and educational facilities, and retail data, telephone, and CATV services to the public. The first retail customers began receiving service in February 2009. The Communications System includes numerous 10-gigabit circuits deployed in multiple loops for greater redundancy that span the entire City and connect with national fiber backbone through contracts with various providers. The Communications System added a third 10-gigabit Internet drain to cover capacity required in the near future. The three 10-gigabit fibers connections are a fixed cost for LUS with data bursts above the various committed gigabit levels leading to additional variable costs. Currently the system consists of 67 miles of backbone fiber, 136 miles of distribution fiber, and 514 miles of access fiber connecting to 26,197 individual premise locations.

In preparation for providing retail communications services, the Communications System purchased the fiber optic system from the Utilities System in 2007. The Communications System utilized internal loans from the Utilities System to fund the purchase of the fiber system assets, startup costs, and operating costs. The Communications System repayment of the loans will continue through 2033. The repayment of the Utilities System loans is subordinate to the Communications System bonds debt service.

Regulatory Structure and Environment

The Communications System must adhere to the Local Government Fair Competition Act (the “Act”) in Louisiana. The Act requires, among other provisions, that LUS must operate the Communications System in a manner that does not discriminate against competing providers of the same service, and it may not grant any

undue or unreasonable preference to itself or any private provider of covered services. Further, LUS may not cross-subsidize its covered services with tax dollars, income from other local government or utility services, below-market rate loans from the local government, or any other means. Under the Act, covered services of LUS include telecommunications services, advanced services (Internet), and CATV.

Separate from the requirements of the Act and Louisiana Public Service Commission (“LPSC”) Rules, LPSC has some jurisdiction over the telecommunication rates of LUS but it does not have jurisdiction over LUS’ rates for advanced services (Internet) and CATV.

Imputed Tax

Pursuant to terms of a regulatory settlement, the Communications System must calculate and pay an Imputed Tax annually. The Imputed Tax is equivalent to paying state and local sales tax, property tax, franchise tax, and income tax. The Imputed Tax will be paid to the Utilities System and the City General Fund as prescribed in Ordinance No. O-014-2015 for years 2016 through 2020. Beyond 2021, the Imputed Tax is paid to the City General Fund.

Credit Event

If a Credit Event (e.g., Communications System inability to make debt service payments) occurs, bond covenants require that the Utilities System meet the credit obligation of the Communications System with funds available in the Utilities System Capital Additions Fund. Should a Credit Event occur, the impact to overall Utilities System rates over the Projected Period is equivalent to a 3.8 percent increase. Table 40 shows the Utilities System annual DSCR assuming a Credit Event. The Utilities System has a DSCR requirement of 1.0.

**Table 40
Utilities System
Projected Debt Service Coverage from Residual Revenues**

FY	Utilities System Net Available Revenues for Debt Service	Utilities System Debt Service ⁽¹⁾	Capital Additions Account, Minimum Capital Requirement ⁽²⁾	Net Available Revenues for Communications Debt Service	Communications Debt Service ⁽³⁾	Debt Service Coverage Ratio from Residual Revenues
2017	\$63,683,032	\$22,928,798	\$11,370,830	\$29,383,405	\$9,251,741	3.2
2018	78,286,685	28,486,207	12,499,313	37,301,164	9,429,491	4.0
2019	82,452,913	35,588,769	12,642,220	34,221,924	9,428,241	3.6
2020	77,065,306	35,627,646	12,773,094	28,664,566	9,430,991	3.0
2021	77,825,537	35,244,881	12,964,086	29,616,570	9,431,991	3.1
2022	87,093,029	35,244,090	13,203,924	38,645,015	10,590,741	3.6
2023	88,521,861	35,250,784	13,454,876	39,816,201	10,599,941	3.8
2024	89,639,436	36,449,575	13,695,166	39,494,695	10,601,223	3.7
2025	90,971,356	36,464,188	13,946,843	40,560,325	10,598,970	3.8
2026	\$92,048,784	\$36,477,875	\$14,183,803	\$41,387,106	\$10,596,363	3.9

Source: NewGen and LUS.

(1) Debt service includes the Series 2010 Bonds, the Series 2012 Bonds, Series 2017 Bonds, and proposed bond issuances in years 2018, 2019, and 2024. By 2020, the Series 2010 Bonds will be fully redeemed by the proceeds of the Series 2017 Bonds.

(2) The bond ordinance requires a minimum amount equal to 7.5 percent of the Adjusted Revenue deposits into the Receipts Account for the purposes of paying capital costs.

(3) The debt service represents the Series 2012 Bonds and Series 2015 Bonds.

