

REFUNDING ISSUE – Book-Entry Only

**INSURED RATING: S&P: “AA”
UNDERLYING RATINGS: Moody’s: “A2”, S&P: “A+”
See “BOND RATINGS” herein**

In the opinion of Foley & Judell, L.L.P., Bond Counsel, under existing law, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, and interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes. Further, pursuant to Part II of Chapter 4 of Subtitle II of Title 39 of the Louisiana Revised Statutes of 1950, as amended, the Series 2021 Bonds and the interest or other income thereon or with respect thereto shall be exempt from all income tax or other taxation in the State of Louisiana. See “Tax Matters” herein and the proposed form of Bond Counsel opinion attached hereto as Appendix “G.”



\$14,140,000
CITY OF LAFAYETTE, STATE OF LOUISIANA
consisting of

\$7,000,000
Communications System Revenue
Refunding Bonds, Series 2021A (Tax-Exempt)

\$7,140,000
Taxable Communications System
Revenue Refunding Bonds, Series 2021B
(Federally Taxable)

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

The Communications System Revenue Refunding Bonds, Series 2021A (the “Tax-Exempt Bonds”) and Taxable Communications System Revenue Refunding Bonds, Series 2021B (the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Series 2021 Bonds”) are being issued by the City of Lafayette, State of Louisiana (the “City” or “Issuer”). The Tax-Exempt Bonds are being issued for the purposes of refunding the City’s Communications System Revenue Bonds, Series 2012A, and paying costs of issuance of the Tax-Exempt Bonds. The Taxable Bonds are being issued for the purposes of refunding the City’s Taxable Communications System Revenue Bonds, Series 2012B, and paying costs of issuance of the Taxable Bonds. See “REFUNDING PLAN” herein.

The Series 2021 Bonds are being initially issued as fully registered bonds, 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 Series 2021 Bonds. Purchasers of the Series 2021 Bonds will not receive certificates representing their interest in the Series 2021 Bonds purchased. Purchases of the Series 2021 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 and interest on the Series 2021 Bonds will be payable by the Paying Agent to DTC, which will remit such payments in accordance with its normal procedures, as described herein. Interest on the Series 2021 Bonds is payable on May 1, 2022, and semiannually thereafter on November 1 and May 1 of each year in the manner set forth herein. Hancock Whitney Bank, Baton Rouge, Louisiana, will serve as Paying Agent for the Series 2021 Bonds.

THE SERIES 2021 BONDS ARE NOT SUBJECT TO REDEMPTION.

The Series 2021 Bonds are special obligations of the City and do not constitute general obligations or indebtedness of the City within the meaning of the Constitution of Louisiana. The payment of the principal of and interest on the Series 2021 Bonds and any Parity Debt (as defined in the Ordinance) shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues (as defined herein) of the Communications System, all in the manner and to the extent provided in the Ordinance, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided in the Ordinance, and the Issuer has irrevocably pledged to set aside the Net Revenues for the payment of the principal of and interest on the Series 2021 Bonds and any Parity Debt, and, upon the occurrence of a Credit Event, to the extent of the insufficiency, the Residual Revenues, before their use for any other purpose as set forth in the Utilities Bond Ordinance (as defined herein). See “SECURITY AND SOURCES OF PAYMENT” herein. The Series 2021 Bonds constitute a Subordinated Indebtedness of the Utilities System, as defined and provided for in the General Bond Ordinance (Ordinance No. O-053-2006, adopted on March 21, 2006, which supplemented, amended, and restated in its entirety Ordinance No. O-230-2005, adopted on September 6, 2005), as supplemented, including as to be supplemented by the Fourth Supplemental Bond Ordinance expected to be adopted on November 2, 2021 (collectively, the “Ordinance”). The Series 2021 Bonds are being issued pursuant to the provisions of Part II of Chapter 4 of Subtitle II of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority.

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2021 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



Maturity Schedules for the Series 2021 Bonds appears on the inside cover of this Official Statement.

The Series 2021 Bonds are offered by the Underwriters when, as and if issued by the Issuer and accepted by the Underwriters, subject to the approving opinion of Foley & Judell, L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. It is expected that the Series 2021 Bonds will be delivered through the facilities of DTC, on or about November 18, 2021, against payment therefor.

STIFEL

RAYMOND JAMES®

The date of this Official Statement is October 21, 2021. This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULES

\$7,000,000

CITY OF LAFAYETTE, STATE OF LOUISIANA

Communications System Revenue Refunding Bonds, Series 2021A (Tax-Exempt)

| <u>Due</u> <u>November 1</u> | <u>Principal</u> | <u>Coupon</u> | <u>Yield</u> | <u>CUSIP Number</u> [†] <u>(50646P)</u> |
|---------------------------------|------------------|---------------|--------------|---|
| 2022 | \$235,000 | 3.000% | 0.370% | CR8 |
| 2023 | 390,000 | 3.000 | 0.480 | CS6 |
| 2024 | 570,000 | 4.000 | 0.600 | CT4 |
| 2025 | 725,000 | 4.000 | 0.760 | CU1 |
| 2026 | 780,000 | 2.750 | 0.940 | CV9 |
| 2027 | 805,000 | 2.750 | 1.150 | CW7 |
| 2028 | 830,000 | 4.000 | 1.320 | CX5 |
| 2029 | 860,000 | 3.000 | 1.480 | CY3 |
| 2030 | 890,000 | 3.000 | 1.590 | CZ0 |
| 2031 | 915,000 | 3.000 | 1.680 | DA4 |

\$7,140,000

CITY OF LAFAYETTE, STATE OF LOUISIANA

Taxable Communications System Revenue Refunding Bonds, Series 2021B (Federally Taxable)

| <u>Due</u> <u>November 1</u> | <u>Principal</u> | <u>Coupon</u> | <u>Yield</u> | <u>CUSIP Number</u> [†] <u>(50646P)</u> |
|---------------------------------|------------------|---------------|--------------|---|
| 2022 | \$270,000 | 2.000% | 0.450% | DB2 |
| 2023 | 430,000 | 2.000 | 0.650 | DC0 |
| 2024 | 605,000 | 2.000 | 1.090 | DD8 |
| 2025 | 760,000 | 2.000 | 1.380 | DE6 |
| 2026 | 805,000 | 2.000 | 1.630 | DF3 |
| 2027 | 820,000 | 2.000 | 1.880 | DG1 |
| 2028 | 835,000 | 2.000 | 2.080 | DH9 |
| 2029 | 855,000 | 2.100 | 2.200 | DJ5 |
| 2030 | 870,000 | 2.200 | 2.300 | DK2 |
| 2031 | 890,000 | 2.300 | 2.400 | DL0 |

[†] CUSIP Numbers © Copyright 2021, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer or the Underwriters and are included solely for the convenience of the registered owners of the Series 2021 Bonds. Neither the Issuer nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE LAFAYETTE CITY COUNCIL OR THE UNDERWRITERS 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 THE DEPOSITORY TRUST COMPANY (“DTC”) HAS BEEN FURNISHED BY DTC, AND NO REPRESENTATION IS MADE BY THE ISSUER OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO 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 UNDERWRITERS AND ANY ONE OR MORE OF THE PURCHASERS OR REGISTERED OWNERS OF THE SERIES 2021 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.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS OFFICIAL STATEMENT ARE FOR CONVENIENCE OF REFERENCE ONLY, AND IN NO WAY AFFECT THE MEANING OR CONSTRUCTION, OF ANY PROVISION OR SECTION OF THIS OFFICIAL STATEMENT. THE OFFERING OF THE SERIES 2021 BONDS IS MADE ONLY BY MEANS OF THIS OFFICIAL STATEMENT.

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 Series 2021 Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the provisions with respect thereto included in the aforesaid documents and agreements.

The Series 2021 Bonds have not been registered with the Securities and Exchange Commission. The registration, qualification or exemption of the Series 2021 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 Series 2021 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 Series 2021 Bonds may be changed from time to time by the Underwriters after the Series 2021 Bonds are released for sale, and the Series 2021 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Series 2021 Bonds into investment accounts. In connection with the offering of the Series 2021 Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market prices of the Series 2021 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Issuer maintains the following website: www.LafayetteCommunicationbonds.com. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, BAM 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 BAM, supplied by BAM 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”), a form of which is included herein as Appendix “E.”

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 which 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.

OFFICIALS
CITY OF LAFAYETTE, STATE OF LOUISIANA

MAYOR-PRESIDENT OF THE LAFAYETTE CITY-PARISH
CONSOLIDATED GOVERNMENT

Joshua S. Guillory

CITY COUNCIL

Liz W. Hebert, District 3, *Chair*
Nanette S. Cook, District 4, *Vice Chair*
Patrick "Pat" Lewis, District 1
Andy Naquin, District 2
Glenn M. Lazard, District 5

CLERK OF THE COUNCIL

Veronica L. Williams

CHIEF ADMINISTRATIVE OFFICER

Cydra Wingerter

CHIEF FINANCIAL OFFICER

Lorrie R. Toups

DIRECTOR OF LAFAYETTE COMMUNICATIONS SYSTEM

Ryan Meche

INTERIM DIRECTOR OF LAFAYETTE UTILITIES SYSTEM

Lowell Duhon

CONSULTING ENGINEER

Burns & McDonnell Engineering Company, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Kolder, Slaven & Company, LLC

CITY-PARISH ATTORNEY

Gregory J. Logan

BOND COUNSEL

Foley & Judell, L.L.P.

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OFFICIAL STATEMENT

\$14,140,000

CITY OF LAFAYETTE, STATE OF LOUISIANA

consisting of

\$7,000,000

**Communications System Revenue Refunding
Bonds, Series 2021A (Tax-Exempt)**

\$7,140,000

**Taxable Communications System Revenue
Refunding Bonds, Series 2021B
(Federally Taxable)**

INTRODUCTION

This Official Statement of the City of Lafayette, State of Louisiana (the “City” or “Issuer”), provides information with respect to its Communications System Revenue Refunding Bonds, Series 2021A (the “Tax-Exempt Bonds”) and Taxable Communications System Revenue Refunding Bonds, Series 2021B (the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Series 2021 Bonds”). This Official Statement contains summaries of certain provisions of the ordinances adopted and to be adopted by the Lafayette City Council (the “Council”), acting as the governing authority of the Issuer, pursuant to which the Series 2021 Bonds are being issued, including (a) Ordinance No. O-230-2005, adopted on September 6, 2005, which was supplemented, amended, and restated in its entirety Ordinance No. O-053-2006, adopted on March 21, 2006 (the “General Bond Ordinance”), (b) the First Supplemental Bond Ordinance adopted on June 12, 2007, (c) the Second Supplemental Bond Ordinance adopted on December 6, 2011, (d) the Third Supplemental Bond Ordinance adopted on March 24, 2015 and supplemented on August 4, 2015, and (e) the Fourth Supplemental Bond Ordinance expected to be adopted on November 2, 2021 (collectively, the “Ordinance”). A copy of the General Bond Ordinance is included herein as Appendix “A”.

The Tax-Exempt Bonds are being issued for the purposes of refunding the City’s Communications System Revenue Bonds, Series 2012A (the “Refunded 2012A Bonds”), and paying costs of issuance of the Tax-Exempt Bonds. The Taxable Bonds are being issued for the purposes of refunding the City’s Taxable Communications System Revenue Bonds, Series 2012B (the “Refunded 2012B Bonds” and, together with the Refunded 2012A Bonds, the “Refunded Bonds” or “Series 2012 Bonds”), and paying costs of issuance of the Taxable Bonds.

Brief descriptions of the Issuer, the Communications System (as hereinafter defined), the Utilities System (as hereinafter defined), the Series 2021 Bonds, the Ordinance 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. In order to make an informed decision as to whether to invest in the Series 2021 Bonds, a potential investor must read this Official Statement in its entirety. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein.

Reference in this Official Statement to owner, holder, registered owner, Bondholder or Bondowner means the registered owner of the Series 2021 Bonds determined in accordance with the Ordinance. The Series 2021 Bonds are being issued under the Ordinance. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in Appendix “A” hereto.

The Issuer 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 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 40 square miles. The Issuer is the center of a metropolitan statistical area that includes the Parish and St. Martin Parish. The greater metropolitan area includes the parishes of Lafayette, St. Martin, Acadia, St. Landry, Iberia, and Vermilion. The Issuer had an estimated population of approximately 137,309 in 2020. For additional information relating to the Issuer, see “THE ISSUER” herein and Appendices “B” and “F”.

The Issuer and the government of Lafayette Parish operate under a consolidated government known as the Lafayette City-Parish Consolidated Government. The Home Rule Charter of the City and the Parish, effective on January 6, 2020 (the “Charter”) provides that the City Council (the “Council”) is the governing authority of the Communication System. The Charter further provides, among other things, for the fixing of rates, incurrence of indebtedness, approval of the utility budget, and for the approval of proposals for the improvement and extension of the utilities by the City Council. The Charter also provides that the Mayor-President shall prepare the budget for the City and the Parish.

The Issuer owns the assets of the Communications System which currently operates a 100 percent fiber optic network in the City that is used to provide communication within the Utilities System, within parts of local government, within parts of the Parish School System, and within the University of Louisiana-Lafayette and provides service to retail and wholesale customers (as further defined in Appendix A hereto, the “Communications System”). The Communications System consists of a 125-mile, multiple-strand fiber backbone system providing wholesale broadband and high-speed Internet access with direct connections to major carriers with broadband backbone facilities that span the country, called Tier 1 providers. The backbone system serves as the core network to provide broadband and high-speed Internet to wholesale customers and voice, video, Internet, and data services to retail customers. In accordance with Title 45, Section 844.51(A)(1) of the Louisiana Revised Statutes of 1950, as amended, the Issuer established a single enterprise fund entitled the “Communications Services Enterprise Fund” to account for the City’s operation of the Communications System.

The Issuer also owns the assets of the Utilities System which includes: (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) (collectively, the “Utilities System” or “LUS”).

The Series 2021 Bonds are special obligations of the Issuer and do not constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana. The payment of the principal of, and interest on the Series 2021 Bonds shall be secured forthwith equally and ratably with the Issuer’s \$91,600,000 original aggregate principal amount of Communications System Revenue Refunding Bonds, Series 2015 (the “Series 2015 Bonds” or the “Outstanding Parity Bonds”) and any additional bonds which may be issued by the Issuer (such bonds, together with the Outstanding Parity Bonds and the Series 2021 Bonds, the “Bonds”), by an irrevocable lien on the Net Revenues (as defined in the Ordinance) of the Communications System, all in the manner and to the extent provided in the Ordinance, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided in the Ordinance, and the Issuer has irrevocably pledged to set aside the Net Revenues for the payment of the principal of and interest on the Series 2021 Bonds and the Outstanding Parity Bonds and, if the amounts on deposit in the Debt Service Account on the 21st day of the month preceding an Interest Payment Date are insufficient to pay principal of and interest on the Bonds due on such Interest Payment Date (a “Credit Event”), then to the extent of the insufficiency, the Residual Revenues of the Utilities System, before their use for any other purpose set forth in Section 5.1(e)(iv)(C) of Ordinance No. O-122-2004 adopted on June 29, 2004 (the “Utilities Bond Ordinance”).

As of October 2, 2021, the Issuer has \$215,615,000 of its Utilities Revenue Bonds outstanding which are payable from a pledge and dedication of the income and revenues of the Utilities System prior to

the Residual Revenues becoming available for the payment of the Series 2021 Bonds or the Outstanding Parity Bonds, consisting of \$99,290,000 of Utilities Revenue Refunding Bonds, Series 2012 Bonds (the “LUS 2012 Bonds”), \$59,465,000 of Utilities Revenue Refunding Bonds, Series 2017, and \$56,860,000 of Utilities Revenue Bonds, Series 2019. The Issuer has entered into an agreement with the Underwriters to purchase all of its Taxable Utilities Revenue Refunding Bonds, Series 2021 (the “LUS 2021 Bonds”), the proceeds of which will be used to refund a portion of the LUS 2012 Bonds, and which are expected to be issued on the date of the Series 2021 Bonds. Should the issuance of the LUS 2021 Bonds occur as currently proposed, as of November 18, 2021, which is the expected date of issuance of the LUS 2021 Bonds and the defeasance of the LUS 2012 Bonds, the Issuer will have approximately \$194,365,000 of Utilities Revenue Bonds outstanding and payable from a pledge and dedication of the income and revenues of the Utilities System prior to the Residual Revenues becoming available for the payment of the Series 2021 Bonds. There is no assurance that the LUS 2021 Bonds will be issued or the LUS 2012 Bonds will be refunded as currently contemplated.

The Series 2021 Bonds are being issued pursuant to Part II of Chapter 4 of Subtitle II of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority (the “Act”).

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2021 Bonds by Build America Mutual Assurance Company.

CONSULTING ENGINEER’S REPORT

Included in Appendix “D” hereto is the Consulting Engineer’s Report (the “Consulting Engineer’s Report”) of Burns & McDonnell Engineering Company, Inc., 9400 Ward Pkwy, Kansas City, MO 64114 (telephone 816-333-9400) (the “Consulting Engineer”). The Consulting Engineer’s Report includes, among other things, a description of the business, organization and management of the Communications System and the Utilities System; its findings regarding the Communications System, 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. The Consulting Engineer’s Report is part of this Official Statement and should be read in its entirety prior to the making of an investment decision with respect to the Series 2021 Bonds. The information included in Appendix “D” was provided by the Consulting Engineer and should not be deemed as a representation of either the Issuer or the Underwriters (as hereinafter defined).

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REFUNDING PLAN

The Tax-Exempt Bonds are being issued by the City for the purposes of refunding \$7,595,000 in outstanding aggregate principal amount of the City's Communications System Revenue Bonds, Series 2012A, as described in the table below, and paying costs of issuance of the Tax-Exempt Bonds.

\$7,595,000

Communications System Revenue Bonds, Series 2012A

| <u>Maturity (November 1)</u> | <u>Interest Rate</u> | <u>Amount Refunded</u> | <u>Redemption Date</u> | <u>Redemption Price</u> | <u>CUSIP Number[†]</u> |
|----------------------------------|--------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------|
| 2022 | 4.000% | \$620,000 | November 1, 2021 | 100% | 50646PBP3 |
| 2023 | 4.125 | 645,000 | November 1, 2021 | 100 | 50646PBQ1 |
| 2024 | 4.250 | 675,000 | November 1, 2021 | 100 | 50646PBR9 |
| 2025 | 4.500 | 700,000 | November 1, 2021 | 100 | 50646PBS7 |
| 2026 | 4.600 | 735,000 | November 1, 2021 | 100 | 50646PBT5 |
| 2027 | 4.750 | 765,000 | November 1, 2021 | 100 | 50646PBU2 |
| 2028 | 4.750 | 805,000 | November 1, 2021 | 100 | 50646PBV0 |
| 2031* | 3.250 | 2,650,000 | November 1, 2021 | 100 | 50646PBW8 |

The Taxable Bonds are being issued by the City for the purposes of refunding \$7,000,000* in outstanding aggregate principal amount of the City's Taxable Communications System Revenue Bonds, Series 2012B, as described in the table below, and paying costs of issuance of the Taxable Bonds.

\$7,000,000

Taxable Communications System Revenue Bonds, Series 2012B

| <u>Maturity (November 1)</u> | <u>Interest Rate</u> | <u>Amount Refunded</u> | <u>Redemption Date</u> | <u>Redemption Price</u> | <u>CUSIP Number[†]</u> |
|----------------------------------|--------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------|
| 2022 | 5.000% | \$545,000 | November 1, 2021 | 100% | 50646PBF5 |
| 2023 | 5.125 | 575,000 | November 1, 2021 | 100 | 50646PBG3 |
| 2024 | 5.300 | 605,000 | November 1, 2021 | 100 | 50646PBH1 |
| 2025 | 5.450 | 635,000 | November 1, 2021 | 100 | 50646PBJ7 |
| 2026 | 5.600 | 670,000 | November 1, 2021 | 100 | 50646PBK4 |
| 2027 | 5.700 | 705,000 | November 1, 2021 | 100 | 50646PBL2 |
| 2028 | 5.800 | 745,000 | November 1, 2021 | 100 | 50646PBM0 |
| 2031* | 6.000 | 2,520,000 | November 1, 2021 | 100 | 50646PBN8 |

As a condition of the issuance of the Series 2021 Bonds, the Issuer has covenanted to deposit on or before the redemption date (expected to be November 18, 2021) with the paying agent for the Refunded Bonds from the proceeds derived from the issuance and sale of the Series 2021 Bonds an amount sufficient to fully pay and redeem the Refunded Bonds on such date. The issuance of the Series 2021 Bonds and the refunding of all or any of the Series 2012 Bonds is subject to the Issuer's determination, at the time of sale, that it will yield financial benefits. Consequently, the issuance of the Series 2021 Bonds and the refunding of any or all of the Series 2012 Bonds described above are dependent upon market conditions and other events beyond the control of the Issuer.

* Term Bond

† CUSIP Numbers © Copyright 2021, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer or the Underwriters and are included solely for the convenience of the registered owners of the Series 2021 Bonds. Neither the Issuer nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The Issuer anticipates that the proceeds of the Series 2021 Bonds shall be applied as follows:

| Sources of Funds | Tax-Exempt Bonds | Taxable Bonds |
|----------------------------------|------------------|----------------|
| Par Amount of Bonds | \$7,000,000.00 | \$7,140,000.00 |
| Reoffering Premium | 774,538.00 | 43,457.20 |
| Total Sources | \$7,774,538.00 | \$7,183,457.20 |
| | | |
| Uses of Funds | | |
| Costs of Issuance ⁽¹⁾ | \$162,893.17 | \$164,773.73 |
| Deposit to Refunding Fund | 7,611,644.83 | 7,018,683.47 |
| Total Uses | \$7,774,538.00 | \$7,183,457.20 |

Source: The Underwriters

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

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending October 31 ("Fiscal Year"), 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 Series 2021 Bonds and on the Outstanding Parity Bonds under the Ordinance after giving effect to the refunding of the Refunded Bonds. The principal of the Series 2021 Bonds and Outstanding Parity Bonds matures on each November 1, one day following the close of the respective Fiscal Years listed.

| Fiscal Year Ending 10/31 | Outstanding Parity Bonds ⁽¹⁾ | <u>Series 2021A</u> | | <u>Series 2021B</u> | | TOTAL ⁽¹⁾ |
|--------------------------------|--|---------------------|----------------|---------------------|--------------|----------------------|
| | | Principal | Interest | Principal | Interest | |
| 2022 | \$8,929,801.88 | - | \$102,910.73 | - | \$67,040.54 | \$9,099,753.15 |
| 2023 | 8,543,237.50 | \$235,000.00 | 223,762.50 | \$270,000.00 | 145,365.00 | 9,417,365.00 |
| 2024 | 8,542,612.50 | 390,000.00 | 214,387.50 | 430,000.00 | 138,365.00 | 9,715,365.00 |
| 2025 | 8,533,112.50 | 570,000.00 | 197,137.50 | 605,000.00 | 128,015.00 | 10,033,265.00 |
| 2026 | 8,529,112.50 | 725,000.00 | 171,237.50 | 760,000.00 | 114,365.00 | 10,299,715.00 |
| 2027 | 8,514,987.50 | 780,000.00 | 146,012.50 | 805,000.00 | 98,715.00 | 10,344,715.00 |
| 2028 | 8,505,112.50 | 805,000.00 | 124,218.75 | 820,000.00 | 82,465.00 | 10,336,796.25 |
| 2029 | 8,515,025.00 | 830,000.00 | 96,550.00 | 835,000.00 | 65,915.00 | 10,342,490.00 |
| 2030 | 8,493,062.50 | 860,000.00 | 67,050.00 | 855,000.00 | 48,587.50 | 10,323,700.00 |
| 2031 | 8,486,812.50 | 890,000.00 | 40,800.00 | 870,000.00 | 30,040.00 | 10,317,652.50 |
| 2032 | 8,491,968.75 | 915,000.00 | 13,725.00 | 890,000.00 | 10,235.00 | 10,320,928.75 |
| Total | \$94,084,845.63 | \$7,000,000.00 | \$1,397,791.98 | \$7,140,000.00 | \$929,108.04 | \$110,551,745.65 |

⁽¹⁾ Includes 11/1/21 Series 2012 payment and Series 2015.

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THE SERIES 2021 BONDS

Form, Date, Maturities and Denomination of the Series 2021 Bonds

The Series 2021 Bonds are being issued as fully registered bonds in book-entry only form, are dated as of the date of delivery, and are in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof within a single maturity. The Series 2021 Bonds will mature on November 1 in the years and in the principal amounts and will bear interest at the interest rates per annum (calculated on the basis of a 360-day year, consisting of twelve 30-day months) indicated on the inside front cover of this Official Statement.

Place of Payment

Principal of the Series 2021 Bonds is payable at the designated office of Hancock Whitney Bank, Baton Rouge, Louisiana, or any successor paying agent (hereinafter referred to as the “Paying Agent”).

Interest Payment Dates

Interest on the Series 2021 Bonds is payable on May 1, 2022, and semiannually thereafter on November 1 and May 1 of each year (each an “Interest Payment Date”). For so long as the Series 2021 Bonds are registered in the name of Cede & Co. (as nominee of DTC), or its registered assigns, payments of principal and interest shall be made in accordance with the operational arrangements of DTC. In the event that the Series 2021 Bonds are no longer registered in the name of Cede & Co., interest on the Series 2021 Bonds is payable by check mailed to the holders by the Paying Agent at the addresses appearing on the registration books on the 15th calendar day of the month next preceding an Interest Payment Date, and principal of the Series 2021 Bonds is payable at the office of the Paying Agent.

Notwithstanding anything to the contrary herein, while the Series 2021 Bonds are issued in book-entry only form, the payment of principal of and interest on the Series 2021 Bonds may be payable by the Paying Agent by wire transfer to DTC in accordance with DTC’s procedures. See “BOOK-ENTRY ONLY SYSTEM” below.

No Redemption

The Series 2021 Bonds are not subject to redemption prior to maturity.

Legal Authority

The Series 2021 Bonds are being issued under the authority of the Act.

BOOK-ENTRY ONLY SYSTEM

The Series 2021 Bonds will initially 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 Series 2021 Bonds and Beneficial Owners (as defined below) will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2021 Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Series 2021 Bonds has been supplied by DTC. The Issuer makes no representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully registered securities 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 each Series the Series 2021 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 a Standard & Poor's 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.

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 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 Series 2021 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 beneficial ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 the Series 2021 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 Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 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 the Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds

for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 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 the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium, and interest payments on the Series 2021 Bonds will be made 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 or the Paying Agent, on a payment 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, its nominee, the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal 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 the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2021 Bonds purchased or tendered, through its Participant, to the Underwriters, and shall effect delivery of such Series 2021 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2021 Bonds, on DTC's records, to the Underwriters. The requirement of physical delivery of Series 2021 Bonds in connection with a purchase will be deemed satisfied when the ownership rights in the Series 2021 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of purchased Series 2021 Bonds to the Underwriters' DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates for such each Series of Series 2021 Bonds will be printed and delivered to DTC.

THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2021 BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE SERIES 2021 BONDS; (ii) CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2021 BONDS; OR (iii) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2021 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 NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE SERIES 2021 BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS UNDER THE RESOLUTION; (iv) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (v) ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC, PARTICIPANTS OR INDIRECT PARTICIPANTS UNDER THE BOOK-ENTRY SYSTEM.

Provisions Applicable if Book-Entry Only System is Terminated

General. Purchasers of Series 2021 Bonds will receive principal and interest payments, and may transfer and exchange Series 2021 Bonds, pursuant to the following provisions only if the book-entry only system is terminated. Otherwise, payments and transfers will be made only as described above under “BOOK-ENTRY ONLY SYSTEM.”

Place of Payment. Principal of the Series 2021 Bonds will be payable at the designated office of the Paying Agent.

Payment of Principal and Interest. Upon discontinuation of the book-entry only system, interest on the Series 2021 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 Series 2021 Bond is registered at the close of business on the Record Date with respect to an Interest Payment Date shall be entitled to receive the interest payable with respect to such Interest Payment Date notwithstanding the cancellation of such Series 2021 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 Series 2021 Bonds in book-entry form when the Series 2021 Bonds are delivered in multiple certificates form, upon request of a registered owner of at least \$1,000,000 in principal amount of Series 2021 Bonds outstanding, all payments of principal and interest on the Series 2021 Bonds will be paid by wire transfer in immediately available funds to an account designated by such registered owner.

Transfer, Registration and Exchange. Except as provided under “BOOK-ENTRY ONLY SYSTEM”, the Series 2021 Bonds are transferable only upon the records kept for that purpose at the principal corporate trust office of the Paying Agent, by the Owner or by his attorney duly authorized in writing, upon surrender of such Series 2021 Bonds with a written instrument or instruments of transfer in form and with a guaranty of signature satisfactory to the Paying Agent, duly executed by the Owner or his attorney duly authorized in writing, and upon the payment of the costs of any transfer taxes or other governmental charges relating thereto. Thereupon, the Paying Agent will register and deliver in the name of the transferee or transferees one or more new fully registered Series 2021 Bonds of any authorized denomination and like aggregate principal amount and designation, maturity and interest rate as the surrendered Series 2021 Bond. At the option of the Owner, the Series 2021 Bonds may also be exchanged for an equal aggregate principal amount of Series 2021 Bonds of the same designation, maturity and interest rate in any authorized denomination in accordance with the provisions of the Ordinance. The Issuer and the Paying Agent shall not be required to issue, register the transfer of or exchange any Series 2021 Bond

during a period beginning at the opening of business on the 15th day of the calendar month next preceding an Interest Payment Date.

Prior to due presentment for registration of transfer of any Series 2021 Bond, the Issuer and the Paying Agent, and any agent of the Issuer or the Paying Agent may deem and treat the person in whose name any Series 2021 Bond is registered as the absolute Owner thereof for all purposes, whether or not such Series 2021 Bond shall be overdue, and shall not be bound by any notice to the contrary.

SECURITY AND SOURCES OF PAYMENT

Definitions

The Ordinance defines certain terms used herein and they are set forth in Appendix “A” hereto.

Sources of Payment

The Series 2021 Bonds shall not be or constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be payable first, from the Net Revenues of the Communications System and second, upon the occurrence of a Credit Event, to the amount necessary, from a secondary or subordinate pledge of Residual Revenues of the Utilities System. 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 Series 2021 Bonds or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other moneys of the Issuer other than Net Revenues and Residual Revenues in the manner and to the extent provided in the Ordinance.

The payment of the principal of and interest on the Series 2021 Bonds and the Outstanding Parity Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues, all in the manner and to the extent provided in the Ordinance, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided in the Ordinance, and the Issuer has irrevocably pledged to set aside the Net Revenues for the payment of the principal of and interest on the Series 2021 Bonds and the Outstanding Parity Bonds and, upon the occurrence of a Credit Event, to the extent of the insufficiency, the Residual Revenues, before their use for any other purpose set forth in Section 5.1(e)(iv)(C) of the Utilities Bond Ordinance.

Notwithstanding any other provision of the Ordinance, the pledge of Residual Revenues set forth therein (but only until such Residual Revenues are released from the Capital Additions Account established under the Utilities Bond Ordinance) shall be subordinate to the pledge created in Section 4.2 of the Utilities Bond Ordinance.

THE SERIES 2021 BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND THE FULL FAITH AND CREDIT OF THE ISSUER, NOR THE LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT, NOR THE STATE OF LOUISIANA IS PLEDGED TO THE PAYMENT THEREOF.

Creation of Funds and Accounts

Notwithstanding any provisions of the Ordinance to the contrary, the Issuer has established and will maintain a single Enterprise Fund entitled the “Communications Services Enterprise Fund” (the “Fund”) to account for the City’s operation of the Communications System. All Revenues and Bond proceeds shall be deposited in and maintained in such Fund in the manner described below. Additionally, and not in place of the above provisions, there shall be an accounting of the Fund whereby separate accounts and/or sub-accounts will be created for accounting purposes only and shall be titled as follows: “Construction Account,” “Receipts Account,” “Operating Account,” “Debt Service Account,” “Reserve

Account” and “Capital Additions Account.” There may be created and established in the Operating Account and the Capital Additions Account one or more separate accounts or sub-accounts as determined by the Issuer from time to time to be necessary or convenient. The accounts established in the Ordinance shall constitute a trust for the purposes therein 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 moneys, and shall, except as otherwise provided, be subject to a lien and charge in favor of the Bondholders and used only as provided in the Ordinance. The described trust obligation shall extend only to the Issuer’s obligation to hold such moneys for the benefit of Bondholders, but does not impose a trust obligation on any Authorized Depository.

(a) **Receipts Account.** Revenues, except (i) income received from the sale of capital assets, and (ii) proceeds from the issuance of Bonds, shall be deposited daily as the same may be collected in an account known and designated as the “Receipts Account.”

(b) **Operating Account.** Out of the amounts in the Receipts Account, after the application of Bond proceeds deposited for working capital have been exhausted, there shall be transferred to or set aside in an “Operating Account,” from time to time as needed during each Debt Service Account Year amounts sufficient to provide for the payment of Costs of Operation and Maintenance.

(c) **Debt Service Account.** Out of amounts in the Receipts Account, after providing for payments in (b) above, the Issuer shall establish and maintain an account to be known as the “Debt Service Account” by initially transferring to such account the portion of the Series 2021 Bond proceeds designated as accrued interest and capitalized interest. Thereafter, except to the extent other amounts are available from such accrued interest, capitalized interest or other sources on the Series 2021 Bonds received at the time of delivery, the Issuer shall deposit out of amounts in the Receipts Account, on or before the twentieth (20th) day of each month, a sum of money equal to a sum obtained by (i) multiplying the interest falling due on the next Interest Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, from and including the month of computation, to and including the month prior to the month in which such interest is due; and (ii) multiplying the principal on the Bonds falling due on the next Principal Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, including the month of computation, to and including the month prior to the month in which such principal payment is due. The foregoing deposit procedure into the Debt Service Account for the payment of principal will first start in the Bond Year in which the first principal payment falls due.

The Issuer shall cause to be transferred from the Debt Service Account to the Paying Agent no later than the twenty-first (21st) day of the month preceding each Interest Payment Date an amount equal to the interest and principal falling due on the Bonds on such Interest Payment Date. Such transfer or payment shall be held in trust by the Paying Agent for the benefit of the Bondholders and the Paying Agent shall disburse the amounts to the Bondholders on such Interest Payment Date. Upon failure of the Issuer to make such transfer on the twenty-first (21st) day of the month, the Paying Agent shall notify the Issuer within one (1) working day in writing or by electronic communication and the Issuer’s continuing inability or failure to make such transfer by the twenty-fourth (24th) day of the month shall constitute a Credit Event. Failure of the Paying Agent to make the notification described above shall not prevent the occurrence of the Credit Event.

If a date prescribed in the Ordinance for a certain action is not a Business Day, such date so prescribed shall extend to the next day which is a Business Day.

(d) **Reserve Account.** The Reserve Account will be segregated into one or more sub-accounts that are created for various series of Reserve Secured Bonds. After meeting the requirements of (c) above, the amounts in the Receipts Account shall next be used to satisfy the Reserve Requirements for any subsequently issued Reserve Secured Bonds. The Series 2015 Bonds are not Reserve Secured Bonds. The

Series 2021 Bonds are not Reserve Secured Bonds, and no sub-account in the Reserve Account will be established for the Series 2021 Bonds.

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

(i) When amounts are deposited in the Capital Additions Account to pay the capitalized cost of interest on the Bonds of the Issuer, the Issuer shall pay from the Capital Additions Account to the Debt Service Account, on or before the first day of each Bond Year the amount equal to the interest for such Bond Year, to the extent amounts are available from capitalized interest.

(ii) Notwithstanding the above provisions, the Capital Additions Account must be applied to the payment of principal of and interest on the Bonds and the payment of Parity Debt, on a pro rata basis, when due at any time that amounts are not available therefor and then to the payment falling due and any early repayment the Issuer deems appropriate on any advances, loans and/or transfers to the Fund from accounts or funds outside of the Communications System.

(iii) Not later than one hundred twenty (120) days following the close of each Fiscal Year, there shall be transferred from Capital Additions Account to the Issuer to the extent that the amount in such account makes possible such transfer under the restrictions hereinafter described, an in lieu of taxes ("ILOT") payment, 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 Adjusted Revenues deposits into the Receipts Account for such Fiscal Year.

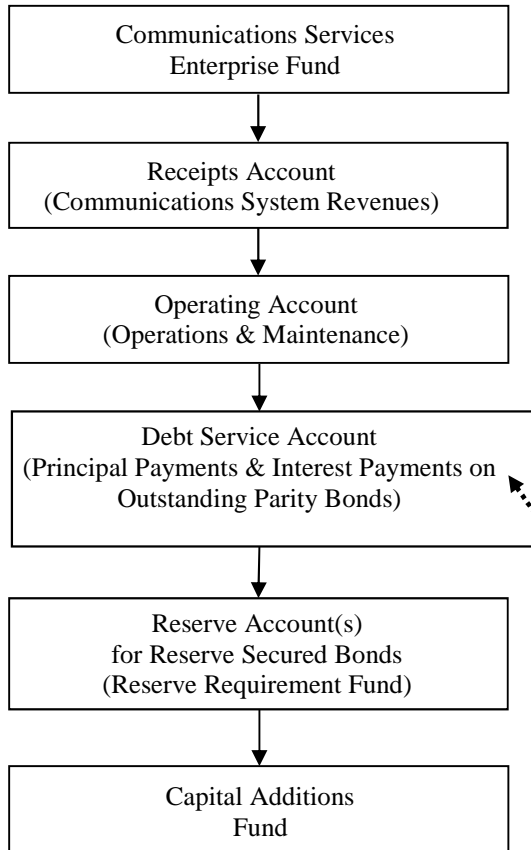
(B) If the balance of the amount so paid into the Capital Additions Account in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the Adjusted Revenues deposits into the Receipts Account as above provided, is equal or less than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, an amount equal to such balance shall be paid from the Capital Additions Account of the Fund to the General Fund of the Issuer; however, if such balance is more than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, then the General Fund of the Issuer shall be paid an amount equal to twelve percent (12%) of said Adjusted Revenues deposits. Any such ILOT payment, required by this subparagraph, shall be reduced by the amount of any payment or transfer in such Fiscal Year to the Issuer's General Fund for imputed taxes but not for transfers for Costs of Operation and Maintenance.

(iv) The remaining amounts in the Capital Additions Account may be used for (i) paying Capital Costs, (ii) paying Subordinate Debt and Subordinated Contract Obligations, (iii) purchasing Outstanding obligations, or (iv) making any payment or investment for any lawful purpose.

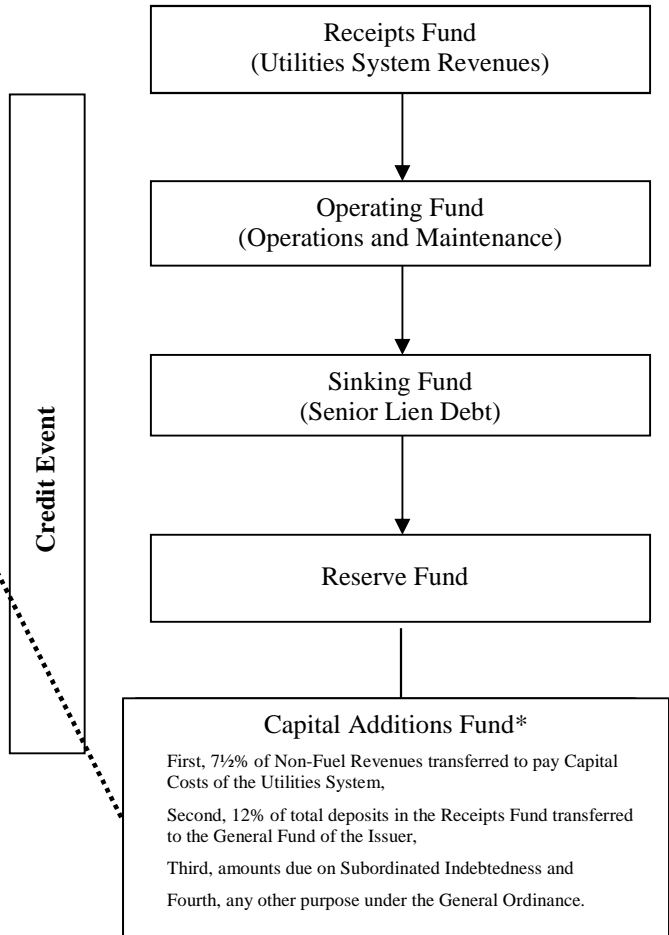
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Flow of Funds

Communications System



Utilities System



* Upon the occurrence of a Credit Event, Residual Revenues will be transferred to the Debt Service Account of the Communications System from amounts on deposit in the Capital Additions Fund of the Utilities System payable on a parity with amounts due on Subordinated Indebtedness.

Additional Bonds

The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the Series 2021 Bonds, the Outstanding Parity Bonds, and Parity Debt as provided in the Ordinance, secured by a pledge of the Net Revenues and Residual Revenues and shall not create or cause to be created any lien or charge on the Net Revenues and Residual Revenues, except to the extent provided by the Ordinance; provided, however, the Issuer may, at any time, or from time to time, incur Subordinate Debt 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 Ordinance and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues and Residual Revenues created by the Ordinance as security for payment of the Series 2021 Bonds and the Outstanding Parity Bonds.

Issuance of Parity Obligations

Except as otherwise described in this section, no Obligations may be issued on a parity with the Series 2021 Bonds and the Outstanding Parity Bonds, unless the Issuer shall have first complied with the requirements of this section. Additional Obligations may be issued from time to time under the Ordinance for any lawful purpose of the Issuer in connection with the Communications System and the Utilities System.

(a) 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.

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

(i) the Issuer shall have enacted an ordinance authorizing such Obligations and providing for the terms thereof as contemplated in the Ordinance and reciting that all of the covenants contained in the Ordinance will be fully applicable to such Obligations;

(ii) 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 Ordinance or of any of the Obligations;

(iii) (A) the Mayor-President shall certify in writing that the Net Revenues of the Communications System, as shown on the then-most recent available audited financial statements of the Communications System, equal or exceed the Bond Service Requirement for the same audited period for all Outstanding Obligations and (B) a Certificate from the Consulting Engineer certifying that the Net Revenues of the Communications 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 (3) complete Bond Years during which the additional Obligations shall be outstanding;

(iv) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (A) the Issuer has the right and power under the Act to enact the ordinance issuing the Parity Debt and said 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 that ordinance is required, (B) said ordinance provides that the Parity Debt is payable from the same pledge and source of revenues as the Series 2021 Bonds and other Parity Debt (C) the Obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and said ordinance and have been duly and validly authorized and issued in accordance with the Act and said ordinance, and (D) 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 Communications System for purposes of clause (iii) 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 Communications System in the following respects:

(1) 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 Communications System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Communications 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;

(2) 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 Communications 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.

(v) Obligations issued and Parity Debt incurred in compliance with the terms and conditions as described in this section shall be deemed on a parity with all Bonds and Parity Debt then Outstanding, and all of the covenants and other provisions of the Ordinance shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued and Parity Debt incurred as described in this section and the holders of any Bonds and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with the Ordinance. Any debt incurred, which has a pledge of the Net Revenues or the Residual Revenues as security, but is not in compliance with this section will have a lien on said Net Revenues and Residual Revenues that is subordinate to that of the Obligations; and

(vi) Notwithstanding anything contained in the Ordinance to the contrary, the City may issue Parity Debt under its Utilities Bond Ordinance.

Also notwithstanding anything contained in this section to the contrary, the above restrictions shall not be applicable to Parity Reimbursement Obligations and Parity Swap Obligations incurred with respect to Obligations which met the conditions of this section upon their issuance or incurrence.

GENERAL COVENANTS OF THE ISSUER

Ordinance to Constitute Contract

The 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 Ordinance shall be for the equal benefit, protection and security of the Bondholders, and all Bonds shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided in the Ordinance.