Exhibit B-1 Utilities System Historical and Projected Operating Results

	2012	2013	2014	2015	2016
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$88,556,974	\$88,860,207	\$91,749,309	\$92,626,681	\$91,631,825
Electric - Retail - Fuel Charge ⁽²⁾	76,824,304	93,158,373	105,375,603	84,910,901	78,153,587
Electric - Other Sales ⁽³⁾	4,462,303	932,096	160,062	179,301	200,753
Electric - Other ⁽⁴⁾	5,046,540	5,120,541	4,606,272	4,327,280	4,367,987
Water - Retail ⁽⁵⁾	13,491,838	13,370,347	13,119,010	13,207,794	13,229,678
Water - Wholesale ⁽⁶⁾	3,690,835	3,425,414	4,164,275	4,406,071	4,736,650
Water - Other ⁽⁷⁾	620,750	763,993	500,181	670,952	627,213
Wastewater - Retail ⁽⁸⁾	28,861,669	28,382,562	28,316,395	28,304,757	28,522,778
Wastewater - Other ⁽⁹⁾	451,908	511,418	419,180	814,459	621,796
Total Operating Revenues	\$222,007,121	\$234,524,951	\$248,410,288	\$229,448,195	\$222,092,266
Operating Expenses					
Electric Direct ⁽¹⁰⁾	\$123,420,218	\$126,031,633	\$132,159,231	\$116,213,942	\$112,523,030
Water Direct ⁽¹¹⁾	6,581,911	6,628,144	7,303,913	7,450,659	8,004,038
Wastewater Direct ⁽¹²⁾	9,306,699	9,836,488	10,693,690	10,745,739	11,377,626
Customer Related ⁽¹³⁾	5,821,855	5,311,176	5,053,499	5,112,709	5,365,952
Administrative & General ⁽¹⁴⁾	21,034,489	20,607,971	22,256,227	21,149,794	21,479,806
Total Operating Expenses	\$166,165,173	\$168,415,411	\$177,466,560	\$160,672,843	\$158,750,451
Net Available Revenues	\$55,841,948	\$66,109,540	\$70,943,728	\$68,775,352	\$63,341,815
Debt Service					
Existing ⁽¹⁵⁾	\$15,311,868	\$22,917,286	\$23,333,915	22,924,293	22,925,238
Series 2017 Bonds ⁽¹⁶⁾	0	0	0	0	0
Future ⁽¹⁷⁾	0	0	0	0	0
Total Debt Service	\$15,311,868	\$22,917,286	\$23,333,915	\$22,924,293	\$22,925,238
Debt Service Coverage ⁽¹⁸⁾	3.6	2.9	3.0	3.0	2.8
Balance After Debt Service	\$40,530,081	\$43,192,254	\$47,609,813	\$45,851,060	\$40,416,577
Other Income (Expenditures)					
Miscellaneous ⁽¹⁹⁾	\$7,858,906	\$3,353,861	\$1,145,515	\$2,172,565	\$1,138,428
In Lieu of Tax Payment ⁽²⁰⁾	(21,596,096)	(22,131,617)	(22,073,833)	(22,847,494)	(23,306,557)
Normal Capital & Special Equipment ⁽²¹⁾	(2,384,671)	(8,447,681)	(8,512,201)	(10,001,798)	(9,309,935)
Total Other Income (Expenditures)	(\$16,121,861)	(\$27,225,437)	(\$29,440,520)	(\$30,676,727)	(\$31,478,064)
Balance Available for Capital	\$24,408,219	\$15,966,817	\$18,169,293	\$15,174,333	\$8,938,513

Exhibit B-1 Utilities System Historical and Projected Operating Results

	2017	2018	2019	2020	2021
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$96,468,410	\$107,316,511	\$108,352,247	\$109,367,166	\$110,920,032
Electric - Retail - Fuel Charge ⁽²⁾	84,811,773	74,968,769	83,495,919	87,365,974	84,308,861
Electric - Other Sales ⁽³⁾	204,969	209,273	213,668	218,155	222,736
Electric - Other ⁽⁴⁾	4,901,691	5,194,433	5,462,033	5,405,892	5,274,525
Water - Retail ⁽⁵⁾	14,514,622	15,793,730	16,014,176	16,235,088	16,631,686
Water - Wholesale ⁽⁶⁾	5,568,958	5,873,484	5,768,741	5,754,200	5,650,432
Water - Other ⁽⁷⁾	554,267	527,501	585,769	642,994	679,425
Wastewater - Retail ⁽⁸⁾	31,023,160	33,296,265	33,654,043	34,184,713	34,978,978
Wastewater - Other ⁽⁹⁾	661,921	695,478	802,262	797,808	823,874
Total Operating Revenues	\$238,709,770	\$243,875,445	\$254,348,859	\$259,971,990	\$259,490,549
Operating Expenses					
Electric Direct ⁽¹⁰⁾	\$126,560,251	\$116,111,274	\$121,306,176	\$131,205,405	\$128,957,946
Water Direct ⁽¹¹⁾	8,306,652	8,536,995	8,753,468	8,980,793	9,137,977
Wastewater Direct ⁽¹²⁾	11,553,551	11,736,150	12,031,418	12,307,937	12,540,816
Customer Related ⁽¹³⁾	5,486,349	5,621,059	5,759,572	5,902,018	6,048,529
Administrative & General ⁽¹⁴⁾	22,218,933	22,685,530	23,161,927	23,648,327	24,144,942
Total Operating Expenses	\$174,125,735	\$164,691,008	\$171,012,560	\$182,044,480	\$180,830,210
Net Available Revenues	\$64,584,035	\$79,184,437	\$83,336,299	\$77,927,510	\$78,660,339
Debt Service					
Existing ⁽¹⁵⁾	\$22,928,798	\$18,560,015	\$18,565,250	\$18,561,750	\$15,489,500
Series 2017 Bonds ⁽¹⁶⁾	0	2,884,216	2,892,250	2,892,250	5,577,250
Future ⁽¹⁷⁾	0	7,041,976	14,131,269	14,173,646	14,178,131
Total Debt Service	\$22,928,798	\$28,486,207	\$35,588,769	\$35,627,646	\$35,244,881
Debt Service Coverage ⁽¹⁸⁾	2.8	2.8	2.3	2.2	2.2
Balance After Debt Service	\$41,655,237	\$50,698,231	\$47,747,530	\$42,299,863	\$43,415,458
Other Income (Expenditures)					
Miscellaneous ⁽¹⁹⁾	\$1,243,487	\$1,699,344	\$1,191,104	\$1,237,111	\$1,263,090
In Lieu of Tax Payment ⁽²⁰⁾	(22,021,636)	(23,193,328)	(24,998,901)	(25,227,552)	(25,436,950)
Normal Capital & Special Equipment ⁽²¹⁾	(9,624,970)	(10,449,120)	(9,452,755)	(9,651,263)	(9,853,939)
Total Other Income (Expenditures)	(\$30,403,119)	(\$31,943,104)	(\$33,260,552)	(\$33,641,704)	(\$34,027,799)
Balance Available for Capital	\$11,252,118	\$18,755,127	\$14,486,977	\$8,658,160	\$9,387,659

Exhibit B-1 Utilities System Historical and Projected Operating Results

	2022	2023	2024	2025	2026
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$112,497,232	\$114,105,035	\$115,745,318	\$117,416,996	\$119,118,861
Electric - Retail - Fuel Charge ⁽²⁾	83,815,805	86,108,693	88,289,113	92,120,468	95,840,413
Electric - Other Sales ⁽³⁾	227,414	232,189	237,065	242,044	247,127
Electric - Other ⁽⁴⁾	5,457,504	5,680,000	5,820,056	5,871,638	5,920,643
Water - Retail ⁽⁵⁾	17,020,246	17,406,504	17,793,736	18,182,764	18,573,824
Water - Wholesale ⁽⁶⁾	5,830,703	6,220,380	6,419,713	6,849,685	7,070,135
Water - Other ⁽⁷⁾	705,215	715,540	738,383	751,364	734,124
Wastewater - Retail ⁽⁸⁾	35,746,140	36,539,602	37,315,843	38,096,598	38,937,599
Wastewater - Other ⁽⁹⁾	890,996	889,807	934,873	1,030,256	1,018,731
Total Operating Revenues	\$262,191,255	\$267,897,751	\$273,294,101	\$280,561,813	\$287,461,457
Operating Expenses					
Electric Direct ⁽¹⁰⁾	\$121,255,375	\$124,363,130	\$127,448,172	\$132,147,286	\$136,705,877
Water Direct ⁽¹¹⁾	9,392,991	9,661,060	9,936,281	10,223,231	10,518,091
Wastewater Direct ⁽¹²⁾	12,795,665	13,076,993	13,361,712	13,664,064	13,971,559
Customer Related ⁽¹³⁾	6,199,246	6,354,313	6,513,880	6,678,105	6,847,150
Administrative & General ⁽¹⁴⁾	24,651,986	25,169,677	25,698,241	26,237,904	26,788,900
Total Operating Expenses	\$174,295,262	\$178,625,174	\$182,958,286	\$188,950,589	\$194,831,577
Net Available Revenues	\$87,895,992	\$89,272,577	\$90,335,815	\$91,611,224	\$92,629,881
Debt Service					
Existing ⁽¹⁵⁾	\$15,488,250	\$15,490,750	\$15,490,500	\$15,486,250	\$15,491,750
Series 2017 Bonds ⁽¹⁶⁾	5,573,000	5,572,250	5,569,500	5,574,500	5,576,500
Future ⁽¹⁷⁾	14,182,840	14,187,784	15,389,575	15,403,438	15,409,625
Total Debt Service	\$35,244,090	\$35,250,784	\$36,449,575	\$36,464,188	\$36,477,875
Debt Service Coverage ⁽¹⁸⁾	2.5	2.5	2.5	2.5	2.5
Balance After Debt Service	\$52,651,902	\$54,021,793	\$53,886,240	\$55,147,035	\$56,152,006
Other Income (Expenditures)					
Miscellaneous ⁽¹⁹⁾	\$1,289,615	\$1,316,697	\$7,054,945	\$1,372,579	\$1,401,403
In Lieu of Tax Payment ⁽²⁰⁾	(25,742,538)	(26,126,278)	(26,527,801)	(26,912,265)	(27,314,948)
Normal Capital & Special Equipment ⁽²¹⁾	(10,060,872)	(10,272,150)	(10,487,865)	(10,708,111)	(10,932,981)
Total Other Income (Expenditures)	(\$34,513,795)	(\$35,081,731)	(\$29,960,722)	(\$36,247,797)	(\$36,846,526)
Balance Available for Capital	\$18,138,108	\$18,940,062	\$23,925,518	\$18,899,238	\$19,305,480

Footnotes to Exhibit B-1

- (1) Electric Retail Base Rate Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the revenues were calculated monthly by customer class and incorporate future base rate increases.
- (2) Electric Retail Fuel Charge Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the FC was calculated based on the applicable expenses divided by the retail sales (kWh). The FC rate was adjusted in years 2017 and 2018 to lower the FC revenues by approximately \$5,000,000 in each year. The expenses that pass through the FC include: MISO market purchases less market sales, transmission associated with purchased power, LPPA fuel and fuel handling costs, LPPA rail car debt service, LPPA MATS debt service, LPPA MATS O&M, LPPA reagents, LUS fuel costs, hydro purchased power contract, capacity contracts, and TEA costs.
- (3) Electric Other Sales Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the revenues are escalated at the anticipated rate of inflation. Electric Other Sales include wholesale energy sales revenue and a small payment from MISO for transmission administration.
- (4) Electric Other Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. Electric Other Revenues include Interest Income and Miscellaneous Operating Revenues. For years 2017 through 2026, the Interest Income was calculated based on reserve fund and cash balances using a short-term interest rate. The Interest Income includes Communications System inter-utility loan interest payments. Miscellaneous Operating Revenues include Imputed Tax payments from the Communications System, customer late fees, and other miscellaneous revenues. For years 2017 through 2026, the remaining Miscellaneous Operating Revenues were projected based on historical data and system growth.
- (5) Water Retail Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the revenues were projected based on the historical revenue per 1,000 gallons for the retail customers and system growth. The revenues include adjustments for future rate increases.
- (6) Water Wholesale Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. With the exception of discontinued service to a wholesale customer in 2018, for years 2017 through 2026, the wholesale sales were projected based on information provided by LUS and the wholesale customers. The revenues include adjustments for future rate increases.
- (7) Water Other Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. Other revenues include Interest Income and Miscellaneous Operating Revenues. For years 2017 through 2026, the Interest Income was calculated based on reserve fund and cash balances using a short-term interest rate. The Miscellaneous Operating Revenues are escalated at the anticipated rate of inflation.
- (8) Wastewater Retail Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the revenues were calculated based on the revenue per 1,000 gallons for the retail customers and system growth. The revenues include adjustments for future rate increases.
- (9) Wastewater Other Revenues for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the revenues were projected based on historical data. Other revenues include Interest Income and Miscellaneous Operating Revenues.