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Operation Covenant

The Issuer has covenanted to operate the Communications System and the Utilities System in a business-like manner and, in consultation with the Consulting Engineer, to operate the Communications System and the Utilities System in such manner in order to ensure the continued availability of Net Revenues and Residual Revenues to pay all amounts required by the Ordinance. The Issuer has covenanted to adequately maintain and improve the Communications System and 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 Communications System and the Utilities System.

Rate Covenant

(a) So long as any Obligations remain Outstanding, the Issuer, in its judgment, will make best efforts to 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 Communications System as are expected to be sufficient in each Debt Service Account Year to generate 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 Debt Service Account Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with the Ordinance, and any additional amount required to make all other payments required to be made.

Upon the occurrence of a Credit Event, 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 Debt Service Account Year to produce Residual Revenues, in an amount, that when added to the Revenues is at least equal to the sum of (i) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (ii) one hundred percent (100%) of the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iii) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with the Ordinance, 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” 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 Ordinance which statements show such non-compliance, retain a Qualified Independent Consultant for the purpose of reviewing the Communications System and 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 Communications System and/or Utilities System as would provide moneys 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 with 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.

(c) The rate covenant of the Issuer contained in Section 7.7 of the Utilities Bond Ordinance, as amended from time to time, is incorporated in the Ordinance by reference to the same extent as if set forth therein and shall inure to the benefit of the Owners of the Series 2021 Bonds, and the Bond Service Requirement on any Bonds issued and Outstanding under the Ordinance shall be treated as “amounts payable with respect to Subordinated Indebtedness” for purposes of such Section 7.7 of the Utilities Bond Ordinance.

The Series 2021 Bonds constitute Subordinated Indebtedness of the Utilities System, and are included in the rate covenant of the Utilities Bond Ordinance which provides in pertinent part as follows:

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.

Maintenance of Communications System and Utilities System; Disposition

The Issuer will maintain the Communications System and 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 in the Ordinance 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 Communications System and 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 Communications System and the Utilities System will not prevent the Issuer from meeting the flow of funds and rate covenant requirements in the Ordinance. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Communications System and the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain the revenues from such portion or component of the Communications System and the Utilities System, shall not constitute a lease or disposition thereof for purposes of this section.

Operating Budget; Reports and Annual Audits

Before the first day of each Fiscal Year, the City Council shall prepare, approve and adopt in the manner prescribed 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. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the Communications System and the receipt and disbursement of Revenues, and any Bondholder shall have the right at all reasonable times to inspect the same. The Issuer shall require that an annual audit of the accounts and records with respect to the Communications System and 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 under the Ordinance has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default.

No Free Service

The Issuer will not permit free services to be supplied by the Communications System and the Utilities System to the Issuer or any department thereof or to any Person.

THE ISSUER

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 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 “B hereto.

Governance

In the Fall of 1992, the electorate of the Parish, including the City, adopted the initial Home Rule Charter of the City and the Parish (the “Initial Charter”) which established the Lafayette City-Parish Consolidated Government (“LCG”) for the purposes of consolidating the governmental functions of the City and the Parish, which government became operative June 3, 1996, when the LCG officials took office pursuant to the Initial Charter. On December 8, 2018, voters of the Parish and the City ratified amendments to the Initial Charter (the “Charter Amendments”) which provides the rules of governance for the City and the Parish. While LUS was governed under the 1996 Home Rule Charter during the fiscal year 2019 period, in January 2020, the new Charter was implemented which modified the governance structure as described herein. Historically, the Lafayette Public Utilities Authority (“LPUA”) approved the LUS budgets, and issued debt as approved by the Mayor-President and City-Parish Council. Beginning in January 2020, the City Council assumed LPUA’s responsibilities with respect to the Utilities System.

The Charter defines the LCG departmental structure. LCG manages and operates the Utilities System through its departmental structure. The Utilities Department is responsible for the Utilities System while the Communications Department is responsible for the Communications System management and operations. Other LCG departments perform certain functions to and provide support for LUS operations, such as the Chief Administrative Officer, which includes human resources, the Office of Finance and Management, which includes accounting, budget management, purchasing and property management, and risk management and group insurance, and the Legal Department. The City owns the Utilities System and

the Communications System assets. LCG operates on a fiscal year beginning November 1 and ending on October 31 of the following year.

Now, LCG is currently governed by a Mayor-President and City Council members that are elected by the City to four-year terms of office. The Lafayette City Council (“City Council”) consists of five members who are serving as the governing authority for the City and the Lafayette Parish Council (“Parish Council”) consists of five members who are serving as the governing authority for the Parish. The City Council and the Parish Council, jointly, serve as the governing authority for LCG. The Mayor-President leads LCG along with the City Council and Parish Council. The City Council is the governing authority for LUS, LPPA, and LUS Fiber. The Mayor-President appoints the Director of Utilities and Communications, with such appointment for the Director of Utilities subject to ratification by the City Council. Certain provisions provided by LCG to the City and Parish are shared such as finance, accounting, administration, human resources, legal, and insurance. The Mayor-President and Chief Administrative Officer supervise the administration of departments, offices, and agencies of LCG. Certain departments of LCG are involved in day-to-day support of the management of LUS. Joshua S. Guillory is the Mayor-President of LCG and his term expires January 2024.

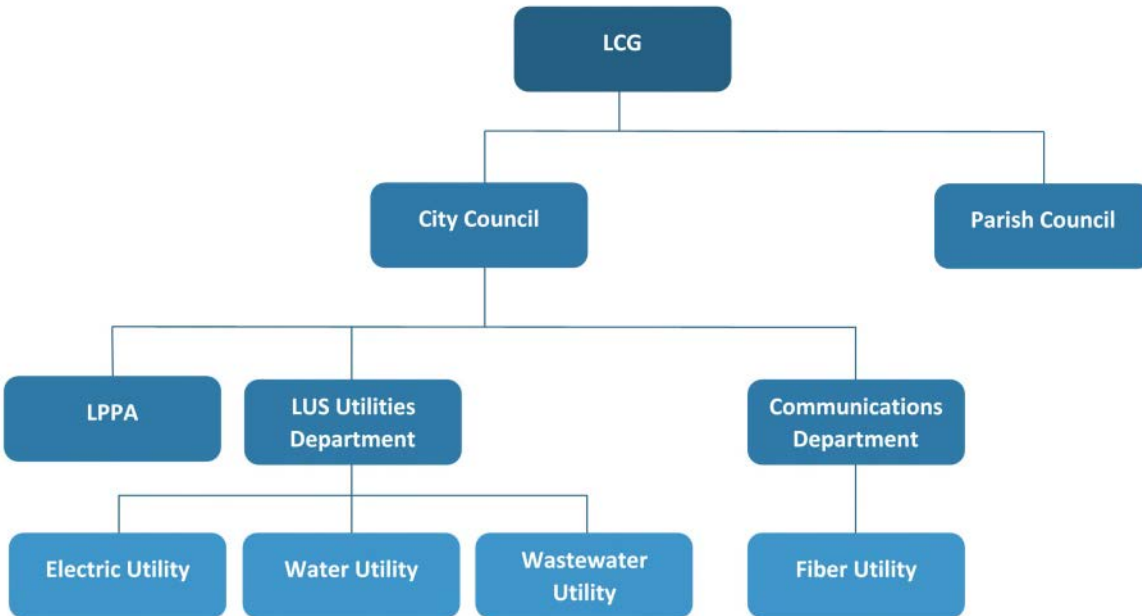
The following are the current members of the City Council:

| | <u>Term Expires</u> |
|--|---------------------|
| Liz W. Hebert, District 3, <i>Chair</i> | January 2024 |
| Nanette S. Cook, District 4, <i>Vice Chair</i> | January 2024 |
| Patrick “Pat” Lewis, District 1 | January 2024 |
| Andy Naquin, District 2 | January 2024 |
| Glenn M. Lazard, District 5 | January 2024 |

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LCG Structure

The chart below reflects the City's Utilities System and Communications System organizational structure:



THE COMMUNICATIONS SYSTEM

General

The Communications System currently operates a 100 percent fiber optic network in the City that is used to provide communication within the Utilities System, within parts of local government, within parts of the Parish School System, and within the University of Louisiana-Lafayette and provides use to various wholesale customers. The Communications System, also known as “LUS Fiber”, consists of a 191-mile, multiple-strand fiber backbone system providing wholesale broadband and high-speed Internet access with direct connections to major carriers with broadband backbone facilities that span the country, called Tier 1 providers. The backbone system serves as the core network to provide broadband and high-speed Internet to wholesale customers and voice, video, Internet, and data services to retail customers. The fiber optic system is built for substantial penetration within the City with available capacity to handle the full potential market of customers and services. The Communications System includes 161 miles of distribution fiber, and 577 miles of access fiber connecting to individual premise locations. About 40 percent of the infrastructure is on aerial utility poles and 60 percent is underground. LUS reports that it has constructed on average between one and one and a half miles of new infrastructure per month in the past year, mostly underground.

The fiber optic system began with bulk fiber serving the Electric System supervisory control and data acquisition (“SCADA”), transmission line protection systems, and LUS facilities in 1998. Further expansion provided the Utilities System with an efficient and reliable means of communications for the infrastructure of its Electric System, Water System and Wastewater System, and offered communications and data services to governmental and educational facilities, and retail data, telephone and cable television (“CATV”) services to the general public. The first residential customers began receiving services in February 2009 and the first business customers began receiving services in June, 2009.

On June 28, 2007, Lafayette City-Parish Consolidated Government issued the Series 2007 Bonds to finance the build-out of the Fiber-to-Home system (“FTTH”). With the issuance of the Series 2007 Bonds, the City began the process of building and operating a retail communications utility. The Communications System purchased the fiber optic 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’s repayment of the loans will continue through 2032. The Communications System does not expect any future loans from the Utilities System. The repayment of the Utilities System loans is subordinate to the Communications System debt service payments.

The Communications System is a fiber-to-the-premises (“FTTP”) architecture, with fiber located in most of the streets of the service area. Relative to the copper telephone and cable broadband technologies used by its competitors, LUS Fiber uses a passive optical network (“PON”) technology that is well-suited to all residential and all but the most intensive commercial and institutional uses. FTTP has many times the theoretical maximum capacity of other technologies and can be scaled to much higher speeds in the coming years simply by changing modules in the network headend and huts, and by upgrading the network terminal at the home or business. The system is currently configured with a split of 32 homes per PON segment, per industry standard.

LUS Fiber cables are installed both on aerial poles and underground, based usually on the location of the other utilities. Where fiber is on aerial poles owned by LUS, it is placed 15 inches below power in the “safety space” that is restricted to the power company, thus taking advantage of the open space above the other communications providers, while safely constructed and managed by individuals qualified to work with high voltages. Where LUS Fiber cables are on poles owned by a different utility, they are currently located in the communication space. LUS Fiber staff continues to work with these utilities in an effort to allow LUS Fiber to locate their cables in the safety space.

At intervals, a pole mounted splice enclosure is placed below the communication space. The placement of the enclosure allows for easy access to the drop installation points by installation staff or contractors who are not necessarily qualified to work in the high-voltage space on the poles. Based on one day of sample drive-through inspection of the system, the aerial infrastructure appears to be well maintained.

The Communications System maintains several wholesale contracts with major carriers, Internet service providers, and application service providers that provide bandwidth, Internet, and telephone services on a retail basis to medium and large business customers. Wholesale customer contracts currently account for approximately \$2,582,259 in Communications System revenues in 2020. The Communications System offers an array of services in the competitive wholesale and retail markets including fiber leases, wholesale broadband, and retail customer services. The Communications System offered a new streaming service, connect (“ConneCTV”), in 2019. The Communications System also provides broadband and Internet access to most of Lafayette City-Parish Consolidated Government’s facilities, local government facilities, schools and libraries. In the retail market, the Communications System offers “triple play” services. “Triple play” is a common term in the industry that refers to CATV, Internet, and telephone services. In addition to the residential retail communications services, the Communications System offers business communications services.

While the Communications System services are generally offered within the City limits, it has expanded to new subdivisions outside the City. At the end of October 2020, the Communications System served approximately 34 wholesale accounts and over 20,000 retail accounts with CATV, telephone, Internet, or some combination of the three. The Communications System continues to show notable positive growth each year. The Communications System attained franchise status in November 2017 throughout the Parish and offers communications service to the City of Broussard, City of Youngsville, City of Carencro, and unincorporated areas in the Parish. The Communications System is continuing to

build out targeted areas and was recently awarded a grant to build out the Communications System to serve new underserved areas in neighboring Parishes.

The Local Government Fair Competition Act of 2005

The Local Government Fair Competition Act of 2004, including amendments in 2005 and 2008 (Louisiana Revised Statutes 45:844.41, et seq.) (the “Local Government Act”) sets forth certain requirements in order for a local government, such as the Issuer, to provide telecommunications services, Internet access and cable television services (“Covered Services”) to subscribers. Such requirements include public hearings, a feasibility study and, upon presentation of a qualifying petition, a referendum on the authorization to provide Covered Services. Said legislation also requires a local government which provides Covered Services to establish a single enterprise fund to account for the local government’s operation of Covered Services. Except for certain specified circumstances, a local government may not transfer any funds from an existing enterprise fund to the enterprise fund created for the Covered Services. Any bonds to finance the capital costs for facilities necessary to provide Covered Services are required to be secured and payable solely from the revenues derived from Covered Services, provided that a local government that issues debt to finance the capital costs of the facilities to provide Covered Services is permitted to pledge the resources of its electric, water, gas, sewer or other utilities to obtain the best available interest rates, terms and conditions for any such debt. The Local Government Act also requires, among other provisions, that LUS must provide the Covered Services in a manner that does not discriminate against competing providers of the same services, 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.

Pursuant to the Local Government Act, the Communications System is also subject to certain rules and audit requirements of the Louisiana Public Service Commission (“LPSC”). In particular, the LPSC has enacted Cost Allocation and Affiliate Transaction Rules (“LPSC Rules”), and has responsibility and authority for compliance thereof by the Communications System. The Communications System is required by the LPSC Rules to file a certification with the LPSC on an annual basis, signed under oath, stating that it is complying with the Local Government Fair Competition Act and the LPSC Rules. Pursuant to the LPSC Rules, the LPSC has authority to conduct separate audits of the Communications System’s compliance with the LPSC Rules and has done so from time to time.

In April 2018, during the preparation of the fiscal year 2017 attest audit, LUS self-reported that it paid for services from LUS Fiber, but had not fully utilized these services. LUS reported fiber was run to approximately 180 sewer lift stations; however, the wastewater division’s efforts to complete connections for these services did not keep pace with LUS Fiber’s construction, resulting in only 117 of the lift stations being fully connected.

Per the fiscal year 2017 attest audit, dated September 28, 2018, LUS requested and was being billed for 180 lift stations; however, service was not utilized by LUS at 63 of those lift stations even though LUS Fiber installed and provided the services. This resulted in LUS paying \$1,259,855 since 2012 for services not utilized. In addition, LUS neglected to terminate service at 25 CAP banks resulting in \$274,882 being paid to LUS Fiber for services not used. LUS was reimbursed by LUS Fiber a total of \$1,752,194.85 for the above charges in 2018 at the request of LCG administration, even though the reimbursement was not mandated by the LPSC. On March 17, 2021, the LPSC accepted the findings of the 2017 audit, affirming that the systems, processes, and procedures applied by the Communications System complies with the LPSC rules and the Fair Competition Act through the end of fiscal year 2017.

The fiscal year 2018 and fiscal year 2019 audits are still outstanding as of April 30, 2021. The major unresolved item is the appropriate price for LUS Fiber to charge LUS for a Power Outage Monitoring System (“POMS”) service that provided instantaneous outage notifications to the electrical utility for 989

taps through the end of June 2019. At its meeting of December 16, 2020, the PSC accepted PSC Staff's recommendation to take no further action regarding the POMS charges. By Order dated March 19, 2021, the PSC closed the audit proceeding in which the POMS charges had been raised, without taking any action regarding these charges. Following this Order, there are no pending audit proceedings involving LUS. For more information on the audit, see Appendix B herein.

Separate from the requirements of the Local Government Act, and LPSC Rules, the LPSC has jurisdiction over the telecommunications rates of LUS but it does not have jurisdiction over LUS' rates for Internet and cable television services.

Management

LCG is currently governed by a Mayor-President, City Council members that are elected by the City to four-year terms of office, and Parish Council members that are elected as the governing authority for the Parish. The Lafayette City Council ("City Council") consists of five members who are serving as the governing authority for the City and the Lafayette Parish Council ("Parish Council") consists of five members who are serving as the governing authority for the Parish. The City Council and the Parish Council, jointly, serve as the governing authority for LCG. The Mayor-President leads LCG along with the City Council and Parish Council. The City Council is the governing authority for LUS Fiber. The Mayor-President appoints the Director of Communications. Certain provisions provided by LCG to the City and Parish are shared such as finance, accounting, administration, human resources, legal, and insurance. The Mayor-President and Chief Administrative Officer supervise the administration of departments, offices, and agencies of LCG. Certain departments of LCG are involved in day-to-day support of the management of LUS Fiber. Joshua S. Guillory is the Mayor-President of LCG and his term expires January 2024. The Office of Finance and Management, the Department of Information Services and Technology and the Legal Department provide vital functions to LUS Fiber operations.

During 2020, Communications System employees and facilities were organized separately from Utilities System operations; however, several services (such as accounting) and reporting functions were shared among the Communications System and Utilities 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. Prior to November 2020, the LUS Business Support Services division managed the customer service for both the Utilities System and the Communications System. In November 2020, a new Communications customer service division was created, and the Communications System took over direct management of their own customer service staff, with the exception of cashiers. The Communications System and Utilities System continue to share the customer service center.

The Office of Finance and Management is responsible for budgeting, accounting, procurement and property management.

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

Ryan Meche — *Communications System Director*. Ryan is a growth-focused leader with 17 years of experience, including a career-long tenure with LUS Fiber and 9 years (concurrent) entrepreneurial experience as a business and technical consultant for broad-ranging municipally and publicly owned companies. Ryan holds a Bachelor's Degree in Electrical Engineering, Telecom and is currently working towards a Master of Business Administration. He was part of the executive management team that helped develop LUS Fiber, which launched Lafayette, LA to the forefront of the technology industry. Ryan is responsible for supervising all activities and projects by Engineering, Business, and Operations, as well as guiding product development, growth planning and strategic partnerships.

Lorrie R. Toups, CPA, CGFO — *Chief Financial Officer*. Lorrie has 28 years of experience in government finance. She was employed by St. Charles Parish, Louisiana from 1993 through 2008 where

she held the position of Director of Finance from 2000 – 2008. She served as Director of Accounting from 2008 through 2010 in Jefferson Parish, Louisiana prior to joining Lafayette City-Parish Consolidated Government in January 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.

Customers

The Communications System operates a 100 percent fiber optic system that provides CATV, Internet, and telephone services to residential, wholesale and business customers within the City limits, as well as certain school systems outside the City but within the Parish. The Communications System provides services to approximately 20,000 customers, who can choose to purchase any, or all, of the triple-play services. These services are in competition with regional and national data and communications providers including Cox Communications, AT&T, Dish, and DirecTV. The fiber optic system is built for substantial penetration within the City with available capacity to handle the full potential market of customers and services. LUS' marketing activities focus primarily on a subset of residential electric customers that are largely comprised of single-family homes receiving electric service inside the City limits. Customers meeting this profile enable LUS to provide communication services with minimal additional cost. The sale of internet services exhibits the highest growth for the Communications System, while cable TV service and telephone service sales are more variable.

The Communications System's ten largest customers provide approximately 11.8 percent of the total revenue for Fiscal Year 2020. The two largest customers for the Communications System are Government and Educational business types, which provide approximately 5.4 percent of the revenue for Fiscal Year 2020. The remaining eight largest customers are primarily telecom providers that utilize the Communications System to provide services to others.

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The Communications System offers the following residential retail services to customers:

Residential Cable Television / Video Services

- a. 87 analog, 327 digital channels
- b. Traditional Video Packages
 - i. Basic Package with 21 channels
 - ii. Expanded Basic with 80+ channels
 - iii. Digital Access with 200+ digital channels
 - iv. Digital Plus with 270+ digital channels
 - v. Digital Hispanic with 270+ digital channels, including 5 Spanish-only channels
 - vi. Premium Movie Suites (HBO, Cinemax, Showtime, Starz/Encore)
- c. Additional equipment and service options include digital video recorder (“DVR”), video on demand, pay-per-view, and set top boxes.

ConnectTV Packages

- a. ConnectTV Basic with 21 channels
- b. ConnectTV Expanded with Basic 80+ channels
- c. ConnectTV Plus with 270+ channels
- d. Sports Package with 18 channels
- e. Premium Movie Suites (HBO, Cinemax, Showtime, Starz/Encore)

Residential Internet Service

- a. 3, 60, 100 megabits per second (“Mbps”)
- b. 1 and 10 gigabit per second (“Gbps”)
- c. Hub City Wi-Fi – residential Wi-Fi service
- d. Hub City Wi-Fi Plus – residential Wi-Fi service

Residential Telephone Service

- a. Basic Line – basic digital telephone service line with paid long-distance calling; packages and features are sold separately
- b. Basic Feature Package – basic calling features
- c. Premium Feature Package – basic service, plus voicemail and caller identification
- d. Unlimited Long Distance – offered as a separate service to add to the above services
- e. International Long Distance – per minute rate depending on the area called

In addition to the residential retail communications services, the Communications System offers business communications services including business internet, video, and telephone service. These services are more fully described in the Consulting Engineers Report included as Appendix D.

The sale of internet services exhibits the highest growth for the Communications System, while cable TV service and telephone service sales are more variable. Although the number of cable TV and telephone subscribers has remained relatively stable over the last few years, growth has not kept pace with overall customer growth. 2020 had seen a surge in the use of over-the-top video and VoIP telephone services, and LUS Fiber anticipates that the total number of cable TV and telephone subscribers will decline. It is difficult to directly compare specific cable TV, internet, and telephone service offerings across all competitors in the market as each competitor bundles packages, services, and offerings differently.

Expansion of the Communications System into new subdivision developments is constrained by the need to have sufficient market share to justify the additional main fiber feeder construction costs. New customer installation costs, including set top boxes and fiber to home connections, as is typical within the industry, are rolled into the monthly rates for each of the service packages.

Customer Statistics

The historical and projected number of customers of the Communications System is illustrated in the following table. The number of Communications Systems customers is represented by the number of customer connections.

As illustrated in the table below, the number of Communications System customers is projected to increase between 3.9 percent and 4.5 percent per year through 2030. The customer projections shown below include consideration for customer churn. Customer churn is the number of customers who discontinue service during a specified time period. Customer churn is a market characteristic generally experienced by communications service providers including LUS and its competitors.

Historical and Projected Number of Customer Accounts for the Communications System

| <u>Year</u> | <u>Number of Customer Accounts ⁽¹⁾</u> | <u>Increase in Customer Accounts (%)</u> |
|-------------------|---|--|
| Historical | | |
| 2016 | 18,243 | 10.0% |
| 2017 | 18,973 | 4.0% |
| 2018 | 20,412 | 7.6% |
| 2019 | 21,291 | 4.3% |
| 2020 | 22,053 | 3.6% |
| Projected | | |
| 2021 | 23,045 | 4.5% |
| 2022 | 23,949 | 3.9% |
| 2023 | 24,907 | 4.0% |
| 2024 | 25,904 | 4.0% |
| 2025 | 26,940 | 4.0% |
| 2026 | 28,018 | 4.0% |
| 2027 | 29,138 | 4.0% |
| 2028 | 30,304 | 4.0% |
| 2029 | 31,516 | 4.0% |
| 2030 | 32,777 | 4.0% |
| Average Growth | 4.0% | |

Source: Lafayette Communications System

(1) Communications customer projections include retail customers with CATV, Internet, and telephone or some combination of the three services. The number of customers reflects the customers at the end of the Fiscal Year. The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. As shown in this table, historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.

The Communications System has several initiatives that are expected to continue to increase market share over the next several years. The Communications System has and continues to improve the method and efficiency of providing service to both residential and business customers. Through market research, the Communications System is creating products, services, and features that leverage technology and are differentiators in the City’s marketplace. Several of these products, services, or features are considered “sticky”, meaning that once the customer starts using them, they are more likely to remain customers of the Communications System.

LUS’ marketing activities focus primarily on a subset of residential electric customers that are largely comprised of single-family homes receiving electric service inside the City limits. Customers meeting this profile enable LUS to provide communication services with minimal additional cost. Set forth below is a table setting forth the projected market share for the Communications System through 2030.

Projected Retail Market Share

| <u>Year</u> | <u>Number of Customers</u> ⁽¹⁾ | <u>Increase in Customers (%)</u> | <u>Market Potential</u> ⁽²⁾ | <u>LUS Target Market</u> ⁽³⁾ | <u>Increase in LUS Target Market</u> | <u>LUS Target Market Share</u> |
|----------------|---|----------------------------------|--|---|--------------------------------------|--------------------------------|
| 2021 | 23,045 | 4.5% | 58,072 | 52,543 | 1.0% | 43.9% |
| 2022 | 23,949 | 3.9 | 60,072 | 53,022 | 0.9 | 45.2 |
| 2023 | 24,907 | 4.0 | 62,072 | 53,460 | 0.8 | 46.6 |
| 2024 | 25,904 | 4.0 | 64,072 | 53,868 | 0.8 | 48.1 |
| 2025 | 26,940 | 4.0 | 66,072 | 54,279 | 0.8 | 49.6 |
| 2026 | 28,018 | 4.0 | 68,072 | 54,692 | 0.8 | 51.2 |
| 2027 | 29,138 | 4.0 | 70,072 | 55,107 | 0.8 | 52.9 |
| 2028 | 30,304 | 4.0 | 72,072 | 55,525 | 0.8 | 54.6 |
| 2029 | 31,516 | 4.0 | 74,072 | 55,944 | 0.8 | 56.3 |
| 2030 | 32,777 | 4.0 | 76,072 | 55,944 | 0.0 | 58.6 |
| Average Growth | 4.0% | | 3.0% | 0.7% | | |

Source: Lafayette Communications System

- (1) Communications customer projections include retail customers with CATV, Internet, and telephone or some combination of the three services. The number of customers reflects the customers at the end of the Fiscal Year. The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. Historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) Projection includes all LUS residential electric customers inside the City limits, as well as other locations passed by LUS Fiber's network. See "The Utilities System" for more information.
- (3) Target market excludes apartments and other multifamily dwellings.

Rates for Communications System

Net Revenues of the Communications System are pledged to the payment of debt obligations of the Communications System. LUS Fiber regularly reviews and independently sets rates for Communications Systems services. In accordance with the Local Government Act, the rates and charges set by LUS Fiber must meet the LPSC requirements for cost based rates, and direct rate subsidies from LUS are forbidden. The Communications System pricing practices reflect an opportunistic approach where the development of new or higher value service offerings and competitor price increases provide the Communications System the ability to adjust rates if warranted. The Communications System's pricing strategy is to offer comparable or higher quality services at a lower price than the competition. Additionally, wholesale customer projections remain constant, at 34 customers, from 2021 to 2030 with revenues of \$3.2 million annually.

Current communications services rates are stable, with increases for CATV or video generally driven by programming and content costs. LUS Fiber offers comparable and competitively priced cable TV packages as its competitors throughout its service territory. LUS Fiber's internet services are competitively priced and deliver faster download speeds and significantly faster upload speeds than any other provider can offer, except where AT&T's fiber service is available. The Communications System also offers customers a unique feature that enables peer-to-peer connections within the City limits with excellent data exchange speeds. Currently competitors cannot offer this feature. Telephone service is competitive but difficult to compare directly with competitors' packages.

Historical Communications Operating Revenues

The Communications System began offering retail services in 2009. The table below summarizes the historical operating revenue for the Communications System from fiscal years 2016 through 2020 and the first nine months of fiscal year 2020 and 2021.

Operating Revenue Summary (October 31)

| | <i>(audited)</i> <i>Twelve months ended October 31,</i> | | | | | <i>(unaudited)</i> <i>Nine months ended July 31,</i> | |
|---------------------------------|--|---------------------|---------------------|---------------------|---------------------|---|---------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2020 | 2021 |
| Operating Revenues | | | | | | | |
| Retail ⁽¹⁾⁽²⁾ | 32,573,904 | 33,880,383 | 35,013,064 | 37,412,953 | 39,546,675 | 29,552,546 | 30,311,423 |
| Wholesale ⁽¹⁾ | 2,263,413 | 2,464,909 | 2,537,726 | 2,794,419 | 2,582,259 | 1,941,710 | 1,856,001 |
| Other ⁽¹⁾⁽³⁾ | 849,270 | 872,104 | 715,008 | 609,200 | 749,703 | 555,531 | 834,443 |
| Total Operating Revenues | \$35,686,587 | \$37,217,396 | \$38,265,798 | \$40,816,572 | \$42,878,637 | \$32,049,787 | \$33,001,867 |

Source: Consulting Engineer

(1) Based on the Communications System Financial and Operating Statements.

(2) Includes revenues from CATV, Internet, and telephone services.

(3) Includes Interest Income and Miscellaneous Operating Revenues.

The Communications System served its first retail customers in February 2009. The initial launch strategy was to market to small geographic areas once the fiber system construction was completed and services were available. These small areas typically contained 100 to 200 potential customers. Despite technical issues that resulted in adverse effects to video customers, the Communications System sales continued to grow. The video technical issues were largely resolved with an upgrade to the video system software and hardware in September 2009. The Communications System now receives numerous positive comments about the look and functionality of the upgraded video product.

Forecasted Operating Revenues

Revenue forecasts for the Communications System are based on projections provided to the Consulting Engineer by LUS. Since the Communications System's inception in 2009, the system has successfully added customers and increased market share within the Utilities System service territory. The sale of CATV, Internet, and telephone services to retail and wholesale customers directly relates to the Communications System revenues. Projected operating results reflect average annual customer growth of 4.0 percent over the 2021–2030 period (the "Projected Period"). The projected operating results indicate a target market share increase from the current 42.4 percent to 58.6 percent in 2030. Revenue per customer reflects a blend of CATV, Internet, and telephone services. Retail service pricing levels are projected to be adjusted periodically in consideration of the cost of goods sold and other rising costs. LUS pricing practices reflect an opportunistic approach where the development of new or higher value service offerings and competitor price increases provide LUS the ability to adjust rates if warranted. Additionally, the projected number of wholesale customers will remain constant with wholesale revenues at approximately \$2.6 million in 2021 through 2030.

As a result of these assumptions, the following table summarizes Communications System's projected revenues for the Projected Period.

Communications System Revenue Forecast

| <u>Year</u> | <u>Number of Retail Customers⁽¹⁾</u> | <u>Wholesale Customers</u> | <u>Retail Revenue⁽²⁾</u> | <u>Wholesale Revenue⁽²⁾</u> | <u>Total Operating Revenues</u> |
|-------------------|---|--------------------------------|---|--|---|
| 2021 | 23,045 | 34 | \$39,546,675 | \$2,582,259 | \$42,128,933 |
| 2022 | 23,949 | 34 | \$40,099,029 | \$2,582,259 | \$42,681,288 |
| 2023 | 24,907 | 34 | \$40,717,730 | \$2,582,259 | \$43,299,989 |
| 2024 | 25,904 | 34 | \$41,273,870 | \$2,582,259 | \$43,856,129 |
| 2025 | 26,940 | 34 | \$41,761,932 | \$2,582,259 | \$44,344,191 |
| 2026 | 28,018 | 34 | \$42,176,002 | \$2,582,259 | \$44,758,261 |
| 2027 | 29,138 | 34 | \$42,509,746 | \$2,582,259 | \$45,092,005 |
| 2028 | 30,304 | 34 | \$42,756,381 | \$2,582,259 | \$45,338,640 |
| 2029 | 31,516 | 34 | \$42,908,646 | \$2,582,259 | \$45,490,905 |
| 2030 | 32,777 | 34 | \$42,958,774 | \$2,582,259 | \$45,541,033 |
| Average Growth | 4.0% | 0.0% | 0.9% | 0.0% | 0.9% |

Source: Lafayette Communications System

- (1) The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. As shown in “Historical and Projected Number of Customer Accounts for the Communications System” above, historical percentage growth in customers has been significant because the Communications System was new to the market. The projections for the Projected Period assume that percentage increases in annual growth will gradually decline as LUS’ market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) Includes interest income and other miscellaneous income.

Historical and Projected Operating Expenses

The Communications System has two major categories of operating expense: variable and fixed operating expenses. The variable expenses include cable television programming and long distance telephone expenses. These expenses increase as the number of customers increases. Cable television programming costs are also growing faster than the rate of inflation. The fixed operating expenses include costs associated with labor, benefits, rents, maintenance, billing, customer service and overhead.

Operating expense projections for the Communications System are based on information provided by LUS. The expense projections set forth in the table below includes the cost of goods sold, maintenance of plant, administrative and general expenses, and other miscellaneous expenses. The projected cost of goods sold assumes the 2020 cost per customer (adjusted for inflation) multiplied by the projected number of customers. Other expenses have been escalated at a rate of 2.1 percent annually over the prior year during the Projected Period.

Communications System Historical Operating Expenses

| <u>Year</u> | <u>Cost of Goods Sold⁽¹⁾</u> | <u>Operation & Maintenance and Other Expenses</u> | <u>Total Operating Expenses⁽²⁾</u> |
|-------------|---|---|---|
| 2016 | \$7,382,247 | 12,085,165 | \$19,467,412 |
| 2017 | \$7,207,212 | 12,447,029 | \$19,654,241 |
| 2018 | \$7,786,666 | 12,526,317 | \$20,312,983 |
| 2019 | \$8,697,038 | 12,701,126 | \$21,398,164 |
| 2020 | \$9,212,774 | 13,175,416 | \$22,388,190 |

Source: Lafayette Communications System

- (1) Cost of Goods Sold include the programming and content costs associated with service offerings.
- (2) Includes operation and maintenance expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

The table below provides the Communications System operating expenses forecast through the Projected Period.

Communications System Projected Operating Expenses

| <u>Year</u> | <u>Cost of Goods Sold ⁽¹⁾</u> | <u>Other Expenses ⁽²⁾</u> | <u>Total Expenses</u> |
|-------------|--|--------------------------------------|-----------------------|
| 2021 | \$9,102,829 | \$13,596,533 | \$22,699,362 |
| 2022 | \$8,956,409 | \$13,827,516 | \$22,783,925 |
| 2023 | \$8,755,536 | \$14,034,929 | \$22,790,465 |
| 2024 | \$8,512,469 | \$14,245,453 | \$22,757,922 |
| 2025 | \$8,223,490 | \$14,459,135 | \$22,682,625 |
| 2026 | \$7,884,617 | \$14,676,022 | \$22,560,639 |
| 2027 | \$7,491,583 | \$14,896,162 | \$22,387,745 |
| 2028 | \$7,039,819 | \$15,119,605 | \$22,159,423 |
| 2029 | \$6,524,435 | \$15,346,399 | \$21,870,834 |
| 2030 | \$5,940,200 | \$15,576,595 | \$21,516,795 |

Source: Lafayette Communications System

- (1) Cost of Goods Sold predominantly consists of programming and content costs associated with service offerings.
- (2) Includes operation and maintenance expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

Competition

The cable TV and internet services markets within the City are competitive. National telecommunications firms such as Cox Communications, Dish, and AT&T offer services. All three of these companies also have licensed or priority access to wireless spectrum, which may further increase competition for telecommunications services within LUS Fiber’s service territory.

Across most of its service territory, the Communications System’s network has significant technical advantages over its competitors’ networks. Increased reliance on videoconferencing platforms during the COVID-19 pandemic has led to growing demand for upload capacity, but the overall capacity limitations of HFC networks forces Cox to offer service with 10 percent or less of overall bandwidth dedicated to upload. AT&T’s DSL network can only provide a similarly asymmetrical service, with even more limited overall capacity. However, AT&T has upgraded its copper plant with fiber in some parts of the City and the surrounding areas, enabling the company to offer symmetrical internet services comparable to LUS Fiber. AT&T has announced plans to continue expanding its fiber network over the next two years, including in parts of the City, though the extent of its fiber construction plans in the area remains unclear at this time.

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Since the Communications System inception in 2009, the system has successfully added customers and increased market share within the LUS service territory. See, “Forecasted Operating Revenues” above. The table below summarizes and compares LUS’ and competitors’ Internet service offerings within the City. The comparison below illustrates LUS’ competitive advantage of faster download and upload speeds available at lower prices than competitors.

Competitive Internet Service Offerings

| Provider | Speed (Download/Upload) in Mbps | Monthly Price (Regular/ Non-Promotional) |
|--|--|---|
| LUS Fiber-Internet | 3/3 | \$19.95 |
| LUS Fiber-Internet | 60/60 | \$52.95 |
| LUS Fiber-Internet | 100/100 | \$62.95 |
| LUS Fiber-Internet | 300/300 | \$88.95 |
| LUS Fiber-Internet | 1,000/1,000 | \$114.95 |
| LUS Fiber-Internet | 10GB/10GB | \$295.95 |
| LUS Fiber-Hub City Wi-Fi | 60/60 and Wi-Fi | \$62.95 |
| LUS Fiber-Hub City Wi-Fi | 100/100 and Wi-Fi | \$72.95 |
| LUS Fiber-Hub City Wi-Fi | 300/300 and Wi-Fi | \$93.95 |
| LUS Fiber-Hub City Wi-Fi | 1000/1000 and Wi-Fi | \$119.95 |
| Cox Residential | 25/1 | \$44.99 |
| Cox Residential | 50/3 | \$65.99 |
| Cox Residential | 150/10 | \$83.99 |
| Cox Residential | 500/10 | \$99.99 |
| Cox Residential | 940/35 | \$119.99 |
| ATT Fiber (limited availability) | 100/100 | \$55.00 |
| ATT Fiber | 300/300 | \$65.00 |
| ATT Fiber | 1000/1000 | \$80.00 |
| ATT IPBB | 10/1 | \$55.00 |
| ATT IPBB | 5/1 | \$55.00 |
| LUS Fiber Business | 10/10 | \$74.95 |
| LUS Fiber Business | 25/25 | \$99.95 |
| LUS Fiber Business | 50/50 | \$139.95 |
| LUS Fiber Business | 100/100 | \$199.95 |
| LUS Fiber Business | 500/500 | \$299.95 |
| LUS Fiber Business | 1000/1000 | \$499.95 |
| Cox Business | 50/10 | \$94.99 |
| Cox Business | 100/20 | \$124.99 |
| Cox Business | 200/20 | \$174.99 |
| ATT Business | 8/1 | \$80 |
| ATT Business | 12/1.5 | \$130 |
| ATT Business | 50/10 | \$200.00 |
| ATT Business | 100/20 | \$300.00 |
| ATT Fiber Business (limited availability) | 300/75 | \$180.00 |
| ATT Fiber Business | 500/100 | \$300 |
| ATT Fiber Business | 1000/200 | \$500 |

Security Issues

LUS reports that there have been no significant security issues or changes in security posture in the past fiscal year, and no risk analyses or reports have been filed recently. Perimeter access is controlled and there are additional levels of internal access within the building that limit access to the general office area.

New and Proposed Regulations

Management of the Communications System monitors legislation, both federal and state, for impacts on its operations. Management of the Communications System has indicated that they are aware of no new or proposed regulations that would adversely affect their operation or business.

In February 2015, the Federal Communications Commission (“FCC”) ruled and reclassified broadband internet access services under Title II of the Communications Act. The FCC will regulate certain aspects of broadband internet services across the country, in particular the ability of broadband providers (e.g., AT&T/DirecTV, Cox Communications) to slow or block competitors’ services and/or charge fees to content providers to deliver content at faster speeds. This broadband regulation is commonly referred to as “Net Neutrality.” While the FCC ruled on Net Neutrality, the U.S. Telecom Association filed a lawsuit against the FCC challenging the Net Neutrality rule. In June 2016, the US Court of Appeals upheld the FCC’s Net Neutrality rules and the idea that broadband access is a public utility, rather than a luxury.

In November 2017, a newly appointed FCC Commissioner proposed a repeal of Net Neutrality, with the FCC subsequently voting to repeal the legislation. Various states announced they planned to sue the FCC over the decision. In February 2018, the FCC informed Congress of their intention to repeal Net Neutrality, giving Congress 60 days to stop the repeal with the Congressional Review Act. Congress failed to pass the Congressional Review Act and the 2015 Net Neutrality Order was repealed. The FCC Restoring Internet Freedom Order took effect on June 11, 2018.

Environmental Issues

Given the design and operation of the Communications System, there are limited environmental compliance issues. The Communications System fiber is installed on LUS’ overhead electric poles and in underground ducts co-located within the underground electric distribution system, avoiding additional right-of-way requirements or construction and land use related issues.

Capital Improvement Plan

The Communications System five-year Capital Improvement Plan is reviewed, updated and budgeted annually. General life expectancy of incoming connections and distribution (e.g., headend), network, and hut equipment is 5 to 10 years, at which time replacement or upgrade may be warranted. Customer premises equipment has a roughly five-year life expectancy.

The timing of capital projects is continually evaluated based on priority given changing circumstances; therefore, projects identified in the early years of the five-year program reflect a higher degree of certainty. All projects identified in the Communications System Capital Improvement Plan are expected to be funded with cash available from Communications Systems operations.

The table below and the categories that follow describe the Communications System Capital Improvement Plan.

Communications System Capital Improvement Plan Projections

| Project Description | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Customer Installations | \$2,189,000 | \$2,050,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$10,239,000 |
| Customer Premise Equipment | 3,262,000 | 2,850,000 | 2,650,000 | 2,250,000 | 2,250,000 | 13,262,000 |
| Headend Equipment and Upgrades | 350,000 | 475,000 | 550,000 | 650,000 | 650,000 | 2,675,000 |
| Hut Equipment and Upgrades | 375,000 | 350,000 | 350,000 | 350,000 | 350,000 | 1,775,000 |
| Network Equipment and Upgrades | 410,000 | 375,000 | 350,000 | 350,000 | 350,000 | 1,835,000 |
| Special Equipment | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 9,250,000 |
| Special Capital | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 425,000 |
| Total | \$8,521,000 | \$8,035,000 | \$7,835,000 | \$7,535,000 | \$7,535,000 | \$39,461,000 |

Source: 2021 Adopted LUS Fiber CIP. All projects are shown in 2021 dollars.

Network Equipment and Upgrades, and Hut Equipment and Upgrades

The Communications System's FTTH electronics consists of essentially two components, the network electronics and the electronics at each customer location. The network electronics are the devices that integrate signals onto the fiber system and deliver high-speed data, video and voice services throughout the fiber network.

Customer Installations, Customer Premise Equipment, Customer Service Drops

The Communications System has planned for the addition of new customers. This includes the costs of providing a fiber drop to the premise, installing the communications service, installing additional wiring as needed, the electronics at each premise, and other equipment necessary to provide service to the customer. The electronics at each customer premises consist of a device referred to as an Optical Network Terminal that converts the light signal from the network to electrical signals that provide telephone service, cable television service and high-speed Internet service.

Head-end Equipment and Upgrades

The cable television head-end consists of numerous devices needed to receive and disseminate cable television signals. It includes the dishes required to receive signals from satellites, a tower used to mount antennas to receive over-the-air channels such as local network stations, and electronics used to decode cable television signals and reformat the signal to be used by the FTTH network equipment. Telephone equipment includes a switch and software needed to route calls to and from customers. Internet equipment includes routers, switches, and servers and associated software necessary to provide data services to customers at speeds faster than those available with most commercial providers.

Outside Plant Expansions

Plant expansions include the extension of fiber outside plant to areas not yet serviced by the Communications System. These costs include the fiber, conduit, pole hardware, fiber splitters, vaults, other associated material, and the labor to install these assets.

Special Equipment

Other assets include vehicles, furniture, computers, other software, tools, and specialized work equipment.