- (10) Electric Direct Expenses include production, transmission, and distribution expenses. For years 2012 through 2016, the expenses were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the expenses are escalated at the anticipated rate of inflation, adjusted for growth in the system and existing contracts, and based on projected fuel costs and MISO market costs.
- (11) Water Direct Expenses include production and distribution expenses. For years 2012 through 2016, the expenses were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the expenses are escalated at the anticipated rate of inflation and adjusted for growth in the system.
- (12) Wastewater Direct Expenses include treatment and collection expenses. For years 2012 through 2016, the expenses were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the expenses are escalated at the anticipated rate of inflation and adjusted for growth in the system.
- (13) Customer Related Expenses for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the expenses are escalated at the anticipated rate of inflation.
- (14) Administrative & General Expenses for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the expenses are escalated at the anticipated rate of inflation.
- (15) Existing Debt Service the Series 1996 Bonds, Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds. By 2014, the Series 2004 Bonds were partially refunded and fully redeemed by the Series 2012 Bonds.
- (16) Series 2017 Bonds debt service represent the debt service associated with the refunding of the majority of the Series 2010 Bonds.
- (17) Future Debt Service includes the following debt issues: \$103 million in 2018, \$109 million in 2019, and \$16 million in 2024.
- (18) Debt Service Coverage equals the Net Available Revenues divided by the Total Debt Service.
- (19) Miscellaneous Other Income (Expenditures) for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the expenses were based on historical information and escalated at the anticipated rate of inflation.
- (20) Payment in Lieu of Tax for years 2012 through 2016 were based on the LUS Financial and Operating Statements. For years 2017 through 2026, the payment was calculated based on the formula provided for in the Bond Ordinance.
- (21) Normal Capital and Special Equipment for years 2012 through 2016 were provided by LUS. For years 2017 and 2018, the expenses were based on the CIP contained in the 2018 Proposed Budget. For years 2019 through 2026, the expenses were projected based on historical information and escalated at the anticipated rate of inflation.

**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 49.2 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
2016	130,422

Sources: U. S. Census Bureau; Treasurer of the State of Louisiana

Assessed Value of Taxable Property of the City

The trend in the assessed valuation of the City appears in the following table.

<u>Assessed Year / Fiscal Year</u>	<u>Assessed Value</u>	<u>Assessed Year / Fiscal Year</u>	<u>Assessed Value</u>
2005/2006	\$826,075,484	2011/2012	\$1,217,474,359
2006/2007	864,796,608	2012/2013	1,303,420,762
2007/2008	906,310,363	2013/2014	1,351,910,412
2008/2009	1,129,670,410	2014/2015	1,378,851,017
2009/2010	1,167,335,011	2015/2016	1,460,184,953
2010/2011	1,176,713,420	2016/2017	1,575,850,272

Sources: Grand Recapitulation of the Assessment Roll; Lafayette Parish Tax Assessor’s Office

A breakdown of the City’s 2016 assessed valuation (Fiscal Year 2017) by classification of property follows:

2016 Assessed Classification of Property Valuation	
Real Estate	\$1,177,906,496
Personal Property	373,309,688
<u>Public Service Property</u>	<u>24,634,088</u>
TOTAL	\$1,575,850,272

Sources: Abstract of Assessments for the City of Lafayette 2016; Lafayette Parish Tax Assessor’s Office

Millage Rates

The recent trend in the *ad valorem* tax rates levied within the boundaries of the City follows:

	Assessed Year 2012 / Fiscal Year <u>2013</u>	Assessed Year 2013 / Fiscal Year <u>2014</u>	Assessed Year 2014 / Fiscal Year <u>2015</u>	Assessed Year 2015 / Fiscal Year <u>2016</u>	Assessed Year 2016/ Fiscal Year <u>2017</u>
<u>Parishwide Taxes</u>					
Schools	4.59	4.59	4.59	4.59	4.59
School District No. 1 - Special	7.27	7.27	7.27	7.27	7.27
Special School Improvements	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	2.34	2.34	2.34	2.34	2.34
Library (2007-2016)	2.91	2.91	2.91	2.91	2.68
Library (2009-2018)	1.61	1.61	1.61	1.61	1.48
Library (2003-2012)	2.00	2.00	2.00	2.00	1.84
Health Unit Maintenance	0.94	0.00	1.61	0.80	N/A
Juvenile Detention Maintenance	1.17	1.17	1.17	1.17	1.17
Lafayette Economic Development Authority	1.82	1.82	1.82	1.82	1.68
Assessment District	1.56	1.56	1.56	1.56	1.44
Law Enforcement	16.79	16.79	16.79	16.79	16.79
Airport Maintenance	1.71	1.71	1.71	1.71	1.58
Minimum Security Maintenance	2.06	2.06	2.06	2.06	1.90
Bridges and Maintenance	4.17	4.17	4.17	4.17	4.17
Lafayette Parish Bayou Vermilion - Bond & Interest	0.10	0.10	0.10	0.00	0.17
Maintenance	0.71	0.75	0.75	0.75	0.75
Drainage Maintenance	3.34	3.34	3.34	3.34	3.34
Public Improvement Bonds	3.00	3.00	3.00	2.75	2.75
Teche-Vermilion Water District	1.45	1.45	1.50	1.50	1.41
Mosquito Abatement & Control	1.50	0.50	1.50	1.50	N/A
Health Unit, Mosquito, Ect.	N/A	N/A	N/A	N/A	3.56
<u>Other Parish and Municipal Taxes:</u>					
Parish Tax (Inside Municipalities)	1.52	1.52	1.52	1.52	1.52
Parish Tax (Outside Municipalities)	3.05	3.05	3.05	3.05	3.05
Lafayette Centre Development District	9.60	10.91	10.91	11.24	11.24
City of Lafayette	17.94	17.94	17.94	17.94	17.80

Sources: Lafayette Parish Assessor's Office; Lafayette Consolidated Government

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Leading Taxpayers

The ten largest property taxpayers of the City and their 2016 assessed valuations follow.

	<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>
1.	Franks Casing Crew & Rental Tools	Oil & Gas Support Services	\$ 24,038,874
2.	Stuller	Manufacturing	15,672,123
3.	Iberia Bank	Commercial Banking	14,725,219
4.	PHI Inc.	Oil & Gas Support Services	12,067,443
5.	AT&T/Bellsouth	Telecommunications	11,894,097
6.	Walmart/Sam's	Warehouse Clubs & Supercenters	11,042,576
7.	JPMorgan Chase	Commercial Banking	9,830,675
8.	Shell Oil	Oil & Gas E & P	9,210,273
9.	Service Chevrolet Inc.	New Car Dealers	8,128,724
10.	AVR Realty Company	Real Estate Investments	7,984,109
			<u>\$124,594,113*</u>

* Approximately 7.91% of the 2016 assessed valuation of the City.

Source: Lafayette Consolidated Government

Sales Tax Collections

The City of Lafayette has collected the following amounts from its 1961 special one percent (1%) sales and use tax initially effective July 1, 1961 and 1985 special one percent sales and use tax initially effective July 1, 1985, each effective in perpetuity, for the periods indicated below:

City of Lafayette Combined (61 & 85) Sales Tax Collections

<u>Month Collected</u>	<u>FY 14-15 Actual Collections</u>	<u>FY 15-16 Actual Collections</u>	<u>FY 16-17 Actual Collections</u>
November	6,956,699	6,444,101	6,569,295
December	6,690,502	6,588,336	6,563,374
January	8,884,625	8,420,200	8,426,880
February	6,326,624	5,893,771	6,137,715
March	6,192,736	5,966,426	5,912,935
April	7,473,004	7,102,283	7,297,553
May	6,445,630	6,364,457	6,343,120
June	6,554,942	6,347,243	6,807,826
July	7,109,340	7,027,345	6,876,297
August	6,568,799	6,026,442	-
September	6,443,618	6,283,098	-
<u>October</u>	<u>6,853,191</u>	<u>6,995,878</u>	<u>-</u>
TOTAL	82,499,710	79,459,581	60,934,996

Source: City of Lafayette. Figures unaudited.

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SUMMARY DEBT STATEMENT AS OF AUGUST 2, 2017
(For additional information, see Appendix “D” of this Official Statement)

A. <u>Debt of the City of Lafayette</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Utilities Revenue Bonds	\$214,410,000
Sales Tax Bonds	206,830,000
Communications System Revenue Bonds	105,255,000
Taxable Revenue Bonds	31,105,000
Certificates of Indebtedness	4,045,000
B. <u>Debt of the Parish of Lafayette</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Unlimited <i>Ad Valorem</i> Tax Bonds	\$53,290,000
C. <u>Debt of the Lafayette Parish School Board</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Sales Tax Bonds	\$131,430,775
Certificates of Indebtedness	11,477,000
D. <u>Debt of the Law Enforcement District</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Limited Tax Revenue Bonds	\$17,290,000
E. <u>Debt of the Lafayette Public Power Authority</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Electric Revenue Bonds	\$85,170,000
F. <u>Partially Underlying Debt of Lafayette Parish Waterworks District North</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Water Revenue Bonds	\$3,713,000
G. <u>Partially Underlying Debt of Lafayette Parish Waterworks District South</u>	
<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Water Revenue Bonds	\$2,863,000

(NOTE: The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, the Lafayette Economic Development Authority (formerly the Lafayette Harbor, Terminal and Industrial Development District), the Lafayette Public Trust Financing Authority, Lafayette Industrial Development Board, Lafayette 1-10 Corridor District at Mile Marker 103, District No. 4 Regional Planning and Development Commission, and all operating and capital leases.)

Source: Lafayette City-Parish Consolidated Government; Figures unaudited

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.

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 financing of the City is explained in Note 19 - Post Retirement Health Care Benefits of the 2016 Comprehensive Annual Financial Report (“CAFR”) of the Governing Authority. See pages 75-76 of the CAFR.

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, 2015 (the most recent actuarial valuation date) was approximately \$28,429,030 for the primary government and \$60,811 for component units. The covered payroll (annual payroll of active employees covered by the plan) was \$111,063,441 for the primary government and \$1,406,319 for the component units, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.60% for the primary government and 4.32% for the component units. 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, 2015, is contained in the Comprehensive Annual Financial Report of the Governing Authority which can be found on their website at <http://lafayettela.gov/Finance/Pages/Accounting.aspx>.

No information or statement on the website above is included by specific cross-reference herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Except as specifically provided herein, such websites and the information or links contained therein, including specifically (but not limited to) the information on the Issuer’s website, are not included by reference herein, and are not part of this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

Although the Issuer has provided access to the information on the website above for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and the Issuer assumes no liability or responsibility for errors or omissions contained on any website. Further, the Issuer disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. The Issuer also assumes no liability or responsibility for any errors or omissions or for any updates to dated information contained on any website.