OPERATING REVENUES AND EXPENSES

Communications System Historical Operating Results

| | <i>(audited)</i> | | | | | <i>(unaudited)</i> | |
|--|---------------------|--|---------------------|---------------------|---------------------|-----------------------------------|---------------------|
| | 2016 | <i>Twelve months ended October 31,</i> | | | 2020 | <i>Nine months ended July 31,</i> | |
| | 2017 | 2018 | 2019 | 2020 | 2020 | 2021 | |
| Operating Revenues: | | | | | | | |
| Retail ⁽¹⁾ | \$32,573,904 | \$33,880,383 | \$35,013,064 | \$37,412,953 | \$39,546,675 | \$29,552,546 | \$30,311,423 |
| Wholesale ⁽²⁾ | 2,263,413 | 2,464,909 | 2,537,726 | 2,794,419 | 2,582,259 | 1,941,710 | 1,856,001 |
| Other ⁽³⁾ | <u>849,270</u> | <u>872,104</u> | <u>715,008</u> | <u>609,200</u> | <u>749,703</u> | <u>555,531</u> | <u>834,443</u> |
| Total Operating Revenues | <u>35,686,587</u> | <u>37,217,396</u> | <u>38,265,798</u> | <u>40,816,572</u> | <u>42,878,637</u> | <u>32,049,787</u> | <u>33,001,867</u> |
| Operating Expenses: | | | | | | | |
| Cost of Goods Sold ⁽⁴⁾ | 7,382,247 | 7,207,212 | 7,786,666 | 8,697,038 | 9,212,774 | 6,239,051 | 6,205,821 |
| Other Operating Expenses ⁽⁵⁾ | <u>12,085,165</u> | <u>12,447,029</u> | <u>12,526,317</u> | <u>12,701,126</u> | <u>13,175,416</u> | <u>8,868,366</u> | <u>9,264,329</u> |
| Total Operating Expenses | <u>\$19,467,412</u> | <u>\$19,654,241</u> | <u>\$20,312,983</u> | <u>\$21,398,164</u> | <u>\$22,388,190</u> | <u>\$15,107,417</u> | <u>\$15,470,150</u> |
| Net Revenue for Debt Service: | \$16,219,175 | \$17,563,155 | \$17,952,815 | \$19,418,408 | \$20,490,447 | \$16,942,370 | \$17,531,717 |
| Debt Service: | | | | | | | |
| Existing ⁽⁶⁾ | \$6,165,541 | \$9,251,741 | \$9,429,491 | \$9,428,241 | \$9,430,991 | \$9,430,991 | \$9,431,991 |
| Proposed ⁽⁷⁾ | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Debt Service | <u>\$6,165,541</u> | <u>\$9,251,741</u> | <u>\$9,429,491</u> | <u>\$9,428,241</u> | <u>\$9,430,991</u> | <u>\$9,430,991</u> | <u>\$9,431,991</u> |
| Debt Service Coverage⁽⁸⁾ | 2.6 | 1.9 | 1.9 | 2.1 | 2.2 | NA | NA |
| Balance After Debt Service | <u>\$10,053,634</u> | <u>\$8,311,414</u> | <u>\$8,523,324</u> | <u>\$9,990,167</u> | <u>\$11,059,456</u> | <u>\$7,511,379</u> | <u>\$8,099,726</u> |
| Other Income | | | | | | | |
| (Expenditures) | | | | | | | |
| Miscellaneous ⁽⁹⁾ | \$4,645,804 | 4,610,040 | 4,288,545 | 4,095,425 | 4,143,309 | \$3,222,765 | \$2,881,783 |
| Inter-Utility Loan Repayment ⁽¹⁰⁾ | 901,003 | 897,753 | 883,386 | 862,204 | 834,802 | 626,102 | 602,223 |
| Less ILOT/Imputed Tax ⁽¹¹⁾ | <u>823,878</u> | <u>686,575</u> | <u>542,800</u> | <u>561,239</u> | <u>543,471</u> | <u>750,000</u> | <u>750,000</u> |
| Total Other Income (Expenditures) | 6,370,685 | 6,194,368 | 5,714,731 | 5,518,868 | 5,521,582 | 4,598,867 | 4,234,006 |
| Balance Available for Capital | \$3,682,949 | \$2,117,046 | \$2,808,593 | \$4,471,299 | \$5,537,874 | \$2,912,512 | \$3,865,720 |

Source: Communications System Financial and Operating Statements.

- (1) Historic retail operating revenues reflect data provided by LUS Fiber. Projected operating results for 2021 are based on budgeted revenue. Projected revenues for 2022-2031 are based on projections prepared by LUS Fiber.
- (2) Historic wholesale operating revenues reflect data provided by LUS Fiber. Projected operating results for 2021 are based on budgeted revenue. Projected revenues for 2022-2031 are based on projections prepared by LUS Fiber.
- (3) Other income consists of Interest Income and Miscellaneous Income. Miscellaneous income is based on historical income and is escalated at the anticipated rate of inflation. Interest Income is calculated based on reserve fund and cash balances using a short-term interest rate.
- (4) Cost of Goods Sold ("COGS") reflect data provided by LUS. Projected COGS for 2021 are based on budgeted cost. Projected COGS for 2022-2031 are based on projections provided by LUS Fiber.
- (5) Other Operating Expenses include plant, customer, administrative, and operating expenses. These expenses are based on historical levels and escalated based on inflation.
- (6) Existing Debt Service includes the Series 2015 Bonds and proposed Series 2021 Refunding Bonds.
- (7) Future Debt Service includes no new bonds.
- (8) Debt Service Coverage Ratio- Calculated as the Balance Available for Debt Service divided by Debt Service.
- (9) Miscellaneous – Includes miscellaneous non-operating income (expenses).
- (10) Inter-Utility Loan Repayments – Loan payments made to the Utilities System and are projected based on the loan repayment schedule and LUS projections.
- (11) In Lieu of Tax / Imputed Tax Payment – These forecasted payments are calculated as described in Section 7 of the Consulting Engineer's Report attached as Appendix D to this Official Statement.

Operating Revenues from Fiscal Year 2016 to 2020 increased, reflecting the increase in sales as the Communications System captured a significant market share of FTTH retail customers. These numbers above indicate current Communications System revenues have improved from year-to-year as new customers were added to the system. Since 2016, the Communications Systems Net Operating Revenues met operating expenses, debt service, ILOT, or Imputed Tax obligation of the utility, and generated positive cash flow. The 5-year cumulative net margin resulted in a gain of approximately \$44.8 million.

The Communications System's internet revenues have consistently increased over the last five years as the Communications System expanded. Cable and telephone revenues fluctuate; however, each remain relatively stable over the last five years. Wholesale and other revenues have fluctuated and include dark fiber lease, late fees, miscellaneous revenues, colocation, and other items.

The cost of goods sold generally increased since 2016 as LUS Fiber added customers. Cost of goods sold predominantly consists of programming and content costs associated with service offerings. As the number of customers increases, so do the costs of goods sold for the cable and long-distance phone customers. The Plant Specific Expense averages \$4.6 million and decreased by 6.1 percent in 2020. The Plant Specific Expense includes vehicles, furniture, electronics, maintenance, repairs, general maintenance, and other plant related items. The Plant Non-specific Expense have averaged approximately \$2.3 million per year. The primary cost item in this category is engineering. Customer Operations have averaged \$2.0 million over the last five years and decreased 14.2 percent in 2020. The administrative costs averaged \$3.3 million over the past five years.

Communications System debt service for years 2016 through 2020 include the Series 2007 Bonds, Series 2012 Bonds, and Series 2015 Bonds. In each year since 2016, the DSCR exceeded the minimum coverage requirement of 1.0 required by the Bond Ordinances.

Since 2016, the Communications Systems Net Operating Revenues met operating expenses, debt service, ILOT, or Imputed Tax obligation of the utility, and generated positive cash flow. The 5-year cumulative balance available for capital was \$38.2 million as presented in the table above.

LUS Fiber attained franchise status in November 2017 to offer communications service outside Lafayette in the City of Broussard, City of Youngsville, and unincorporated areas in the Parish. In 2018, LUS Fiber expanded into Broussard and Youngsville to serve new customers as indicated by the capital spending in 2018. In 2019, LUS Fiber expanded into Carencro. LUS Fiber is continuing to build out targeted areas. LUS Fiber will be awarded a grant to extend service to underserved commercial areas in St. Martin Parish and Iberia Parish. After the extension through the business districts is complete, LUS Fiber will be able to continue to expand its service territory into the residential neighborhoods passed by the new fiber construction.

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Communications System Forecasts

Projected operating results developed by the Consulting Engineer are shown in the following table.

Communications System Projected Operating Results

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Revenues: | | | | | |
| Retail ⁽¹⁾ | \$39,546,675 | \$40,099,029 | \$40,717,730 | \$41,273,870 | \$41,761,932 |
| Wholesale ⁽²⁾ | 2,582,259 | 2,582,259 | 2,582,259 | 2,582,259 | 2,582,259 |
| Other ⁽³⁾ | 790,647 | 791,045 | 793,024 | 802,887 | 819,978 |
| Total Operating Revenues | <u>\$42,919,580</u> | <u>\$43,472,333</u> | <u>\$44,093,012</u> | <u>\$44,659,016</u> | <u>\$45,164,169</u> |
| Operating Expenses: | | | | | |
| Cost of Goods Sold ⁽⁴⁾ | \$9,102,829 | \$8,956,409 | \$8,755,536 | \$8,512,469 | \$8,223,490 |
| Other ⁽⁵⁾ | 13,596,533 | 13,827,516 | 14,034,929 | 14,245,453 | 14,459,135 |
| Total Operating Expenses | <u>\$22,699,362</u> | <u>\$22,783,925</u> | <u>\$22,790,465</u> | <u>\$22,757,922</u> | <u>\$22,682,625</u> |
| Net Revenues for Debt Service: | <u>\$20,220,218</u> | <u>\$20,688,408</u> | <u>\$21,302,547</u> | <u>\$21,901,094</u> | <u>\$22,481,544</u> |
| Debt Service: | | | | | |
| Existing ⁽⁶⁾ | \$9,431,991 | \$8,677,613 | \$8,683,863 | \$8,681,363 | \$8,684,863 |
| Proposed ⁽⁷⁾ | - | 1,625,470 | 1,625,070 | 1,623,920 | 1,621,970 |
| Total Debt Service | <u>\$9,431,991</u> | <u>\$10,303,083</u> | <u>\$10,308,933</u> | <u>\$10,305,283</u> | <u>\$10,306,833</u> |
| Debt Service Coverage ⁽⁸⁾ | <u>2.1</u> | <u>2.0</u> | <u>2.1</u> | <u>2.1</u> | <u>2.2</u> |
| Balance After Debt Service | <u>\$10,788,227</u> | <u>\$10,385,325</u> | <u>\$10,993,614</u> | <u>\$11,595,811</u> | <u>\$12,174,711</u> |
| Other Income (Expenditures) | | | | | |
| Miscellaneous ⁽⁹⁾ | 71,809 | 72,887 | 73,980 | 75,090 | 76,216 |
| Inter-Utility Loan Repayment ⁽¹⁰⁾ | (2,410,578) | (2,422,635) | (2,435,174) | (2,448,215) | (2,461,778) |
| Imputed Tax & ILOT ⁽¹¹⁾ | (\$767,904) | (\$877,788) | (\$825,882) | (\$789,595) | (\$750,625) |
| Total Other Income (Expenditures) | <u>(\$3,106,672)</u> | <u>(\$3,227,536)</u> | <u>(\$3,187,077)</u> | <u>(\$3,162,721)</u> | <u>(\$3,136,187)</u> |
| Balance Available for Capital | <u>\$7,681,555</u> | <u>\$7,157,789</u> | <u>\$7,806,537</u> | <u>\$8,433,090</u> | <u>\$9,038,524</u> |

- (1) Includes revenues from CATV, Internet and telephone services. Revenues are calculated annually by the type of service provided and incorporate future rate increases.
- (2) Revenues are calculated annually and incorporate future rate increases.
- (3) Includes interest income and miscellaneous operating revenues. Calculated based on reserve fund and cash balances using a short-term interest rate. Miscellaneous operating revenues are based on historical data and escalated inflation.
- (4) Includes the programming and content costs associated with service offerings. Adjusted based on the growth in number of customers and escalated at inflation.
- (5) Includes operation and maintenance and related expenses, and customer service and administrative and general costs. Does not include ILOT, Imputed Tax, inter-utility loan payments to the Utilities System, and other miscellaneous expenses.
- (6) Includes debt service on the Series 2012 Bonds.
- (7) Includes the Series 2021 Bonds and associated debt service, which will refund the Series 2012 Bonds.
- (8) Debt Service Coverage equals the Net Revenues for Debt Service divided by Total Debt Service.
- (9) Based on historical information and escalated at inflation.
- (10) Based on a schedule provided by Lafayette City-Parish Consolidated Government. Payments continue through 2033.
- (11) Based on data provided by the Lafayette City-Parish Consolidated Government. For years 2022 through 2030, the Communications System is projected to pay ILOT to the City based on the formula provided for in the current Bond Ordinance. The current Ordinance requires the ILOT calculation to be equal to Imputed Taxes, which results in lower Other Expenses, reducing the financial obligation to the Communication System and increasing cash available for capital improvements and reserves.

The following table provides a summary of the Communications System fund balance. These funds are utilized to support the Communications System Capital Improvement Program. The City has established two funds within the Communications System; the Construction Fund and the Retained

Earnings Fund. Each fund has an initial Fiscal Year 2021 balance, which includes the remaining balance of the Outstanding Parity Bonds (for the Construction Fund) and existing Utilities System loans and a transfer from interest earned on the Construction Fund and deposits from earnings (for the Retained Earnings Fund). Additions to the Retained Earnings Fund include deposits from future earnings. Withdrawals from the Construction Fund and the Retained Earnings Fund include the capital expenditures for the Communications System.

Communications System Sources & Uses of Funds

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Construction Fund | | | | | |
| <u>Sources of Funds</u> | | | | | |
| Beginning Balance ⁽¹⁾ | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Income | | | | | |
| <u>Uses of Funds</u> | | | | | |
| Capital Expenditures | | | | | |
| Construction Fund End Balance | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Retained Earnings Fund | | | | | |
| <u>Sources of Funds</u> | | | | | |
| Beginning Balance ⁽²⁾ | \$3,754,266 | \$2,914,821 | \$1,629,426 | \$1,073,142 | \$1,331,106 |
| Deposits from Earnings | 7,681,555 | 7,924,199 | 8,276,614 | 8,622,398 | 8,885,705 |
| <u>Uses of Funds</u> | | | | | |
| Capital Expenditures | (\$8,521,000) | (\$8,155,525) | (\$8,071,813) | (\$7,879,187) | (\$7,891,238) |
| Operating Account Creation | 0 | 0 | 0 | 0 | 0 |
| Sinking Fund transfer to Refunding | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings Fund End Balance | <u>\$2,914,821</u> | <u>\$2,683,495</u> | <u>\$2,888,296</u> | <u>\$3,631,508</u> | <u>\$4,625,975</u> |

Source: Communications System Financial and Operating Statements.

(1) Construction Fund Source of Funds Beginning Balance is currently \$0.00.

(2) Retained Earnings Fund, Sources of Funds, Beginning Balance includes: Receipts Fund, Operating Account, and other cash.

DEBT SERVICE COVERAGE CALCULATION

The Communications System currently has a debt service coverage requirement of 1.0 associated with Outstanding Bonds and any inter-utility loans from the Utilities System. The table below sets forth projected Net Revenues and debt service coverage ratios of the Communications System.

The Communications System purchased the fiber backbone and inventory from the Utilities System and the network was transferred to the Communications System on November 1, 2007. The Communications System is currently reimbursing the Utilities System for a series of loans issued for the purchase of assets, start-up costs, imputed taxes, installation costs and other costs. As of June 30, 2021, the balance of the remaining loans is \$24,706,773.

Pursuant to terms of a regulatory settlement, the Communications System must pay an Imputed Tax. The Imputed Tax is equivalent to paying state and local sales tax, property tax, franchise tax, and income tax. The Communications System's ILOT calculation provides for an ILOT payment up to 12% of Adjusted Revenues deposits (revenues less cost of goods sold). However, all or a portion of this payment is made subject to an ILOT test. The ILOT test ensures that the Communications System retains sufficient cash to meet capital obligations. The ILOT test requires that the ILOT payment be no greater than 12% of Adjusted Revenues deposits, or the cash balance available after the payment of operating expenses and debt service less 7.5% of the Adjusted Revenues deposits. The Communications System tax requirement cannot be less than that required by the Imputed Tax calculation. In 2015, the City-Parish Council approved an ordinance that revises the required ILOT payment. This ordinance recognizes that the Communications System operates in a competitive environment and the ILOT calculation was a greater expense than Imputed Tax. With the approval of this ordinance, the Communications System pays an ILOT amount equal to

Imputed Taxes. The Imputed Tax payments was made to LUS and the City through 2020 as prescribed in the ordinance. Starting in 2020, 100% of the Imputed Tax payments go to the City.

Communications System Projected Debt Service Coverage Ratios

| <u>Year</u> | <u>Operating Revenues</u> ⁽¹⁾ | <u>Operating Expenses</u> ⁽²⁾ | <u>Net Revenues Available for Debt Service</u> | <u>Debt Service</u> ⁽³⁾ | <u>Debt Service Coverage Ratio</u> |
|---------------------|--|--|--|------------------------------------|------------------------------------|
| 2021 ⁽⁴⁾ | \$42,919,580 | \$22,699,362 | \$20,220,218 | \$9,308,991.26 | 2.17 |
| 2022 | 43,472,333 | 22,783,925 | 20,688,408 | 9,099,753.15 | 2.27 |
| 2023 | 44,093,012 | 22,790,465 | 21,302,547 | 9,417,365.00 | 2.26 |
| 2024 | 44,659,016 | 22,757,922 | 21,901,094 | 9,715,365.00 | 2.25 |
| 2025 | 45,164,169 | 22,682,625 | 22,481,544 | 10,033,265.00 | 2.24 |
| 2026 | 45,605,534 | 22,560,639 | 23,044,895 | 10,299,715.00 | 2.23 |
| 2027 | 45,977,648 | 22,387,745 | 23,589,903 | 10,344,715.00 | 2.28 |
| 2028 | 46,275,019 | 22,159,423 | 24,115,596 | 10,336,796.25 | 2.33 |
| 2029 | 46,492,162 | 21,870,834 | 24,621,328 | 10,342,490.00 | 2.38 |
| 2030 | 46,623,680 | 21,516,795 | 25,106,885 | 10,323,700.00 | 2.43 |

Source: LUS

(1) Operating revenues include interest income and other miscellaneous revenues.

(2) Includes operation and maintenance expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT, Imputed Tax, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

(3) The debt service represents the Series 2012 Bonds, Series 2015 Bonds and Series 2021A and Series 2021B Bonds.

(4) Total reflects debt service payments to be made on Outstanding Parity Bonds prior to the closing of the Series 2021 Bonds..

Communications System Impact on the Utilities System

There are positive impacts to the Utilities System from the Communications System, including the receipt of the imputed taxes, receipt of the interest revenues derived from the outstanding loans, and the continued benefit of sharing general and administrative expenses.

Although the Communications System is financially separate from the Utilities System, if the Communications System defaults on the Outstanding Parity Bonds, the Utilities System Residual Revenues would be used to cover any debt service shortfalls. The “Utilities System Residual Revenues” are defined by the Ordinance as those revenues that are deposited into the Capital Additions Fund and are available for subordinated indebtedness. See “THE UTILITIES SYSTEM – Financial Results – Communications System Default”. If the Utilities System is required to pay the debt service on both the Communications System and the Utilities System, the average monthly residential electric bill is projected to increase \$6.00 from \$107 to \$113. This amount is still competitive with the current rates of electric providers.

CITY OF LAFAYETTE UTILITIES SYSTEM

General

The City 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 (the “Electric System”); (2) a Water System, including supply, treatment, transmission, distribution and storage facilities (the “Water System”); and (3) a Wastewater System, including wastewater collection and treatment facilities (the “Wastewater System”), each as more fully described herein.

As of October 31, 2020, LUS served 69,364 electric accounts, 57,412 water accounts, and 46,133 wastewater accounts. LUS generates revenues primarily from the sale of the utility services it provides. The electric utility represents approximately 75 percent of the revenues and costs of LUS while the water

and wastewater utilities represent the remaining 25 percent. The historical revenues have been relatively stable for all three utilities over the last five years. Only the electric utility experienced a noticeable reduction in fiscal year 2020 due to the COVID-19 pandemic, however it should be noted that the revenue reduction was combined with a commensurate reduction in fuel and purchased power expenses.

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 – General” and “WASTEWATER SYSTEM – General”.

Management of the Utilities System

The principal members of the management team of the Utilities System, which are also the principal members of the management team of the Communications System, include:

Lowell Duhon — *Lafayette Utilities System’s Interim Director*. Lowell was born and raised in Lafayette and earned a Bachelor’s Degree in Business Administration/Finance from the former University of Southwestern Louisiana (now the University of Louisiana at Lafayette) in 1975 and a Master’s in Business Administration in 1982. Lowell has 38 years of experience in banking, finance, and executive management and was previously the Chief Administrative Officer for the City. Mr. Duhon has been serving in this interim role since October 2019 and will continue to fulfill this role until the City hires a permanent Utilities Director. Preng & Associates, LLC has been contracted by LCG to recruit a permanent director.

Lorrie R. Toups, CPA, CGFO — *Chief Financial Officer*. Lorrie has 28 years of experience in government finance. She was employed by St. Charles Parish, Louisiana from 1993 through 2008 where she held the position of Director of Finance from 2000 – 2008. She served as Director of Accounting from 2008 through 2010 in Jefferson Parish, Louisiana prior to joining Lafayette City-Parish Consolidated Government in January 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.

Jeffrey Stewart — *Engineering & Power Supply Manager, Power Production Manager*. Jeffrey has over 20 years of experience at LUS and is responsible for the supervision of all day-to-day engineering activities, including Civil Engineering, Power Marketing, System Engineering, and Environmental Compliance associated with power generation. Jeffrey is also the Primary Authorized Officer for North American Electric Reliability Corporation (“NERC”) Compliance. He is a registered Professional Engineer in the State of Louisiana and holds a Bachelor of Science degree in Electrical Engineering from LSU.

Gregory A. Labbé — *Electric Operations Manager*. Gregory has been with working with LUS for 35 years and has held several positions in the Electric Operations Section. Mr. Labbé is responsible for the day-to-day operation of the electric transmission and distribution system including Transmission and Distribution Operations, Field Operations, Energy Control, Substations and Communication, Facilities Management, and the Warehouse. Mr. Labbé is a graduate of T.H. Harris Technical School in Opelousas, Louisiana.

Craig Gautreaux — *Water and Wastewater Operations Manager*. Craig has 36 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 27 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 27 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.

Alison Alleman — *Customer & Support Services Manager*. Alison has over 20 years of experience at LUS and has been serving as the Customer & Support Services Manager on an interim basis since May 2020 and permanently since November 2020. She holds a Bachelor of Science in Finance degree and a Master of Business Administration from the University of Louisiana at Lafayette. She is responsible for various support and customer service functions within the Utilities System including revenue collection, financial monitoring and planning, rates, revenue assurance, employee development, meter services, utility conservation, customer service, business support services, and administration support services

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

- (i) Customer Service is responsible for the daily collection and processing of utility customers deposits and billings, and meter readings.
- (ii) Electrical Operations is responsible for all the field activities associated with operation and maintenance of the electrical transmission and distribution facilities, including security, service calls, system construction, system control, substation operations, and inventory and facilities management.
- (iii) Power Production is responsible for the operation and maintenance of the electric power production facilities, project management, engineering, procurement, and construction associated with its capital operation and maintenance budgets.
- (iv) Water Operations is responsible for operation and maintenance of the water supply, production, storage, distribution and water quality.
- (v) Wastewater Operations is responsible for operation and maintenance of the treatment and collection facilities and the management of wastewater discharge quality and industrial discharge permits and fees.
- (vi) Engineering is responsible for all engineering activities necessary to operate and maintain the Utilities System, including forecasting, system planning, system design, contract administration, construction management, air quality environmental issues and engineering analysis in support of the other operating divisions.
- (vii) Environmental Compliance is responsible for compliance with water and wastewater environmental regulatory requirements.
- (viii) Support Services is responsible for the administrative duties associated with operating the Utilities System, including employee training and safety, public information, rates, and financial planning.

Employees

As of October 31, 2020, the Utilities System had approximately 419 employees on staff. The Utilities System has a budgeted 447 employees for fiscal year 2021.

Permits and Approvals

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

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.

The most recent Utilities System Capital Improvement Program (“CIP”) is contained in the LCG Adopted Operating and Five-Year Capital Improvement Budget FY 2020-2021 (“2021 Budget”). The five-year CIP totals \$101,950,000 and is shown in the table below. The CIP consists of each of (i) the CIP for the Electric System (the “Electric System CIP”), (ii) the CIP for the Water System (the “Water System CIP”) and (iii) the CIP for the Wastewater System (the “Wastewater CIP”).

Utilities System Capital Improvement Program

| <u>Utility</u> | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Electric ⁽¹⁾ | | | | | | |
| Acquisitions | \$675,000 | \$400,000 | \$0 | \$0 | \$0 | \$1,075,000 |
| Production | 1,530,000 | 1,130,000 | \$380,000 | 380,000 | 880,000 | 4,300,000 |
| Distribution | 4,025,000 | 2,035,000 | 1,035,000 | 1,035,000 | 1,035,000 | 9,165,000 |
| Substation | 925,000 | 1,225,000 | 1,225,000 | 925,000 | 925,000 | 5,225,000 |
| Transmission | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 50,000 |
| General Plant | 5,115,000 | 2,635,000 | 910,000 | 760,000 | 260,000 | 9,680,000 |
| Total Electric | <u>\$12,280,000</u> | <u>\$7,435,000</u> | <u>\$3,560,000</u> | <u>\$3,110,000</u> | <u>\$3,110,000</u> | <u>\$29,495,000</u> |
| Water | | | | | | |
| Production | \$1,380,000 | \$1,430,000 | \$830,000 | \$2,980,000 | \$2,230,000 | \$8,850,000 |
| Distribution | 3,210,000 | 1,060,000 | 1,685,000 | 1,585,000 | 760,000 | 8,300,000 |
| Total Water | <u>\$4,590,000</u> | <u>\$2,490,000</u> | <u>\$2,515,000</u> | <u>\$4,565,000</u> | <u>\$2,990,000</u> | <u>\$17,150,000</u> |
| Wastewater | | | | | | |
| Treatment | \$16,660,000 | \$910,000 | \$7,260,000 | \$610,000 | \$6,360,000 | \$31,800,000 |
| Collection | 6,215,000 | 3,155,000 | 8,645,000 | 2,745,000 | 2,745,000 | 23,505,000 |
| Total Wastewater | <u>\$22,875,000</u> | <u>\$4,065,000</u> | <u>\$15,905,000</u> | <u>\$3,355,000</u> | <u>\$9,105,000</u> | <u>\$55,305,000</u> |
| Total Capital Program | \$39,745,000 | \$13,990,000 | \$21,980,000 | \$11,030,000 | \$15,205,000 | \$101,950,000 |

Source: 2021 Budget. Amounts are in 2021 dollars.

(1) Does not include the LPPA Rodemacher Unit 2 CIP.

Rates

The City Council is responsible for setting the Utility System's rates and charges. Beginning in January 2020, the City Council assumed LPUA's responsibilities with respect to the Utilities System, in addition to approval of rates.

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 completed a rate study which showed that rates for each of the Electric System, Water System, and Wastewater System were insufficiently recovering all costs. As a result, LPUA approved a two-phase rate increase for each utility. Rates were increased on November 1, 2016 and again on November 1, 2017. The rate increases 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 monthly Fuel Charge (the "FC") and base rates (customer, energy, demand charges). Section 94-120 of the LCG Code of Ordinances establishes the FC. The FC is set using fuel (natural gas and coal for LPPA and related costs), purchased power expenses, and other associated costs. Each rate class includes a fuel charge rider which recovers the variable cost of fuel and purchased power from customers monthly. Schedule FCs protect LUS from financial risk of unforeseen and volatile fluctuations in the wholesale power market which LUS operates. All operating expenses associated with environmental compliance, fuel, and purchased power are included in the FC and passed directly to customers in their monthly bills.

In FY 2021, the Utilities System engaged Burns & McDonnell to prepare a rate study for the electric, water, and wastewater utilities. The results of the rate study are expected to be available in FY 2022 with new rates implemented in FY 2023.

The Electric System

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, Inc. ("MISO") as a Local Balancing Authority in 2013. MISO membership required LUS to modify the methods and processes the utility uses to purchase and sell power. LUS purchases all its energy needs from the MISO market and dispatches its generation facilities to the market as market power sales.

Generation Facilities

LUS 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 were retired 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 in June 2000 and the Doc Bonin Plant was retired in 2017. In 2016, a decommissioning study was performed for the Doc Bonin Plant and provided cost estimates for varying levels of decommissioning.

Rodemacher Unit 2 would require significant modifications by 2027 in order to comply with CCR and ELG rules and continue to operate utilizing coal. Due to the cost associated with these modifications, the Joint Owners have decided that prior to the required compliance date, Rodemacher Unit 2 will stop utilizing coal in the future. The Joint Owners are still evaluating whether Rodemacher Unit 2 should be retired or converted to burn natural gas. Either alternative is expected to be a major expenditure and LUS would be responsible for 50 percent of the total cost.

LUS is performing routine maintenance, upkeep, and site monitoring at the retired plants. At Curtis Rodemacher, site monitoring and remediation includes periodic soil sampling and lead paint removal. LCG must retain ownership of the Curtis Rodemacher 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 of both retired plants will continue, as needed, to maintain ownership and environmental compliance.

LUS selected Burns & McDonnell as a consultant to perform an Integrated Resource Plan (“IRP”) to evaluate overall power supply options, including plans for potentially replacing or repowering the Doc Bonin Plant. Burns & McDonnell completed the IRP in fiscal year 2020. The IRP included recommendations for the retirement of Rodemacher Unit 2 from coal-fired operation at the end of 2027, the potential construction of a new LUS owned simple cycle gas turbine power plant at the existing Doc Bonin Plant site in 2028, and the addition of utility scale solar which would be procured through a power purchase agreement. LUS continues to evaluate its power supply alternatives based on the results of the IRP, and initiate progress where needed.

T.J. Labbé and Hargis-Hébert Plants

The T.J. Labbé Plant began operation in 2005 and consists of two natural gas fired 48 MW General Electric (“GE”) model LM6000PC SPRINT combustion turbine generators (each a “CTG”) equipped with supplemental inlet air cooling and compressor intercooling using a proprietary GE SPRay-INTercooled system called “SPRINT.” 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 CTGs are capable of being remotely started and monitored by the Hargis-Hébert staff. Previously, the T. J. Labbé Plant could be started and monitored from the Doc Bonin Plant control room. With the retirement of the Doc Bonin Plant, controls at both T. J. Labbé and Hargis-Hébert were upgraded in 2017 to allow for the start-up and monitoring of either plant from one location, if required. 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 net generation at the T. J. Labbé Plant has averaged approximately 8,867 megawatt hours (“MWh”) for unit 1 and 12,404 for unit 2 over the period from 2016 through 2020 with an average annual plant capacity factor of 2.2 percent and 1.9 percent for units 1 and 2 of the T.J. Labbé Plant, respectively. The annual average heat rate of the T. J. Labbé Plant was approximately 12,404 British Thermal Units (“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 GE model LM6000PC SPRINT CTGs. 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. 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 net generation at the Hargis-Hébert Plant has averaged approximately 11,476 MWh for unit 1 and 12,333 MWh for unit 2 over the 2016 to 2020 period, with an average annual plant capacity factor of 2.9 percent and 2.9 percent for units 1 and 2 of the Hargis-Hébert Plant, respectively. The annual average heat rate of the Hargis-Hébert Plant was approximately 12,333 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) (collectively, the “Joint Owners”). The Agreement for Joint Ownership, Construction, and Operation (the “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.

Rodemacher Unit 2 provides the largest portion of LUS’ power generation capacity. Annual net generation at Rodemacher Unit 2 has averaged approximately 1,855,249 MWh over the period from 2016 through 2020 with an average annual plant capacity factor of 42.8 percent. The annual average heat rate of Rodemacher Unit 2 was approximately 11,631 Btu per kWh. For additional information regarding the LPPA Contract with respect to Rodemacher Unit 2, see “– Power Supply/Sales Contracts” below.

For additional information related to the potential retirement or conversion to natural gas of Rodemacher Unit 2, see “– Generation Facilities” above.

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 United States. LUS is a Local Balancing Authority within the MISO Balancing Authority footprint.

As discussed below under “– Fuel Infrastructure and Supply Contracts”, LUS has an agreement with The Energy Authority (“TEA”) for power and fuel marketing and TEA is registered as LUS’ Market Participant in 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.

Participation in the MISO market requires a buy-all/sell-all type of transaction. In collaboration with TEA, LUS purchases power to meet its load from the MISO market on an hourly basis. Simultaneously, MISO economically dispatches LUS’ generation assets and all of the generation is sold into the MISO 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 Safety Manual.

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

Transmission and Distribution

The Electric System has 47 miles of transmission lines and 1,019 miles of distribution lines. 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 and configurations, but most commonly steel or wood mono poles, with the former being the most common new construction practice.

The 1,019 miles of distribution lines include 480 miles of overhead and 526 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, Southwest Louisiana Electric Membership Corporation. LUS is not aggressively 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.

Rodemacher Unit 2 sends electric power from the switch station via five transmission lines, all of which operate at 230kV. The transmission lines service Clarence, Leesville, Rapides, Sherwood, and St. Landry. LUS has had firm transmission agreement with Cleco for the plant since it was commissioned, however the portion of its interconnection agreement related to firm transmission expired in August 2021. The transmission to Rodemacher is handled through the Network Integrated Transmission Service (“NITS”). Ceasing firm transmission services from Cleco is expected to achieve net O&M savings by LUS of approximately \$4 million to \$5 million in transmission costs per year, representing a savings of approximately \$6 million to \$7 million due to the termination of services by Cleco, as adjusted by a slight increase in NITS of approximately \$1 million per year.

Environmental and Regulatory Compliance and Issues

The Electric System and LPPA’s Rodemacher Unit 2 are subject to continuing environmental regulation. Federal, state, and local standards and procedures, which regulate the impact of the generating assets on the environment, are subject to change. Consequently, there is no assurance that the facilities owned or under contract to the Electric 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 Electric 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 Electric System facilities and LPPA’s Rodemacher Unit 2 are in material compliance with applicable environmental regulations and key environmental permits, approvals and consent orders. LUS does not expect any rejections or delays in the renewals of the Electric System or LPPA environmental or operating permits.

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 (the “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. The Electric System’s most recent NERC CIP audit was completed in November 2019 with zero areas of concern. LUS’s NERC 693 Reliability audit in 2017 was successful, with no violations. SERC Reliability Corporation (“SERC”) was assigned as LUS’s regional compliance enforcement authority as of December 2, 2017. SERC conducted an Operations and Planning off-site audit of LUS in 2020, NCR01114 from May 18, 2020 through September 10, 2020, in which there were zero areas of concern and zero recommendations were made. Additionally, SERC also conducted a review of LUS as a balancing authority and transmission operator due to the new EMS. A report was issued by certification review team and determined that LUS does not require a new certification. LUS is in compliance with all applicable NERC CIP and Operations and Planning 693 standards.

LUS remains registered with NERC as a Balancing Authority, Transmission Operator, Transmission Owner, Transmission Planner, Generator Operator, Generator Owner and Distribution Provider. LUS also has delegation agreements with MISO through Coordinated Functional Registration or Joint Registration Organizations Agreement. In 2011, LUS established a formal program for internal compliance, supported by management and the Lafayette City council.

The formation of LUS’s NERC Compliance Section was established to meet the continuing evolution of in-scope regulatory standards and to provide oversight and assistance to Subject Matter Experts. LUS’s NERC Compliance consists of a full-time NERC Analyst, an Electric Reliability & Environmental Compliance Administrator, and several Subject Matter Experts with various departments.

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 a Resource Management Agreement with TEA in 2000 allowing TEA to market capacity and energy in the wholesale market and to purchase capacity and energy on behalf of the City if needed. In 2005, the City signed Letter Agreement Number Two for Natural Gas Services (the “Letter Agreement”) with TEA. The Letter Agreement authorizes TEA to purchase natural gas and both firm and interruptible transportation and marketing the Electric 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 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 site. 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.

Natural gas is delivered to T.J. Labbé at pressures in the range of 675 psig plus or minus 20 psig. As such, the three 50 percent natural gas compressors at T.J. Labbé are not needed and were permanently bypassed and decommissioned in Spring 2017. The natural gas is delivered through a fuel gas strainer, gas flow meter, a primary and secondary shut off valve, a fuel gas manifold, and goes to the fuel nozzles. Natural gas from the TransCanada pipeline is procured on behalf of LUS by The Energy Authority (“TEA”) who also bids the units in as MISO market participants. The quantity and price of gas is determined daily based on day-ahead nominations. T.J. Labbé does not have firm gas supply.

Natural gas is delivered to Hargis-Hébert at pressures in the range of 675 psig plus or minus 20 psig. Hargis-Hébert does not have compressors, but the plant does have dew point heaters. The natural gas is delivered through a fuel gas strainer, gas flow meter, a primary and secondary shut off valve, a fuel gas manifold, and goes to the fuel nozzles. Natural gas from the Gulf South pipeline is procured on behalf of LUS by TEA who also bids the units in as MISO market participants. The quantity and price of gas is determined daily based on day-ahead nominations. Hargis-Hébert does not have firm gas supply.

The Joint Owners of Rodemacher Unit 2 purchase coal from Arch Coal Sales, Inc., Navajo Transitional Energy Company (“NTEC”), and Peabody COALSALES, LLC. The coal is sourced from the Powder River Basin in Wyoming. LPPA owns two unit-trains for rail transportation to the facility. The existing contracts allow the coal to either be rejected or allows for a price adjustment if the heat content is too low or the sulfur content is too high. The bottom ash and fly ash from Rodemacher Unit 2 is removed from site by truck and sold for beneficial reuse by Charrah, Inc. The Joint Owners have an agreement with Charrah through 2025.

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 City Council is the governing authority of LPPA, the chief executive officer of LPPA is the Mayor-President, 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 have priority over the payment of debt service on the Issuer's debt. As of the date of this Official Statement, LPPA has \$71,325,000 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 (the "LPPA Series 2012 Bonds") 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. LPPA is in the process of refunding the existing LPPA Series 2012 Bonds and plans to refund the bonds before the end of the year.

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 2020, such payments aggregated \$37.5 million.

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.

LUS selected Burns & McDonnell as a consultant to perform an Integrated Resource Plan ("IRP") to evaluate overall power supply options, including plans for potentially replacing or repowering the Doc Bonin Plant. Burns & McDonnell completed the IRP in fiscal year 2020. The IRP included recommendations for the retirement of Rodemacher Unit 2 from coal-fired operation at the end of 2027, the potential construction of a new LUS owned simple cycle gas turbine power plant at the existing Doc Bonin Plant site in 2028, and the addition of utility scale solar which would be procured through a power purchase agreement. LUS continues to evaluate its power supply alternatives based on the results of the IRP, and initiate progress where needed.

Hydroelectric Purchased Power

LUS has a power purchase agreement in place with the Southwestern Power Administration ("SWPA"). The power purchase agreement provides LUS with 22,320 MWh of energy supply from hydroelectric power generation. The power purchase agreement is through May 31, 2033. As one of four Power Marketing Administrations in the United States, Southwestern markets hydroelectric power in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas from 24 U.S. Army Corps of Engineers multipurpose dams.

Energy Contract and Renewable Energy Credit Contract

LCG signed a contract with Exelon Generation Company, LLC for energy only based on 50 MW at 100 percent load factor. The contract term was from January 1, 2019 through December 31, 2020.

LCG signed a contract with STX Services B.V. via TEA for renewable energy credits. The contract term was from January 1, 2019 through December 31, 2020.

LUS staff are currently conducting a renewable power supply request for proposals. LUS and LCG are currently in the process of evaluating renewable energy supply contract proposals but have not made any selections or recommendations to LCG.

Electric System Improvements

The Electric System CIP is reviewed, updated, and budgeted annually. The Electric System CIP totals \$29,495,000 over the five-year period.

Production

The Electric System CIP includes production capital expenditures totaling \$4.30 million over the five-year period, primarily related to combustion turbine plant improvements, and including inlet air chiller coil replacements, emissions controls, replacement of a cooling tower, and fuel supply improvements.

Distribution

Distribution system capital improvements are budgeted to total \$9.1 million in the Electric System CIP over the next five years and include replacing and renewing distribution feeders, extending distribution infrastructure to serve system expansions, and other general distribution improvements.

Substation

The substation capital improvements are budgeted to total \$5.23 million in the Electric System CIP over the next five years. The substation capital improvement projects are associated with transformer replacements, high voltage breaker replacements throughout the transmission and distribution substation system, and general substation plant improvements.

Transmission

The transmission capital improvements are budgeted to total \$50,000 in the Electric System CIP over the next five years. The capital cost is associated with miscellaneous transmission improvements.

General Plant

The Electric System CIP for General Plant totals \$9.68 million. At \$2.5 million, the largest project is for the street lighting upgrades planned. The Electric System CIP also includes \$2.0 million of facilities improvements related to building HVAC replacements. The remaining capital cost is associated with a call center/CIS enhancement, a digital self-service system, supervisory control and data acquisition (“SCADA”) software upgrade, warehouse renovations, outage management system replacement, facilities improvements, and network/technology improvements.

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, 2020

| <u>Customer</u> | <u>2020 Revenues</u> | <u>% of Total Retail Revenues</u> |
|---|----------------------|-----------------------------------|
| University of Louisiana | \$10,022,258 | 6.0% |
| Lafayette General Hospital | 2,796,915 | 1.7 |
| Our Lady Of Lourdes | 1,762,141 | 1.1 |
| Lafayette Consolidated Government-Street Lighting | 1,572,133 | 0.9 |
| Stuller Inc. | 971,095 | 0.6 |
| Haliburton – Gulf Coast Campus | 718,208 | 0.4 |
| University Hospital & Clinics Inc. | 697,084 | 0.4 |
| International Paper | 655,483 | 0.4 |
| Women’s and Children’s Hospital | 612,293 | 0.4 |
| <u>Catalyst Recovery</u> | <u>602,562</u> | <u>0.4</u> |
| TOTAL | \$20,410,172 | 12.3% |
| TOTAL REVENUES | \$166,467,519 | 100% |

Source: LUS.

Historical Power Sales

As discussed above under “– MISO Market”, LUS purchases the entirety of its requirements from the MISO market. Correspondingly, MISO dispatches LUS’ generation units and all of the generation is sold into the MISO market. The column labeled MISO Market Sales below represents LUS’ sales into the MISO market from LUS generating units. The column labeled MISO Market Purchases below represents purchases from the MISO market.

| <u>Fiscal Year</u> | <u>Retail Sales (MWh)</u> | <u>Wholesale Sales (MWh)⁽¹⁾</u> | <u>MISO Market Sales (MWh)</u> | <u>MISO Market Purchases (MWh)</u> |
|--------------------|---------------------------|--|--------------------------------|------------------------------------|
| 2016 | 2,027,945 | 0 | 872,154 | 2,098,275 |
| 2017 | 1,980,653 | 0 | 898,205 | 2,042,686 |
| 2018 | 2,031,847 | 0 | 1,153,292 | 2,108,460 |
| 2019 | 2,004,310 | 0 | 1,132,482 | 2,036,411 |
| 2020 | 1,917,040 | 0 | 736,830 | 1,987,674 |

Source: LUS, the Consulting Engineer, and Aces Power LLC. LUS Financial and Operating Statements, 2016 through 2020 audited.