ECONOMIC INDICATORS

A comprehensive revision of the estimates of Per Capita Personal Income by State were published in March 2017 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:

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Per Capita Personal Income*

	<u>Lafayette Parish</u>	<u>Louisiana</u>	<u>United States</u>
2005	34,913	29,422	35,904
2006	39,524	33,276	38,144
2007	41,053	35,776	39,821
2008	45,978	37,796	41,082
2009	40,970	36,284	39,376
2010	43,379	37,226	40,277
2011	43,855	38,148	42,461
2012	49,016	40,019	44,282
2013	47,954	40,103	44,493
2014	51,268	41,821	46,464
2015	49,496	42,963	48,190

Source: Bureau of Economic Analysis

* Per capita personal income is total personal income divided by total midyear population.

Note – All dollar estimates are in current dollars (not adjusted for inflation)

Estimates of personal income in the United States are derived as the sum of the regional estimates. These differ from the estimates of personal income in the national income and products accounts (NIPAs) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.

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:

Employment

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
2012	117,262	111,949	5,313	4.5	6.4
2013	119,526	113,992	5,534	4.6	6.4
2014	121,654	115,656	5,998	4.9	6.4
2015	119,830	113,143	6,687	5.6	6.2
2016	115,489	108,340	7,149	6.1	6.2

Source: Louisiana Department of Labor

The preliminary figures for the Parish for June 2017 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>
06/17	111,920	105,649	6,271	5.6	5.9*

Source: Louisiana Department of Labor

* The seasonally adjusted rate was 5.5.

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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>Prel. June 2017</u>	<u>Rev. May 2017</u>	<u>June 2016</u>
Mining	13.7	13.9	14.5
Construction	9.9	9.8	10.0
Manufacturing	15.5	15.3	15.3
Trade, Transpiration, & Utilities	41.7	41.9	42.0
Information	2.6	2.5	2.6
Financial Activities	10.4	10.4	10.4
Professional And Business Services	19.7	19.8	20.3
Educational and Health Services	30.2	30.3	30.0
Leisure and Hospitality	22.8	22.7	22.6
Other Services	7.3	7.2	7.2
<u>Government</u>	<u>26.0</u>	<u>26.9</u>	<u>26.0</u>
TOTAL	199.8	200.7	200.9

Source: U.S. Bureau of Labor Statistics

The names of the largest employers located in Lafayette Parish are as follows:

	<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate No. of Employees</u>
1.	Lafayette General Health ¹	Health Care	4,250
2.	Lafayette Parish School System	Education	4,157
3.	University of LA Lafayette	Education	2,509
4.	Lafayette Consolidated Government ²	Public Administration	2,430
5.	Our Lady of Lourdes Reg Med Ct ³	Health Care	1,529
6.	Wal-Mart Stores, Inc. ⁴	Retail Trade	1,446
7.	Superior Energy Services Inc. ⁵	Oil and Gas	1,258
8.	Stuller, Inc.	Manufacturing	1,242
9.	Lafayette Parish Gov't (not part of LCG) ⁶	Public Administration	1,014
10.	Island Operating Company	Oil and Gas	1,000

Source: Lafayette Economic Development Authority

¹ Includes LGMC, imaging, OCSP, corporate offices, Surgical Hospital, Southwest Hospital, Lafayette General Medical Doctors, University Hospital and Clinics, and contract workers

² Includes all government offices, except Clerk of Court, Assessor and Sheriff

³ Includes hospital and affiliated services

⁴ Includes Wal-Mart and Sam's Club locations

⁵ Corporate headquarters for payroll, human resources, benefits, and services – including Stabil Drilling, HB Rentals, Fastorq, Warrior Energy, Workstrings, SPC Rentals & BTI Services locations in the parish

⁶ Includes Clerk of Court, Assessor and Sheriff's Office

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**ANNUAL AVERAGE LAFAYETTE PARISH CONCURRENT ECONOMIC INDICATORS,
2012, 2013, 2014, 2015 AND FOURTH QUARTER 2016**
(All data not seasonally adjusted.)

LAFAYETTE PARISH

	2012	2013	2014	2015	2016:4
EMPLOYMENT					
Total	137,564	139,937	141,663	137,602	129,363
Accommodation and Food Services	12,816	13,379	14,154	14,384	13,984
Administrative and Waste Services	5,566	6,363	6,584	6,567	5,921
Agriculture, Forestry, Fishing, and Hunting	90	94	89	83	75
Arts, Entertainment, and Recreation	2,154	2,153	2,228	2,324	2,118
Construction	6,407	6,528	6,579	6,834	5,815
Educational Services	7,924	7,942	7,894	7,802	8,118
Finance & Insurance	3,093	3,139	3,200	3,283	3,462
Health Care and Social Services	20,683	20,855	20,336	20,519	21,323
Information	2,557	2,630	2,561	2,337	2,262
Management of Companies and Enterprises	2,926	2,991	3,180	3,062	2,831
Manufacturing	9,110	9,849	10,051	9,257	7,579
Mining	16,392	15,866	16,415	13,425	9,544
Other Services, except Public Administration	3,215	3,201	3,201	3,270	3,235
Professional & Technical Services	8,649	8,886	8,835	8,407	7,631
Public Administration	3,559	3,560	3,592	3,680	3,719
Real Estate and Rental and Leasing	4,477	4,382	4,082	3,551	3,058
Retail Trade	16,267	16,685	17,163	17,771	18,640
Transportation & Warehousing	3,772	3,984	3,779	3,493	3,201
Utilities	500	495	462	458	427
Wholesale Trade	7,352	6,882	7,250	7,074	6,412
	Annual	Annual	Annual	Annual	Quarterly
EARNINGS (\$ in Thousands)					
Total	\$6,588,106	\$6,749,064	\$7,127,334	\$6,747,390	1,535,704
Accommodation and Food Services	214,474	231,234	248,865	247,617	59,092
Administrative and Waste Services	187,917	231,118	245,497	275,439	56,437
Agriculture, Forestry, Fishing, and Hunting	3,327	4,426	3,630	3,587	1,161
Arts, Entertainment, and Recreation	32,334	33,495	34,720	36,483	8,944
Construction	314,765	327,843	351,041	366,092	82,841
Educational Services	320,637	321,588	322,979	319,053	84,131
Finance & Insurance	190,872	202,634	221,910	228,264	56,636
Health Care and Social Services	842,580	872,397	891,176	925,857	250,133
Information	115,670	118,913	122,866	113,508	26,700
Management of Companies and Enterprises	201,693	259,200	301,173	290,137	58,068
Manufacturing	508,459	530,805	569,632	508,203	105,343
Mining	1,451,170	1,389,066	1,507,778	1,201,440	205,636
Other Services, except Public Administration	111,314	114,294	116,983	116,017	30,391
Professional & Technical Services	543,361	565,915	593,471	574,890	145,213
Public Administration	165,719	163,666	172,111	180,335	43,358
Real Estate and Rental and Leasing	290,430	285,238	265,335	225,269	44,531
Retail Trade	460,014	463,407	485,057	504,636	136,224
Transportation & Warehousing	175,701	197,766	196,204	175,591	41,840
Utilities	26,591	26,389	26,421	26,373	5,979
Wholesale Trade	429,333	408,262	449,027	427,346	93,046

Source: Louisiana Department of Labor

GENERAL INFORMATION

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.

Section 4-17 of the Lafayette City-Parish Consolidated Government Home Rule Charter (the “Charter”) provides for administrative reorganization whereby the Mayor-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 Mayor-President succeeds to all powers of the Mayor of the City. The names of the incumbent Mayor-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 education and healthcare represent 14% 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 2016 (Fall Semester) enrollment of approximately 19,188 full-time and part-time students. There are six acute care hospitals located in the City which serve the entire region, including Lafayette General Hospital, Our Lady of Lourdes Hospital, University Hospitals & Clinics, Lafayette General – Southwest Campus, Heart Hospital of Lafayette and Women’s and Children’s Hospital.

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 Vermilion 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.

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APPENDIX D

STATEMENT OF DIRECT, OVERLAPPING BONDED DEBT AS OF AUGUST 2, 2017
(The accompanying notes are an integral part of this statement)

<u>Notes</u>	<u>Name of Issuer and 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 ST-2011A	3.75-5.0	6/01/11	3/01/26	11,630,000	1,015,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011C	3.0-5.0	12/08/11	3/01/27	5,830,000	535,000
(2)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009A	5.53-7.08	8/18/09	3/01/33	23,325,000	1,085,000
(2)	Taxable Public Improvement Sales Tax Recovery Zone Economic Development Bonds, Series 2009A	7.23	8/18/09	3/01/34	3,640,000	(a)
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2012A	2.0-4.0	6/01/12	3/01/28	5,720,000	1,685,000
(2)	Public Improvement Sales Tax Bonds, Series 2013	3.0-5.0	6/21/13	3/01/38	14,030,000	440,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2014A	5.0	10/17/14	3/01/30	15,495,000	850,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2014C	5.0	12/05/14	3/01/24	19,125,000	2,585,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2015A	2.43	12/18/15	3/01/25	3,260,000	275,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2016D	2.0-4.0	2/26/16	3/01/32	12,840,000	660,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2017A	3.0-5.0	7/18/17	3/01/32	11,460,000	0
(3)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009B	5.59-7.23	8/18/09	5/01/34	21,190,000	880,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011B	3.0-4.25	6/01/11	5/01/26	8,170,000	750,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011D	3.0-5.0	12/08/11	5/01/27	8,510,000	740,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2012B	2.0-5.0	6/01/12	5/01/28	11,200,000	845,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2014B	2.0-3.375	9/26/14	5/01/30	1,625,000	100,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2015	5.0	2/06/15	5/01/24	9,005,000	1,525,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2016A	5.0	2/26/16	5/01/25	19,050,000	2,810,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2016E	2.63	2/26/16	5/01/32	1,725,000	90,000
(4)	Utilities Revenue Bonds, Series 1996	2.95	8/22/96	11/01/17	1,155,000	1,155,000
(4)	Utilities Revenue Bonds, Series 2010	3.75-5.0	12/15/10	11/01/35	76,635,000	2,610,000
(4)	Utilities Revenue Refunding Bonds, Series 2012	5.0	1/11/13	11/01/28	136,620,000	8,660,000
(5)	Certificates of Indebtedness, Series 2011	3.65	5/11/11	5/01/26	4,045,000	375,000
(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
(6)	Communications System Revenue Refunding Bonds, Series 2015	3.5-5.0	8/21/15	11/01/31	90,660,000	4,045,000
(7)	Taxable Limited Refunding Bond, Series 2012	3.75	3/02/12	5/01/28	31,105,000	2,325,000