(1) After LUS joined MISO, all LUS generation was sold to the MISO Market.

Projected Demand and Resources

As a MISO participant, LUS is required to procure sufficient capacity to meet its load requirements. This capacity can be procured through owned resources or power purchase contracts. In order to meet its resource adequacy (i.e. capacity) requirements, LUS has been purchasing short-term capacity contracts. Below provides a summary of LUS recent and current capacity contracts:

- 40.0 MW from June of 2016 through May of 2020 with NRG Energy, Inc. (“NRG”);
- 80.0 MW from June of 2020 through May 2021 with TEA; and
- 68.0 MW from June of 2021 through May of 2022 with NRG.

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. 2017 | \$8.00 | \$ -- | \$0.04764 |
| R-1-O | Residential-Non City | Nov. 2017 | 8.80 | -- | 0.05240 |
| C-1 | Small Commercial | Nov. 2017 | 10.00 | -- | 0.06176 |
| C-2 | Large Commercial | Nov. 2017 | 50.00 | 8.50 | 0.02098 |
| SC-1 | Schools and Churches | Nov. 2017 | \$10.00 | -- | 0.05220 |

Source: The Utilities System

Electric System Sales by Customer Class

As of October 31, 2020, residential and commercial customers represent approximately 90 percent of retail Electric System energy sales. The Utilities System’s commercial customer base is diverse with no single commercial customer representing more than 2 percent of its retail revenues.

Electric System Customer Class Statistics as of October 31, 2020

| <u>Customer Class</u> | <u>Number of Customers</u> | <u>Percent of Total</u> | <u>Retail Sales (kWh)</u> | <u>Percent of Total</u> |
|--|----------------------------|-------------------------|---------------------------|-------------------------|
| Residential | 56,440 | 81.4% | 813,404,514 | 42.4% |
| Residential - Outside the City | 972 | 1.4 | 15,985,869 | 0.8 |
| Commercial without Demand - Small | 8,063 | 11.6 | 177,403,666 | 9.3 |
| Commercial Small and Large - Outside of City | 173 | 0.2 | 14,478,770 | 0.8 |
| Commercial with Demand - Large | 1,249 | 1.8 | 725,503,529 | 37.8 |
| Private Security Lighting | 1,741 | 2.5 | 6,919,550 | 0.4 |
| Street Lighting | 2 | 0.0 | 16,866,743 | 0.9 |
| Schools and Churches | 440 | 0.6 | 50,779,859 | 2.6 |
| Municipal – General Fund | 3 | 0.0 | 257,491 | 0.0 |
| University of Louisiana - Lafayette | 102 | 0.1 | 60,807,708 | 3.2 |
| <u>Interdepartmental</u> | <u>181</u> | <u>0.3</u> | <u>34,631,827</u> | <u>1.8</u> |
| TOTAL METERS IN SERVICE | 69,364 | 100.0 | 1,917,039,526 | 100.0% |

Source: LUS Financial and Operating Statements.

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 lower than average for the region.

Electric Residential Rate Comparison

| <u>City</u> | <u>Average \$/kWh ⁽¹⁾</u> |
|-----------------------------|--------------------------------------|
| New Orleans ⁽²⁾ | \$0.1082 |
| New Orleans ⁽³⁾ | 0.1082 |
| Shreveport ⁽⁴⁾ | 0.1044 |
| New Iberia ⁽⁵⁾ | 0.0998 |
| Alexandria | 0.0949 |
| Baton Rouge ⁽⁶⁾ | 0.0933 |
| Lake Charles ⁽⁷⁾ | 0.0933 |
| LUS | 0.0892 |

Source: 2021 Annual Consulting Engineer's Report.

(1) S&P Global Retail Average Rate Summary for Louisiana.

(2) Served by Cleco.

(3) Served by Entergy.

(4) Served by SWEPCO.

(5) Served by Cleco.

(6) Served by Entergy.

(7) Served by Entergy.

Electric System Commercial Rate Comparison

| <u>City</u> | <u>Average \$/kWh ⁽¹⁾</u> |
|-----------------------------|--------------------------------------|
| New Iberia ⁽²⁾ | \$0.1092 |
| Alexandria | 0.0959 |
| Shreveport ⁽³⁾ | 0.0941 |
| New Orleans ⁽⁴⁾ | 0.0880 |
| Baton Rouge ⁽⁵⁾ | 0.0830 |
| Lake Charles ⁽⁵⁾ | 0.0830 |
| LUS | 0.0822 |

Source: 2021 Annual Consulting Engineer's Report.

(1) S&P Global Retail Average Rate Summary for Louisiana.

(2) Served by Cleco.

(3) Served by SWEPCO.

(4) Served by Entergy New Orleans.

(5) Served by Entergy Louisiana.

The Wastewater System

The City owns and operates a Wastewater System that provides sewer services to residents within the City's boundaries, as well as to some residents outside its boundaries. Any residents outside the City limits that wish to be connected to the Wastewater System must be approved by the City Council. In addition, the City operates and maintains approximately 18 packaged wastewater treatment systems outside the City limits in unincorporated areas of the Parish. These package plants serve subdivisions and rural areas that are not currently in the LUS service area or connected to the Wastewater System. 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. As of October 31, 2020, LUS provided wastewater services to 46,133 customers.

Wastewater Treatment and Collection

The four main wastewater treatment plants are the South Plant, the East Sewage Treatment Plant (the “East Plant”), the Ambassador Caffery Plant, and the Northeast Plant. The total permitted capacity for these plants is 18.5 MGD, while the total combined flowholding capacity at the four plants is 38.5 million gallons.

The South Plant and the East Plant are activated sludge facilities with permitted 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 is a 6.0 MGD treatment plant that was originally constructed with rotating biological contactors (“RBC”) and an oxidation ditch, but the SBR has since replaced the RBC process. The design capacity of this plant is 9.25 MGD. LUS finds the SBR system to be extremely efficient and flexible by easily processing varying flow ranges.

LUS is in the process of purchasing 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 design project for a new sewer lift station and 20-inch force main to the SSTP is in progress. This project will require a new 20-inch force main and is expected to take at least two years. Although the state government owns some property along the proposed routing, LUS has encountered challenges with acquiring property for the lift station and force main routing. Additionally, the SBRs at the SSTP are being evaluated to handle new and future capacity associated with housing development in the downtown area.

The Wastewater System consists of 688.4 miles of gravity sewer collection pipes and interceptors and sewer force mains, with 13,008 manholes and 195 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 195 sanitary sewer lift stations consist of approximately 35 percent Gorman Rupp style suction lift stations, and 65 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, 25 package wastewater treatment plants are now operated and maintained as LUS’ Wastewater System infrastructure. 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 incorporated into the existing collection system.

Wastewater Discharge Permits

The wastewater discharge permit renewals for all four plants expired in the Fall of 2019. All Louisiana Pollution Discharge Elimination System (“LPDES”) permits have been renewed and are effective as of 11/01/2019 for ACTP, 04/01/2020 for ESTP, 11/01/2020 for NETP, and 04/01/2020 for SSTP. 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 is recorded on wastewater discharge monitoring reports (“DMRs”) and submitted monthly to LDEQ. The 2018 DMRs for the various treatment plants and operating units indicate all operating units were in compliance with National Pollutant Discharge Elimination System (“NPDES”) discharge limits, no notices of violation of effluent limits were received, and LUS is current with all fees and report submittals.

Operations and Related Performance

In 2020, the average daily wastewater volume treated by the four plants was 15.4 MGD. The average operating volumes treated by the four plants is less than each plant's permitted capacity. 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 can treat 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 occurs very rarely during extreme weather events.

EPA performed an audit of LUS's sanitary sewer system in 2017, which included the wastewater master plan, flow studies, and a tour of the four wastewater plants and some lift stations. A report of findings from the EPA's audit was released in May 2018. Resulting from the audit, an Administrative Order ("AO") was issued effective April 24, 2018 which requires LUS to prepare and implement a Capacity, Management, Operations, and Maintenance Program ("CMOM") by May 1, 2020.

The details of the CMOM implementation plan were submitted by LUS in February 2020, which included Collection System Management, Collection System Operations, Collection System Maintenance, and Collection System Capacity Evaluation. The AO requires LUS to regularly test and repair sewerage infrastructure by inspecting and cleaning 10 percent of the collection system each year and addressing defects within three years of the date on which they were identified. Additionally, the entire wastewater collection system needs to be rehabilitated by November 1, 2033, which averages approximately 7.7 percent annually.

LUS increased the budget for Closed Circuit Television Video ("CCTV") inspection, inflow and infiltration ("I&I") repairs in CIP, manhole lining, and point repairs. LUS staff have indicated that temporary changes in operations due to COVID-19 have resulted in lessened CCTV inspections of the wastewater collection system. This is of particular importance, as LUS is required to inspect at least 10 percent of the collection system each year.

Additional measures required by the AO include implementation of a sanitary sewer cleaning program which aims to clean the sanitary sewers on a 10-year revolving schedule. As the staff implements this program, the cycles of cleaning will depend on the pipeline condition, risk, and consequence of failure. As for critical cleaning, certain line segments may be identified to be more susceptible to blockages and may be put on a critical cleaning list as a preventive measure. The field supervisor is responsible for determining the cleaning cycle for these line segments.

LUS performs routine manhole inspections which are recorded in the "CityWorks program" software for asset management tracking. LUS indicated that Sewer Line-Rapid Assessment Tool acoustic technology and CCTV would be used to adhere to the CMOM to inspect all pipes and manholes, rotating through the entire system every 10 years. The first rotation through the entire collection system is required to be completed by November 1, 2030. Furthermore, LUS prioritizes repairing manholes and pipes using the Point Repair Priority Scores and Definitions and Manhole Repair Priority Scores that were developed in response to the AO.

LUS has also implemented a comprehensive training program for all staff participation in O&M in accordance with the AO. This arose from a lack of documented O&M training program and concern with staff succession.

Additionally, the CMOM Program establishes protocols for LUS to identify I&I issues for the most problematic areas of the collection system. Activities completed related to testing maintenance, and repair of sewage infrastructure can be located as noted on the 2019 and 2020 budgets of LUS. LUS does not expect any material difficulty or have any material concerns complying with the AO.

Currently, LUS's use of biosolids are permitted under LDEQ Sewage Sludge and Biosolids Use or Disposal Permit No. LAJ020125. Waste sludge generated at each of the wastewater treatment plants is treated to Class B biosolids standards and dewatered prior to transport to the application site. Due to the shortage of land application sites, LUS continues to face challenges associated with land application of biosolids. Currently, LUS applies biosolids on privately-owned farmland, and, due to the nature of land-use agreements, staff cannot always access the sites to apply the biosolids when needed. 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 required for actual biosolids disposal. LUS currently leases approximately 1,163 acres for sludge disposal, with year-to-year leases that each include a 30-day notice end-of-lease clause, but only utilized 302 acres in 2019.

Currently, three of the four wastewater plants use mechanical dewatering and belt press the biosolids to remove excess water from the biosolids. The dewatered biosolids are land applied. The Northeast Plant uses only lime stabilization to treat the biosolids. Adding mechanical dewatering before the lime stabilization will reduce the volume of biosolids produced by the plants.

Although not all wastewater treatment plants ("WWTPs") have active odor control, the permit from LDEQ requires that odor production be minimized as an operational standard for land applying the biosolids. Additional land-use agreements, such as purchasing and owning land to apply the biosolids, should be considered.

Post-Hurricane Inspections

Two post-hurricane inspections were completed by the EPA for each of the four wastewater plants following Hurricane Delta and Hurricane Marco and Hurricane Laura (one inspection), in late 2020.

The South Plant, the East Plant, and the Northeast Plant were found to have no needed repairs following the hurricanes. The Ambassador Caffery Plant was found to have some needed repairs following Hurricane Marco and Hurricane Laura, but damages were not caused by the hurricane and repairs were scheduled to occur the following week. There were no damages to the Ambassador Caffery Plant following Hurricane Delta.

Environmental and Regulatory Compliance and Issues

In accordance with each facility's LPDES permit, LUS is required to file an Annual Municipal Water Pollution Prevention audit report for each operating facility. Sometimes, LUS exceeds the design/permitted flow capacity at its wastewater treatment plants. These exceedances are reported to LDEQ and LDEQ coordinates with LUS for an excursion regrading repairs and replacements.

Spill prevention control and countermeasures ("SPCC") plans are required to comply with state and federal regulations if facilities are proximate to U.S. waters. Compliance is required by facilities which are subject to spills of oils, fuels, or other controlled substances and have a storage capacity of more than 1,320 gallons at a single facility. SPCC plans were prepared and implemented in accordance with these regulations for each wastewater treatment facility. Each facility's SPCC Plan was last reviewed in 2017. SPCC Plans must be reviewed every five (5) years, with the next review due in 2022, upon significant change in oil storage, or if a spill incident occurs.

Federal regulation requires that LUS maintain a wastewater pretreatment program that is applicable to certain customers discharging to the LUS collection system, with particular emphasis on industrial users. Industrial users are identified by review of the North American Industry Classification System code of the user. The program is overseen and enforced by the LUS Environmental Compliance Division; and was established to accomplish the following objectives:

1. Prevent pollutant discharges which will interfere with operations of publicly owned treatment works (“POTWs”), including the use or disposal of municipal sludge (i.e., biosolids),
2. Prevent pollutant discharges which the POTW is not designed to remove by treatment,
3. Reduce the risk of exposing workers to hazardous chemicals, and
4. Improve opportunities to recycle and reclaim industrial wastewaters and sludges.

Significant Industrial User Permits are issued to any customer that discharges an average of 25,000 gallons or more of process wastewater. Six customers have been issued this permit because they either contribute process waste stream that make up 5 percent or more of the average dry-weather hydraulic or organic capacity of the treatment plant or have a reasonable potential for adversely affecting the treatment facility’s operation for violating any pretreatment standard or requirement.

A total of seven Categorical Zero Discharge Permits have been issued to customers that do not discharge any process wastewater in accordance with Section 307 of the Clean Water Act.

A Pretreatment Audit was conducted by the LDEQ in February 2020. The audit concluded that all testing and monitoring requirements were met by all industrial users under the permit. Resulting recommendations were to provide explanation of where permit limitations are derived from within the documentation submitted as a part of the Pretreatment Audit, and that industrial users include an evaluation of spills or slug loads that may have occurred during the year. Any proposed change to the facility regarding its Pretreatment Program must first be submitted to LDEQ for approval.

The wastewater strength to the LUS WWTPs is characterized as primarily domestic wastewater, with very little industrial wastewater. LUS operators have indicated that the wastewater influent is consistent between the WWTPs. Influent water quality generally contains 25 mg/L of total nitrogen, 170 mg/L of 5-day carbonaceous BOD5, and 30 to 40 mg/L TSS.

Publicly-owned treatment works serving the City are subject to regulatory limitations of wastewater discharges to the Vermillion River to Bayou St. Claire. The wastewater discharge limitations are established by the LPDES permit, which has assigned a permit limit and specific discharge loading limits for each of the LUS WWTPs. Although the concentrations (mg/L) of each contaminant are consistent between the WWTPs, the loading rate (lbs/day) is not consistent and presents treatment challenges as the City continues to grow and develop.

The LPDES has imposed a hold on new (additional) contaminant loading to the Vermillion River due to agriculture, waste flows from unincorporated areas, and waste flows from publicly owned treatment works. As the City continues to develop and grow, this contaminant loading restriction requires that the lbs/day limit by LDEQ is met by the LUS WWTPs, regardless of influent flow increases.

New and Proposed Wastewater Regulations

The 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.

Wastewater System Improvements

The Wastewater System CIP is reviewed, updated, and budgeted annually. The Wastewater System five-year CIP contained in the 2021 Budget totals \$55.30 million and includes the expansion of wastewater treatment plants, digester rehabilitations, lift station upgrades, gravity sewer upgrades, collection system improvements, odor control, and sludge handling.

Treatment

The Wastewater System CIP includes \$31.80 million for LUS' wastewater treatment facilities. Projects include continued phases of wastewater treatment plant expansions and general projects for extending useful life of treatment plants.

Collection

The Wastewater System CIP includes \$23.50 million for wastewater collection improvements. Projects include compliance with CMOM program, updating and rehabilitating lift stations, installing major lift stations and force main lines, and general projects for extending useful life of collection facilities.

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, 2020

| <u>Customer</u> | <u>2020 Revenues</u> | <u>% of Total Revenues</u> |
|---------------------------------------|----------------------|----------------------------|
| University of Louisiana | \$664,883 | 2.1% |
| Borden Company | 262,364 | 0.8 |
| Lafayette General Hospital | 259,551 | 0.8 |
| Bayou Shadows Apartments | 239,269 | 0.8 |
| Our Lady of Lourdes | 148,003 | 0.5 |
| Lafayette Parish Correctional Center | 136,812 | 0.4 |
| Pinhook South Apartments | 128,059 | 0.4 |
| Westport Linen Services | 122,626 | 0.4 |
| South Point Apartments | 112,712 | 0.4 |
| <u>Magnolia View Mobile Home Park</u> | <u>98,157</u> | <u>0.3</u> |
| TOTAL | \$2,172,436 | 7.0% |
| TOTAL REVENUES | \$31,122,710 | 100% |

Source: LUS

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 United States Department of Housing and Urban Development grant. Flows from the approximately 50 customers are treated at the East Plant. 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 decreased in 2020 by 4.3 percent from 2019 collection volumes, and generally lower than the average collected flow from 2016 through 2019. The collection volumes vary with weather related events. 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> ⁽¹⁾⁽²⁾⁽³⁾ |
|--------------------|---|
| 2016 | 6,267,402 |
| 2017 | 5,768,832 |
| 2018 | 5,326,815 |
| 2019 | 5,746,278 |
| 2020 | 5,498,088 |

Source: Consulting Engineer and LUS. LUS Financial and Operating Statements.

- (1) Annual collection volumes vary with weather. The 2016 volume reflects a wet weather event.
- (2) The Wastewater System does not provide wholesale service.
- (3) Retail collection is not associated with the gallons used for billing wastewater customers.

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. 2017 | \$8.60 | \$0.00590 |
| S-1-0 | Residential, Non-City | Nov. 2017 | 10.30 | 0.00710 |
| S-2 | Commercial | Nov. 2017 | 16.15 | 0.00615 |
| S-2-0 | Commercial, Non-City | Nov. 2017 | 24.20 | 0.00740 |

Source: The Utilities System.

The Water System

The Water System consists of key water infrastructure including four water treatment facilities, 19 ground water wells, elevated and ground treated-water storage, and 1,153 miles of distribution mains. The wells serve the Water System with a combined total treatment capacity of 51.1 MGD. In addition to the Water System within the City limits, LUS provides retail and wholesale water service outside the City limits. Any residents outside of the City limits that wish to be connected to the Water System must be approved by the City Council. 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 City of Broussard, Milton Water System, and the City 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 Waterworks District North and the Waterworks District South constructed their own additions and extensions according to standards set by LUS. In addition to its wholesale contracts, LCG has a contract to provide emergency back-up water service to the City of Carencro. This agreement was signed in 1980 and has no expiration.

LUS performs all water metering and customer service. In 2020, LUS provided water service to 57,412 meters representing residential, commercial, industrial, and wholesale customers. Water System

total sales declined 0.7 percent in 2020; with retail water sales decreasing 1.4 percent, while wholesale water sales increased 0.9 percent.

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. The 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 Chicot aquifer supplies at least 50 percent of the drinking water for its service area and there are no reasonably available alternate supplies should the aquifer become contaminated. 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 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 SWP and the NWP), and a total of 19 ground water wells to provide raw water for treatment, as well as supplemental volume and pressure to the system. The SWP has a capacity of 24.0 MGD and the 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 remotely located 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 the City of Broussard, the City of Youngsville, and Milton Water System. Groundwater pumped at this location contains elevated levels of ammonia which will be addressed by a new water treatment facility that LUS intends on constructing at this location. 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 25 percent of full plant power demand.

Water Distribution and Storage

The water distribution system consists of 1,153 miles of pipe and the treated water storage of approximately 13.68 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 4.30 MG of elevated storage and 9.38 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 CIP.

Operations and Related Performance

Gross water production in 2020 was 8,340 MG, or an average of 22.9 MGD. Unaccounted for water is calculated by subtracting the Total Water Sales by the Total Water Distributed and represents the volume of water lost in the distribution system. These losses can be attributed to physical losses (i.e., pipe or tank leakage) or non-physical losses (i.e., under-billed or un-billed volume). In 2020, unaccounted for water was 12.5 percent which is over 5 percent increase from the lowest value in the past five years occurring in 2017.

The amount of lost and not accounted for water is within the range of acceptable industry standards. Much of the unaccounted-for water is primarily due to aggressive line flushing for hydrants. Responding to insurance requirements, LUS flushes hydrants twice per year. Fire hydrants are required to be tested by the Property Insurance Association of Louisiana in order to obtain or retain a higher fire insurance rating for the City. In addition, in 2013 the 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. Discussions with LUS staff indicate that automatic line flushing at 10 to 12 locations of the distribution system is also necessary to mitigate water quality concerns. Flushing is performed at night and is controlled with automatic timers. Due to the continued increasing trend in unaccounted water, LUS may consider studying water loss in more detail or performing a water audit for water loss control for improved management of non-revenue water.

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, as described above. 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.

Wholesale customers represented 30.2 percent of total water sales volume and 30.1 percent of the total water sales revenue in 2020, respectively. While both wholesale water sales volume and revenues have increased recently, wholesale revenues have increased more due to wholesale rate increases.

Each of the contracts is a long-term contract between 30 and 40 years in length, except for the City of Scott and the City of Broussard. In 2019, the contract with the City of Broussard was extended from an expiration in 2020 to 2038. Also, in 2019, the contract with the City of Scott was extended from an expiration in 2022 to 2038. The Waterworks District North and Waterworks District South contracts expire

in 2032 and 2035, respectively. The Milton Water System expires in 2037 and the City of Youngsville expires in 2038.

Environmental and 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 2020 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 EPA published revised lead and copper drinking water rules on January 15, 2021. The rule became effective on March 16, 2021 with a compliance date of January 16, 2024. On June 16, 2021, the EPA extended the effective date to December 16, 2021 and the compliance date to October 16, 2024 in an effort to allow additional comments from the public. The cost for LUS to comply with this rule will be dependent on the changes the EPA makes, if any, based on comments received.

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 December 16, 2025, at which point it will be automatically renewed. The SWP permit to discharge wastewater from the treatment of potable water, stormwater, and sanitary wastewater is current and effective through May 31, 2025. LUS does not expect any rejections or delays in the renewal of the Water System environmental or operating permits.

Chlorine gas and sodium hypochlorite are disinfectants used at each of LUS’s treatment facility locations to control microbes within the distribution system. The minimum allowable free chlorine concentration in the distribution system, set by Louisiana Department of Health and Hospitals (“LA DHH”), is 0.5 ppm and the maximum residual disinfectant level and maximum residual disinfectant level goal are both 4 ppm. LUS is well within the acceptable range.

The Water System has implemented the management and enforcement of 2014 LA DHH regulations for backflow prevention for individual users. The 2014 LA DHH regulations expired on January 1, 2016, however, the Louisiana State Uniform Construction Code Council has adopted and enforces the 2014 LA DHH regulations. LUS continues to maintain its backflow prevention program in case the LA DHH re-implements the regulation in future years or as an Emergency Rule.

The America’s Water Infrastructure Act (“AWIA”) of 2018, Section 2013 requires all water systems perform a Risk and Resilience Assessment (“RRA”) and update the water system’s Emergency Response Plan (“ERP”). LUS was required to certify completion of an RRA and ERP Update by March 31, 2020, and September 30, 2020, respectively. LUS reported that EPA certifications were submitted by LUS prior to the regulatory deadlines.

The EPA issued the final Lead and Copper Rule Revisions (“LCRR”) on January 15, 2021, aimed to better protect children at schools and childcare facilities against lead exposure through drinking water. The LCRR represents the first major update to the Lead and Copper Rule in 30 years and requires water utilities to prepare and maintain lead service line inventories, requires modifications to lead and copper sample locations and protocols, and, if triggered, perform and implement corrosion control studies and/or lead service line replacement.

On March 12, 2021, EPA announced that the effective date of the LCRR, initially proposed as March 16, 2021, would be delayed until June 17, 2021. LUS has begun preparing for operational changes brought about by the LCRR, specifically in developing a lead service line (“LSL”) inventory and revisions to the lead and copper sampling. Per the LCRR, all systems with any LSLs shall prepare and submit to the state a LSL Replacement Plan by January 16, 2024.

Due to presidential directives to review certain regulations, the EPA has proposed to delay the effective date of the LCRR until December 16, 2021, with a compliance date of October 16, 2024. At the time of publication of the Consulting Engineer’s Report attached as Appendix D hereto, it was unknown if the EPA’s proposal to delay the effective date until December 16, 2021 would be accepted. So, while there is some uncertainty regarding the timing of the LCRR being effective, LUS is evaluating the requirements and implement initiatives necessary to ensure compliance.

Further information on the existing environmental permits and applicable water regulations are described in Appendix D.

Water System Improvements

The Water System CIP is reviewed, updated, and budgeted annually. The Water System five-year CIP contained in the 2021 Budget totals \$17.15 million for the five-year period and includes building rehabilitation; treatment plant upgrades; and main replacements, upgrades, and extensions.

Production

The Water System CIP includes \$8.85 million in production improvements. Projects include water plant facilities rehabilitation, installation of storage, replacing chemical handling facilities, and general projects for extending life of the plant sites.

Distribution

The Water System CIP includes \$8.3 million in water distribution improvements. Projects include water line extensions, distribution ground storage tank installation, water tower/tank repainting, replacement of old water lines, and general projects for extending useful life of distribution facilities.

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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, 2020

| <u>Customer</u> | <u>2020 Revenues</u> | <u>% of Total Revenues</u> |
|--------------------------------------|----------------------|----------------------------|
| University of Louisiana | \$279,475 | 1.3 |
| Lafayette General Hospital | 142,669 | 0.7 |
| Our Lady of Lourdes | 107,881 | 0.5 |
| Bayou Shadows Apartments | 82,058 | 0.4 |
| Borden Company | 82,012 | 0.4 |
| Lafayette Parish Correctional Center | 49,492 | 0.2 |
| Health & Beauty Solutions Inc. | 48,044 | 0.2 |
| Pinhook South Apartments | 44,533 | 0.2 |
| Lafayette General Southwest | 41,571 | 0.2 |
| <u>South Point Apartments</u> | <u>39,716</u> | <u>0.2</u> |
| TOTAL | \$917,451 | 4.2% |
| TOTAL REVENUES | \$21,696,556 | 100% |

Source: LUS

Historical Water Sales

Water System total sales in 2020 were 1.5 percent higher than 2019, driven by an increase in wholesale water sales. Wholesale water sales increased due to increased residential and commercial development in areas served by the wholesale customers. Historical Water System volume sales are shown in the table on the next page.

Historical Water Retail and Wholesale Sales (1000 gallons)

| <u>Fiscal Year</u> | <u>Retail</u> | <u>Wholesale</u> | <u>Total</u> |
|--------------------|---------------|------------------|--------------|
| 2016 | 5,402,650 | 2,117,627 | 7,520,277 |
| 2017 | 5,382,447 | 2,161,051 | 7,543,498 |
| 2018 | 5,363,552 | 2,256,611 | 7,620,463 |
| 2019 | 5,148,605 | 2,171,928 | 7,320,533 |
| 2020 | 5,075,882 | 2,191,571 | 7,267,453 |

Source: LUS

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Water System Rates

Water Retail Rate Summary

| Rate Class | Serves | Effective Date | Meter Size (inches) | Customer Charge (\$/month) | Winter Commodity Rate (\$/1,000 gallons) | Summer Commodity Rate Tier 1 (\$/1,000 gallons) | Summer Commodity Rate Tier 2 (\$/1,000 gallons) | Monthly Commodity Rate (\$/1,000 gallons) |
|------------|----------------------|----------------|---------------------|----------------------------|--|---|---|---|
| W-1 | Residential | Nov-17 | 0.75 | \$4.85 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 1.00 | 8.10 | 1.65 | 1.65 | 2.65 | NA |
| | | | 1.50 | 16.15 | 1.65 | 1.65 | 2.65 | NA |
| | | | 2.00 | 25.85 | 1.65 | 1.65 | 2.65 | NA |
| | | | 3.00 | 48.50 | 1.65 | 1.65 | 2.65 | NA |
| | | | 4.00 | 80.85 | 1.65 | 1.65 | 2.65 | NA |
| | | | 6.00 | 161.65 | 1.65 | 1.65 | 2.65 | NA |
| | | | 8.00 | 258.65 | 1.65 | 1.65 | 2.65 | NA |
| W-1-O | Residential Non-City | Nov-17 | 0.75 | 9.70 | 3.30 | 3.30 | 5.30 | NA |
| | | | 1.00 | 16.15 | 3.30 | 3.30 | 5.30 | NA |
| | | | 1.50 | 32.35 | 3.30 | 3.30 | 5.30 | NA |
| | | | 2.00 | 51.75 | 3.30 | 3.30 | 5.30 | NA |
| W-2 | Commercial | Nov-17 | 0.75 | 4.85 | NA | NA | NA | \$1.85 |
| | | | 1.00 | 8.10 | NA | NA | NA | 1.85 |
| | | | 1.50 | 16.15 | NA | NA | NA | 1.85 |
| | | | 2.00 | 25.85 | NA | NA | NA | 1.85 |
| | | | 3.00 | 48.50 | NA | NA | NA | 1.85 |
| | | | 4.00 | 80.85 | NA | NA | NA | 1.85 |
| | | | 6.00 | 161.65 | NA | NA | NA | 1.85 |
| | | | 8.00 | 258.65 | NA | NA | NA | 1.85 |
| W-2-O | Commercial Non-City | Nov-17 | 0.75 | 9.70 | NA | NA | NA | 3.70 |
| | | | 1.00 | 16.15 | NA | NA | NA | 3.70 |
| | | | 1.50 | 32.35 | NA | NA | NA | 3.70 |
| | | | 2.00 | 51.75 | NA | NA | NA | 3.70 |

Source: The Utilities System.

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Utilities System Trend in Finances

The combined summary schedules of the Utilities System for the five fiscal years ended October 31 and for the nine months ended July 31, 2020 and July 31, 2021 follow:

LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT LAFAYETTE UTILITIES SYSTEM INCOME STATEMENTS

| | Twelve months ended October 31, | | | | | Nine months ended July 31, | |
|---|------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|----------------------|
| | 2016 | 2017 | (audited) 2018 | 2019 | 2020 | (unaudited) 2020 | 2021 |
| OPERATING REVENUES: | | | | | | | |
| Electric | \$95,194,646 | \$98,059,006 | \$106,419,392 | \$104,141,324 | \$99,722,977 | \$70,720,722 | \$73,289,253 |
| Electric Retail Fuel Adjustment | 78,153,587 | 76,829,537 | 72,872,661 | 73,101,002 | 65,117,850 | 46,967,061 | 49,947,559 |
| Water | 18,286,651 | 19,458,484 | 21,220,243 | 20,524,232 | 21,144,643 | 15,335,594 | 16,090,839 |
| Wastewater | 28,752,436 | 30,305,358 | 31,690,825 | 30,911,782 | 30,396,508 | 22,690,876 | 23,703,850 |
| TOTAL OPERATING REVENUES | 220,387,320 | 224,652,385 | 232,203,121 | 228,678,340 | 216,381,978 | 155,714,253 | 163,031,501 |
| OPERATING EXPENSES: | | | | | | | |
| Electric Fuel & Purch Power | \$85,345,312 | \$89,401,701 | \$88,632,979 | \$79,275,605 | \$74,047,342 | \$51,204,073 | \$62,453,362 |
| Electric Other Production | 6,902,595 | 7,574,927 | 5,823,932 | 5,097,410 | 3,606,586 | 2,737,699 | 3,275,024 |
| Other Electric | 34,446,286 | 36,370,497 | 36,710,947 | 35,027,667 | 34,390,321 | 26,036,480 | 25,090,586 |
| Water | 13,761,106 | 13,965,819 | 14,260,225 | 14,227,206 | 13,159,106 | 9,740,463 | 10,024,206 |
| Wastewater | 18,295,151 | 18,685,538 | 18,737,163 | 19,211,514 | 18,295,187 | 13,443,965 | 13,926,015 |
| Fiber | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING EXPENSES | \$158,750,450 | \$165,998,482 | \$164,165,246 | \$152,839,402 | \$143,498,542 | \$103,162,680 | \$114,769,193 |
| NET OPERATING REVENUES | \$61,636,870 | \$58,653,903 | \$68,037,875 | \$75,838,938 | \$72,883,436 | \$52,551,573 | \$48,262,308 |
| DEPRECIATION | \$23,601,958 | \$23,960,817 | \$24,555,286 | \$25,130,355 | \$25,189,698 | \$18,748,784 | \$18,209,514 |
| OTHER INCOME: | | | | | | | |
| Interest Income | \$1,704,947 | \$2,020,622 | \$2,868,340 | \$4,695,793 | \$2,904,807 | \$2,543,052 | \$784,692 |
| Unrealized Gain/Loss on Invs | 117,778 | (283,409) | (46,380) | 399,671 | (139,572) | 0 | 0 |
| Amortization of Debt Premium | 3,020,974 | 2,995,867 | 3,544,254 | 3,639,998 | 3,769,742 | 2,827,307 | 2,666,414 |
| Water Tapping Fees | 78,320 | 64,240 | 72,240 | 56,760 | 61,540 | 42,980 | 57,060 |
| Communications Lease Income | 27,648 | 25,378 | 0 | 0 | 11,379 | 11,379 | 0 |
| Contributions in Aid of Construct | 56,063 | 128,155 | 304,557 | 0 | 140,856 | 139,438 | 0 |
| Misc. Non-Operating Revenue | 2,566,471 | 3,335,924 | 4,188,986 | 3,141,166 | 3,633,306 | 2,075,391 | 1,456,132 |
| Total Other Income | \$7,572,201 | \$8,286,777 | \$10,931,997 | \$11,933,388 | \$10,382,058 | \$7,639,547 | \$4,964,298 |
| OTHER EXPENSES: | | | | | | | |
| Loss on Disposition of Property | \$329,136 | \$369,488 | \$398,883 | \$309,767 | \$290,397 | \$16,741 | \$9,441 |
| Interest Expense | 10,970,238 | 8,916,835 | 9,622,905 | 10,362,925 | 11,184,000 | 8,388,000 | 7,901,700 |
| Amortization on Plant | 989,789 | 782,767 | 608,729 | 600,810 | 488,306 | 366,230 | 296,460 |
| Amortization - Other | 1,266,821 | 1,264,007 | 1,695,453 | 1,586,946 | 1,498,590 | 1,123,942 | 1,054,379 |
| Interest on Customer Deposits | 821 | 1688 | 4307 | 5331 | 1834 | 83 | 101 |
| Tax Collections/Non-Operating | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Misc. Non-Operating Expense | 1,589,252 | 3,182,762 | 2,844,560 | 3,369,807 | 3,649,380 | 1,350,093 | 3,211,865 |
| Total Other Expense | \$15,146,057 | \$14,517,547 | \$15,174,837 | \$16,235,586 | \$17,112,507 | \$11,245,089 | \$12,473,946 |
| NET INCOME BEFORE IN LIEU OF TAXES | \$30,461,056 | \$28,462,316 | \$39,239,749 | \$46,406,385 | \$40,963,289 | \$30,197,247 | \$22,543,146 |
| In-Lieu-of-Taxes (ILOT) | \$23,306,557 | \$22,568,235 | \$23,708,786 | \$25,051,002 | \$24,679,711 | \$16,781,263 | \$16,424,864 |
| NET INCOME | \$7,154,499 | \$5,894,081 | \$15,530,963 | \$21,355,383 | \$16,283,578 | \$13,415,984 | \$6,118,282 |

**UTILITIES SYSTEM
HISTORICAL DEBT SERVICE COVERAGE CALCULATION**

| | FY 16⁽¹⁾ | FY 17⁽¹⁾ | FY 18⁽¹⁾ | FY 19⁽¹⁾ | FY 20⁽¹⁾ | July 31, 2020⁽²⁾ | July 31, 2021⁽²⁾ |
|-----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--|--|
| Operating Revenues ⁽³⁾ | \$222,092,226 | \$226,673,006 | \$235,071,461 | \$233,374,132 | \$219,286,785 | \$158,257,305 | \$163,816,193 |
| Operating Expenses ⁽⁴⁾ | 158,750,451 | 165,998,482 | 164,165,246 | 152,839,402 | 143,498,542 | 103,162,680 | 114,769,193 |
| Net Available Revenues | 63,341,775 | 60,674,524 | 70,906,215 | 80,534,730 | 75,788,243 | 55,094,625 | 49,047,000 |
| Debt Service ⁽⁵⁾ | 22,925,238 | 21,341,835 | 21,427,905 | 22,732,925 | 25,374,000 | 25,374,000 | 25,095,600 |
| Debt Service Coverage | 2.8 | 2.8 | 3.3 | 3.5 | 3.0 | NA | NA |

(1) Source: LUS Financial and Operating Statements, 2016-2020, audited.

(2) Source: LUS. Figures unaudited.

(3) Operating Revenues include interest income and other miscellaneous revenue.

(4) Operating Expenses include O&M and other expenses such as customer service, and administrative and general costs. Operating Expenses do not include ILOT, normal capital and special equipment, nor other miscellaneous expenses.

(5) Debt service was prepared on a cash basis. Debt Service includes the Series 1996 Bonds, Series 2010 Bonds, Series 2012 Bonds, Series 2017 Bonds, and Series 2019 Bonds. The Series 1996 Bonds matured on November 1, 2017. The Series 2010 Bonds were partially defeased and refunded by the Series 2012 Bonds and fully redeemed by the proceeds of the Series 2017 Bonds.

Utilities System - 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 years 2016 through 2019, with rate increases in 2017 and 2018 being the main drivers of the increase in total operating revenues during that period. LUS saw a temporary decline in energy sales use per customer in the non-residential classes in FY 2020 due to the COVID-19 pandemic, however LUS has already begun to see a rebound in use per customer and revenues through the first 10 months of FY 2021. Fuel adjustment revenues decreased between fiscal year 2016 and fiscal year 2020, with a high of \$78.1 million in 2016 and low of \$65.1 million in 2020, mainly due to reductions in fuel and purchased power costs

Operating expense fluctuated from fiscal year 2016 to fiscal year 2020 and were mainly influenced by changes in fuel and purchased power costs in the Electric System. Other electric, water and wastewater operational costs remained relatively stable (when excluding fuel and purchased power) from fiscal years 2016 to 2020.

Balance available for debt service increased from \$63.3 million in fiscal year 2016 to \$75.8 million in fiscal year 2020. Additionally, debt service increased from fiscal year 2016 to fiscal year 2020 by \$2.5 million. Debt service coverage increased from 2.8 in fiscal year 2016 to 3.0 in fiscal year 2020. Consequently, the balance available after debt service also increased when comparing fiscal year 2016 and fiscal year 2020.

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CERTAIN FACTORS AFFECTING THE COMMUNICATIONS INDUSTRY

The Communications System provides voice telephone, cable television, Internet, and, to a lesser extent, various other communications services. Each of these three main categories of services is regulated to some degree at the state or federal level. In addition, each of these services is subject to competitive pressures from one or more sources.

Recent years have brought fundamental changes to the telecommunications industry, introducing competition for every major communications product line. Accompanying these changes has been the growth in popularity of the Internet for business, social and entertainment purposes. The convergence of these two trends has resulted in a number of entities seeking to provide broadband (high speed Internet connections), as well as traditional telephone and cable television service. This combination of services, known as the “triple play,” is often offered by the Communications System’s competitors at an initially discounted rate as a means of gaining market share. In addition, in the last few years, wireless technology and applications have improved significantly, enabling users of smartphones, iPads, and other wireless devices to take advantage of services that were available, if at all, only through wireline facilities. There can be no assurance that competitors to the Communications System will not develop and market services that will be equally or more commercially attractive than those of the Communications System.

Regulation

Telecommunications services are regulated at the federal level by the FCC pursuant to the federal Communications Act of 1934 (the “Communications Act”), as amended by the Telecommunications Act of 1996 (47 U.S.C. § 151, *et seq.*) (the “Telecommunications Act”). State and local governments have been given certain roles in implementing the federal regime as guided by the Telecommunications Act and federal agency regulations. Intrastate telecommunications service is generally regulated by the state public utility commissions, in this case the LPSC, pursuant to state law (LA. CONST. ART. IV, § 21).

Cable television is regulated at the federal level by the FCC pursuant to Title VI of the Communications Act, as first enacted by the Cable Communications Policy Act of 1984, Cable Television Consumer Protection and Competition Act of 1992, and amended by the Telecommunications Act (together, the “Cable Act”). State and local governments retain some authority over cable television, most notably franchising authority. The regulatory status of Internet services is still evolving.

In addition to the Louisiana laws, rules and regulations that govern competitive telecommunications providers and cable providers, a local government providing telecommunications, cable and advanced services is subject to the Local Government Fair Competition Act (the “Local Government Act”), and the LPSC’s Cost Allocation and Affiliate Transaction Rules (“LPSC Rules”) (LPSC General Order dated October 4, 2005) promulgated thereunder. The Local Government Act and LPSC Rules provide certain accounting, financing and operating restrictions on the local government, and subject the local government to annual audits for compliance with the Local Government Act and the LPSC Rules.

Voice Telephone Services

Regulation of conventional voice telephone services, and to a certain extent, telephone services through Voice over Internet Protocol, endures at the federal level, despite the introduction of competition. The Communications System is subject to the same rules and regulations as other competitive providers of interstate telephone service. Regional Bell Operating Companies and other incumbent local exchange carriers are subjected to more stringent regulation given their historical status as monopolies. In addition, since the Communications System provides local exchange telephone service, it has negotiated an interconnection agreement with the incumbent local exchange carrier to be able to exchange traffic with that entity pursuant to Sections 251 and 252 of the Communications Act (47 U.S.C. §§ 251-252). Further, the Communications System is required to provide exchange access to long distance service providers, for

which the Communications System is compensated according to its tariff filed with the FCC. The Communications System is also required to contribute to various federal “universal service” programs pursuant to Section 254 of the Communications Act (47 U.S.C. § 254); protect the privacy Customer Proprietary Network Information pursuant to Section 222 of the Communications Act (47 U.S.C. § 222); assist law enforcement agencies pursuant to the Communications Assistance for Law Enforcement Act (47 U.S.C. § 1004); and comply with various other federal requirements.

Similarly, the LPSC has jurisdiction over companies that provide intrastate telephone service. In the past several years AT&T, the incumbent telephone company serving the City, has been able to get the LPSC to detariff or deregulate most of its telephone products, meaning the LPSC no longer holds the ability to approve most of AT&T’s rates. There are also general state laws that apply to telecommunications providers; for example, the Louisiana Underground Utilities and Facilities Damage Prevention Law (LA. REV. STAT. ANN. § 40:1749.11, *et seq.*) (the “Underground Utilities and Facilities Damage Prevention Law”) requires owners or operators of underground facilities to mark locations or supply information to a regional notification center (“Louisiana One Call”) that will enable excavators and demolishers to locate underground utilities and facilities. The State Department of Transportation and Development (“State DOTD”) is also authorized by law to issue permits for the use and occupancy of the rights-of-way of state highways for the installation, operation, and maintenance of underground pipes, conduits, or cables along or across the highways for the purpose of conveying telephone or telegraph messages and cable television signals (LA. REV. STAT. ANN. § 48:381, *et seq.*). Other general state laws may also be applicable to telephone providers; for example, under the Database Security Breach Notification Law (LA. REV. STAT. ANN. § 51:3071, *et seq.*) (the “Database Security Breach Notification Law”), any person that conducts business in the State that owns or licenses computerized data that includes personal information (an individual’s first name or first initial and last name in combination with a Social Security number, driver’s license number, or account, credit or debit card number and associated security code or password), shall, following discovery of a breach in the security of the system containing such data, notify any resident of the State whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person.

Additionally, a local government providing telephone services is subject to the Local Government Act and the associated LPSC Rules. Among other things these rules require the Communications System to perform an annual attestation audit to make sure that they are in compliance with the Local Government Act. The Communications System also is subject to audit by the LPSC.

Cable Television Services

Cable television services are regulated at the national level pursuant to the federal Cable Act, which sought to promote competition while establishing an orderly process for local franchising authorities. The Cable Act set forth cable channel requirements, (47 U.S.C. § 531, *et seq.*) as well as local carriage rules (47 U.S.C. § 534, *et seq.*), ownership restrictions (47 U.S.C. § 533) and franchise requirements (47 U.S.C. § 541). It also established a cap on franchise fees and prohibited the regulation of rates, except where a cable system is not subject to effective competition (47 U.S.C. § 622-623). In addition, the Cable Act prohibits rate regulation of a system that is owned or operated by a local government or franchising authority within whose jurisdiction the system is the only system.

On a local level, franchising authorities are responsible for implementation of the Cable Act when granting cable franchises and allowing access to municipal rights-of-way. While the police power of the local government to manage its rights-of-way and to grant franchises has been preserved (47 U.S.C. § 541), such power is subject to federal guidelines and restrictions.

There are also general state laws that apply to cable providers; for example, the Underground Utilities and Facilities Damage Prevention Law requires owners or operators of underground facilities to mark locations or supply information to Louisiana One Call that will enable excavators and demolishers to

locate underground utilities and facilities. The State DOTD is also authorized by law to issue permits for the use and occupancy of the rights-of-way of state highways for the installation, operation, and maintenance of underground pipes, conduits, or cables along or across the highways for the purpose of conveying telephone or telegraph messages and cable television signals (LA. REV. STAT. ANN. § 48:381, *et seq.*). Also, under the Database Security Breach Notification Law, any person that conducts business in the State of Louisiana that owns or licenses computerized data that includes personal information (an individual's first name or first initial and last name in combination with a Social Security number, driver's license number, or account, credit or debit card number and associated security code or password), shall, following discovery of a breach in the security of the system containing such data, notify any resident of the state whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person.

A local government providing cable services is subject to the Local Government Act and LPSC Rules. Among other things these rules require the Communications System to perform an annual attestation audit to make sure that they are in compliance with the Local Government Act. The Communications System also is subject to audit by the LPSC. In 2011, Cox Communications, the incumbent cable company in the City filed with the FCC to have the City declared as a "competitive market" under the terms of the Cable Act. The FCC approved the request, which means that Cox Communications is now allowed to charge different rates to different customers within the City.

Broadband (Internet) Services

The regulatory treatment of broadband services is evolving. As a general rule, the FCC has taken a "light-touch" approach to broadband regulation. In 2005, the Supreme Court decided Nat'l Cable & Telecomm. Ass'n v. Brand X Internet Services, 545 U.S. 967 (2005), which upheld an FCC decision that broadband cable modem service is not a "telecommunications service" and is not subject to mandatory common carrier regulation. Subsequently, the FCC determined that wireline broadband services provided over telephone lines ("DSL" service) are information services and not subject to the rigorous regulatory scheme that the Telecommunications Act normally prescribes for telephone services (which are classified as telecommunications services). (*Appropriate Framework for Broadband Access to the Internet*, 20 FCC Red 14853.)

Since 2005 the FCC has also repeatedly stated that certain federal protections are necessary to ensure that access to the Internet will not be unduly restricted or burdened by providers of Broadband Internet Access Services ("BIAS"). On two occasions, however, – see *Comcast Corp. v. FCC*, 600 F.3d 642, 644, 390 U.S. App. D.C. 111 (D.C. Cir. 2010) and *Verizon Corp. v. FCC*, 740 F.3d 623 (D.C. Cir. 2014) – the courts set aside FCC Open Internet orders issued pursuant to Section 706 of the Telecommunications Act. In response, the FCC voted on February 26, 2015, to issue a new Open Internet order that reclassifies BIAS as a Title II telecommunications service, that exempts providers of BIAS from most of the requirements that providers of telecommunications service must meet, that imposes on providers four main requirements: (1) transparency, (2) no blocking, (3) no unreasonable discrimination, and (4) no paid prioritization. The FCC released its formal written order explaining the details of the new Open Internet rules as of March 12, 2015. The order would have become effective 30 days after publication in the Federal Register. Lawsuits have been filed challenging the order. Furthermore, legislation has been introduced in Congress to strip the FCC of any authority it may have to issue Open Internet rules. It is unlikely that these matters will be finally resolved for years to come.

On the same day that the FCC voted to adopt its new Open Internet rules, the agency also voted to preempt the laws of North Carolina and Tennessee that impose barriers on the ability of municipalities to provide BIAS. See Petitions of the City of Wilson, NC, and the Electric Power Board of Chattanooga, TN, WCB Docket Nos. 14-115 and 14-116 (decided February 26, 2015). The North Carolina law at issue bears several similarities to Louisiana's Local Government Fair Competition Act. The FCC has not yet released its written order, which will become effective on release.

The LPSC has affirmatively acknowledged that it does not regulate the rates or pricing of wholesale and retail DSL service (AT&T's provision of ADSL Service to End-Users over Cleco, Loops, Louisiana Public Serv. Comm'n Order No. R-26173 (Jan. 24, 2003) and Louisiana Public Serv. Comm'n Order No. R-26173-A (Apr. 4, 2003)). The Louisiana Legislature also has not attempted to impose significant regulations on broadband service providers although the Legislature has adopted LA. REV. STAT. ANN. § 51:1425 to provide that a violation of the Unlawful Access to Stored Communications Act (18 U.S.C. § 2701 *et seq.*) by a provider of Internet service involving information relating to a resident of Louisiana shall constitute a deceptive and unfair trade practice. As used in LA. REV. STAT. ANN. § 51:1425, a "provider of Internet service" means a facilities-based provider or other entity that provides residential consumers with the ability to access the Internet in exchange for consideration such as through a paid subscription or through an agreement to view specific ads or content in exchange for Internet access. It does not include an entity that provides access to the Internet using spectrum regulated by the FCC pursuant to 47 U.S.C. 301, *et seq.*, or systems operated or services offered by libraries or educational institutions. Nevertheless, there can be no assurances that the present state policies favoring little or no regulation of Internet services will continue.

While not directed at providers of Internet service, such providers are subject to various general laws of the State. Other general state laws may also be applicable to telephone providers; for example, under the Database Security Breach Notification Law, any person that conducts business in the State that owns or licenses computerized data that includes personal information (an individual's first name or first initial and last name in combination with a Social Security number, driver's license number, or account, credit or debit card number and associated security code or password), shall, following discovery of a breach in the security of the system containing such data, notify any resident of the state whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person. Also, the Underground Utilities and Facilities Damage Prevention Law requires owners or operators of underground facilities to mark locations or supply information to a regional notification center that will enable excavators and demolishers to locate underground utilities and facilities.

A local government providing telephone services will be subject to the Local Government Act and the associated LPSC Rules, including annual compliance audits.

A local government providing broadband services will be subject to the Local Government Act and LPSC Rules. Among other things, these rules require the Communications System to perform an annual attestation audit to make sure that they are in compliance with the Local Government Act. The Communications System is also subject to audit by the LPSC.

Legislation

Federal

Over the last several years, numerous bills have been introduced in Congress to amend various features of the federal communications laws. None has passed, except for the Satellite Television Extension Act Reauthorization Act (Pub. L. 113–200, 128 Stat. 2059), which primarily extended certain cable television provisions. The current Congress is likely to begin to consider comprehensive telecommunications law reform, but no such legislation is likely to pass for several years.

On January 22, 2015, Senators Cory Booker (D-NJ), Edward Markey (D-MA), Claire McCaskill (D-MO), Angus King (I-ME), and Ron Wyden (D-OR) introduced S.240, the Community Broadband Act of 2015. If enacted, the bill would preempt state barriers to community broadband initiatives and, at the same time, provide certain safeguards to the private sector communications service providers. Although similar bills were passed in 2006 by the House of Representatives and by the Senate Commerce Committee, there is little chance that S.240 will pass in the current Congress.

On February 26, 2015, Senator Thom Tillis (R-NC) introduced S.597 and Representative Marsha Blackburn (R-TN) introduced H.R. 1106, the States' Rights Municipal Broadband Act of 2015. The purpose of both bills is to remove any authority that the FCC may have under Section 706 of the Telecommunications Act to preempt state barriers to community broadband initiatives. While these bills will probably pass Congress, they are likely to be vetoed by President Obama.

On March 3, 2015, Rep. Marsha Blackburn (with 31 co-sponsors) also introduced H.R. 1212, the Internet Freedom Act, to prohibit the FCC from reclassifying broadband Internet access service as a telecommunications service and from imposing certain regulations on providers of such service. Prospects for this legislation in Congress are unclear. If the bill passes, President Obama is likely to veto it.

State

Since the enactment of the Local Government Act in the 2004 Regular Session of the Louisiana Legislature, there have been additional bills filed that could potentially affect the Communications System. The Local Government Act was amended in 2005 to require a local government to call an election on whether or not to provide telephone, cable or Internet services (Acts 2005, No. 406, eff. July 11, 2005). Prior to that amendment, calling an election was optional.

There has been at least one telecommunications related bill introduced in each legislative session since 2005, however, few of these bills have passed. The latest telecommunications related bills come from the 2011 and 2012 legislative sessions. In 2011, a bill would have prevented municipal cable TV systems from offering adult content. This bill did not pass. In 2012, there were two telecommunications related bills - one would have made it a deceptive trade practice for anyone selling television services in the state to misrepresent to any consumer that such services include access to FCC-licensed television stations when such service is not included in its services or capacity for services; the other would have required any company offering television services, including satellite and cable, in the state to provide all customers with access to FCC-licensed Class A television stations. Neither of these bills passed. There can be no assurances regarding the passage of future legislation which may affect the Communications System.

Act 433 of the 2008 Regular Session of the Louisiana Legislature (eff. August 15, 2008) created the Consumer Choice for Television Act, which provides for, among other matters, issuance of state cable franchise certificates to be distributed by the Louisiana Secretary of State, imposition of franchise fees and the conduct of franchise fee audits, termination of existing franchises, prohibition against build-out requirements, and regulation of a certificate holder by a local governmental subdivision. House Bill 869 of 2008 would have created the Streamlined Video Authorization and Fair Competition Act, which provided for regulation of cable and telecommunications services, but it never passed out of committee.

Act 779 of the 2008 Regular Session (eff. July 7, 2008) amends the Local Government Act to specify that the LPSC shall enforce the cost allocation and affiliate transaction rules for all other covered services, not just those covered services within its jurisdiction but that, with the exception of such enforcement, the LPSC shall have no jurisdiction over Internet access and cable television services. Act 779 further provides for the LPSC to conduct an initial audit and subsequent periodic audits as deemed necessary.

Act 531 of the 2009 Regular Legislative Session (eff. January 1, 2010) imposes service charges on prepaid wireless telecommunications services that allow a caller to access the 911 emergency system and directs distribution of such charges to communications districts.

In 2010, the Louisiana Senate issued Resolution 117, which memorialized the President of the United States, the United States Congress, and the FCC to refrain from regulating Internet broadband services as common carrier services under Title II of the Communications Act of 1934. Two House Bills introduced in 2010 would have amended the Consumer Choice for Television Act: House Bill 467 would

have required a cable franchise certificate holder to show stated-funded professional sports franchises in order to maintain the certificate. House Bill 461 would have transferred authority to issue certificates from the Secretary of State to the LPSC and granted regulatory authority over cable service, video programming, and video service to the LPSC. Neither bill passed out of committee.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The Communications System is a comparatively new enterprise of the City, having placed the original fiber optic network into service in 1999, transmitting working traffic in December of 2000 and serving wholesale customers in May of 2002. The first retail communications customer was billed in February 2009. The City started the Communications System after the enactment of the Telecommunications Act, which led to considerable deregulation in a variety of telecommunications services, including local, regional and long-distance telephone service, cable television services and related services, many of which are core to the City's Communications System business plan or potential service additions. Though the City considers the Communications System to be a logical and efficient outgrowth and extension of its Utilities System, the Communications System operates in a much more competitive operating environment than the City has previously experienced with the Utilities System.

Competitive Providers

Certain investor-owned telecommunications companies have provided their services within the City limits and elsewhere for considerably longer than has the City. The two primary competitors to the Communications System are the incumbent telephone and cable companies. Although their operations are offered over a larger footprint and in some ways are more regulated and taxed than those of the City, some of these companies have wider access to capital and lower purchasing cost (through higher volume) than the City, as well as greater provider familiarity with customers than the City (other than its role as an electric, water and wastewater utility operating for over 100 years in the City). Chief among these competitive providers are the cable television company, high speed Internet service providers, and the telephone company. Currently, such providers have a larger market share in the City for digital television and high-speed Internet services than the City does and, to some extent, such service providers have adjusted their local pricing and service offerings to compete with those to be offered by the City, although variations in package pricing and other terms make direct comparisons difficult to quantify.

Competitive Technologies

Currently, television viewers can obtain signals through various alternative technologies, including traditional over-the-air signals, Internet-based television, home satellite reception, and wireless cell telephone reception. In June 2009 almost all over-the-air signals were converted to digital and consumers now need to use a digital converter box to receive over-the-air content. Until that time signals for local TV stations were available in an analog format that could be received directly by most TVs. Over the air transmission of high-definition television ("HDTV") signals remains the principal alternative to cable HDTV beyond the current capabilities of direct-satellite service, although HDTV reception requires advanced and relatively expensive in-home equipment.

In recent years there has been a shift of large amounts of programming content to the Internet. This trend has been labeled as over-the-top video. Content providers like Hulu, Netflix, YouTube and others now offer a host of free or for-pay video content on the Internet in direct competition with traditional cable providers. Several programmers like Disney and ESPN are now offering content directly to subscribers over the web. In the first quarter of 2011 the entire terrestrial cable industry had its first drop in overall customers, due partially to the trend of younger viewers using over-the-top video and further due to the poor economy.

There are also new wireless technologies competing for broadband customers. The primary new technology is 4G wireless service offered by AT&T Wireless, Verizon Wireless, Sprint and T-Mobile. This technology offers significantly faster Internet speeds for wireless devices, aimed mostly at smart phones and handheld mobile devices like iPods and Blackberries. 4G technology can also be used to provide broadband to fixed computers, but the speeds are not as fast as the speeds on the Communications System's current network. However, some customers will find the mobility of 4G a better fit for their lifestyle.

There continues to be an erosion of telephone customers due to the availability of alternate technologies that provide voice services. The majority of consumers in the market now own a cell phone. Additionally, voice services are available from voice-over-IP ("VoIP") providers like Vonage and MagicJack. There is also competition for voice services from computer services like Skype. Despite the competition, the Communications System has been able to sell voice services to over 50% of its customer base and most business customers continue to purchase the traditional voice services that the Communications System provides.

The expected longevity of the Communications System's fiber technology, together with the comparative ease of upgrades and modifications to the Communications System's architecture, have supported the City's status as a strong competitor for other providers and technologies, although no assurances in this regard can be provided to holders of the Series 2021 Bonds or in any future financing which the City may undertake relative to the Communications System.

Programming Costs

Over the last few years, the balance of bargaining power in retransmission-consent negotiations has shifted from cable operators to broadcasters. As a result, the City, like cable operators across the United States, both large and small, has experienced sharply rising costs for broadcast programming. Cable operators have sought assistance from the FCC and Congress, but no significant assistance is likely to be forthcoming in the foreseeable future. The City also acquires programming from satellite and terrestrial video programming distributors. As a result of a settlement of litigation with the NCTC in November 2011, the City was able to join the Cooperative and take advantage of many of its buying discounts. This has substantially lowered the City's costs for such satellite and terrestrially-delivered cable programming.

Limited Obligations

The Series 2021 Bonds shall not be or constitute general obligations or indebtedness of the Issuer within the Constitution, but shall be payable solely from and secured by a lien upon and a pledge of the Net Revenues of the Communications System. No bondholder shall ever have the right to compel the exercise of ad valorem taxing power of the Issuer or taxation in any form on any real or personal property to pay the Series 2021 Bonds or interest thereon, nor shall any bondholder be entitled to the payment of such principal and interest from any other funds of the Issuer other than the Net Revenues of the Communications System in the manner and to the extent provided in the Bond Ordinance. In addition, no recourse shall be had for the payment of the principal or interest on the Series 2021 Bonds or for any claim based thereon or the Bond Ordinance against any member of the Governing Authority or officer of the Issuer or any person executing the Series 2021 Bonds. Therefore, the security for the punctual payment of the principal of and interest on the Series 2021 Bonds is dependent on the availability of Net Revenues in an amount sufficient to meet the debt service requirements of the Series 2021 Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds.

Future Changes in Laws

The information presented in this Official Statement is based on the laws and regulations of the United States of America and the State and related court and administrative law decisions in effect as of the date of this Official Statement (collectively, the "Laws"). In addition, the opinions delivered in connection

with the issuance of the Series 2021 Bonds are based on the Laws. No assurance can be given as to the impact, if any, future events, regulations, legislation, court decisions or administrative decisions may have with respect to the Laws or that any or all of the Laws will remain in effect during the entire term of the Series 2021 Bonds.

Difficulties in Enforcing Remedies

The remedies available to the owners of the Series 2021 Bonds upon an event of default under the Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically in the United States Bankruptcy Code, 11 U.S.C. §101 et seq. (the “Bankruptcy Code”), the remedies provided in the Bond Ordinance may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors generally.

The enforceability of the rights and remedies of the owners of the Series 2021 Bonds, and the obligations incurred by the Issuer in issuing the Series 2021 Bonds, are subject to the Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect to the extent constitutionally applicable; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the exercise of the sovereign police powers of the State or its governmental bodies. Consistent with the contracts clauses of the Louisiana and United States Constitutions, in a bankruptcy proceeding or due to the exercise of powers by the federal or State government, Bondowners could be subject to judicial discretion and the interpretation of their rights in bankruptcy or otherwise, which consequently may entail risks of delay, limitation, or modification of their rights. Under current State law, no political subdivision of the State, including the Issuer, may file for protection under Chapter 9 of the Bankruptcy Code unless such filing is approved by the Louisiana State Bond Commission and the Governor and Attorney General of the State. Further, no political subdivision of the State, after filing for bankruptcy protection, may carry out a plan of readjustment of debts approved by the bankruptcy court until such plan is approved by the Louisiana State Bond Commission and the Governor and Attorney General of the State.

The obligations of the Issuer under the Bond Ordinance are and may be secured on a parity with other obligations of the Issuer so that any proceeds that might be derived from the exercise of remedies would be required to be shared among the owners of the Series 2021 Bonds and the Outstanding Parity Bonds and the holders of any Additional Parity Bonds.

The pledge of the Net Revenues by the Issuer to secure its obligations with respect to the Series 2021 Bonds may be ineffective as to certain revenues or under certain circumstances.

Financial Information

Certain financial information relating to the Issuer is set forth herein and in the appendices hereto. There can be no assurance that the financial results achieved by the Issuer in the future (including, but not limited to, the amount of Net Revenues collected by the Issuer) will be similar to historical results. Such future results will vary from historical results and actual variations may be material.

Secondary Market

There is no guarantee that a secondary trading market will develop for the Series 2021 Bonds. Consequently, prospective bond purchasers should be prepared to hold their Series 2021 Bonds to maturity. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not

obligated, to make a market in the Series 2021 Bonds. As a result, owners of the Series 2021 Bonds may be unable to dispose of the Series 2021 Bonds should they no longer desire to own the Series 2021 Bonds. The Underwriters cannot guarantee the liquidity of the Series 2021 Bonds; consequently, prospective purchasers of the Series 2021 Bonds should be prepared to hold such bonds until maturity.

If such secondary market exists after the issuance of the Series 2021 Bonds, events such as decreases in benchmark interest rate indices, downward revisions or withdrawals of ratings on the Series 2021 Bonds or the Issuer, and general market turmoil, among others, may adversely affect the value of the Series 2021 Bonds on such secondary market. The Underwriters cannot guarantee that the owner of a Series 2021 Bond will not experience a loss of value of such bond prior to maturity.

There can be no guarantee the rating assigned to the Series 2021 Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2021 Bonds in the secondary market. See the information under “BOND RATINGS” herein

Approval of Louisiana State Bond Commission

The Louisiana State Bond Commission (the "State Bond Commission") previously approved the issuance of the Series 2021 Bonds. The State Bond Commission expressly provides that said approval does not constitute a recommendation, approval or sanction by the State Bond Commission or the State of the investment quality of the Series 2021 Bonds and does not constitute any guaranty of repayment of the Series 2021 Bonds by the State Bond Commission or the State. The approval of the Series 2021 Bonds by the State Bond Commission should not be relied upon by any prospective purchaser of the Series 2021 Bonds as advice. The written approval of the State Bond Commission expressly states that neither it nor the State shall have any liability or legal responsibility to investors arising out of, related to, or connected with the approval of the Series 2021 Bonds.

Cybersecurity

The City is dependent on electronic information technology systems to deliver high quality, coordinated and cost-efficient services. These systems may contain sensitive information or support critical operational functions which may be valued for unauthorized purposes. As a result, the electronic systems and networks of the City may be targets of cyberattack. The City has taken, and continues to take, measures to protect its information technology systems, and the private, confidential information that those systems may contain, against cyberattack. While the City employs information technology professionals and utilizes operational safeguards that are tested periodically, no assurance can be given that such measures will protect the City against all cybersecurity threats or attacks or the severity or consequences of any such attack. The availability of Net Revenues to pay debt service on the Series 2021 Bonds is likewise dependent upon the technology systems of various third parties, including financial institutions, over which the City has no control.

Failure to Provide Ongoing Disclosure

The failure of the Issuer to comply with the continuing disclosure certificate described herein may adversely affect the transferability and liquidity of the Series 2021 Bonds and their market price. See “CONTINUING DISCLOSURE” herein.

Book-Entry

Persons who purchase Series 2021 Bonds through DTC Participants become creditors of the DTC Participant with respect to the Series 2021 Bonds. Records of the investors' holdings are maintained only by the DTC Participant and the investor. In the event of the insolvency of the DTC Participant, the investor

would be required to look to the DTC Participant's estate and to any insurance maintained by the DTC Participant, to make good the investor's loss. Neither the Issuer nor the Underwriters are responsible for failures to act by, or insolvencies of, the Securities Depository or any DTC Participant. See "BOOK-ENTRY ONLY SYSTEM" herein.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

Hurricanes

The Issuer is located near the Gulf Coast of Louisiana in an area that is prone to hurricanes and other tropical events. In the last five years, Hurricanes Barry, Harvey, and Cristobal, along with less intense tropical storms and tropical depressions, have impacted parts of the Louisiana coast. In addition, Hurricanes Laura and Ida caused significant damage to various parts of Louisiana in August 2020 and August 2021, respectively. In October 2020, Hurricane Delta caused substantial destruction and flooding across the coastal areas of Louisiana. The utilities system had 50,000 homes affected and was fully restored within 4 days at a cost of \$7,100,000. While LUS incurred preparation and response expenses, there are no negative financial impacts from Hurricane Delta. On August 29, 2021, Hurricane Ida caused substantial destruction and flooding across the coastal areas of Louisiana and throughout the southeastern United States. The City was not in an area affected by Hurricane Ida or part of the designated area for individual assistance established by the Federal Emergency Management Agency in response to Hurricane Ida. The utilities system did not suffer any significant damage from Hurricane Ida. While LUS incurred preparation and response expenses, there are no negative financial impacts from Hurricane Ida. The Issuer cannot predict if or when any hurricane or other tropical event will occur or the effect any such hurricane or tropical event may have on its operations, population, demographics, economic or financial stability, or ability to pay debt service on the Series 2021 Bonds.

COVID-19 Pandemic

The outbreak of a new strain of coronavirus and the disease caused thereby ("COVID-19"), an upper respiratory tract illness, has spread to numerous countries across the globe, including the United States. COVID-19 rapidly and negatively impacted unemployment rates and economic growth indicators in the United States, including in the City's service area.

On March 11, 2020, Louisiana Governor John Bel Edwards issued Proclamation Number 25 JBE 2020, declaring a public health emergency relative to the COVID-19 pandemic, which remains in effect. During the period since the Governor's public health emergency declaration, Louisiana authorities imposed various restrictions and guidelines to mitigate harmful public health effects of the COVID-19 pandemic. Electrical power generation was declared essential infrastructure and was exempted from certain government restrictions, such as a stay-at-home order that was issued March 22, 2020. On August 2, 2021, in response to a "fourth surge" in the State caused primarily by the COVID-19 Delta variant, Governor Edwards updated his public health emergency order, restoring most masking requirements but not instituting business capacity restrictions in most establishments in the State.

The COVID-19 pandemic and business closures have had a significant economic impact throughout Louisiana. The Louisiana unemployment rate increased from 4.9% in November 2019 to 13.1% in May 2020 and decreased to 7.1% in May 2021.

While commercial electric retail sales in Louisiana were negatively affected by the COVID-19 pandemic and its related effects on people's behaviors, overall electric retail sales did not display a discernable negative effect. Commercial retail sales decreases were offset by residential retail sales increases. The City did not experience a material effect on its operations attributable to the COVID-19 pandemic. The City does not anticipate any negative effects on operations related to the COVID-19 pandemic.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the City cannot predict the extent or duration of the outbreak or what impact it may have on the City's future financial condition or operations. There can be no assurances that the spread of COVID-19 or other highly contagious or epidemic diseases will not adversely impact the City, its financial condition, operations, supply chains and customers. The effects of the pandemic on the City's financial performance or operations could be material. The City cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. If the pandemic and its consequences are prolonged, the likelihood of adverse impacts occurring from these risks or others could be increased.

Additional Information. State emergency declarations remain in effect in response to COVID-19, resulting in significant reductions in business, travel, and other economic activity. All Proclamations, Executive Orders and Emergency Orders related to COVID-19 are available on the following website: <https://gov.louisiana.gov/coronavirus>.

Information regarding COVID-19 in the State is available at the following website:

<http://ldh.la.gov/Coronavirus/>

Information regarding the State's efforts to reopen is available at the following websites:

<https://gov.louisiana.gov/index.cfm/newsroom/detail/2488>, and <https://opensafely.la.gov/>

The City has not incorporated by reference the information on the foregoing websites and does not assume any responsibility for the accuracy of the information on such websites.

FRANCHISE AGREEMENT

The Local Government Act provides that the local government shall include franchise fees similar to other private providers in calculating the rates it charges for services provided that are subject to the act. Additionally, the Local Government Act provides that a local government shall apply without discrimination as to itself and to any private provider the local government's ordinances, rules, and policies, including those relating to obligation to serve, access to public rights of way, permitting, performance bonding, reporting, and quality of service. To meet this requirement, the Communications System entered into a franchise agreement with the Lafayette City-Parish Consolidated Government that was nearly identical to the franchise agreement that was negotiated with Cox Communications, the other terrestrial cable provider in the City.

LITIGATION

No litigation has been filed questioning the validity of the Series 2021 Bonds or the security thereof, and a certificate to that effect will be delivered by the Issuer to the Underwriters upon issuance of the Series 2021 Bonds.

Each year the City is named defendant in various civil actions. Many are disposed of by settlement or by prescription of the action or the judgment. There are no final and unappealable money judgments against the City in an amount in excess of \$1 million which are unsatisfied or outstanding. There are a number of suits pending against the City and/or Lafayette City-Parish Consolidated Government of which the City is a part, but, as a general proposition, Louisiana law neither requires nor allows an amount to be stated in the petition initiating the suit. Many of the judgments previously awarded, and it is anticipated that many that may be awarded in connection with pending actions, will be satisfied by insurance or through the City's self-insurance program. The remaining judgments are not enforceable unless the Council appropriates moneys for such purpose. Article XII, Section 10(c) of the Louisiana Constitution of 1974, provides in part: "...No judgment against...a political subdivision shall be exigible, payable, or paid except from funds appropriated therefor by the legislature or by the political subdivision against which the judgment is rendered." In the case of *Holly & Smith Architects, Inc. v. St. Helena Congregate*, 928 So. 2d 615 (La. App. 1st Cir. 2/10/06), the Louisiana First Circuit Court of Appeals ruled that judgments against political subdivisions may become a judicial mortgage on immovable property of such governments that may follow the property if transferred to another person. The case was appealed to the Louisiana Supreme Court and the judgment was affirmed as to result only. The Supreme Court opinion said that, "From the plain language of the constitutional and statutory provisions, there are no prohibitions against recording in the mortgage records those judgments rendered against political subdivisions; however, the constitutional and statutory provisions are very clear with respect to the method by which judgments against the State and/or its political subdivisions are paid."

In April 2018, during the preparation of the fiscal year 2017 attest audit, LUS self-reported that it paid for services from LUS Fiber, but had not fully utilized these services. LUS reported fiber was run to approximately 180 sewer lift stations; however, the wastewater division's efforts to complete connections for these services did not keep pace with LUS Fiber's construction, resulting in only 117 of the lift stations being fully connected.

Per the fiscal year 2017 attest audit, dated September 28, 2018, LUS requested and was being billed for 180 lift stations; however, service was not utilized by LUS at 63 of those lift stations even though LUS Fiber installed and provided the services. This resulted in LUS paying \$1,259,855 since 2012 for services not utilized. In addition, LUS neglected to terminate service at 25 CAP banks resulting in \$274,882 being paid to LUS Fiber for services not used. LUS was reimbursed by LUS Fiber a total of \$1,752,194.85 for those charges in 2018 at the request of LCG administration, even though the reimbursement was not mandated by the LPSC. On March 17, 2021, the LPSC accepted the findings of the 2017 audit, affirming that the systems, processes, and procedures applied by the Communications System complies with the LPSC rules and the Fair Competition Act through the end of fiscal year 2017.

The fiscal year 2018 and fiscal year 2019 audits are still outstanding as of April 30, 2021. The major unresolved item is the appropriate price for LUS Fiber to charge LUS for a POMS that provided instantaneous outage notifications to the electrical utility for 989 taps through the end of June 2019.

At its meeting of December 16, 2020, the PSC accepted PSC Staff's recommendation to take no further action regarding the POMS charges. By Order dated March 19, 2021, the PSC closed the audit proceeding in which the POMS charges had been raised, without taking any action regarding these charges. Following this Order, there are no pending audit proceedings involving LUS.

LEGAL MATTERS

The Series 2021 Bonds will be issued subject to the approval of legality by Foley & Judell, L.L.P., New Orleans, Louisiana, Bond Counsel. See Appendix “G” herein for the form of the opinion of Bond Counsel. 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 opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion 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 opinion is not a guarantee of a particular result and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on a review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions. Certain legal matters will be passed upon by Nixon Peabody LLP, New York, New York, counsel to the Underwriters.

For additional information regarding the opinion of Bond Counsel, see “TAX MATTERS” herein. The compensation of Bond Counsel is contingent upon the sale and delivery of the Series 2021 Bonds.

UNDERWRITING

Stifel, Nicolaus & Company Incorporated and Raymond James & Associates, Inc. (collectively, the “Underwriters”) have agreed to purchase the Tax-Exempt Bonds, subject to certain conditions, at a purchase price of \$7,722,038.00, representing the principal amount of the Tax-Exempt Bonds, plus an original issue premium of \$774,538.00, minus Underwriters’ discount of \$52,500.00. The Underwriters have agreed to purchase the Taxable Bonds, subject to certain conditions, at a purchase price of \$7,129,907.20, representing the principal amount of the Taxable Bonds, plus a net original issue premium of \$43,457.20, minus Underwriters’ discount of \$53,550.00, and to reoffer the Series 2021 Bonds at the public offering price or prices or yields set forth on the inside cover page hereof. The Series 2021 Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and such public offering prices or yields may be changed, from time to time, by the Underwriters. The Underwriters’ obligation to purchase the Series 2021 Bonds is subject to certain conditions precedent and they will be obligated to purchase all of the Series 2021 Bonds if any Series 2021 Bonds are purchased.

TAX MATTERS

In the opinion of Foley & Judell, L.L.P. (“Bond Counsel”), interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. See Appendix “G” attached hereto.

In the opinion of Bond Counsel, interest on the Taxable Bonds is **not** excludable from gross income for federal income tax purposes. See Appendix “G” attached hereto.

The opinion of Bond Counsel will state that under the Act, the Series 2021 Bonds and the interest or other income thereon or with respect thereto shall be exempt from all income tax and other taxation in the State. See Appendix “G” attached hereto. Each prospective purchaser of the Series 2021 Bonds should consult his or her own tax advisor as to the status of interest on the Series 2021 Bonds under the tax laws of any state other than the State of Louisiana.

Except as stated above, Bond Counsel expresses no opinion as to any federal, State or local tax consequences resulting from the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds.

Special Considerations with Respect to the Tax-Exempt Bonds

The Internal Revenue Code of 1986, as amended (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 Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Tax-Exempt 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 Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Tax-Exempt Bonds could become included in gross income from the date of original delivery of the Tax-Exempt Bonds, regardless of the date on which the event causing such inclusion occurs.

Owners of the Tax-Exempt Bonds should be aware that (i) the ownership of tax-exempt obligations, such as the Tax-Exempt 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 Tax-Exempt Bonds or the receipt of interest on the Tax-Exempt Bonds. Furthermore, future laws and/or regulations enacted by federal, state or local authorities may affect certain owners of the Tax-Exempt Bonds. All prospective purchasers of the Tax-Exempt 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 Tax-Exempt Bonds may have on their particular financial situation.

Alternative Minimum Tax Consideration. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

Qualified Tax-Exempt Obligations (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 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 \$10,000,000 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 Tax-Exempt Bonds are designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B) of the Code.

Tax Treatment of Original Issue Premium. The Tax-Exempt Bonds may be 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 the Tax-Exempt Bonds on a constant yield basis over the remaining term of the Tax-Exempt Bonds 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 Tax-Exempt Bonds. Investors who purchase the Tax-Exempt Bonds should consult their own tax advisors regarding the amortization of bond premium and its effect on the Tax-Exempt Bonds' basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Tax-Exempt Bonds.

Tax Treatment of Original Issue Discount. The Tax-Exempt Bonds may be offered and sold to the public at a price less than their stated principal amounts. The difference between the initial public offering prices and their stated amounts constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes and which is exempt from all present State taxation subject to the caveats and provisions described herein. Owners of Tax-Exempt Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such Tax-Exempt Bonds as of any date, including the date of disposition of the Tax-Exempt Bond and with respect to the state and local consequences of owning Tax-Exempt Bonds.

Special Considerations with Respect to the Taxable Bonds

Federal Taxes. In the opinion of Bond Counsel, interest on the Taxable Bonds is **NOT** excludable from gross income for federal income tax purposes under Section 103 of the Code. Thus, owners of the Taxable Bonds generally must include interest on the Taxable Bonds in gross income for federal income tax purposes. See Appendix "G" attached hereto.

Federal Income Taxes. Other than as stated in the preceding paragraph, Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or other aspects of the Taxable Bonds. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds by those that acquire Taxable Bonds in the initial offering. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses the Taxable Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Taxable Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Bonds.

Sale or Redemption of the Taxable Bonds. A bondowner's tax basis for the Taxable Bonds is the price such owner pays for the Taxable Bonds plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Taxable Bond, measured by the difference between the amount realized and the Taxable basis as so adjusted, will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset.

Defeasance. The legal defeasance of the Taxable Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Reporting Requirement. In general, information reporting requirements will apply to certain payments of principal and interest paid on the Taxable Bonds, and to the proceeds paid on the sale of the Taxable Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability. Owners of the Taxable Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein. In addition, such legislation (whether currently proposed, proposed in the future or enacted) could affect the market value or marketability of the Series 2021 Bonds. Future Congressional proposals could also affect the Series 2021 Bonds, even if never enacted. It cannot be predicted whether or in what form any such proposals might ultimately be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2021 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2021 Bonds or the market value thereof would be impacted thereby. Prospective purchasers of the Series 2021 Bonds should consult their tax or investment advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2021 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending or proposed federal or state tax legislation, regulations or litigation.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL AND STATE INCOME TAX CONSEQUENCES IS PROVIDED FOR GENERAL INFORMATION ONLY. INVESTORS SHOULD CONSULT THEIR TAX OR INVESTMENT ADVISORS AS TO THE TAX CONSEQUENCES TO THEM IN LIGHT OF THEIR OWN PARTICULAR INCOME TAX POSITION, OF ACQUIRING, HOLDING OR DISPOSING OF THE SERIES 2021 BONDS.

BOND INSURANCE

The following information has been furnished by Build America Mutual Assurance Company 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 Series 2021 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2021 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as an appendix 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities

otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2021 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2021 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2021 Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Series 2021 Bonds, nor does it guarantee that the rating on the Series 2021 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.6 million, \$165.5 million and \$323.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily

accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2021 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2021 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2021 Bonds, whether at the initial offering or otherwise.

BOND RATINGS

S&P Global Ratings (“S&P”) has assigned its rating of “AA” to the Series 2021 Bonds, with the understanding that the municipal bond insurance policy of BAM will be issued upon delivery of the Series 2021 Bonds. See “BOND INSURANCE.” S&P and Moody’s Investors Service, Inc. (“Moody’s”) have assigned their initial underlying ratings of “A+” and “A2”, respectively, to the Series 2021 Bonds. Such ratings reflect only the view of S&P and Moody’s and an explanation of the significance of such ratings may be obtained from S&P at 55 Water Street, New York, New York 10041, telephone (212-438-2000), and from Moody’s, 7 World Trade Center, 250 Greenwich Street, 23rd floor, New York, New York 10007, telephone (212-553-0300). S&P and Moody’s are independent of any investment banking firm, bank or similar institution.

The Issuer has furnished to each rating agency rating the bonds being offered information, including information not included in this Official Statement, about the Issuer and the Series 2021 Bonds. 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 Series 2021 Bonds.

CONTINUING DISCLOSURE

The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of Bondowners to provide certain financial information and operating data relating to the Issuer (the “Annual Report”) by not

later than June 30 in each year commencing June 30, 2022 and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Issuer with Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”). Any notices of certain enumerated events will be filed by the Issuer with the MSRB through EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth herein in Appendix “E.” These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

A failure by the Issuer to comply with the Continuing Disclosure Certificate will not constitute an Event of Default under the Ordinance (although Bondholders will have any available remedy at law or in equity). Nevertheless, any such a failure must be reported in accordance with Rule 15c2-12 and must be considered by a broker-dealer or municipal securities dealer before recommending the purchase or sale of the Series 2021 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2021 Bonds and their market price.

The Issuer’s Dissemination Agent for the above information is its Chief Financial Officer, Lafayette City-Parish Consolidated Government, 705 West University Avenue, Lafayette, Louisiana 70502, telephone 337-291-8202.

The Issuer has filed all continuing disclosure reports currently required by its prior undertakings under the Rule.

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.

ADDITIONAL INFORMATION

Included in Appendix “B” of this Official Statement is certain financial and statistical data pertaining to the Issuer and the Parish, its economy, and its finances. The Lafayette City-Parish Consolidated Government Comprehensive Annual Financial Report for the Fiscal Year Ended October 31, 2020 has been filed with EMMA and is included by specific cross-reference in this Official Statement as Appendix “F”. It can be found and accessed at <http://emma.msrb.org/>.

For convenience, a copy of such document can also be found on the Issuer’s website (https://www.lafayettela.gov/docs/default-source/finance-management-documents/accounting/lcg2020cafr.pdf?sfvrsn=98cf30c1_4).

No statement on the Issuer’s website is included by specific cross-reference herein.

For any additional information concerning the Issuer, please address Ms. Lorrie R. Toups, Chief Financial Officer, Lafayette City-Parish Consolidated Government, P.O. Box 4017-C, Lafayette, Louisiana 70502 (337-291-8202). For additional information concerning the Series 2021 Bonds now offered for sale, please address Stifel, Nicolaus & Company, 501 North Broadway, Saint Louis, MO 63102 (telephone 314-342-2251).

MISCELLANEOUS

This Official Statement has been prepared in connection with the initial offering and sale of the Series 2021 Bonds to the Underwriters on the date hereof and is not intended for use in connection with any subsequent sale, reoffering or remarketing of the Series 2021 Bonds. Subsequent purchasers must therefore rely on their own examination of the offering, including the merits and the risks involved.

Potential purchasers of the Series 2021 Bonds should consult their own tax advisors as to the consequences of investing in the Series 2021 Bonds. Also see "TAX MATTERS" herein.

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The Issuer has authorized and directed the use of this Official Statement, including the Appendices hereto, by the Underwriters in connection with the public offering of the Series 2021 Bonds.

**CITY OF LAFAYETTE,
STATE OF LOUISIANA**

/s/ Joshua S. Guillory
Joshua S. Guillory
Lafayette Mayor-President

/s/ Liz W. Herbert
Liz W. Hebert
Council Chair

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

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THE GENERAL BOND ORDINANCE

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ORDINANCE NO. O-053-2006

A SUPPLEMENTAL ORDINANCE TO AMEND AND RESTATE ORDINANCE NO. O-230-2005 BY THE LAFAYETTE CITY-PARISH COUNCIL AND THE LAFAYETTE PUBLIC UTILITIES AUTHORITY AUTHORIZING THE INCURRING OF DEBT AND ISSUANCE OF NOT EXCEEDING ONE HUNDRED TWENTY-FIVE MILLION DOLLARS (\$125,000,000) OF COMMUNICATIONS SYSTEM REVENUE BONDS, SERIES 2006, 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

WHEREAS, on September 6, 2005, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority adopted Ordinance No. O-230-2005; and

WHEREAS, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority deem it necessary to amend the provisions of Ordinance No. O-230-2005 so as to comply with the decision in the case of *BellSouth Telecommunications Inc. v. The City of Lafayette, et al.*; and

WHEREAS, in accordance with the provisions of Section 12.1 of Ordinance No. O-230-2005, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority may enter into ordinances which are supplemental to Ordinance No. O-230-2005, which supplemental ordinances shall thereafter form a part of Ordinance No. O-230-2005.

NOW, THEREFORE, BE IT ORDAINED by the Lafayette City-Parish Council and the Lafayette Public Utilities Authority that Ordinance No. O-230-2005 be, and it is hereby supplemented, amended, and restated in its entirety to read as follows:

ORDINANCE NO. O-230-2005

AN ORDINANCE OF THE LAFAYETTE CITY-PARISH COUNCIL AND THE LAFAYETTE PUBLIC UTILITIES AUTHORITY AUTHORIZING THE INCURRING OF DEBT AND ISSUANCE OF NOT EXCEEDING ONE HUNDRED TWENTY-FIVE MILLION DOLLARS (\$125,000,000) OF COMMUNICATIONS SYSTEM REVENUE BONDS, SERIES 2006, 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.

WHEREAS, the City of Lafayette, State of Louisiana (the "Issuer" or "City") has organized a Division of Communications Services as a part of its Utilities Department; and

WHEREAS, 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 said plants and systems now exist and as they may be improved, extended or supplemented, and any other utility-related services or functions, as the City shall determine by subsequent ordinance (the "Utilities System"); and

WHEREAS, the Division of Communications Services intends to provide a local communications network that will offer telephone, cable TV, high-speed Internet access, and other communications and information services and any future services, improvements and additions thereto (the "Communications System"); and

WHEREAS, in accordance with Title 45, Section 844.51(A)(1) of the Louisiana Revised Statutes of 1950, as amended, the Issuer shall establish a single enterprise fund entitled the "Communications Services Enterprise Fund" to account for the City's operation of the Communications System; and

WHEREAS, the City proposes to construct, acquire, develop, extend and improve the Communications System and/or Utilities System and finance all or a part of the costs of the

additions and improvements to the Communications System and/or Utilities System, including acquiring the necessary furniture, fixtures and equipment in connection therewith, funding the Reserve Account, and providing working capital through the sale and issuance of not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) of Communications System Revenue Bonds, Series 2006 of the City (the "Bonds"); and

WHEREAS, the State Bond Commission on May 19, 2005 approved the issuance, sale and delivery of the Bonds, provided such issuance, sale and delivery was authorized by the registered voters of the City at a special election held on July 16, 2005; and

WHEREAS, the registered voters of the City authorized the issuance, sale and delivery of the Bonds at a special election held in the City on July 16, 2005 by approving the following proposition (the "Proposition"):

"SUMMARY: AUTHORITY FOR THE CITY OF LAFAYETTE TO ISSUE NOT EXCEEDING \$125,000,000 OF 25-YEAR REVENUE BONDS FOR THE PURPOSE OF CONSTRUCTING, ACQUIRING, DEVELOPING, EXTENDING AND IMPROVING A LOCAL COMMUNICATIONS NETWORK THAT WILL OFFER TELEPHONE, CABLE TV, HIGH-SPEED FIBER TO THE HOME (FTTH) INTERNET AND OTHER RELATED SERVICES (THE "COMMUNICATIONS SYSTEM") AND, SHOULD THE CITY DETERMINE THAT ANY BOND PROCEEDS ARE UNNECESSARY FOR COMMUNICATIONS SYSTEM PURPOSES, FOR REPURCHASING OR PAYING ANY SUCH BONDS AND FOR CONSTRUCTING, ACQUIRING AND IMPROVING THE CITY'S COMBINED WATERWORKS, ELECTRIC AND SEWER SYSTEMS (THE "UTILITIES SYSTEM"), INCLUDING ACQUIRING THE NECESSARY FURNITURE, FIXTURES AND EQUIPMENT IN CONNECTION WITH ALL THE ABOVE DESCRIBED ADDITIONS AND IMPROVEMENTS, PAYING THE COSTS OF ISSUANCE, FUNDING A RESERVE FOR THE BONDS, AND PROVIDING WORKING CAPITAL, SAID BONDS TO BE 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.

Shall the City of Lafayette, State of Louisiana (the "City"), issue its communications system revenue bonds in an amount not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) to run not more than twenty-five (25) years from date of issuance to be sold at par, premium or discount with interest at a rate or rates not exceeding nine per centum (9%) per annum, for the purpose of constructing, acquiring, developing, extending and improving a local communications network that will offer telephone, cable TV, high-speed fiber to the home (FTTH) Internet service and other related services, (the "Communications System") and, should the City determine that any bond proceeds are unnecessary for Communications System purposes, for repurchasing or paying any such bonds and for constructing, acquiring and improving the combined waterworks plant and system, electric power and light plant and system and sewer systems of the City (the "Utilities System"), including acquiring the necessary furniture, fixtures and equipment in connection with all the above described additions and improvements, as established and set forth in the City's then current capital budget adopted after budget hearings held in the manner contemplated by the Home Rule Charter, paying the costs of issuance, funding a reserve for the bonds, and providing working capital, said bonds to be payable from the net income and revenues of the Communications System and to the amount necessary, from a secondary or subordinate pledge of the revenues of the Utilities System?"; and

WHEREAS, in accordance with Article VI, Section 35(A) of the Louisiana Constitution of 1974 and Title 13, Section 5121, *et seq.* of the Louisiana Revised Statutes of 1950, as amended, more than sixty (60) days has expired since promulgation of the result of the election, and no one shall have any cause or right of action to contest the regularity, formality, or legality of the election or bond authorization for any cause whatsoever, and the authority to incur or assume debt, or issue the bonds, the legality thereof, and the revenues necessary to pay the same shall be conclusively presumed to be valid, and no court has the authority to inquire into such matters; and

WHEREAS, the Issuer desires to issue Bonds in accordance with the authority granted by the Proposition; and

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

| Issue | Maturing Date of Issue | Authorized by Principal Outstanding | Nov. 1, 2005 to Nov. 1: | Ordinance Adopted on |
|--------------------------------------|------------------------|-------------------------------------|-------------------------|----------------------|
| Utilities Revenue Bonds, Series 1996 | August 22, 1996 | \$12,670,000 | 2017 | May 28, 1996 |
| Utilities Revenue Bonds, Series 2004 | August 10, 2004 | \$183,990,000 | 2028 | June 29, 2004 |

WHEREAS, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority (the "Governing Authority") hereby determines that the pledge of all the Net Revenues; (as defined herein), from the Communications System and the pledge of the Residual Revenues; (as defined herein) under certain circumstances in the manner set forth herein, is necessary to obtain the best available interest rates, terms and conditions for the Bonds, as provided in Title 45, Section 844.52C(3) of the Louisiana Revised Statutes of 1950, as amended; and

WHEREAS, as provided in the Proposition, the Bonds will be 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. The Bonds constitute Subordinated Indebtedness of the Utilities System, as defined and provided for in the Utilities Bond Ordinance (as defined herein); and

WHEREAS, the Issuer wishes to provide for the issuance of the Bonds.

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 Sub-Part C, Part I, Chapter 10, Title 33 (R.S. 33:4251 *et seq.*) of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto.

"Adjusted Revenues" shall mean Revenues less cost of goods sold, as determined under GAAP.

"Agent" means a financial institution performing those duties described in Section 11.5.

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

"Applicable Law" means applicable provisions of Louisiana law, including particularly (but not limited to) (a) the Communications Act, (b) the Rules adopted and in force under the

Communications Act, and (c) other statutory and constitutional provisions applicable to the Issuer, the Communications Division and the Utilities Department.

“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 not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) of Communications System Revenue Bonds, Series 2006 of the Issuer issued pursuant to the Ordinance, as the Ordinance may be amended from time to time.

“Bondholders,” “Registered Owner,” “Holder,” and “Owner” means the registered owners (or their authorized representatives) of the Bonds issued in registered form and the holders of Bonds 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 Service Requirement” means for a given Debt Service Account Year, the remainder after subtracting any accrued interest paid by the purchasers of the Bonds, and capitalized interest for the Bond Year ending the immediately following November 1 that has been deposited into the Debt Service Account for that purpose, from the sum of the principal of and interest and premium, if any, and any owed administrative fee, or other payments on the Obligations coming due in such Bond Year.

For purposes 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 one hundred ten percent (110%) of the BMA Municipal Index on the date of calculation, and if the Bonds are Taxable Obligations shall be the interest rate on U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points, on the date of calculation.

If a series of Variable Rate Obligations are 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 the Bonds, interest on such Bonds 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 receives a floating rate and pays a fixed rate) or (ii) as provided in the second paragraph 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 receives a fixed rate and pays a variable rate) or a “floating-to-floating” Qualified Swap (where the Issuer receives a variable rate and pays 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) one hundred ten percent (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 Account" means the account by that name established in Section 6.1(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 (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) Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest.

"Charter" means the Home Rule Charter of the Lafayette City-Parish Consolidated Government.

"Chief Financial Officer" means the Chief Financial Officer 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 Lafayette City-Parish Council Clerk.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal Internal Revenue Code.

"Commercial Paper Obligations" means all of the Obligations or a particular maturity thereof with a maturity of less than two hundred seventy-one (271) days so designated by the Issuer by Supplemental Ordinance prior to issuance thereof.

"Communications Act" means Chapter 8-K of Title 45 of the Louisiana Revised Statutes of 1950, comprised of R.S. 45:844.40 through 844.56, otherwise named the "Local Government Fair Competition Act".

"Communications Division" means the Division of Communications Services within the Utilities Department that deals solely with the Communications System.

"Communications System" means a local communications network that will offer telephone, cable TV, high-speed Internet access, and other communications and information services and any future services, improvements and additions thereto.

"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.

"Construction Account" means the account established by that name established in Section 3.8 hereof.

"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 communications, electric, water and wastewater 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 for the Communications System, as defined in accordance with GAAP in the United States of America. Notwithstanding the foregoing, Costs of Operation and Maintenance shall not include (i) any costs and expenses attributable to the Utilities System, (ii) depreciation costs or (iii) any interest expense on any Obligation.

"Covered Services" means those services as may be defined in the Communications Act as now existing or hereafter amended. For purposes of Section 11.1, "Covered Services" means those services as may be defined as such in the Communications Act at the time of an event of default.

"Credit Event" means an event as described in Section 6.1(c).

"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 Subordinate Debt, 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.

"Debt Service Account" means the account by that name established in Section 6.1(c) hereof.

"Debt Service Account Year" means the year commencing on November 1st and ending on October 31st of the following year.

"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 or a particular maturity thereof, with a maturity longer than two hundred seventy (270) days, so designated by the Issuer by Supplemental Ordinance prior to the issuance thereof, for which no mandatory debt service account redemption requirements have been established.

"Enterprise Fund" means a fund established and maintained in accordance with GAAP as described by the Governmental Accounting Standards Board.

"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 Lafayette 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.

"Fund" means the Communications Services Enterprise Fund by that name established in Section 6.1 hereof.

"GAAP" means Generally Accepted Accounting Principles which are a combination of authoritative standards set by policy boards and widely accepted conventions and procedures for recording and reporting accounting information for fair presentation of financial statements.

"Governing Authority" means the Lafayette City-Parish Council and the Lafayette Public Utilities Authority, or their successors in function, as provided by the 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 Communications System on a parity with debt service on the Obligations.

"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 for municipalities 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 Communications System.

"Obligations" means any Bonds and any Parity Debt.

"Operating Account" means the account by that name established in Section §6.1(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 Debt" means any Parity Reimbursement Obligation, Parity Swap Obligation, Guaranteed Debt or obligation issued in accordance with Section 10.2 hereof.

"Parity Reimbursement Obligation" has the meaning provided in Section 10.3(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 lien on and pledge of the Net Revenues on a parity with the Bonds.

"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 Bonds issued hereunder which shall have agreed to arrange for the timely payment of the principal of, redemption premium, if any, and interest on, with respect to the Bonds to the registered owners thereof, from moneys made available therefor by the Issuer, and any successors designated pursuant to this Ordinance and (ii) maintain the registration books for the Bonds issued hereunder or to perform other duties with respect to registering the transfer of Bonds.

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

"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 Communications System and/or 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 Applicable Law.

"Proposition" means the proposition approved at the election held in the City of Lafayette, State of Louisiana on July 16, 2005 and appearing in the preamble hereto.

"Public Service Commission" means the Louisiana Public Service Commission.

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

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

"Qualified Swap" means, to the extent from time to time permitted by law, with respect to Bonds, 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.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds 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.

"Receipts Account" means the account by that name established in Section 6.1(a) hereof.

"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 10.3(d) hereof.

"Reserve Account" means the account by that name established in Section 6.1(d) 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 Account meeting the terms and conditions of Section 6.1(d) hereof.

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

"Reserve Requirement" means, with respect to the Bonds, the amount, if any, set forth as the Reserve Requirement in the Supplemental Ordinance authorizing the Bonds.

"Reserve Secured Bonds" means the Bonds for which the Supplemental Ordinance related thereto provide that the payment of the principal of, premium, if any, and interest on the Bonds shall be secured by amounts on deposit and investments held in a designated sub-account in the Reserve Account.

"Residual Revenues" means revenues from the Utilities System deposited in the Capital Additions Fund, established and maintained under the Utilities Bond Ordinance, and available for payment on Subordinated Indebtedness.

"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 Communications System, including all revenues attributable to the Communications System or to the payment of the costs thereof received by the Issuer under any contracts for the sale of or other use of the services, facilities or products of the Communications System or any part thereof or any contractual arrangement with respect to the use of the Communications System or any portion thereof or the services, facilities, capacity or products of the Communications System, (ii) the proceeds of any insurance covering business interruption loss relating to the Communications System, (iii) interest received on the investment or reinvestment of any moneys held hereunder required to be deposited or kept in the Receipts Account, (iv) payments received by the Issuer under a Qualified Swap, and (v) loans made to the Communications Division, as further set forth in Section 5.1 hereof.

"Rules" mean those rules to define and govern equitable cost allocation, as well as safeguards to govern affiliate or inter-company transactions for purposes of application of Title 45, Section 844.53(2) of the Louisiana Revised Statutes of 1950, as amended, adopted by the Public Service Commission pursuant to Title 45, Section 844.55D of the Louisiana Revised Statutes of 1950, as amended.

"State" means the State of Louisiana.

"Subordinated Contract Obligation" means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinate Debt) 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 Bonds 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 primary pledge of the Net Revenues and the lien on and secondary pledge of the Residual Revenues herein created for the payment of the Bonds and Parity Debt.

"Subordinate Debt" 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 "Subordinate Debt," which shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Bonds 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 and Residual Revenues herein created for the payment of the Bonds and Parity Debt.

“Subordinated Indebtedness” means Subordinated Indebtedness as defined and provided for in the Utilities Bond Ordinance.

“Supplemental Ordinance” means any ordinance or resolution supplemental to or amendatory of this Ordinance.

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

“Tax-Exempt Obligations” mean 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 11.2.

“Utilities Bond Ordinance” means the General Utilities Revenue Bond Ordinance No. O-122-2004, adopted by the Governing Authority on June 29, 2004.

“Utilities Department” means the utilities department as described and set forth in the Charter.

“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 of the Utilities Bond Ordinance, the term “Utilities System” may include any other utility-related services or functions, as the Issuer shall determine by subsequent ordinance or resolution. For purposes of the Ordinance, the Utilities System shall not include the Communications System.

“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 Bonds 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 Bonds 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 THE BONDS

SECTION 3.1. Authorization and Designation. Pursuant to the provisions of the Act, and the authorization received from the registered voters of the City by the passage of the Proposition, there is hereby authorized the issuance of not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) principal amount of Bonds of the Issuer to be designated “Communications System Revenue Bonds, Series 2006 of the City of Lafayette, State of

Louisiana," for the purposes of constructing, acquiring, developing, extending and improving the Communications System and/or Utilities System and financing all or a part of the costs of the addition and improvements to the Communications System and/or Utilities System, including acquiring the necessary furniture, fixtures and equipment in connection therewith, funding the Reserve Account, and providing working capital through the sale and issuance of the Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are required or permitted by the Act and this Ordinance.

SECTION 3.2. Denominations, Dates, Maturities and Interest. The Bonds shall be issued as fully registered bonds without coupons in the denominations of \$5,000 principal amount or any integral multiple thereof within a single maturity, shall be dated the day of delivery of the Bonds, and shall be numbered R-1 upward. The unpaid principal of 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, payable on each Interest Payment Date, commencing November 1, 2006 or if the date of delivery occurs after November 1, 2006, then commencing the first Interest Payment Date following the date of delivery, at a rate or rates of interest not exceeding seven per centum (7%) per annum and shall mature as to principal not later than twenty-five (25) years from the first November 1 after the date of delivery.

The principal and premium, if any, of the Bonds are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts at the principal corporate trust office of the Paying Agent, upon presentation and surrender thereof. Interest on the Bonds is payable by check mailed on or before the Interest Payment Date by the Paying Agent to the Owner thereof (determined at the close of business on the Record Date) at the address of such Owner as it appears on the registration books of the Paying Agent maintained for such purpose. Except as otherwise provided in this Section, 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, as the case may be, provided, however, that, if and to the extent that the Issuer shall default in the payment of the interest on any Bonds due on any Interest Payment Date, then all such Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid on the Bonds, or if no interest has been paid on the Bonds, from their dated date. The person in whose name any Bond is registered at the Record Date with respect to an Interest Payment Date shall in all cases be entitled to receive the interest payable on such Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior 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.

SECTION 3.3. Execution of Bonds. Unless otherwise provided by Supplemental Ordinance, the Bonds 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 Bonds, 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 Executive Officers of the Issuer on the Bonds may be by facsimile, but one such officer shall sign his manual signature on the Bonds 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 Bonds. If any officer whose signature appears on the Bonds ceases to hold office before the delivery of the Bonds, his signature shall nevertheless be valid and sufficient for all purposes. In addition, any Bond may bear the signature of, or may be signed by, such persons as at the actual time of execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond or the date of delivery thereof such persons may not have been such officers.

SECTION 3.4. Bonds Mutilated, Destroyed, Stolen or Lost. If any Bond is mutilated, destroyed, stolen or lost, the Issuer or its agent may, in its discretion (i) deliver a duplicate replacement Bond, or (ii) pay a Bond that has matured or is about to mature. A mutilated Bond 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 Bond; 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 Bond shall constitute an original contractual obligation on the part of the Issuer whether or not the destroyed, stolen, or lost Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on,

and source of and security for payment from, the moneys pledged to the payment of the Bond so mutilated, destroyed, stolen or lost.

SECTION 3.5. Provisions for Redemption. The Bonds, or any portion thereof, shall 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 the Bonds at such premium (not exceeding 4% of principal amount) as may be set forth in the Supplemental Ordinance. 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. 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 fifteen (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 a Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no failure or defect occurred. In the event all or any portion of the Bonds are designated term bonds by any Supplemental Ordinance, the mandatory installment payments of such term bonds shall be treated as principal payments.

SECTION 3.6. Effect of Notice of Redemption. Notice having been given in the manner and under the conditions hereinabove required, the Bonds or portions of the Bonds 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 Bonds or portions of the Bonds 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 Bonds or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Bonds or portions of the Bonds so called for redemption shall cease to accrue, such Bonds and portions of the Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and the registered owners of such Bonds or portions of the Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and to receive the Bonds for any unredeemed portions of the Bonds. Notwithstanding anything to the contrary in the Ordinance, with respect to any notice of optional redemption of the Bonds, unless upon the giving of such notice such Bonds 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 Bonds 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 Bonds 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 3.7. Redemption of Portion of Registered Bonds. In case part but not all of an outstanding fully-registered Bond shall be selected for redemption, the Registered Owners thereof shall present and surrender such Bond 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 Bond so surrendered, a Bond or Bonds fully-registered as to principal and interest.

SECTION 3.8. Application of Bond Proceeds. The proceeds of the Bonds shall be deposited in the Fund. From such proceeds, an amount equal to the accrued interest received at the time of delivery of the Bonds and an amount not exceeding Twenty Million Dollars (\$20,000,000) shall be deposited to the Debt Service Account for use as capitalized interest. Also from such proceeds, the Issuer will deposit an amount not exceeding Ten Million Dollars (\$10,000,000) to the Operating Account to be applied to working capital and an amount not exceeding Ten Million Dollars (\$10,000,000) to be used as a deposit, or surety policy premium to satisfy the debt service requirement in the Reserve Account; the remaining Bond proceeds shall be deposited by the Issuer to the Construction Account to be used solely for the purposes for which the Bonds are issued, including the payment of the Costs of Issuance. All investment earnings shall be deposited in the Receipts Account as Revenues, except for earnings from the Construction Account which will either remain in the Construction Account to be used for Capital

Costs or shall be deposited in the Debt Service Account to be used for the purpose of meeting the Bond Service Requirement.

SECTION 3.9. Temporary Bonds. Pending the preparation of definitive Bonds, the Issuer may execute and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds without coupons, of any authorized denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions, and variations as may be appropriate for temporary Bonds, all as may be determined by the Issuer. Temporary Bonds may contain such reference to any provisions of this Ordinance as may be appropriate. Every temporary Bond shall be executed and authenticated upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Issuer shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange for definitive Bonds without charge at the principal office of the Paying Agent, and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Ordinance as definitive Bonds.

ARTICLE IV

SOURCE OF PAYMENT OF BONDS

SECTION 4.1. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be 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. 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 Bonds or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other moneys of the Issuer other than Net Revenues and Residual Revenues in the manner and to the extent herein provided.

SECTION 4.2. Security for Bonds. The payment of the principal of, premium, if any, and interest on the Bonds 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 and set aside the Net Revenues to the payment of the principal of, premium, if any, and interest on the Bonds and, upon the occurrence of a Credit Event, to the extent of the insufficiency, the Residual Revenues, before their use for any other purpose set forth in Section 5.1(e)(iv)(C) of the Utilities Bond Ordinance.

Notwithstanding any other provision of this Ordinance, the pledge of Residual Revenues set forth herein (but only until such Residual Revenues are released from the capital additions account established under the Utilities Bond Ordinance) shall be subordinate to the pledge created in Section 4.2 of the Utilities Bond Ordinance.

ARTICLE V

OTHER RIGHTS AND OBLIGATIONS OF THE COMMUNICATIONS SYSTEM AND THE ISSUER

SECTION 5.1. Loans. The Communications System may obtain loans from any source (including the City) for purposes of providing Covered Services and for any other purpose consistent with Applicable Law. Said loans must be repaid and are subject to audit as required by Applicable Law.

SECTION 5.2. Special Obligations of the Utilities System. The Bonds are Subordinated Indebtedness. As such, the Residual Revenues of the Utilities System are hereby pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds, but only in the manner herein set forth. The Consulting Engineer for the Utilities System, as designated under the Utilities Bond Ordinance, shall annually review the Issuer's rates for Utilities System services to ensure that the Issuer meets its rate covenant, as set out in Section 8.4 hereof.

ARTICLE VI

CREATION OF FUND AND ACCOUNTS WITHIN SUCH FUND

SECTION 6.1. Creation of Funds and Accounts. Notwithstanding any provisions of this Ordinance to the contrary, the Issuer hereby establishes and will maintain a single Enterprise Fund entitled the "Communications Services Enterprise Fund" to account for the City's operation of the Communications System. All Revenues and Bond proceeds shall be deposited in and maintained in such Fund in the manner hereinafter set forth. Additionally, and not in place of the above provisions, there shall be an accounting of the Fund whereby separate accounts and/or sub-accounts will be created for accounting purposes only and shall be titled as follows: "Construction Account," "Receipts Account," "Operating Account," "Debt Service Account," "Reserve Account" and "Capital Additions Account". There may be created and established in the Operating Account and the Capital Additions Account one or more separate accounts or sub-accounts as determined by the Issuer from time to time to be necessary or convenient. The accounts established herein shall constitute a trust 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 moneys 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 moneys for the benefit of Bondholders, but does not impose a trust obligation on any Authorized Depository.

(a) Receipts Account. Revenues, except (i) income received from the sale of capital assets, and (ii) proceeds from the issuance of Bonds, shall be deposited daily as the same may be collected in an account known and designated as the "Receipts Account."

(b) Operating Account. Out of the amounts in the Receipts Account, after the application of Bond proceeds deposited for working capital have been exhausted, there shall be transferred to or set aside in an "Operating Account," from time to time as needed during each Debt Service Account Year amounts sufficient to provide for the payment of Costs of Operation and Maintenance.

(c) Debt Service Account. Out of amounts in the Receipts Account, after providing for payments in (b) above, the Issuer shall establish and maintain an account to be known as the "Debt Service Account" by initially transferring to such account the portion of the Bond proceeds designated as accrued interest and capitalized interest by Section 3.8 hereof. Thereafter, except to the extent other amounts are available from such accrued interest, capitalized interest or other sources on the Bonds received at the time of delivery, the Issuer shall deposit out of amounts in the Receipts Account, on or before the twentieth (20th) day of each month, a sum of money equal to a sum obtained by (i) multiplying the interest falling due on the next Interest Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, from and including the month of computation, to and including the month prior to the month in which such interest is due; and (ii) multiplying the principal on the Bonds falling due on the next Principal Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, including the month of computation, to and including the month prior to the month in which such principal payment is due. The foregoing deposit procedure into the Debt Service Account for the payment of principal will first start in the Bond Year in which the first principal payment falls due.

The Issuer shall cause to be transferred from the Debt Service Account to the Paying Agent no later than the twenty-first (21st) day of the month preceding each Interest Payment Date an amount equal to the interest and principal falling due on the Bonds on such Interest Payment Date. Such transfer or payment shall be held in trust by the Paying Agent for the benefit of the Bondholders and the Paying Agent shall disburse the amounts to the Bondholders on such Interest Payment Date. Upon failure of the Issuer to make such transfer on the twenty-first (21st) day of the month, the Paying Agent shall notify the Issuer within one (1) working day in writing or by electronic communication and the Issuer's continuing inability or failure to make such transfer by the twenty-fourth (24th) day of the month shall constitute a Credit Event. Failure of the Paying Agent to make the notification described above shall not prevent the occurrence of the Credit Event.

If a date prescribed herein for a certain action is not a Business Day, such date so prescribed shall extend to the next day which is a Business Day.

(d) Reserve Account. After meeting the requirements of Section 6.1(c), the amounts in the Receipts-Account shall next be used to satisfy the Reserve Requirements for the Bonds and any subsequently issued Reserve Secured Bonds. The Reserve Account will be segregated into one or more sub-accounts that are created for various series of Reserve Secured Bonds.

Except as set forth in a Supplemental Ordinance, amounts on deposit in each sub-account of the Reserve Account may be used solely for the purpose of curing deficiencies in the payment when due of the principal of, premium, if any, and interest on the Reserve Secured Bonds for which such sub-account was created. If moneys on deposit in each Reserve Account sub-account exceed the Reserve Requirement for the applicable Reserve Secured Bonds, the excess amount shall be deposited into the Debt Service Account to the extent moneys from the Receipts Account are unavailable to meet current Bond Service Requirements and otherwise to the Capital Additions Account, 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 Account there may be created separate sub-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 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 Account, or to increase the amount required to be maintained in the Reserve Account, the amount, or increase in the amount, as applicable, required to satisfy such Reserve Requirement may be funded in up to twelve (12) 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 amounts held hereunder for payment of the principal of or interest on the Bonds due on such date which cannot be cured by amounts in any 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 Account pursuant to such sections, 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 Account, 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 Account and the Issuer may then withdraw such cash and Investment Obligations from the Reserve Account and deposit them to the credit of the Operating Account so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect with respect to the Bonds, 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 Bonds (if not Taxable Obligations) for federal income tax purposes.

Cash on deposit in any Reserve Account sub-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 Account sub-account, drawings thereunder shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(e) Capital Additions Account. After meeting the requirements in Section 6.1(d), the amounts in the Receipts Account shall next be deposited in the Capital Additions Account, which amounts in the Capital Additions Account shall next be used for the following purposes:

(i) When amounts are deposited in the Capital Additions Account to pay the capitalized cost of interest on the Bonds of the Issuer, the Issuer shall pay from the Capital Additions Account to the Debt Service Account, on or before the first day of each Bond Year the amount equal to the interest for such Bond Year, to the extent amounts are available from capitalized interest.

(ii) Notwithstanding the above provisions of this Section, the Capital Additions Account must be applied to the payment of principal and Redemption Price of and interest on the Bonds and the payment of Parity Debt, on a pro rata basis, when due at any time that amounts are not available therefor and then to the payment falling due and any early repayment the Issuer deems appropriate on any advances, loans and/or transfers to the Fund from accounts or funds outside of the Communications System.

(iii) Not later than one hundred twenty (120) days following the close of each Fiscal Year, there shall be transferred from Capital Additions Account to the Issuer to the extent that the amount in such account makes possible such transfer 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 Adjusted Revenues deposits into the Receipts Account for such Fiscal Year.

(B) If the balance of the amount so paid into the Capital Additions Account in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the Adjusted Revenues deposits into the Receipts Account as above provided, is equal or less than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, an amount equal to such balance shall be paid from the Capital Additions Account of the Fund to the General Fund of the Issuer; however, if such balance is more than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, then the General Fund of the Issuer shall be paid an amount equal to twelve percent (12%) of said Adjusted Revenues deposits. Any such payment in lieu of taxes, required by this subparagraph, shall be reduced by the amount of any payment or transfer in such Fiscal Year to the Issuer's General Fund for imputed taxes but not for transfers for Costs of Operation and Maintenance.

(iv) The remaining amounts in the Capital Additions Account may be used for (i) paying Capital Costs, (ii) paying Subordinate Debt and Subordinated Contract Obligations, (iii) purchasing Outstanding obligations, or (iv) making any payment or investment for any lawful purpose.

ARTICLE VII

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF MONEYS

SECTION 7.1. Deposits Held In Trust. All moneys or other property which at any time may be owned or held in the possession of or deposited with the Issuer in the Fund, its accounts, sub-accounts and Construction Account 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 moneys 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 moneys.

All moneys deposited with each Authorized Depository shall be credited to the particular account or sub-account within the Fund to which such moneys belong.

SECTION 7.2. Investment of Moneys. Moneys held for the credit of the Fund 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 Fund will be needed for the purposes of such Fund.

Obligations so purchased as an investment of moneys in the 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 Supplemental Ordinance, all income and profits derived from the investment of moneys in the accounts shall be deposited in the Receipts Account and used for the purposes specified for the Receipts Account, except that all income and profits derived from the investment of moneys in the Reserve Account shall be retained therein until the Reserve Account is fully funded and then shall be deposited in the Receipts Account.

All such investments relating to Tax Exempt Obligations shall be made in compliance with covenants in Supplemental Ordinances relating to the Code.

ARTICLE VIII

GENERAL COVENANTS OF THE ISSUER

SECTION 8.1. Operation Covenant. The Issuer hereby covenants to operate the Communications System and the Utilities System in a business-like manner and, in consultation with the Consulting Engineer, to operate the Communications System and the Utilities System in such manner in order to ensure the continued availability of Net Revenues and Residual Revenues to pay all amounts required by this Ordinance. The Issuer covenants to adequately maintain and improve the Communications System and 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 Communications System and the Utilities System.

SECTION 8.2. Maintenance of Communications System; Disposition. The Issuer will maintain the Communications System and 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 Communications System and 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 Communications System and the Utilities System will not prevent the Issuer from meeting the requirements of Sections 6.1 and 8.4 hereof. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Communications System and the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain the revenues from such portion or component of the Communications System and the Utilities System, shall not constitute a lease or disposition thereof for purposes of this Section.

SECTION 8.3. Operating Budget. Before the first day of each Fiscal Year the Governing Authority 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 8.4. Rate Covenant.

(a) So long as any Obligations remain Outstanding, the Issuer, in its judgment, will make best efforts to 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 Communications System as are expected to be sufficient in each Debt Service Account Year to generate 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 Debt Service Account Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (iii) one hundred percent (100%) of

the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with Section 6.1 hereof, and any additional amount required to make all other payments required to be made.

Upon the occurrence of a Credit Event, 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 Debt Service Account Year to produce Residual Revenues, in an amount, that when added to the Revenues is at least equal to the sum of (i) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (ii) one hundred percent (100%) of the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iii) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with Section 6.1 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 11.1 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 8.6 hereof which statements show such non-compliance, retain a Qualified Independent Consultant for the purpose of reviewing the Communications System and 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 Communications System and/or Utilities System as would provide moneys 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 with 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.

(c) The covenant of the Issuer contained in Section 7.7 of the Utilities Bond Ordinance, as amended from time to time, is hereby incorporated herein by reference to the same extent as if set forth herein and shall inure to the benefit of the Owners of the Bonds hereunder, and the Bond Service Requirement on any Bonds issued and Outstanding hereunder shall be treated as "amounts payable with respect to Subordinated Indebtedness" for purposes of such Section 7.7 of the Utilities Bond Ordinance.

SECTION 8.5. Books and Records. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the Communications System and the receipt and disbursement of Revenues, and any Bondholder shall have the right at all reasonable times to inspect the same.

SECTION 8.6. Reports and Annual Audits. The Issuer shall require that an annual audit of the accounts and records with respect to the Communications System and 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 8.7. Insurance and Condemnation Awards. The Issuer will carry adequate fire, windstorm, explosion and other hazard insurance on the components of the Communications

System and 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 Communications System and the Utilities System. The Issuer may, upon appropriate authorization by its Governing Authority, 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 Communications System and 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 Account, in which case, such proceeds shall be held in the Capital Additions Account 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 Debt Service Account for the purpose of purchasing or redeeming the Bonds.

SECTION 8.8. 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 Communications System and 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 8.9. No Free Service. The Issuer will not permit free service to be supplied by the Communications System and the Utilities System to the Issuer or any department thereof or to any Person.

ARTICLE IX

CONSULTING ENGINEER

SECTION 9.1. Consulting Engineer. The Issuer shall retain a Consulting Engineer for the purpose of providing the Issuer immediate and continuous counsel and advice regarding the Communications System and the Utilities System.

SECTION 9.2. 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 Communications System and 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 Communications System and the Utilities System, and shall include whatever criticism of any phase of the operation of the Communications System and 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 Obligations. Such report shall also contain the Consulting Engineer's recommendations as to personnel practices and policy and his analysis of the ability of the Communications System and the Utilities System to function in the present and forecasted environments.

ARTICLE X

ISSUANCE OF ADDITIONAL OBLIGATIONS

SECTION 10.1. Creation of Liens, Issuance of Subordinate Debt, Subordinated Contract Obligations and Debt. The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the Bonds and Parity Debt as provided herein, secured by a pledge of the Net Revenues and Residual Revenues and shall not create or cause to be created any lien or charge on the Net Revenues and Residual Revenues, except to the extent provided by this

Ordinance; provided, however, the Issuer may, at any time, or from time to time, incur Subordinate Debt 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 6.1(e)(iii)(C) hereof and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues and Residual Revenues created by this Ordinance as security for payment of the Bonds.

SECTION 10.2. Issuance of Parity Obligations. Except as otherwise provided in this Section, no Obligations may be issued on a parity with the 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 Communications System and the Utilities System.

(a) 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.

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

(i) the Issuer shall have enacted an 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;

(ii) 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;

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

(iv) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (a) the Issuer has the right and power under the Act to enact the ordinance issuing the Parity Debt and said 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 that ordinance is required, (b) said ordinance provides that the Parity Debt is payable from the same pledge and source of revenues as the Bonds and other Parity Debt (c) the Obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and said ordinance and have been duly and validly authorized and issued in accordance with the Act and said ordinance, and (d) 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 Communications System for purposes of clause (iii) 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 Communications System in the following respects:

(1) 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 Communications System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Communications 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;

(2) 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 Communications 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.

(v) Obligations issued and Parity Debt incurred in compliance with the terms and conditions of this Section shall be deemed on a parity with all Bonds 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 Bonds originally authorized and issued and Parity Debt incurred in accordance with this Section and the holders of any Bonds and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with this Section. Any debt incurred, which has a pledge of the Net Revenues or the Residual Revenues as security, but is not in compliance with this Section will have a lien on said Net Revenues and Residual Revenues that is subordinate to that of the Obligations.

(vi) Notwithstanding anything contained in this Ordinance to the contrary, the City may issue Parity Debt under its Utilities Bond Ordinance.

(vii) Further notwithstanding any other provision in this Section to the contrary, the Issuer may issue additional completion bonds in an amount not exceeding Ten Million Dollars (\$10,000,000) that will be on a parity with the Bonds, provided the Consulting Engineer certifies that such completion bonds are necessary in order to complete the Project, provided the total amount of the Bonds issued, including any additional completion bonds, does not exceed One Hundred Twenty-Five Million Dollars (\$125,000,000).

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

SECTION 10.3. Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.

(a) The Issuer may include provisions in a Supplemental Ordinance authorizing the issuance of the Bonds 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 XII hereof, including:

(i) 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 (i) may not be assigned or delegated by the issuer of such Credit Facility without the written consent of the issuer.

(ii) In the event that the Debt Service Account installments, principal, if any, and Redemption Price, if applicable, or 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 the Net Revenues and Residual Revenues on a parity with the lien created by Section 4.2 to secure the Bonds (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 Bonds, 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 Bonds, 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.

ARTICLE XI

EVENTS OF DEFAULT; REMEDIES

SECTION 11.1. Events of Default. Each of the following events is hereby declared an "event of default," that is to say if:

- (a) the occurrence of a Credit Event as described in Section 6.1(c) hereof; or
- (b) payment of principal and/or any installment of interest of any Obligations shall not be made when the same shall become due, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise; and any owed administrative fee shall not be made when the same shall become due and payable; or
- (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 Communications 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 Communications System or which subjects any of the moneys 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 Bonds 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, such an event of default shall not be deemed to have occurred under this paragraph if the default of the Issuer can not be cured within sixty (60) days of such notice but can be cured within a reasonable period of time and the Issuer in good faith institutes curative action within such sixty (60) day period and diligently pursues such action until the default has been corrected.

Upon such a default as described in clause (a) or (b), the Issuer shall be required to pay any insufficiency from Residual Revenues without any judicial proceedings whatsoever, the necessity of such judicial proceedings being hereby expressly waived. In such case, the Issuer shall proceed to discontinue its provision of Covered Services, as soon as reasonably practicable, taking into consideration minimizing the disinterruption of services to the existing users of such Covered Services and the efficient wind down of the Communications System.

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 11.2. Enforcement of Remedies. Upon the happening and continuance of any event of default specified in Section 11.1, 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 Bonds 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 Bonds; provided, however, that if all Bonds 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 Bonds 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 Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, 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 Bonds, 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 Account, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 11.3. 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 11.4. 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 11.5. Pro Rata Application of Moneys. Anything in this Ordinance to the contrary notwithstanding, if at any time the moneys in the Operating Account, 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 Bonds 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 Bonds 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 Bonds 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 the Bonds and Parity Debt then due.

(b) If the principal of all the Bonds and Parity Debt shall have become due and payable, all such moneys shall be applied to the payment of the principal of, premium, if any, and interest (or Accreted Values with respect to Capital Appreciation Bonds) then due and unpaid upon the Bonds 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 Bond or Parity Debt over any other Bond 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 Bonds 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 Bond unless such Bond shall be presented to the Agent for appropriate endorsement or for cancellation if fully paid.

SECTION 11.6. 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 Bonds 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 Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in this Ordinance.

SECTION 11.7. 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 Communications System, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not the Revenues, the Net Revenues, Residual Revenues and other moneys as pledged hereunder shall be deemed sufficient ultimately to satisfy the Bonds outstanding hereunder.

ARTICLE XII

MISCELLANEOUS PROVISIONS

SECTION 12.1. 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, unless otherwise provided by Supplemental Ordinance, and no modification or amendment shall permit a change (i) in the maturity of any of the Bonds or a reduction in the rate of interest thereon, (ii) in the amount of the principal obligation of any Bond, (iii) 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 (iv) 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 Bonds, 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 the Bonds 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):

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

(2) 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

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

(4) 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 Bonds 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

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

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

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

(8) 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 Bonds hereunder.

(b) Notwithstanding any provision set forth above, any bond insurer of any Bonds or Parity Debt may vote on behalf of all Bondholders of all such Bonds 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 Bonds Outstanding hereunder.

SECTION 12.2. 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 Bonds 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 Bonds 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 Bonds at the maturity thereof or the date upon which such Bonds 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 the Net Revenues and Residual 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 Bonds 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 the Bonds 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 Bonds (other than Taxable Bonds) or any bonds issued to refund the Bonds 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 Bonds 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 Bonds (other than Taxable Bonds) or any bonds issued to refund the Bonds to cease to be excluded from gross income for federal income tax purposes.

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

SECTION 12.3. Tax Covenants. It is the intention of the Issuer and all parties under its control that the interest on the Bonds issued hereunder 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 Bonds issued hereunder 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 Bonds issued hereunder 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:

(a) 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;

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

(c) 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;

(d) to maintain and retain all records pertaining to the Rebate Amount with respect to the Bonds issued hereunder and required payments of the Rebate Amount with respect to the Bonds for at least six years after the final maturity of the Bonds or such other period as shall be necessary to comply with the Code;

(e) to refrain from taking any action that would cause any Bonds or portion thereof issued hereunder to be classified as "private activity bonds" under Section 141(a) of the Code; and

(f) to refrain from taking any action that would cause the Bonds 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 Bonds.

Notwithstanding any other provision of this Ordinance, 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 12.3 shall survive the defeasance or payment in full of the Bonds.

SECTION 12.4. 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 Bonds issued hereunder.

=#

SECTION 12.5. Publication of Bond Ordinance; Peremption. This Ordinance shall be published one time in the official journal of the Issuer. As provided by Article VI, Section 35(B) of the Louisiana Constitution of 1974 and Title 13, Section 5121, *et seq.* of the Louisiana Revised Statutes of 1950, as amended, for thirty (30) days after the date of publication, any person in interest may contest the legality of this Ordinance, any provision of the Bonds, the provisions therein made for the security and payment of the Bonds and the validity of all other provisions and proceeding relating to the authorization and issuance of the Bonds. After the said thirty (30) days, no person may contest the regularity, formality, legality or effectiveness of this Ordinance, any provisions of the Bonds to be issued pursuant hereto, the provisions for the security and payment of the bonds and the validity of all other provisions and proceedings relating to their authorization and issuance, for any cause whatever. Thereafter, it shall be conclusively presumed that the Bonds are legal and that every legal requirement for the issuance of the Bonds has been complied with. No court shall have authority to inquire into any of these matters after the said thirty (30) days.

SECTION 12.6. 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 other than the parties hereto and the owners and holders of the Bonds 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 Bonds issued hereunder.

SECTION 12.7. 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 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 Bonds shall be liable personally on the Bonds 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 12.8. Repeal of ordinances or resolutions. All ordinances or resolutions, or parts thereof, to extent they are in conflict with this ordinance, are hereby repealed.

SECTION 12.9. 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.

* * * * *

EXHIBIT "A"

FORM OF FACE OF
COMMUNICATIONS SYSTEM
REVENUE BOND, SERIES 2006

No. R-_____

Principal \$_____

Unless this Bond is presented by an authorized representative of the Depository Trust Company, a New York corporation ("DTC"), to the City or their agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of CEDE & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to CEDE & CO. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, CEDE & CO., has an interest herein.

As provided in the Bond Ordinance referred to herein, until the termination of the system of book-entry-only transfers through DTC and notwithstanding any other provision of the Bond Ordinance to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.

UNITED STATES OF AMERICA
STATE OF LOUISIANA
CITY OF LAFAYETTE

COMMUNICATIONS SYSTEM
REVENUE BOND, SERIES 2006
OF THE CITY OF LAFAYETTE, STATE OF LOUISIANA

| Bond Date | Maturity Date | Interest Rate | CUSIP Number |
|-------------|-------------------|---------------|--------------|
| _____, 2006 | November 1, _____ | ____% | |

The City of Lafayette, State of Louisiana (the "Issuer"), promises to pay to:

REGISTERED OWNER: CEDE & CO. (Tax Identification #13-2555119)

PRINCIPAL AMOUNT:

or registered assigns, on the Maturity Date set forth above, the Principal Amount set forth above, together with interest thereon from the date hereof, or from the most recent interest payment date to which interest has been paid or duly provided for, payable on May 1 and November 1 of each year, commencing _____ 1, 200____, at the Interest Rate per annum set forth above until said principal amount is paid, unless this bond shall have been previously called for redemption and payment shall have been made or duly provided for. The principal of this bond, upon maturity or redemption, is payable in such coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts at _____, in the City of _____, _____, or any successor thereto (the "Paying Agent/Registrar"), upon presentation and surrender hereof. Interest on this bond is payable by check mailed by the Paying Agent/Registrar to the registered owner. The interest so payable on any interest payment date will, subject to certain exceptions provided in the hereinafter-defined Bond Ordinance, be paid to the person in whose name this bond is registered as of the Regular Record Date (which is the 15th calendar day of the month next preceding an interest payment date). Any interest not punctually paid or duly provided for shall be payable as provided in the Bond Ordinance.

During any period after the initial delivery of the Bonds in book-entry-only 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 moneys to an account designated by such registered owner; CUSIP number identification with appropriate

dollar amounts for each CUSIP number must accompany all payments of principal, premium, and interest, whether by check or by wire transfer.

FOR SO LONG AS THIS BOND IS HELD IN BOOK-ENTRY FORM REGISTERED IN THE NAME OF CEDE & CO. ON THE REGISTRATION BOOKS OF THE CITY KEPT BY THE PAYING AGENT, AS BOND REGISTRAR, THIS BOND, IF CALLED FOR PARTIAL REDEMPTION IN ACCORDANCE WITH THE BOND ORDINANCE, SHALL BECOME DUE AND PAYABLE ON THE REDEMPTION DATE DESIGNATED IN THE NOTICE OF REDEMPTION GIVEN IN ACCORDANCE WITH THE BOND ORDINANCE AT, AND ONLY TO THE EXTENT OF, THE REDEMPTION PRICE, PLUS ACCRUED INTEREST TO THE SPECIFIED REDEMPTION DATE; AND THIS BOND SHALL BE PAID, TO THE EXTENT SO RE-DEEMED, (i) UPON PRESENTATION AND SURRENDER THEREOF AT THE OFFICE SPECIFIED IN SUCH NOTICE OR (ii) AT THE WRITTEN REQUEST OF CEDE & CO., BY CHECK MAILED TO CEDE & CO. BY THE PAYING AGENT OR BY WIRE TRANSFER TO CEDE & CO. BY THE PAYING AGENT IF CEDE & CO. AS BONDOWNER SO ELECTS. IF, ON THE REDEMPTION DATE, MONEYS FOR THE REDEMPTION OF BONDS OF SUCH MATURITY TO BE REDEEMED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE, SHALL BE HELD BY THE PAYING AGENT SO AS TO BE AVAILABLE THEREFOR ON SUCH DATE, AND AFTER NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE BOND ORDINANCE, THEN, FROM AND AFTER THE REDEMPTION DATE, THE AGGREGATE PRINCIPAL AMOUNT OF THIS BOND SHALL BE IMMEDIATELY REDUCED BY AN AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT THEREOF SO REDEEMED, NOTWITHSTANDING WHETHER THIS BOND HAS BEEN SURRENDERED TO THE PAYING AGENT FOR CANCELLATION.

This bond is one of an authorized issue of Communications System Revenue Bonds, Series 2006, aggregating in principal the sum of One Hundred _____ Million Dollars (\$1____,000,000) (the "Bonds"), said Bonds having been issued by the Issuer pursuant to an ordinance adopted by its governing authority on _____, 2005, (the "Bond Ordinance") for the purpose of constructing, acquiring, developing, extending and improving the Communications System and/or Utilities System and financing all or a part of the costs of the addition and improvements to the Communications System and/or Utilities System, including acquiring the necessary furniture, fixtures and equipment in connection therewith, paying the costs of issuance of the Bonds and establishing a reserve for the payment thereof, under the authority of Sub-Part C, Part I, Chapter 10, Title 33 of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto, and were authorized by the Louisiana State Bond Commission on May 19, 2005, in accordance with the law.

The Bonds are issuable in the denomination of \$5,000, or any integral multiple thereof within a maturity. As provided in the Bond Ordinance, and subject to certain limitations set forth therein, the Bonds are exchangeable for an equal aggregate principal amount of Bonds of the same maturity of any other authorized denomination.

Subject to the limitations and requirements provided in the Bond Ordinance, the transfer of this Bond shall be registered on the registration books of the Paying Agent/Registrar upon surrender of this Bond at the principal corporate trust office of the Paying Agent/Registrar as Bond Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form and a guaranty of signature satisfactory to the Paying Agent/Registrar, 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 denomination or denominations, for the same aggregate principal amount, will be issued to the transferee. Prior to due presentment for transfer of this Bond, the Issuer and the Paying Agent/Registrar may deem and treat the registered owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest hereon and for all other purposes, and neither the Issuer nor the Paying Agent/Registrar shall be affected by any notice to the contrary.

The Issuer and the Paying Agent/Registrar shall not be required to (a) 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 or any date of selection of Bonds to be redeemed and ending at the close of business on the interest payment date or (b) to register the transfer of or exchange any Bond so selected for redemption in whole or in part.

Those Bonds maturing November 1, 20____, and thereafter, will be callable for redemption by the Issuer in full, or in part, at any time on or after November 1, 20____, at the principal amount thereof and accrued interest to the date fixed for redemption.

The Term Bonds maturing on November 1, 20__ shall be subject to mandatory redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

| Year (November 1) | Principal Amount |
|----------------------|---------------------|
|----------------------|---------------------|

20__

The Bonds maturing after _____, 20__ (other than the Bonds maturing on _____, 20__ bearing interest at the initial rate of _____% per annum) will be subject to redemption at the option of the City, on or after _____, 20__, in whole or in part, by lot within each maturity and coupon, on any date, upon thirty (30) days' notice to Bondholders, at par, plus accrued interest to the date of redemption. The City may select amounts, coupons and maturities for redemption in its sole discretion. On and after any redemption date, interest will cease to accrue on the Bonds called for redemption.

The Bonds maturing on _____, 20__ bearing interest at the initial rate of _____% per annum will be subject to redemption or purchase in lieu thereof at the option of the City, on or after _____, 20__, in whole or in part, on any interest payment date, upon thirty (30) days' notice to Bondholders, at par, plus accrued interest to the date of redemption. The City may select amounts for redemption or purchase in its sole discretion. On and after any redemption date interest will cease to accrue on the Bonds called for redemption.

In the event a Bond is of a denomination is larger than \$5,000, a portion of such Bond (\$5,000 or any multiple thereof) may be redeemed. Official notice of such call of any of the Bonds for redemption will be given by first class mail, postage prepaid, by notice deposited in the United States mails not less than thirty (30) days prior to the redemption date addressed to the registered owner of each Bond to be redeemed at his address as shown on the registration books of the Paying Agent/Registrar.

This Bond and the issue of which it forms a part are 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, all as provided in the Bond Ordinance, and this Bond does not constitute an indebtedness or pledge of the general credit of the Issuer within the meaning of any constitutional and statutory limitation of indebtedness. For a complete statement of the revenues from which and conditions under which this Bond is issued, and provisions permitting the issuance of pari passu additional bonds under certain conditions and definitions of capitalized terms, reference is hereby made to the Bond Ordinance.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the certificate of registration hereon shall have been signed by the Paying Agent/Registrar.

It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of Louisiana. It is further certified, recited and declared that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond and the issue of which it forms a part to constitute the same legal, binding and valid obligations of the Issuer have existed, have happened and have been performed in due time, form and manner as required by law, and that the indebtedness of the Issuer, including this Bond and the issue of which it forms a part, does not exceed the limitations prescribed by the Constitution and statutes of the State of Louisiana.

IN WITNESS WHEREOF, the Lafayette City-Parish Council, the governing authority of the Issuer and the Lafayette Public Utilities Authority (the "LPUA"), has caused this Bond to be executed in its name by the facsimile signatures of the City-Parish President, the Clerk of the Council, and the Chairman of the LPUA and a facsimile of the corporate seal of the Issuer to be imprinted hereon.

CITY OF LAFAYETTE, STATE OF LOUISIANA

(facsimile)
Clerk of the Council

(facsimile)
Lafayette City-Parish President

(facsimile)
Chair LPUA

(SEAL)

(FORM OF PAYING AGENT'S CERTIFICATE OF REGISTRATION)

This Bond is one of the Bonds referred to in the within mentioned Bond Ordinance.

as Paying Agent

Date of Registration: _____

By: _____
Authorized Officer

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please Insert Social Security
Or other Identifying Number of Assignee

[Empty rectangular box for Social Security or other identifying number]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney or agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

FORM OF LEGAL OPINION CERTIFICATE)

(TO BE PRINTED ON ALL BONDS)

LEGAL OPINION CERTIFICATE

I, the undersigned Clerk of the Lafayette City-Parish Council, do hereby certify that the following is a true copy of the complete legal opinion of Foley & Judell, L.L.P., the original of which was manually executed, dated and issued as of the date of payment for and delivery of this Bond and was delivered to the original purchasers thereof:

(Bond Printer Shall Insert Legal Opinion)

I further certify that an executed copy of the above legal opinion is on file in my office, and that an executed copy thereof has been furnished to the Paying Agent/Registrar for this Bond.

(Facsimile)
Clerk of the Council

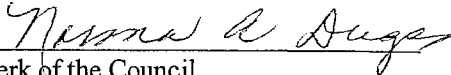
(BOND INSURANCE LEGEND OF _____)

STATE OF LOUISIANA

PARISH OF LAFAYETTE

I, the undersigned Clerk of the Lafayette City-Parish Council, do hereby certify that the foregoing pages constitute a true and correct copy of an ordinance adopted by the Lafayette City-Parish Council and the Lafayette Public Utilities Authority on March 21, 2006 authorizing the incurring of debt and issuance of not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) of Communications System Revenue Bonds, Series 2006 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.

IN FAITH WHEREOF, witness my official signature and the impress of the official seal of said Council and Authority at Lafayette, Louisiana, on this, the 22nd day of March, 2006.


Clerk of the Council

(SEAL)

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**FINANCIAL AND STATISTICAL DATA
RELATIVE TO THE ISSUER AND
THE PARISH OF LAFAYETTE, STATE OF LOUISIANA**

Information on the City, the Parish and the State is included for informational purposes only. The Series 2021 Bonds are not secured by, nor are ad valorem taxes pledged to, the repayment of the Series 2021 Bonds.

Location and Area of the City

The City of Lafayette, State of Louisiana (the “City” or “Issuer”) is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico. The City is governed by the Lafayette City Council (the “Governing Authority”) and is the Parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the City is approximately 51.75 square miles.

Population of the City of Lafayette

| <u>Year</u> | <u>Population</u> |
|-------------|-------------------|
| 1940 | 19,210 |
| 1950 | 33,541 |
| 1960 | 40,400 |
| 1970 | 68,908 |
| 1980 | 81,961 |
| 1990 | 94,440 |
| 2000 | 110,257 |
| 2010 | 120,623 |
| 2020 | 137,309 |

Source: 1940-2010: U. S. Census Bureau.,
2020: Louisiana State Treasurer’s office

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> |
|----------------------------------|-----------------------|
| 2011/2012 | \$1,217,474,359 |
| 2012/2013 | 1,303,420,762 |
| 2013/2014 | 1,351,910,412 |
| 2014/2015 | 1,378,851,017 |
| 2015/2016 | 1,460,184,953 |
| 2016/2017 | 1,575,850,272 |
| 2017/2018 | 1,589,623,826 |
| 2018/2019 | 1,582,892,287 |
| 2019/2020 | 1,612,353,117 |
| 2020/2021 | 1,542,341,644 |

Sources: Louisiana Tax Commission; Lafayette Parish Assessor.

A breakdown of the City's 2020 assessed valuation (Fiscal Year 2021) by classification of property follows:

| <u>Classification of Property</u> | <u>2020 Assessed Valuation</u> |
|--|---------------------------------------|
| Real Estate | \$1,225,164,044 |
| Personal Property | 289,481,989 |
| Public Service Property | 27,695,611 |
| Total: | \$1,542,341,644 |

Source: Lafayette Parish Assessor.

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Millage Rates

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

| | Millage Rates | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Assessed Year</u> | <u>Assessed Year</u> | <u>Assessed Year</u> | <u>Assessed Year</u> | <u>Assessed Year</u> |
| | <u>2016/Fiscal</u> | <u>2017/Fiscal</u> | <u>2018/Fiscal</u> | <u>2019/Fiscal</u> | <u>2020/Fiscal</u> |
| | <u>Year 2017</u> | <u>Year 2018</u> | <u>Year 2019</u> | <u>Year 2020</u> | <u>Year 2021</u> |
| <u>City of Lafayette</u> | | | | | |
| General | 5.42 | 5.42 | 5.42 | 5.42 | 5.42 |
| Public Roads | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 |
| Playground/Recreation Maint. | 1.78 | 1.78 | 1.78 | 1.92 | 1.92 |
| Public Buildings | 1.13 | 1.13 | 1.13 | 1.13 | 1.13 |
| Police & Fire Depts. Bonds | 3.18 | 3.18 | 3.18 | 3.18 | 3.18 |
| Police Salaries | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Fire Salaries | <u>2.00</u> | <u>2.00</u> | <u>2.00</u> | <u>2.00</u> | <u>2.00</u> |
| Total | 17.80 | 17.80 | 17.80 | 17.94 | 17.94 |
| <u>Parishwide School Taxes</u> | | | | | |
| Schools Regular | 4.59 | 4.59 | 4.59 | 4.59 | 4.92 |
| Special | 7.27 | 7.27 | 7.27 | 7.27 | 7.79 |
| Special School Improvement | 5.00 | 5.00 | 5.00 | 5.00 | 5.35 |
| School 1985 Operation | 16.70 | 16.70 | 16.70 | 16.70 | 17.88 |
| <u>Parish Taxes</u> | | | | | |
| General Alimony | 3.05 | 3.05 | 3.05 | 3.05 | 3.25 |
| Courthouse & Jail Maintenance | 2.34 | 2.34 | 2.34 | 2.34 | 2.51 |
| Library (2007-2016) | 2.68 | - | - | - | - |
| Library (2009-2018) | 1.48 | 1.48 | 1.48 | - | - |
| Library (2013-2022) | 1.84 | 1.84 | 1.84 | 1.84 | 1.84 |
| Library (2017-2026) | - | 2.68 | 2.68 | 2.91 | 2.91 |
| Juvenile Detention Maintenance | 1.17 | 1.17 | 1.17 | 1.17 | 1.25 |
| Lafayette Economic Development Authority | 1.68 | 1.68 | 1.68 | 1.68 | 1.68 |
| Assessment District | 1.44 | 1.44 | 1.56 | 1.44 | 1.67 |
| Law Enforcement | 16.79 | 16.79 | 16.79 | 16.79 | 17.36 |
| Airport Regional Parishwide | 1.58 | 1.58 | 1.58 | 1.71 | 1.71 |
| Detention Correctional Facility | 1.90 | 1.90 | 1.90 | 2.06 | 2.21 |
| Road and Bridges | 4.17 | 4.17 | 4.17 | 4.17 | 4.47 |
| Lafayette Parish Bayou Vermilion- | | | | | |
| Bond & Interest | 0.17 | 0.17 | 0.17 | 0.17 | 0.10 |
| Maintenance | 0.75 | 0.75 | 0.75 | 0.75 | 0.79 |
| Drainage Maintenance | 3.34 | 3.34 | 3.34 | 3.34 | 3.58 |
| Roads/Highways/Bridges (Bonds) | 2.75 | 2.75 | 2.75 | 2.00 | 2.00 |
| Teche-Vermilion Water District | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 |
| Health Unit/Mosquito/Drainage | 3.56 | 3.56 | 3.56 | 3.56 | 3.64 |
| <u>Other Parish and District Taxes:</u> | | | | | |
| Parish Tax (Inside Municipalities) | 1.52 | 1.52 | 1.52 | 1.52 | 1.625 |
| Lafayette Center Development District | 11.24 | 11.69 | 12.75 | 12.75 | 13.80 |

Sources: Louisiana Tax Commission; Lafayette Parish Assessor.

Leading Taxpayers

The ten largest property taxpayers of the City and their 2020 assessed valuations (Fiscal Year 2021) follow.

| <u>Name of Taxpayer</u> | <u>Type of Business</u> | <u>2020 Assessed Valuation</u> |
|----------------------------------|--------------------------------|--------------------------------|
| 1. Iberiabank | Banking | \$19,570,028 |
| 2. Stuller, Inc. | Manufacturing | 11,435,084 |
| 3. Walmart/Sams | Warehouse Clubs & Supercenters | 9,819,791 |
| 4. AT&T/Bellsouth | Telecommunications | 9,588,690 |
| 5. JP Morgan Chase | Banking | 9,192,717 |
| 6. Franks Casing | Oil & Gas Support Services | 8,970,694 |
| 7. Hancock Whitney National Bank | Banking | 7,384,423 |
| 8. Service Chevrolet Inc | New Car Dealers | 7,043,253 |
| 9. Entergy Gulf States | Electric Company | 6,950,240 |
| 10. Home Bank | Banking | <u>6,939,149</u> |
| | | \$96,894,069* |

* Approximately 6.28% of the 2020 assessed valuation of the Issuer.
Source: Lafayette Parish Assessor.

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SUMMARY DEBT STATEMENT AS OF OCTOBER 2, 2021

(For additional information, see the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended October 31, 2020 included by specific cross-reference as Appendix "F" of this Official Statement)

A. Direct Debt of the City of Lafayette

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|-------------------------------------|------------------------------|
| Sales Tax Bonds | \$ 212,150,000 |
| Utilities Revenue Bonds | 215,615,000 |
| Certificates of Indebtedness | 2,435,000 |
| Communications System Revenue Bonds | 87,260,000 |
| Limited Tax Bonds | 25,835,000 |

B. Overlapping Debt of the Parish of Lafayette

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|---------------------------|------------------------------|
| General Obligation Bonds | \$ 36,810,000 |

C. Overlapping Debt of the Lafayette Parish School Board

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|----------------------------------|------------------------------|
| Sales Tax Revenue Bonds | \$ 121,535,000 |
| Certificates of Indebtedness | 3,965,000 |
| Limited Tax Bonds (Taxable QSCB) | 5,917,651 |
| Limited Tax Revenue Bonds | 95,093,991 |

D. Overlapping Debt of the Law Enforcement District of the Parish of Lafayette

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|---------------------------|------------------------------|
| Limited Tax Revenue Bonds | \$ 14,405,000 |

E. Overlapping Debt of Lafayette Parish Bayou Vermilion District

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|---------------------------------------|------------------------------|
| Unlimited <i>Ad Valorem</i> Tax Bonds | \$ 3,395,000 |

F. Underlying Debt of the Lafayette Public Power Authority

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|---------------------------|------------------------------|
| Electric Revenue Bonds | \$ 71,325,000 |

G. Partially Underlying Debt of Lafayette Parish Waterworks District North

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|---------------------------|------------------------------|
| Water Revenue Bonds | \$ 1,864,000 |

H. Partially Underlying Debt of Lafayette Parish Waterworks District South

| <u>Type of Obligation</u> | <u>Principal Outstanding</u> |
|---------------------------|------------------------------|
| Water Revenue Bonds | \$ 4,453,000 |

(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 I-10 Corridor District at Mile Marker 103, District No. 4 Regional Planning and Development Commission, all operating and capital leases and all short-term cash flow borrowings.)

Short Term Indebtedness

According to the Chief Financial Officer of the Governing Authority, the City has no short term indebtedness, other than normal accounts payable or as otherwise stated 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.

Audit Report

The Comprehensive Annual Financial Report of the Governing Authority for the Fiscal Year ended October 31, 2020 has been filed with EMMA and is included by specific cross-reference in Appendix “F” hereto. It has been audited by Kolder, Slaven & Company, LLC, Certified Public Accountants, and their report, dated as of April 19, 2021, is included therein. The audited financial statements pertaining to the Issuer which are included in this Official Statement have been included in reliance upon said report; however, such Auditors have not consented to inclusion of the financial statements herein and have not performed any additional review procedures related thereto. The Auditors did not perform any procedures relating to any of the information in this Official Statement.

ECONOMIC INDICATORS

Per Capita Personal Income

A comprehensive revision of the estimates of Per Capita Personal Income by State was published in November 2020 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The recent trends in revised per capita personal income for Lafayette Parish, Louisiana, and the Nation are indicated in the following table:

| | <u>Per Capita Personal Income</u> | | | | |
|------------------|-----------------------------------|-------------|-------------|-------------|-------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| Lafayette Parish | \$49,251 | \$45,324 | \$47,603 | \$48,707 | \$49,629 |
| Louisiana | 42,900 | 42,528 | 43,932 | 46,207 | 47,460 |
| United States | 49,019 | 50,015 | 52,118 | 54,606 | 56,490 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis. November 17, 2020.

(The personal income level for the United States is derived as the sum of the county estimates; it differs from the national income and product accounts (NIPA) estimate of personal income because by definition, it omits the earnings of Federal civilian and military personnel stationed abroad and others. It can also differ from the NIPA estimate because of different data sources and revision schedules.)

Employment

The Louisiana Workforce Commission has issued revised not seasonally adjusted annual average statistics for various employment areas within Louisiana. The revised not seasonally adjusted annual average figures for Lafayette Parish and the State were reported as follows:

| <u>Year</u> | <u>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Parish Rate</u> | <u>State Rate</u> |
|-------------|--------------------|-------------------|---------------------|--------------------|-------------------|
| 2016 | 114,488 | 107,456 | 7,032 | 6.1% | 6.1% |
| 2017 | 113,286 | 107,751 | 5,535 | 4.9% | 5.1% |
| 2018 | 114,483 | 109,435 | 5,048 | 4.4% | 4.8% |
| 2019 | 115,923 | 111,100 | 4,823 | 4.2% | 4.6% |
| 2020 | 113,811 | 105,742 | 8,069 | 7.1% | 8.3% |

The preliminary figures for Lafayette Parish for July 2021 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> |
|--------------|--------------------|-------------------|---------------------|--------------------|-------------------|
| 07/21 | 116,065 | 110,232 | 5,833 | 5.0% | 6.6%* |

The preliminary figures for the Lafayette Metropolitan Statistical Area (“MSA”) for July 2021 were reported as follows:

| <u>Month</u> | <u>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>MSA Rate</u> | <u>State Rate</u> |
|--------------|--------------------|-------------------|---------------------|-----------------|-------------------|
| 07/21 | 215,060 | 202,979 | 12,081 | 5.6% | 6.6%* |

* Seasonally adjusted.

Source: Louisiana Workforce Commission. August 27, 2021.

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>Preliminary July 2021</u> | <u>Revised June 2021</u> | <u>July 2020</u> |
|------------------------------------|----------------------------------|------------------------------|------------------|
| Mining & Logging | 10.2 | 10.0 | 10.0 |
| Construction | 9.5 | 9.4 | 8.9 |
| Manufacturing | 13.4 | 13.4 | 13.8 |
| Trade, Transportation & Utilities | 39.2 | 39.6 | 39.0 |
| Information | 2.0 | 2.0 | 2.0 |
| Financial Activities | 10.1 | 10.0 | 10.4 |
| Professional and Business Services | 22.3 | 22.3 | 20.8 |
| Educational and Health Services | 34.4 | 34.1 | 31.6 |
| Leisure and Hospitality | 19.8 | 20.1 | 18.0 |
| Other Services | 6.9 | 6.9 | 6.6 |
| Government | <u>25.0</u> | <u>25.1</u> | <u>25.5</u> |
| Total | <u>192.8</u> | <u>192.9</u> | <u>186.6</u> |

Source: Louisiana Workforce Commission.

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

| <u>Name of Employer</u> | <u>Type of Business</u> | <u>Approximate No. of Employees</u> |
|---|-------------------------|---|
| 1. Lafayette Parish School System | Education | 4,322 |
| 2. Ochsner Lafayette General | Health Care | 4,078 |
| 3. Our Lady of Lourdes Regl Med | Health Care | 2,800 |
| 4. Lafayette Consolidated Government | Government | 2,500 |
| 5. University of Louisiana at Lafayette | Education | 2,426 |
| 6. WHC Energy Services | Higher Education | 1,505 |
| 7. WalMart Companies | Retail | 1,165 |
| 8. Stuller Inc. | Jewelry Manufacturing | 1,061 |
| 9. Lafayette Parish Government (not part of LCG)* | Government | 1,031 |
| 10. Superior Energy Services | Energy Services | 834 |

Source: Lafayette City-Parish Consolidated Government.

*Note: Lafayette Parish Government (not part of LCG) includes Clerk of Court, Assessor and Sheriff’s Offices.

There can be no assurance that any employer listed will continue to locate in the Parish or continue employment at the level stated.

GENERAL REMARKS

The City

The City is located in the heart of Acadiana, an eight parish area in the center of southern Louisiana, between New Orleans and Houston. The region was settled in 1763 by exiled Acadians from Nova Scotia. French and Acadian culture, handwork and traditions are very much in evidence in and around the City and both French and English languages are still spoken.

City-Parish Government

On November 2, 1992, the voters of the Parish approved a home-rule charter that merged the governing authorities of the City of Lafayette and the Parish of Lafayette effective June 3, 1996.

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 Lafayette City Council (the “City Council”) and/or the Lafayette Parish Council (the “Parish Council”) approve various organizational changes. In May 1998, the Lafayette City-Parish Council adopted an ordinance providing for the reorganization of certain functions and departments under the Charter.

On December 8, 2018, the voters of the Parish and the City ratified amendments to the Charter which provides the rules of governance for the City and the Parish. Pursuant to the Charter amendments ratified by the voters, the Lafayette City-Parish Council was replaced by the City Council, which serves as governing authority of the City, and the Parish Council, which serves as governing authority of the Parish. Furthermore, the City Council and the Parish Council, jointly, serve as the governing authority for LCG. The LCG chief executive remains the Mayor-President. *There was no change in the corporate status of the City nor any change in the revenues providing the security for the Bonds that are the subject of this Official Statement.*

The Governing Authority of the City is the City Council, consisting of five members elected from five single member districts. The names of the incumbent Mayor-President and City Council members are listed on the title page to this Official Statement.

Industry, Commerce and Agriculture

The City is the natural economic, commercial, agricultural, retail and cultural center of the region because of its location as the geographic center of Acadiana. The Parish’s location between New Orleans and Houston and its proximity to the largest and richest oilfields in Louisiana and the Gulf of Mexico make the oil industry a factor in the City’s economy. However, the City’s employment has significantly diversified over the years and today mining represents 10% of employment. Also, the City’s economy is largely driven by its position as a major regional trade and retail center serving the southwest region of Louisiana, which includes Lafayette Parish and surrounding areas, with an estimated population of over 878,000 people. A third significant factor in the City’s economy is 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 2020 (Fall Semester) enrollment of approximately 19,178 full-time and part-time students.

With its excellent climate and soil, Lafayette Parish is a strong agricultural area in the State. The main crops are soy beans, rice, wheat and corn. Dairy and beef cattle, sheep and hogs are raised extensively throughout the Parish.

Lafayette’s unique culture and quality of life draws thousands of visitors to Lafayette. It is well-known for its great food, music, and festivals, along with many historical attractions, museums and art exhibitions. The “Acadian Village” is a replica of a Cajun settlement, with homes and buildings, their furnishings, all

reflecting the Cajun living conditions of yore. Vermilionville Living History Museum is a similar tourist attraction located on the beautiful grounds on the banks of Bayou 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 International 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 Créoles is a weekend festival featuring Cajun, Creole, and Zydeco musicians.

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**GENERAL UTILITIES REVENUE
BOND ORDINANCE NO. O-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 Chief Financial Officer 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 Clerk of the City Council.

“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 Mayor-President, and the Clerk of the Council and the Chairman of the Lafayette City Council or any officers of the Issuer or its successor designated by Supplemental Ordinance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (c) Bonds in exchange for or *in lieu* of which other Bonds have been registered and delivered pursuant to the Ordinance; and
- (d) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in the Ordinance or by law.

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

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

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

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

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

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

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

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

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

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

“Qualified Independent Consultant” means any one or more qualified and recognized independent consultants or firm of consultants (which may include, without limitation, independent accountants and engineers), having favorable repute, skill and experience with respect to the acts and duties required of a Qualified

Independent Consultant by a particular section or sections of this Ordinance, as shall from time to time be retained by the Issuer for the purposes hereof. It may be the Consulting Engineer described in Article VIII.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“State” means the State of Louisiana.

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

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

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

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

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

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

“Utilities System” means the revenue producing public utilities system of the Issuer consisting of the combined waterworks plants and system, the electric power and light plant and systems, and sewer system, including specifically all properties of every nature owned, leased or operated by the Issuer and used or useful in the operation of its complete waterworks plants and system, electric power and light plants and system and sewer systems, as said plants and systems now exist and as they may be improved, extended or supplemented from any source including the proceeds of bonds, and including all real estate, personal and intangible properties, contracts, franchises, leases and choses in action, and including any right to use the capacity from any facilities or services thereof, and all properties now or hereafter operated by the Issuer under lease or agreement with any other individual, joint venture, partnership or corporation, public or private, as 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 Mayor-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) Mayor-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 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 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 Mayor-President, the elapse of ten (10) days after receipt by the Lafayette Mayor-President without signature or veto, or upon an override of a veto, whichever occurs first.

APPENDIX D

CONSULTING ENGINEER'S REPORT

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Consulting Engineer's Report Revenue Refunding Bonds Series 2021



Lafayette Utilities System, Louisiana Public Power Authority, and LUS Fiber

**Consulting Engineer's Report: Revenue Refunding Bonds Series 2021
Project No. 137018**

9/14/2021



Consulting Engineer's Report Revenue Refunding Bonds Series 2021

prepared for

**Lafayette Utilities System, Louisiana Public Power
Authority, and LUS Fiber
Consulting Engineer's Report: Revenue Refunding Bonds
Series 2021
Lafayette, Louisiana
Project No. 137018**

**Final
9/14/2021**

prepared by

**Burns & McDonnell Engineering Company, Inc.
Kansas City, Missouri**

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LIST OF ABBREVIATIONS

| <u>Abbreviation</u> | <u>Term/Phrase/Name</u> |
|----------------------------|---|
| °F | Degrees Fahrenheit |
| A&G | Administrative and General |
| ACE | Affordable Clean Energy |
| ACSR | Aluminum-conductor steel-reinforced cable |
| ACTP | Ambassador Caffery Treatment Plant |
| ADMS | Advanced Distribution Management System |
| AMI | Advanced Metering Infrastructure |
| AO | Administrative Order |
| APPA | American Public Power Association |
| AWIA | America's Water Infrastructure Act |
| AWWA | American Water Works Association |
| BOD5 | Biological oxygen demand |
| Bond Ordinances | General Bond Ordinance |
| Bonin | Louis "Doc" Bonin Generation Station |
| BPA | Blanket Purchase Agreement |
| Burns & McDonnell | Burns & McDonnell Engineering Company, Inc. |
| CAFR | Comprehensive Annual Financial Report |
| CAIDI | Customer Average Interruption Duration Index |
| CATV | Cable television |
| CBRS | Citizens Broadband Radio Service |
| CCR | Coal Combustion Residuals |
| CCR | Consumer Confidence Report |
| CCTV | Closed-circuit television video |
| CEMS | Continuous emission monitoring system |
| Charter | Home Rule Charter |
| CIP | Capital Improvement Program |
| City/Lafayette | City of Lafayette, Louisiana |
| CMOM | Capacity, Management, Operations, and Maintenance Program |
| CO2 | Carbon dioxide |
| Commission Boulevard | Commission Boulevard Remote Site |
| CPP | Clean Power Plan |
| CSAPR | Cross State Air Pollution Rule |
| DA | Deaerator |
| DBPR | Disinfectants and Disinfection Byproducts Rule |
| Demin | Demineralized water |
| DSC | Debt service coverage |
| DSCR | Debt service coverage ratio |

| <u>Abbreviation</u> | <u>Term/Phrase/Name</u> |
|----------------------------|---|
| DVR | Digital video recorder |
| EDA | U.S. Department of Commerce's Economic Development Administration |
| EGU | Electric Generating Unit |
| ELG | Effluent limitation guidelines |
| EMMA | Electronic Municipal Market Access |
| EMS | Energy management system |
| EPA | Environmental Protection Agency |
| ERP | Emergency Response Plan |
| ESP | Electro-static precipitator |
| ESRI | Environmental Systems Research Institute |
| ESTP | East Sewage Treatment Plant |
| Fair Completion Act | The Local Government Fair Completion Act |
| FC | Fuel Charge |
| FCC | Federal Communications Commission |
| FCI | Faulted circuit indicators |
| FEMA | Federal Emergency Management Agency |
| FGD | Flue gas desulfurization |
| FRP | Facility Response Plan |
| FTTP | Fiber-to-the-premises |
| FWH | Feed water heater |
| FY | Fiscal year |
| GAC | Granular activated carbon |
| Gbps | Gigabits per second |
| GE | General Electric |
| GIS | Geographic information system |
| Gloria Switch | Gloria Switch Remote Site |
| GOHSEP | Governor's Office of Homeland Security and Emergency Preparedness |
| GPON | Gigabit passive optical network |
| GSU | Generator step-up |
| HAA5 | Five haloacetic acids |
| HP | High pressure |
| HPBX | Hosted voice |
| HPC | High pressure combustion |
| HSE | Hot section exchanges |
| I&I | Inflow and infiltration |
| ICAP | Installed capacity |
| ILOT | In lieu of tax |
| IRP | Integrated resource plan |
| ISP | Internet service providers |

| <u>Abbreviation</u> | <u>Term/Phrase/Name</u> |
|----------------------------|--|
| kV | Kilovolts |
| LA DHH | Louisiana Department of Health and Hospitals |
| lb/hr | Pounds per hour |
| LCG | Lafayette City-Parish Consolidated Government |
| LCRR | Lead and Copper Rule Revisions |
| LDEQ | Louisiana Department of Environmental Quality |
| LiDAR | Light Detection and Ranging |
| LP | Low pressure |
| LPDES | Louisiana Pollutant Discharge Elimination System |
| LPPA | Lafayette Public Power Authority |
| LPSC | Louisiana Public Service Commission |
| LPSC Rules | LPSC Cost Allocation and Affiliate Transaction Rules |
| LPUA | Louisiana Public Utilities Authority |
| LRZ | Local Resource Zone |
| LS | Lift stations |
| LSL | Lead service line |
| LTE | Long-term evolution |
| LUS | Lafayette Utilities System |
| LUS Fiber | Communications System |
| MAIFI | Momentary Average Interruption Frequency Index |
| Mbps | Megabits per second |
| MCL | Maximum contaminant levels |
| MCR | Maximum continuous rating |
| MG | Million gallons |
| MGD | Million gallons per day |
| MISO | Midcontinent Independent System Operator, Inc. |
| MRDL | Maximum residual disinfectant level |
| MRDLG | Maximum residual disinfectant level goal |
| MSGP | Multi-Sector General Permit |
| MSRB | Municipal Securities Rulemaking Board |
| MV | Medium voltage |
| MVA | Megavolt amperes |
| MW | Megawatts of electricity |
| NAAQS | National Ambient Air Quality Standards |
| NAICS | North American Industry Classification System |
| NERC | North American Electric Reliability Corporation |
| NERC CIP | NERC Critical Infrastructure Protection |
| NETP | Northeast Treatment Plant |
| NOV | Notice of Violation |

| <u>Abbreviation</u> | <u>Term/Phrase/Name</u> |
|----------------------------|---|
| NO _x | Nitrous oxide |
| NSPS | New Source Performance Standards |
| NTEC | Navajo Transitional Energy Company |
| NWP | North Water Treatment Plant |
| O&M | Operations and Maintenance Expense |
| O&P | Operations and Planning |
| OLT | Optical terminal |
| OMS | Outage Monitoring System |
| OSI | Open Systems International, Inc. |
| Parish | Lafayette Parish |
| PCCC | Permanently Ceasing Coal Combustion |
| PFAS | Polyfluoroalkyl substances |
| PIAL | Property Insurance Association of Louisiana |
| POMS | Power Outage Monitoring System |
| PON | Passive optical network |
| POTW | Publicly owned treatment works |
| PRB | Powder River Basin |
| PRI | Primary Rate Interface |
| psig | Pounds per square inch gauge |
| PVC | Polyvinyl chloride |
| RATA | Relative Testing Accuracy Audit |
| RCRA | Resource Conservation and Recovery Act |
| Report | Consulting Engineer's Comprehensive Annual Report |
| RRA | Risk and Resilience Assessment |
| SAIDI | System Average Interruption Duration Index |
| SAIFI | System Average Interruption Frequency Index |
| SBR | Sequencing batch reactors |
| SCADA | Supervisory control and data acquisition |
| SEC | Securities and Exchange Commission |
| SNCR | Selective non-catalytic reduction |
| SO ₂ | Sulfur dioxide |
| SPCC | Spill Prevention, Control, and Countermeasure |
| SPRINT | General Electric's Spray Intercooling system |
| SSTP | South Sewage Treatment Plant |
| STG | Steam turbine generator |
| SWP | South Water Treatment Plant |
| SWPA | Southwestern Power Administration |
| TAS | Turbine Air Systems |

| <u>Abbreviation</u> | <u>Term/Phrase/Name</u> |
|----------------------------|---|
| TDS | Total dissolved solids |
| TEA | The Energy Authority |
| TIER | Times interest earned ratio |
| TPL | Transmission planning |
| TSS | Total suspended solids |
| TTHM | Total trihalomethanes |
| UCMR | Unregulated Contaminant Monitoring Rule |
| UF | Ultra filtration |
| Utilities System | Lafayette Utilities Systems Electric, Water, and Wastewater Systems |
| VSV | Variable stator vane |
| WWTP | Wastewater treatment plants |

1.0 INTRODUCTION

Burns & McDonnell Engineering Company (Burns & McDonnell) presents this report (“Report”) of our technical, operational, and financial due diligence studies concerning the proposals by the City of Lafayette, Louisiana (“City”) and the Louisiana Public Power Authority (“LPPA”) to issue revenue refunding bonds for Lafayette Utilities System (LUS), LPPA, and the Communications System also referred to as LUS Fiber within this document.

1.1 LUS Bonds Refunding

The City of Lafayette is proposing to issue its Utilities Revenue Refunding Bonds, Series 2021 (“LUS Series 2021 Refunding Bonds”) in the principal amount of \$78,040,000. The LUS Series 2021 Refunding Bonds are being issued pursuant to an ordinance adopted by the Lafayette City-Parish Council (“Council”) on September 21, 2021 (“LUS Series 2021 Refunding Ordinance”). The LUS Series 2021 Refunding Bonds will refund the existing LUS Series 2012 Bonds.

1.2 LPPA Bonds Refunding

The City of Lafayette and its political subdivision LPPA are proposing to issue LPPA’s Electric Revenue Refunding Bonds, Series 2021 (“LPPA Series 2021 Refunding Bonds”) in the principal amount of \$38,625,000. The LPPA Series 2021 Refunding Bonds are being issued by LPPA in accordance with the terms of Ordinance No. O-LPPA-122 adopted on December 22, 1981 (“General Bond Ordinance”) and a new ordinance adopted on September 21, 2021 (the “LPPA Series 2021 Refunding Ordinance”, and together with the General Bond Ordinance, the “Bond Ordinance”). The LPPA Series 2021 Refunding Bonds will refund the existing LPPA Series 2012 Bonds.

1.3 LUS Fiber Bonds Refunding

The City of Lafayette is proposing to issue its Communications System Revenue Refunding Bonds, Series 2021 (“LUS Fiber Series 2021 Refunding Bonds”) in the principal amount of \$13,835,000. The LUS Fiber Series 2021 Refunding Bonds are being issued pursuant to an ordinance adopted by the Lafayette City-Parish Council (“Council”) on September 21, 2021 as supplemented by a First Ordinance adopted on June 12, 2007 and a Second Supplemental Ordinance adopted on September 21, 2021 (collectively, “Bond Ordinance”). The LUS Fiber Series 2021 Refunding Bonds will refund the existing LUS Fiber Series 2012 Bonds.

1.4 LUS, LPPA, and LUS Fiber Governance

The Lafayette Parish (“Parish”) electorate and the City of Lafayette, Louisiana, (“City” or “Lafayette”) adopted the Home Rule Charter (“Charter”) to consolidate the City and Parish governmental functions as of 1996, thereafter known as the Lafayette Consolidated Government (“LCG”). LCG is governed by a Mayor-President and City-Parish Council members. The Mayor-President and Chief Administrative Officer supervise the administration of departments, offices, and agencies of LCG. Certain provisions provided by LCG to the City and Parish are shared. Certain departments of LCG are involved in day-to-day support of the management of LUS. The City Council is the governing authority for LUS, LPPA, and LUS Fiber. The City owns the Utilities System and the Communications System assets, whereas LPPA is a political subdivision of the State of Louisiana. LCG manages and operates the Utilities System and Communications System as distinct departments in its organizational structure. The Utilities Department is responsible for the Utilities System while the Communications Department is responsible for the Communications System management and operations. Other LCG departments perform certain functions to provide support for LUS operations.

1.5 Lafayette Utilities System

The City is the owner of the LUS which includes the Electric System (including generation, transmission, and distribution facilities), the Water System (including supply, treatment, distribution, and storage facilities), and the Wastewater System (including wastewater collection and treatment facilities) (collectively, the Utilities System). Upon consolidation of the City and Parish governing authorities into LCG, it was specifically recognized that the Charter should accommodate for the governing of LUS, which is a City utility system. The Electric Utility, Water System, and Wastewater System are financed by the Utilities System revenue bonds.

1.6 Lafayette Public Power Authority

The City Council is the governing authority of LPPA. LPPA is a political subdivision of the State of Louisiana and was created in 1976 for the purpose of financing electric generation facilities to provide power to the City’s electric system. LPPA provides the output of these generating facilities to LCG through a wholesale power sales agreement. The only generating facilities owned by LPPA include Rodemacher No. 2 which is described in more detail in Section 4 of this Report.

1.7 LUS Fiber

The Communications System, also referred to as LUS Fiber, offers an array of services in the competitive wholesale and retail markets including fiber leases, wholesale broadband, and retail customer services. The Communications System offered a new streaming service, connecTV , in 2019. In the retail market,

the Communications System offers the “triple play” of services. The “triple play” is a common term in the industry that refers to cable television (“CATV”), telephone, and Internet services. Additional internet content streaming services are now offered as well. The backbone of the system includes a 70-mile fiber backbone with direct connections to national, major Tier 1 broadband providers. The retail portion of the Communications System includes over 800 miles of overhead and underground fiber lines along City streets, along with associated equipment. The system also consists of a major headend facility, including satellite dishes and electronics, along with backup power and connection to at least three long haul connections with major Internet carriers. The Communication System consists of a separate Communications Services Enterprise Fund with a separate and distinct set of accounts, funds, and bond pledges. The Communication System is financed by the Communication System revenue bonds

1.8 Burns & McDonnell Scope of Work

The LCG retained Burns & McDonnell, as its Consulting Engineer in January 2021. The LUS General Bond Ordinance, and Communications System General Bond Ordinance (collectively, the “Bond Ordinances”) set forth specific duties and responsibilities of the Consulting Engineer, which include advising LUS on its appointment of a Chief Operating Officer, providing continuous engineering counsel to the LCG in connection with operations of the Utilities System and Communications System, advising on rate revisions, and preparing an annual comprehensive report on the operations of LUS and LUS Fiber after the close of each fiscal year (“FY”).

The Consulting Engineer also supports LCG in the preparation of bond feasibility studies for new and refunding bonds. The analyses and investigations completed by Burns & McDonnell in the performance of its due diligence reviews and assessments of LUS, LPPA, and LUS Fiber are included in Sections 2 through 7 of this report and are materially the same as those included in the 2021 Annual Consulting Engineers Report issued to LCG on April 30, 2021. The financial projections summarized in Section 8 of this report incorporate the new bond refunding debt service proposed for October 2021.

1.9 Authorization and Purpose of the Bonds

The City and LPPA are proposing to issue the LUS Series 2021 Refunding Bonds, LPPA Series 2021 Refunding Bonds, and LUS Fiber Series 2021 Refunding Bonds for the purpose of refunding the existing LUS Series 2012 Bonds, LPPA Series 2012 Bonds, and LUS Fiber Series 2012 Bonds, respectively. The expected sources and uses of the Series 2021 Bonds are presented in the tables below. All bond refunding sources, uses, and amortization schedules were provided to by Stifel to Burns & McDonnell on September 2, 2021.

Table 1-1: Estimated Sources and Uses of LUS Series 2021 Refunding Bonds

| <u>Sources of Funds</u> | |
|--|--------------|
| Par Amount of Bonds | \$78,040,000 |
| Reoffering Premium | \$2,102,390 |
| Transfers from Prior Issue DSR Funds | \$17,327,531 |
| Total Sources | \$97,469,920 |
| <u>Uses of Funds</u> | |
| Total Underwriter's Discount (0.700%) | \$546,280 |
| Costs of Issuance | \$609,014 |
| Gross Bond Insurance Premium (15.0 bp) | \$127,433 |
| Deposit to Debt Service Reserve Fund (DSRF) | \$14,624,557 |
| Deposit to Net Cash Escrow Fund | \$81,562,223 |
| Rounding Amount | \$414 |
| Total Uses | \$97,469,920 |
| Source: Underwriter | |
| (1) Total LUS savings from bond refunding is \$10.6 million | |
| (2) Sources and uses provided by Stifel on September 2, 2021 | |

Table 1-2: Estimated Sources and Uses of LPPA Series 2021 Refunding Bonds

| <u>Sources of Funds</u> | |
|--|--------------|
| Par Amount of Bonds | \$38,625,000 |
| Reoffering Premium | \$408,625 |
| Transfers from Prior Issue DSR Funds | \$9,548,000 |
| Total Sources | \$48,581,625 |
| <u>Uses of Funds</u> | |
| Total Underwriter's Discount (0.700%) | \$270,375 |
| Costs of Issuance | \$286,503 |
| Gross Bond Insurance Premium (20.0 bp) | \$87,647 |
| Deposit to Debt Service Reserve Fund (DSRF) | \$7,065,500 |
| Deposit to Net Cash Escrow Fund | \$40,870,696 |
| Rounding Amount | \$904 |
| Total Uses | \$48,581,625 |
| Source: Underwriter | |
| (1) Total LPPA savings from bond refunding is \$7.8 million | |
| (2) Sources and uses provided by Stifel on September 2, 2021 | |

Table 1-3: Estimated Sources and Uses of LUS Fiber Series 2021 Refunding Bonds

| <u>Sources of Funds</u> | |
|--|--------------|
| Par Amount of Bonds | \$13,835,000 |
| Reoffering Premium | \$1,138,560 |
| Total Sources | \$14,973,560 |
| <u>Uses of Funds</u> | |
| Total Underwriter's Discount (0.700%) | \$103,763 |
| Costs of Issuance | \$180,506 |
| Gross Bond Insurance Premium (35.0 bp) | \$57,421 |
| Deposit to Current Refunding Fund | \$14,626,172 |
| Rounding Amount | \$5,698 |
| Total Uses | \$14,973,560 |
| Source: Underwriter | |
| (1) Total LUS Fiber savings from bond refunding is \$2.7 million | |
| (2) Sources and uses provided by Stifel on September 2, 2021 | |

1.10 Utilities System Overall Performance

LUS continued to experience modest customer growth across its electric, water and wastewater utility systems in FY 2020 with total customer count growth slightly over one percent. LUS experienced some declines in sales per customer in early spring 2020 due to the COVID-19 pandemic; however, use per customer has begun to resume back to pre-pandemic levels.

LUS experienced a 6 percent decline in total system revenues in FY 2020, primarily due a 7.5 percent reduction in electric revenues. Water revenues increased by nearly 1 percent, while wastewater revenues realized a decline of approximately 3 percent. The decrease in revenues was due to declines both in reduced use per customer in the commercial classes and a lower fuel charge. The water system benefitted from increased wholesale sales. No retail rate changes occurred in FY 2020.

LUS FY 2020 revenues and expenses were both lower than originally budgeted which helped to maintain strong cash flows. Lower revenues were offset by lower operating expenses including lower power supply expenses, lower water and wastewater production costs, and temporary reductions in non-variable O&M expenses. In addition to lower expenses, actual capital spending was less than anticipated for FY 2020.

LUS's financial performance remained relatively strong in FY 2020 and steadily improved throughout the year. LUS continues to maintain a strong debt service coverage ("DSC") ratio over 3.0 and has sufficient cash to fund its operating and capital expenditures.

1.11 Communication System Overall Performance

Since 2016, the Communications System's number of accounts increased at a compound annual rate of 4.9 percent, totaling 20,412 retail accounts in 2019. At the current customer levels, the Communications System generates sufficient revenues to meet operating and maintenance expenses, debt service, capital improvements, inter-utility loan payments, imputed taxes, and all other financial obligations. The Communications System's operating expenses are holding steady while revenue continues to grow. Further, LUS Fiber's profit margin is sufficient to allow the Communications System to spend \$2 million per year on continued network expansion.

The Communications System's cash flow reserves are sufficient to cover all remaining liabilities related to the 2018 to 2019 attest audit, and revenue trends suggest LUS Fiber will continue to generate positive cash flow beyond 2022, when bond payments will grow from \$9.4 million to \$10.6 million per year.

Over the past year, the COVID-19 pandemic has accelerated the cord-cutting trend (both in the Lafayette market and nationwide), leading to higher-than-expected churn of video subscribers. However, growth in

the Communications System's internet subscribers and migration of existing customers to higher bandwidth tiers has more than made up for shrinking video revenue.

As of the writing of this Report, LUS Fiber has achieved a residential internet take-rate (i.e., the percentage of eligible premises that subscribe to service) in line with what other fiber-to-the-premises operators (both municipally owned and private) have achieved in other markets with a capable cable competitor. Increased demand for upload capacity—which is a competitive advantage of the Communications System's fiber technology—may help fuel continued growth.

From a technical standpoint, the network has sufficient excess network capacity to support numerous additional lit and/or dark fiber customers. And given that most of the Communications System's costs are fixed and do not vary when new customers are added, revenues associated with customer growth above current levels likely will further improve the system's financial performance.

In addition, LUS Fiber was recently awarded a \$3.1 million grant from the U.S. Department of Commerce's Economic Development Administration ("EDA") to fund additional network expansion in Lafayette, St. Martin, and Iberia Parishes.

1.12 Report Organization

This Report has been organized as presented below. The contents of Sections 2 through 7 are materially the same as information included in the 2021 Consulting Engineers Annual Report issued on April 30, 2021.

- Section 1 – Introduction to the Report that describes the purpose of the report, the description and purpose of the refunding bonds, and a brief description of the entities issuing the bonds.
- Section 2 – Governance, Organization, Management, and Revenue Pledge describes the organizational structure and management team of LUS, which oversees the operation of the Utilities System and Communications System, including the governance and shared services provided by LCG.
- Section 3 – Utilities System provides an overview of the combined electric, water, and wastewater operations that comprise the Utilities System, including historical financial performance.
- Section 4 – Electric System provides an in-depth review of Electric System operations, system condition, rate comparisons, performance benchmarking, and financial performance and contribution to the Utilities System revenue pledge.
- Section 5 – Water System provides an in-depth review of Water System operations, system condition, rate comparisons, and financial performance and contribution to the Utilities System revenue pledge.

- Section 6 – Wastewater System provides an in-depth review of Wastewater System operations, system condition, rate comparisons, and financial performance and contribution to the Utilities System revenue pledge.
- Section 7 – Communications System provides an in-depth review of the LUS Fiber internet, telephone, and cables businesses including an assessment of market share, service offerings, price competitiveness, and financial performance in support of the Communications System revenue pledge.
- Section 8 – Projections of Financial Results and Conclusions in support of the Series 2021 Bond Refunding's. This section includes projections of revenues, expenses, debt service coverage, observations and conclusions on the bond refunding for LUS, LPPA, and LUS Fiber.

1.13 Statement of Limitations

Burns & McDonnell performs or provides business, technology, engineering, and consulting services. Burns & McDonnell does not provide legal, accounting, or tax advice. The reader is responsible for obtaining independent advice concerning these matters. That advice should be considered by reader, as it may affect the content, opinions, advice, or guidance given by Burns & McDonnell. Further, Burns & McDonnell has no obligation and has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate. These materials serve only as the focus for consideration or discussion; they are incomplete without the accompanying oral commentary or explanation and may not be relied on as a stand-alone document.

The information, analysis, and opinions contained in this material are based on publicly available sources, secondary market research, and financial or operational information, or otherwise information provided by or through Burns & McDonnell clients whom have represented to Burns & McDonnell they have received appropriate permissions to provide to Burns & McDonnell, and as directed by such clients, that Burns & McDonnell is to rely on such client provided information as current, accurate, and complete. Burns & McDonnell has not conducted complete or exhaustive research, or independently verified any such information utilized herein and makes no representation or warranty, express or implied, that such information is current, accurate or complete. Projected data and conclusions contained herein are based (unless sourced otherwise) on the information described above and are the opinions of Burns & McDonnell which should not be construed as definitive forecasts and are not guaranteed.

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2.0 GOVERNANCE, ORGANIZATION, AND MANAGEMENT

2.1 Governance

The Lafayette Parish (the “Parish”) electorate and the City of Lafayette, Louisiana, (“City” or “Lafayette”) adopted the Home Rule Charter (“Charter”) to consolidate the City and Parish governmental functions as of 1996. The Charter defined the LCG departmental structure. LCG manages and operates the Utilities System and Communications System through its departmental structure. The Utilities Department is responsible for the Utilities System while the Communications Department is responsible for the Communications System management and operations. Other LCG departments perform certain functions to and provide support for LUS operations, such as the Chief Administrative Officer, which includes human resources, the Office of Finance and Management, which includes accounting, budget management, purchasing and property management, and risk management and group insurance, and the Legal Department. The City owns the Utilities System and the Communications System assets. LCG operates on a FY beginning November 1 and ending on October 31 of the following year. While LUS was governed under the 1996 Home Rule Charter during the FY 2019 period, in January 2020, a new Home Rule Charter was implemented which modified the governance structure to that which is described in this report.

Now, LCG is currently governed by a Mayor-President and City-Parish Council members that are elected by the Parish and the City to four-year terms of office. The Lafayette City Council consists of five members who are serving as the governing authority for the City and the Lafayette Parish Council consists of five members who are serving as the governing authority for the Parish. The City Council and the Parish Council, jointly, serve as the governing authority for LCG. The Mayor-President leads LCG along with the City Council and Parish Council. The City Council is the governing authority for LUS, LPPA, and LUS Fiber. The Mayor-President appoints the Director of Utilities and Communications, with such appointment for the Director of Utilities subject to ratification by the City Council. Certain provisions provided by LCG to the City and Parish are shared such as finance, accounting, administration, human resources, legal, and insurance . The Mayor-President and Chief Administrative Officer supervise the administration of departments, offices, and agencies of LCG. Certain departments of LCG are involved in day-to-day support of the management of LUS. The current members of the City-Parish Council are presented in Table 2-1.

Table 2-1: City-Parish Council Members

| <u>City Council</u> | <u>Parish Council</u> |
|---------------------|-----------------------|
| Pat Lewis | Bryan Tabor |
| Andy Naquin | Kevin Naquin |
| Liz Hebert | Joshua Carlson |
| Nanette Cook | John J. Guilbeau |
| Glenn Lazard | Abraham Rubin, Jr. |

The City Council is the governing authority of LPPA. LPPA is a political subdivision of the State of Louisiana and was created in 1976 for the purpose of financing electric generation facilities to provide power to the City’s electric system. LPPA provides the output of these generating facilities to LCG through a wholesale power sales agreement. The only generating facilities owned by LPPA include Rodemacher No. 2 which is described in more detail in the Electric Utility Section of this Report.

The City is the owner of the Electric System (including generation, transmission, and distribution facilities), the Water System (including supply, treatment, distribution, and storage facilities), and the Wastewater System (including wastewater collection and treatment facilities) (collectively, the Utilities System), as well as the Communications System. Upon consolidation of the City and Parish governing authorities into LCG, it was specifically recognized that the Charter should accommodate for the governing of LUS, which is a City utility system. The Electric Utility, Water System, and Wastewater System are financed by the Utilities System revenue bonds.

The Communications System offers an array of services in the competitive wholesale and retail markets including fiber leases, wholesale broadband, and retail customer services. The Communications System offered a new streaming service, connecTV, in 2019. In the retail market, the Communications System offers the “triple play” of services. The “triple play” is a common term in the industry that refers to cable television (“CATV”), telephone, and Internet services. Additional internet content streaming services are now offered as well. The backbone of the system includes a 70-mile fiber backbone with direct connections to national, major Tier 1 broadband providers. The retail portion of the Communications System includes over 800 miles of overhead and underground fiber lines along City streets, along with associated equipment. The system also consists of a major headend facility, including satellite dishes and electronics, along with backup power and connection to at least three long haul connections with major

Internet carriers. The Communication System consists of a separate Communications Services Enterprise Fund with a separate and distinct set of accounts, funds, and bond pledges. The Communication System is financed by the Communication System revenue bonds.

2.2 Operating and Capital Budgeting

The budgeting process begins in early April of each year with each LCG department preparing and submitting their proposed operating and capital budgets. Many departments begin working on their own budgets prior to April. By the end of July, the administration of LCG presents a proposed budget to the City-Parish Council for consideration. The City-Parish Council then holds a series of budget review meetings where changes may be considered to the proposed budget. Per the Charter requirements, the budget must be presented to the City-Parish Council at least 90 days prior to the beginning of each FY and adopted no later than the second to last regular meeting of the FY. A final budget is typically adopted in late September.

The operating portion of the budget contains projections of revenues and expenses. Each division within LUS and LUS Fiber estimates their expenses for the upcoming FY and submits their estimates to LUS and LUS Fiber management. LUS and LUS Fiber management then compile the projections for each division and submit the document to LCG. Each year, the Utilities System and Communications System develop a five-year capital improvement program (CIP). The CIP is reviewed, updated, and budgeted annually. These budgets are normally finalized after the completion of this Report. Forecasts of revenues, expenses, and capital contained within the continuing disclosures within this report are based on previous budgets and projections which are subject to change during the budgeting process.

2.3 Service Territory

LUS provides electric, water, and wastewater utility service to customers primarily within the City limits. LUS also services some electric, water, and wastewater customers outside the City limits but within the Parish limits. As of October 31, 2020, LUS served 69,364 electric accounts, 57,412 water accounts, and 46,133 wastewater accounts.

LCG has franchise agreements and street lighting agreements with the City of Broussard and the City of Youngsville for electric service. LUS provides street lighting service to both cities and provides services to new residential and commercial developments within these cities.

LUS serves retail water customers inside and outside the City limits while providing wholesale water for other parish water distribution companies which are described in more detail later in this report.

LUS serves wastewater customers inside and outside the City limits. In addition, LUS serves localized (e.g., residential subdivision) packaged wastewater treatment systems.

The Communications System services are generally offered within the City limits, but have expanded to new subdivisions outside the City. At the end of October 2020, the Communications System served approximately 34 wholesale accounts and over 20,000 retail accounts with CATV, telephone, Internet, or some combination of the three. The Communications System continues to show notable positive growth each year. The Communications System attained franchise status in November 2017 throughout the Parish and offers communications service to the City of Broussard, City of Youngsville, City of Carencro, and unincorporated areas in the Parish. The Communications System is continuing to build out targeted areas and was recently awarded a grant to build out the Communications System to serve new underserved areas in neighboring Parishes.

2.4 Management and Organization

The Utilities System is a department of LCG and is managed and operated in accordance with the Charter and provisions of the current Utilities System General Bond Ordinance. The “Flow of Funds” set forth in the General Bond Ordinance specifies how to treat revenues and related margins resulting from LUS operations. Available margins, once O&M expenses have been paid, are first required to meet debt service and reserve fund 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 ILOT. The Lafayette Public Utilities Authority (“LPUA”) historically approved LUS budgets and issued debt as approved by the Mayor-President and City-Parish Council. Beginning in January 2020, the City Council assumed LPUA’s responsibilities with respect to the Utilities System, in addition to approval of rates and has been fulfilling this responsibility through most of FY 2020.

The Communications System is a separate department of LCG and is managed and operated in accordance with the Charter and provisions of the current Communications System General Bond Ordinance. The “Flow of Funds” set forth in the General Bond Ordinance specifies how to treat revenues and related margins resulting from Communications System operations. Available margins, once O&M expenses were paid, are first required to meet debt service and reserve fund obligations, then a formula is applied to determine amounts for capital improvements and replacements funding, and the Imputed taxes. Historically LPUA approved the Communications System budgets, and issued debt as approved by the Mayor-President and City-Parish Council. Beginning in January 2020, the City Council assumed LPUA’s

responsibilities with respect to the Communications System and has been fulfilling this responsibility through most of FY 2020.

The Utilities Director and Communication System Director are both appointed by the Mayor-President with the Director of Utilities appointment subject to ratification by the City Council. The Consulting Engineer advises the LUS in its appointment of a Chief Operating Officer of the Utilities System, per the ordinance requirements, and has been fulfilling this role in FY 2021 as LUS considers permanent placements for the position.

2.4.1 LUS Organizational Structure

The Utilities System has eight functional areas reporting to the Utilities Director. These functional areas include Support Services, Customer Service, Environmental Compliance, Power Production, Electric Operations, Water Operations, Wastewater Operations, and Engineering.

LUS is managed by the Utilities Director. The Utilities Director is responsible for the management and operations of the LUS electric utility, water utility, and wastewater utility. More specifically, the Utilities Director oversees and manages electric production and distribution, water treatment and distribution, wastewater collection and treatment, utility engineering services, supervision of construction work for LUS, maintaining utility equipment in cooperation with the central garage, reading, billing and, collection of all utility meters, and other such activities as may be directed by the Mayor-President as necessary or incidental to the operation of LUS.

The current Interim Utilities Director is Mr. Lowell Duhon. Mr. Duhon graduated from the University of Louisiana at Lafayette with a B.S. and master's in business administration. Prior to serving as the Interim Utilities Director, Mr. Duhon was the Chief Administrative Officer of LCG. Prior to LCG, Mr. Duhon had experience as a Financial Consultant. Mr. Duhon has been serving in this interim role since October 2019 and will continue to fulfill this role until LUS and LCG hire a permanent Utilities Director. LUS has started the process of recruiting a permanent Utilities Director.

Division managers reporting to the Interim Utilities Director are presented below along with their credentials.

- Jeffrey Stewart – Engineering & Power Supply Manager, Power Production Manager: Mr. Stewart has over 19 years of experience at LUS and continues to serve as the Engineering & Power Supply Manager. In this position, Mr. Stewart is responsible for the supervision of all day-to-day engineering activities including Civil Engineering, Power Marketing, System Engineering and Substation

Engineering, Network Engineering, Environmental Compliance associated with power generation, and the Primary Authorized Officer for North American Electric Reliability Corporation (“NERC”) Compliance.

- Alison Alleman – Customer & Support Services Manager: Ms. Alleman has over 20 years of experience at LUS. Ms. Alleman has been serving as the Customer & Support Services Manager on an interim basis since May 2020 and permanently since November 2020. She holds a Bachelor of Science in Finance degree and a Master of Business Administration degree from the University of Louisiana at Lafayette. She 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.
- Tracy Mouton – Environmental Compliance Manager: Ms. Mouton has worked in the environmental field with the Utilities System for 27 years, serving as the Environmental Compliance Manager since July 2016. Her education includes a Bachelor of Science in Biology with a minor in chemistry from Jackson State University in Jackson, Mississippi. Ms. Mouton is responsible for ensuring environmental compliance of all LUS business operations associated with water and wastewater operations.
- Gregory A. Labbé – Electric Operations Manager: Mr. Labbé has worked with LUS for 35 years and held several positions in the Electric Operations Section. Mr. Labbé is responsible for the day-to-day operation of the electric transmission and distribution system including Transmission and Distribution Operations, Field Operations, Energy Control, Substations and Communication, Facilities Management, and the Warehouse. Mr. Labbé is a graduate of T.H. Harris Technical School in Opelousas, Louisiana.
- Craig Gautreaux – Water and Wastewater Operations Manager: Mr. Gautreaux has 36 years of experience in the civil engineering and wastewater operations industry (5 years with a private consulting firm, and 31 years with the Utilities System). Mr. Gautreaux has a master’s degree in civil engineering and is responsible for the day-to-day operation of the Water and Wastewater Systems including Water Production, Water Distribution Operations, Wastewater Treatment, and Wastewater Collection.

2.4.1.1 LUS Staffing

LUS reviews its overall staffing requirements annually and budgets overall staffing level in its annual budgetary process to continue to provide reliable and cost-effective services to customers. The LUS

staffing levels by department have been relatively stable over the last several years and appear reasonable for the size and complexity of the organization. At the end of 2020 there were several vacancies across the organization with some departments having more vacancies than others, such as the T&D group. LUS is working to fill those positions and has recently hired four additional linemen with plans to bring in additional linemen over the coming year. The personnel tables by department are contained in the LCG 2020 Budget and the LCG 2021 Budget. Table 2-2 presents the number of employees by department at the end of FY 2020 as well as the budgeted number of employees in FY 2020 and FY 2021.

Table 2-2: LUS Number of Personnel by Department

| | Personnel | | |
|-------------------------------|------------------|-------------|-------------|
| | October 31, 2020 | 2020 Budget | 2021 Budget |
| Director's Office | 2 | 2 | 2 |
| Support Services | 25 | 28 | 27 |
| Customer Service | 40 | 44 | 31 |
| Environmental Compliance | 15 | 17 | 17 |
| Power Production | 30 | 35 | 35 |
| Electric Operations | 82 | 94 | 94 |
| Water Operations | 58 | 61 | 62 |
| Wastewater Operations | 92 | 98 | 98 |
| Engineering | 75 | 81 | 81 |
| Total Utilities System | 419 | 460 | 447 |

Source: 2020 Budget, 2021 Budget, LUS Org Chart

2.4.2 LUS Fiber Organizational Structure

At the end of March 2021, Lafayette Mayor-President Josh Guillory named Ryan Meche, previously the Engineering Manager, as LUS Fiber's new Director. Mr. Meche graduated from the University of Louisiana at Lafayette with a Bachelor of Science in Electrical Engineering and is a registered Professional Engineer in Louisiana. Mr. Meche has been an employee of LUS for 17 years.

From October 14, 2019, to the end of March 2021, the Interim Communications System Director was Ms. Kayla Miles. Ms. Miles graduated from the University of Louisiana at Lafayette with a Bachelor of Arts in Public Relations. Prior to serving as the Interim Communications System Director, Ms. Miles was the Communications Support Services Administrator for Communications System.

From November 1, 2018 through October 14, 2019, the Interim Communications System Director was Ms. Teles Fremin. Ms. Fremin graduated from the University of Louisiana at Lafayette with a Bachelor of Science in Electrical Engineering and is a registered Professional Engineer in Louisiana. Ms. Fremin has been an employee of LUS for 19 years.

From July 2018 through November 1, 2018, the Communications Director was also the Interim Utilities Director at the time, Mr. Jeffrey Stewart.

Prior to July 2018, the Utilities Director was Mr. Terry Huval. Upon Mr. Huval's resignation and retirement, Mr. Jeffrey Stewart was appointed the Interim Utilities Director.

Since November 1, 2018, the Communications Director has been responsible for the Communications System operations and management. Communications System employees and facilities are organized separately from Utilities System operations; however, several services such as accounting and reporting functions are shared among the Communications System and Utilities 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 employs approximately 83 employees, reporting to 5 functional areas: Administration and Support, Operations, Warehouse, Business Support Services, and Engineering. Division managers report to Ryan Meche, the Communications System Director. Mr. Meche graduated from the University of Louisiana at Lafayette with a Bachelor of Science in Electrical Engineering and is a registered Professional Engineer in Louisiana. Mr. Meche has been an employee of LUS for 16 years. He is responsible for overseeing all matters regarding Communications System.

2.4.2.1 LUS Fiber Staffing

The staffing table below reflects the fact that the Business Support Services division took over direct management of twelve customer service personnel in FY2021. In the past, these twelve positions were included in the LUS manning table, and LUS Fiber covered the cost of these positions through the Administrative and General expense line item in LUS Fiber's budget, in accordance with LCG's cost allocation plan. These positions were not included as LUS Fiber staffing counts in the previous years' projected budget, creating the appearance of staffing level above target levels. However, setting aside the additional customer service staff, the Communications System is understaffed in each functional area by a total of six personnel.

Table 2-3: LUS Fiber Number of Personnel by Department

| | Personnel | | |
|--|------------------|-------------|-------------|
| | October 31, 2020 | 2020 Budget | 2021 Budget |
| Administration & Support | 1 | 2 | 4 |
| Operations | 31 | 37 | 34 |
| Warehouse | 2 | 3 | 3 |
| Business Support Services & Customer Service | 10 | 13 | 22 |
| Engineering | 17 | 22 | 20 |
| Total Communications System | 61 | 77 | 83 |

Source: 2020 Budget, 2021 Budget, LUS Org Chart

3.0 UTILITIES SYSTEM FINANCIAL REVIEW

3.1 System Description

LUS operates Electric, Water, and Wastewater Systems. The Electric System operates power generation, transmission, distribution, and customer assets. 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. This section of the Report provides a summary of the historical financial condition of LUS through the end of FY 2020.

3.2 Customers

LUS serves customers both within the City limits and outside the City. The Water system has wholesale agreements with several cities that are described later in this report. The Electric system has franchise agreements with the City of Broussard and City of Youngsville which allow LUS to provide service in those cities. The historical number of customers served by each utility is provided in Table 3-1. LUS has experienced modest growth over the last five years.

Table 3-1: Historical Utility Customers

| Year | Electric | Water | Wastewater | Total |
|------|----------|--------|------------|---------|
| 2016 | 66,325 | 55,851 | 44,269 | 166,445 |
| 2017 | 66,860 | 56,302 | 44,830 | 167,993 |
| 2018 | 67,243 | 56,564 | 45,019 | 168,826 |
| 2019 | 68,495 | 58,316 | 45,623 | 172,434 |
| 2020 | 69,364 | 57,412 | 46,133 | 172,909 |

Source: LUS Financial and Operating Statements

3.3 Historical Revenues

LUS generates revenues primarily from the sale of the utility services it provides. The electric utility represents approximately 75 percent of the revenues and costs of LUS while the water and wastewater utilities represent the remaining 25 percent. The historical revenues have been relatively stable for all three utilities over the last five years. Only the electric utility experienced a noticeable reduction in FY 2020 due to the COVID-19 Pandemic, however it should be noted that the revenue reduction was combined with a commensurate reduction in fuel and purchased power expenses. The historical revenues by utility are presented in Table 3-2 and include revenues from base rates, fuel charges, interest income, and other miscellaneous revenues.

Table 3-2: Historical Operating and Other Revenues

| Year | Electric Revenues | Water Revenues | Wastewater Revenues | Total Revenues |
|------|-------------------|----------------|---------------------|----------------|
| 2016 | \$174,354,151 | \$18,593,541 | \$29,144,574 | \$222,092,266 |
| 2017 | \$176,060,504 | \$19,822,196 | \$30,790,307 | \$226,673,006 |
| 2018 | \$180,955,690 | \$21,736,544 | \$32,379,226 | \$235,071,461 |
| 2019 | \$179,965,886 | \$21,369,475 | \$32,038,772 | \$233,374,132 |
| 2020 | \$166,467,519 | \$21,696,556 | \$31,122,710 | \$219,286,785 |

Source: LUS Financial and Operating Statements

3.4 Debt Service Coverage

LUS currently has several outstanding bonds that were issued for the purposes of making improvements and expansions to the three utility systems. LUS has a minimum DSC ratio of 1.0 as required by the Bond Ordinances and has continued to adequately maintain its DSC over the last five years. LUS has been making payments on the Series 2019 Bonds, Series 2017 Bonds, Series 2012 Bonds, and Series 2010 Bonds. The Series 2010 Bonds were fully redeemed by the Series 2017 Bonds on November 1, 2020. Table 3-3 presents the historical debt service coverage ratio for LUS.

Table 3-3: Historical Debt Service Coverage

| Year | Operating Revenues | Operating Expenses | Net Available Revenues | Debt Service | Debt Service Coverage Ratio |
|------|--------------------|--------------------|------------------------|--------------|-----------------------------|
| 2016 | \$222,092,266 | \$158,750,451 | \$63,341,815 | \$22,925,238 | 2.8 |
| 2017 | \$226,673,006 | \$165,998,482 | \$60,674,525 | \$21,341,835 | 2.8 |
| 2018 | \$235,071,461 | \$164,165,246 | \$70,906,215 | \$21,427,905 | 3.3 |
| 2019 | \$233,374,132 | \$152,839,402 | \$80,534,731 | \$22,732,925 | 3.5 |
| 2020 | \$219,286,785 | \$143,498,541 | \$75,788,244 | \$25,374,000 | 3.0 |

Source: LUS Financial and Operating Statements

3.5 Rate Adjustments

The current rates for LUS are presented in the LCG Code of Ordinances, Article III – Rates and Charges, Division 1. The electric, water, and wastewater utilities each have their own tariffs for each customer class and are comprised of both fixed charges and variable charges. Rates are adjusted through rates studies that are conducted every few years with rate recommendations approved by the City-Parish Council. The fuel charge within the electric utility is adjusted monthly based on the cost of fuel and purchased power and the Utility Director monitors and manages the fuel charge on a month-to-month basis to adequately recover eligible costs. The most recent rate study was completed in 2016. The study demonstrated that the utility rates would have been insufficient to recover the three utilities' costs. Therefore, each utility required a series of rates increases to be implemented over several years. As

demonstrated by the historical DSC analysis, the rate increases have provided the required revenues to be in compliance with Bond Covenants, maintain adequate cash balances, and fund the capital and operating costs of the utility. The historical approved total rate revenue adjustments by utility are presented in Table 3-4.

Table 3-4: LUS Historical Rate Adjustments

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------|------|------|------|------|------|
| Electric Retail | 0.0% | 2.8% | 2.8% | 0.0% | 0.0% |
| Water Retail | 0.0% | 7.4% | 7.2% | 0.0% | 0.0% |
| Wastewater Retail | 0.0% | 6.1% | 5.7% | 0.0% | 0.0% |

3.6 Operating and Capital Budgets

LUS prepares and submits the proposed operating and capital budget to LCG annually for approval. The operating section of the budget includes projections of revenues and expenses for the upcoming FY. The operating projections for the upcoming FY are finalized subsequent to the completion of this Report.

The CIP is included within the FY 2021 Budget and is presented in Table 3-5 as provided by LUS. The total forecasted CIP over the next five years is largely concentrated in FY 2021 and FY 2023. Forecasted CIP is anticipated to be funded through retained earnings. Additional details on the nature of the projects within the CIP are provided later within this Report for each utility.

Table 3-5: LUS 2021 Budget Projected Capital Improvement Plan

| | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Electric | | | | | | |
| Acquisitions | \$675,000 | \$400,000 | \$0 | \$0 | \$0 | \$1,075,000 |
| Production | \$1,530,000 | \$1,130,000 | \$380,000 | \$380,000 | \$880,000 | \$4,300,000 |
| Distribution | \$4,025,000 | \$2,035,000 | \$1,035,000 | \$1,035,000 | \$1,035,000 | \$9,165,000 |
| Substation | \$925,000 | \$1,225,000 | \$1,225,000 | \$925,000 | \$925,000 | \$5,225,000 |
| Transmission | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$50,000 |
| General Plant | \$5,115,000 | \$2,635,000 | \$910,000 | \$760,000 | \$260,000 | \$9,680,000 |
| Total Electric | \$12,280,000 | \$7,435,000 | \$3,560,000 | \$3,110,000 | \$3,110,000 | \$29,495,000 |
| Water | | | | | | |
| Production | \$1,380,000 | \$1,430,000 | \$830,000 | \$2,980,000 | \$2,230,000 | \$8,850,000 |
| Distribution | \$3,210,000 | \$1,060,000 | \$1,685,000 | \$1,585,000 | \$760,000 | \$8,300,000 |
| Total Water | \$4,590,000 | \$2,490,000 | \$2,515,000 | \$4,565,000 | \$2,990,000 | \$17,150,000 |
| Wastewater | | | | | | |
| Treatment | \$16,660,000 | \$910,000 | \$7,260,000 | \$610,000 | \$6,360,000 | \$31,800,000 |
| Collection | \$6,215,000 | \$3,155,000 | \$8,645,000 | \$2,745,000 | \$2,745,000 | \$23,505,000 |
| Total Wastewater | \$22,875,000 | \$4,065,000 | \$15,905,000 | \$3,355,000 | \$9,105,000 | \$55,305,000 |
| Total Capital Program | \$39,745,000 | \$13,990,000 | \$21,980,000 | \$11,030,000 | \$15,205,000 | \$101,950,000 |

Source: LUS 2021 Adopted Budget

(1) \$400,000 in 2021 will be funded by the remaining Series 2019 bond funds.

3.7 LUS System Budget and Actual Performance

As part of this Report, Burns & McDonnell compared the LUS FY 2020 budgets to the FY 2020 actual results. This section presents the results of the LUS budget and actual accounts for FY 2020. The categories presented are similar to those in the FY 2020 Budget and may be slightly different than others found within the Report. LUS performed better than expected during FY 2020 even with the COVID 19 pandemic as demonstrated in Table 3-6.

Table 3-6: LUS Comparison of FY 2020 Budget and Actual Results

| | 2020 Actual (millions) | 2020 Adopted Budget (millions) | Difference (millions) | Difference (%) |
|-----------------------------------|---------------------------|-----------------------------------|--------------------------|----------------|
| Operating Revenues | | | | |
| Electric Retail Sales | \$98 | \$101 | (\$3) | -3.3% |
| Electric Retail Fuel Adj. | \$65 | \$81 | (\$16) | -19.9% |
| Electric Wholesale Sales | \$0 | \$0 | (\$0) | -10.1% |
| Water Sales | \$21 | \$22 | (\$1) | -3.9% |
| Wastewater Sales | \$30 | \$32 | (\$2) | -6.8% |
| Interest Income | \$3 | \$2 | \$1 | 81.6% |
| Miscellaneous Other | \$2 | \$3 | (\$1) | -24.4% |
| Total Operating Revenue | \$219 | \$241 | (\$22) | -9.1% |
| Operating Expenses | | | | |
| Purchased Power LPPA | \$37 | \$55 | (\$18) | -32.2% |
| Purchased Power Other | \$18 | \$18 | \$0 | 2.5% |
| Purchased Power MISO | \$32 | \$57 | (\$25) | -44.1% |
| Purchased Power MISO Sales | (\$16) | (\$40) | \$24 | -60.6% |
| Production Fuel | \$2 | \$2 | (\$0) | -13.0% |
| Other O&M | \$69 | \$83 | (\$13) | -15.9% |
| ILOT | \$25 | \$24 | \$1 | 3.7% |
| Total Operating Expenses | \$168 | \$199 | (\$31) | -15.6% |
| Other Income (Expenses) | | | | |
| Normal Capital & Spec Equip | (\$6) | (\$10) | \$4 | -39.3% |
| Principal from Internal Loans | \$1 | \$1 | (\$0) | -13.9% |
| Interest from Internal Loans | \$1 | \$1 | \$0 | 3.3% |
| Interest on Long Term Debt | (\$10) | (\$11) | \$1 | -7.3% |
| Principal on Long Term Debt | (\$12) | (\$14) | \$2 | -12.8% |
| Total Other | (\$27) | (\$34) | \$6 | -19.3% |
| Cash Available for Capital | \$24 | \$9 | \$15 | 180.2% |

Source: LUS Financial and Operating Statements

The electric utility experienced lower electric sales volumes and revenues; however, those were offset by lower wholesale power costs. The overall non-power costs reductions also helped offset the lower retail revenues. The water utility saw a slight increase in total revenues with reductions in operating costs that helped support cash flows. The wastewater utility revenues and O&M expenses both declined compared

to budget; however, the overall net result supported a slight increase to operating cash flows providing more cash for capital than was budgeted for FY 2020.

3.8 LUS Shared Services

Shared services for LUS are provided by the Customer Service & Support Service divisions. These divisions provide financial planning, rates, meter services, customer service, and administration and business support services for all three of LUS's utilities. The cost of these services is assigned and shared across the Electric, Water, and Wastewater Systems in the establishment of rates and charges. The customer service staff has experienced turnover that is typical within the industry and LUS is working with Civil Service to implement an apprenticeship program to increase employee retention. . The Support Services division is a smaller group and has experienced low turnover. .

3.9 Payment In Lieu of Tax

LUS makes an annual ILOT payment to the City. ILOT payments by municipally owned utilities are commonly used by local governments across the country to collect taxes and/or franchise fees that would be collected if an investor-owned utility were operating the utility franchises within the city. The LUS ILOT calculation provides for an ILOT payment of up to 12 percent of the Receipts Fund. The non-fuel revenues are the gross receipts less fuel costs and other miscellaneous items. To be eligible to make the ILOT payment, LUS must first pass an ILOT Test. The purpose of the test is to ensure that LUS has sufficient cash to meet capital obligations. If cash available after debt service, less 7.5 percent of the non-fuel revenues, is greater than 12 percent of the Receipts Fund, LUS passes the test and makes the ILOT payment to the City. Should LUS fail the ILOT Test, LUS pays an amount equal to the amount of cash available after debt service, less 7.5 percent of the non-fuel revenues. The American Public Power Association ("APPA") benchmarks ILOT as a percentage of revenue across the country as well as the West South Central Region, as defined by APPA, in which LUS is located. The median ILOT for this region is 11.9 percent while LUS has paid an average ILOT rate of 10.5 percent over the last five years as presented in Table 3-7.

Table 3-7: LUS Historical ILOT Payments

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| ILOT Paid ⁽¹⁾ | \$23,306,557 | \$22,568,235 | \$23,708,786 | \$25,051,002 | \$24,679,711 |
| Total Operating Revenues | \$222,092,266 | \$226,673,006 | \$235,071,461 | \$233,374,132 | \$219,286,785 |
| ILOT as a percent of Revenues | 10.5% | 10.0% | 10.1% | 10.7% | 11.3% |

Source: LUS Financial and Operating Statements

(1)Represents ILOT paid for the Utilities System including electric, water, and wastewater systems.

3.10 Accounting and Financial Statements

LUS accounting responsibilities are managed and performed by LCG, including the selection of accounting software and related financial reporting. LCG prepares monthly Financial and Operating Statements for LUS which are also provided to the Engineer of Record monthly. These statements include a balance sheet, income statement, revenues and expenses, and other detailed operating statistics. The final audited financial statements contained in the Comprehensive Audited Financial Report (“CAFR”) Statements are typically not available until April of the following fiscal year which is when this Consulting Engineer’s Report is also completed. The detailed data contained within this Report is based upon the monthly Financial and Operating Statements provided to the Engineer of Record and may vary from the tables in the CAFR. Based on information contained in previous CAFRs and CERs the differences are generally not material.

3.10.1 Balance Sheet

The historical balance sheet for LUS is presented in Table 3-8. LUS assets have continued to grow as the utility systems each continue to grow to serve new customers. Bond funds increased considerably in 2019 as result of the 2019 Series Bonds and have remained high in 2020 and will remain high until the bond funded projects are completed. Retained earnings have grown steadily over the last year few years while the debt to equity ratio has been relatively stable.

Table 3-8: LUS Historical Balance Sheet

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Assets | | | | | |
| Utility Plant | \$ 569,502,627 | \$ 566,271,981 | \$ 565,059,332 | \$ 561,320,749 | \$ 561,005,523 |
| Bond and Special Funds | 131,820,767 | 124,504,455 | 132,262,607 | 213,449,976 | 216,710,984 |
| Current Assets | 13,010,477 | 8,885,760 | 8,780,394 | 10,183,720 | 9,110,701 |
| Accounts Receivable | 27,665,322 | 29,668,893 | 28,439,772 | 28,657,295 | 28,520,766 |
| Reserve for Uncollectible Accounts | (1,150,040) | (1,215,674) | (1,090,028) | (941,530) | (799,310) |
| Notes Receivable | 27,623,160 | 27,181,093 | 26,529,343 | 25,686,227 | 24,706,574 |
| Inventories | 8,316,964 | 8,981,327 | 9,097,936 | 9,444,953 | 10,671,253 |
| Deferred Debits | 26,647,000 | 27,838,831 | 22,227,147 | 23,962,998 | 23,542,330 |
| Total Assets | \$ 803,436,278 | \$ 792,116,667 | \$ 791,306,504 | \$ 871,764,388 | \$ 873,468,821 |
| Total Liabilities & Equity | | | | | |
| Long Term Debt | \$ 214,410,000 | \$ 195,915,000 | \$ 184,110,000 | \$ 229,805,000 | \$ 215,615,000 |
| Current Liabilities | 28,334,541 | 24,734,800 | 24,900,222 | 27,266,441 | 33,950,669 |
| Long Term Liabilities | 56,581,937 | 60,358,386 | 62,946,218 | 73,987,500 | 66,914,126 |
| Retained Earnings | 504,109,800 | 511,108,482 | 519,350,063 | 540,705,447 | 556,989,025 |
| Total Liabilities & Fund Equity | \$ 803,436,278 | \$ 792,116,667 | \$ 791,306,504 | \$ 871,764,388 | \$ 873,468,821 |

Source: LUS Financial and Operating Statements

3.10.2 Fund Balances

Article V of the LUS General Bond Ordinance dictates the funds and accounts of LUS and defines the 'Flow of Funds.' Article V creates several funds which are presented in Table 3-9. The flow of funds proceeds in the following order: Receipts Fund, Operating Fund, Sinking Fund, Reserve Fund, and Capital Additions Fund. Funds may be created as new bonds are issued. Table 3-9 summarizes the beginning balance, receipts, disbursements, and ending balances of the required funds cash balances. First, 7.5 percent of non-fuel revenues are transferred to capital costs of LUS. Then 12 percent of total deposits in the Receipts Fund are transferred to the General Fund of the Issuer. Then funds are used to pay amounts due on Subordinated indebtedness with remaining funds used for other purposes under the General Ordinances.

Table 3-9: LUS Fund Balances as of October 31, 2020 (\$1,000)

| | Receipts Fund | Operating Fund | Bond & Interest Fund | Capital Additions | Bond Reserve Fund | 2019 Bond Construction Fund | Total |
|-------------------|---------------|----------------|----------------------|-------------------|-------------------|-----------------------------|------------|
| Beginning Balance | \$ 809 | \$ 8,000 | \$ - | \$ 115,419 | \$ 17,278 | \$ 70,810 | \$ 212,316 |
| Receipts | 246,094 | 269,650 | 25,374 | 54,067 | 50 | 660 | 595,895 |
| Disbursements | 246,118 | 269,650 | 25,374 | 46,454 | 0 | 4,264 | 591,860 |
| Ending Balance | \$ 785 | \$ 8,000 | \$ - | \$ 123,032 | \$ 17,328 | \$ 67,206 | \$ 216,351 |

Source: LUS Financial and Operating Statements

3.10.3 Income Statement

The LUS Income statement is presented in Table 3-10. Over the last five years LUS net operating revenues after depreciation have increased with system growth and several rate increases that were implemented in 2017 and 2018 to improve financial conditions as determined in the 2016 rate study. In FY 2020, LUS experienced a reduction in overall revenues which was largely driven by lower electric sales and electric revenues. The 5.5 percent was offset by a corresponding reduction in operating expenses which helped to maintain net operating revenues during FY 2020. Net income was largely lower due to increases in miscellaneous non-operating expenses resulting from two hurricanes, higher interest expense from the Series 2019 Bonds, and reductions in interest income from lower market interest rates.

Table 3-10: Historical Income Statement

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|
| Operating Revenues | \$ 220,387,318 | \$ 224,652,384 | \$ 232,203,121 | \$ 228,678,339 | \$ 216,381,978 |
| Operating Expenses | 158,750,451 | 165,998,482 | 164,165,246 | 152,839,402 | 143,498,542 |
| Net Operating Revenues | \$ 61,636,867 | \$ 58,653,902 | \$ 68,037,875 | \$ 75,838,938 | \$ 72,883,436 |
| Depreciation | 23,601,958 | 23,960,817 | 24,555,286 | 25,130,355 | 25,189,698 |
| Net Operating Revenues after Depreciation | \$ 38,034,910 | \$ 34,693,086 | \$ 43,482,589 | \$ 50,708,583 | \$ 47,693,737 |
| Other Income | | | | | |
| Interest Income | \$ 1,704,947 | \$ 2,020,622 | \$ 2,868,340 | \$ 4,695,793 | \$ 2,904,807 |
| Unrealized Gain/Loss on Invs | 117,778 | (283,409) | (46,380) | 399,671 | (139,572) |
| Amortization of Debt Premium | 3,020,974 | 2,995,867 | 3,544,254 | 3,639,998 | 3,769,742 |
| Water Tapping Fees | 78,320 | 64,240 | 72,240 | 56,760 | 61,540 |
| Communications Lease Income | 27,648 | 25,378 | 0 | 0 | 11,379 |
| Contributions in Aid of Construction | 56,063 | 128,155 | 304,557 | 0 | 140,856 |
| Misc. Non Operating Revenue | 2,566,471 | 3,335,924 | 4,188,986 | 3,141,166 | 3,633,306 |
| Total Other Income | \$ 7,572,201 | \$ 8,286,777 | \$ 10,931,997 | \$ 11,933,388 | \$