<u>Notes</u>	<u>Name of Issuer and 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>
(8)	<u>Overlapping Debt of the Parish of Lafayette, State of Louisiana</u>					
(9)	General Obligation Bonds, Series 2010	2.25-5.0	1/12/11	3/01/35	\$21,325,000	\$760,000
(9)	General Obligation Refunding Bonds, Series 2010	2.25-5.0	1/12/11	3/01/26	8,515,000	770,000
(9)	General Obligation Refunding Bonds, Series 2012	3.0-4.0	5/03/12	3/01/28	13,525,000	975,000
(9)	General Obligation Refunding Bonds, Series 2014	3.0-5.0	8/01/14	3/01/30	9,925,000	580,000
(10)	<u>Overlapping Debt of the Parish School Board of the Parish of Lafayette, State of Louisiana</u>					
(5)	Certificate of Indebtedness, Series 2007	3.61	12/17/07	11/01/17	\$1,795,000	\$795,000
(5)	Refunding Certificates of Indebtedness, Series 2010	3.06	12/29/10	11/01/23	1,997,000	259,000
(5)	Certificate of Indebtedness, Series 2015	2.2	8/17/15	11/01/22	8,685,000	1,350,000
(12)	Public School Refunding Bonds, Series 2008	4.0-5.0	6/30/08	4/01/19	12,135,000	5,925,000
(12)	Public School Refunding Bonds, Series 2010	3.5-4.0	5/27/10	4/01/21	3,555,000	835,000
(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	1,460,000	(a)
(13)	Limited Tax Revenue Bonds, Series 2012A	2.25-4.0	1/04/13	3/01/32	16,280,000	1,285,000
(13)	Limited Tax Revenue Bonds, Series 2016	2.375	12/21/16	12/21/56	78,000,000	0
(14)	<u>Overlapping Debt of 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	\$17,290,000	\$840,000
(16)	<u>Overlapping Debt of the Lafayette Parish Bayou Vermillion District, State of Louisiana</u>					
(9)	General Obligation Bonds, Series 2016	2.0-2.625	8/30/16	3/01/36	\$3,950,000	\$130,000
(17)	<u>Overlapping Debt of Lafayette Public Power Authority</u>					
(18)	Electric Revenue Bonds, Series 2007	4.0	12/06/07	11/01/17	\$685,000	\$685,000
(18)	Electric Revenue Bonds, Series 2012	2.0-5.0	12/21/12	11/01/32	55,540,000	2,510,000
(18)	Electric Revenue Refunding Bonds, Series 2015	2.0-5.0	11/13/15	11/01/32	28,945,000	95,000
(19)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District North, Lafayette Parish, Louisiana</u>					
(20)	Water Revenue Refunding Bonds, Series 2013	2.95	2/29/13	10/01/27	\$3,713,000	\$351,000
(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	\$1,443,000	\$358,000
(20)	Water Revenue Bonds, Series 2013	3.2	8/08/13	8/01/28	1,420,000	20,000

(a) *Various amounts are required to be deposited annually into a sinking fund.*

NOTES

- (1) The 2016 total assessed valuation of the City of Lafayette, State of Louisiana is approximately \$1,575,850,272, 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 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 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 Lafayette 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 and any parity 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 2016 total assessed valuation of the Parish of Lafayette, State of Louisiana is approximately \$2,641,089,701, of which approximately \$2,259,086,547 is taxable.
- (9) Secured by and payable from unlimited *ad valorem* taxation.
- (10) The 2016 total assessed valuation of the Parish School Board of the Parish of Lafayette, State of Louisiana is approximately \$2,641,089,701, of which approximately \$2,259,086,547 is taxable.
- (11) Payable from available funds of the Parish School Board of the Parish of Lafayette, State of Louisiana.
- (12) Secured by and payable solely from an irrevocable pledge and dedication of the avails or net proceeds of the 1% sales and use tax being levied and collected by the issuer, in compliance with a special election held within the Parish of Lafayette, State of Louisiana on September 18, 1965.
- (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 2016 total assessed valuation of the Law Enforcement District of the Parish of Lafayette, State of Louisiana is approximately \$2,641,089,701, of which approximately \$2,259,086,547 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 2016 total assessed valuation of the Lafayette Parish Bayou Vermilion District, State of Louisiana is \$2,641,089,701, of which \$2,259,086,547 is taxable.
- (17) The Lafayette Public Power Authority is parishwide, and levied no *ad valorem* taxes in 2016.
- (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 of the Parish of Lafayette, State of Louisiana 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 2016.
- (20) Payable solely from the income and revenues derived or to be derived from the operation of the waterworks 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 of the Parish of Lafayette, State of Louisiana 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 2016.

(NOTE: *The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, the Lafayette Economic Development Authority (formerly the Lafayette Harbor, Terminal and Industrial Development District), the Lafayette Public Trust Financing Authority, Lafayette Industrial Development Board, Lafayette I-10 Corridor District at Mile Marker 103, District No. 4 Regional Planning and Development Commission, and all operating and capital leases.*)

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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.

_____, 2017

Honorable Lafayette City-Parish Council
Lafayette City-Parish Consolidated Government
Lafayette, Louisiana

\$59,465,000
UTILITIES REVENUE REFUNDING BONDS, SERIES 2017
OF THE
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, December 18, 2012, August 8, 2017 and September 19, 2017 (collectively the "Ordinance") for the purpose of paying a portion of the costs of refunding a portion of the Issuer's Utilities Revenue Bonds, Series 2010 (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 dated as of September 1, 2017 (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 and interest on the Refunded Bonds to their redemption date of November 1, 2020, 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 with the Issuer's outstanding (i) Utilities Revenue Bonds, Series 1996, (ii) unrefunded Utilities Revenue Bonds, Series 2010, and (iii) Utilities Revenue Refunding Bonds, Series 2012 (collectively the "Outstanding Parity Bonds"), and 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 the Issuer and assuming the due authorization, execution and delivery by the Escrow Agent and that the Escrow Agreement constitutes a valid and binding agreement of the Escrow Agent, the Escrow Agreement constitutes a valid and binding agreement 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**

**\$59,465,000
UTILITIES REVENUE REFUNDING BONDS, SERIES 2017
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 \$59,465,000 of Utilities Revenue Refunding Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to an ordinance dated June 29, 2004, as supplemented by ordinances adopted on June 29, 2004, November 2, 2010, October 2, 2012, December 18, 2012, August 8, 2017 and September 19, 2017 (collectively, the “Ordinance”), and are described in that certain Official Statement dated September 7, 2017 (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 mean the Official Statement with respect to the Bonds and the Issuer dated September 7, 2017.

“**Ordinance**” shall have the meaning given such term in the first paragraph herein.

“Participating Underwriter” shall mean Raymond James & Associates, 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, 2017, 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: _____, 2017

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: \$59,465,000 Utilities Revenue Refunding Bonds, Series 2017

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report as required by the Continuing Disclosure Certificate dated _____, 2017. 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

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.

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

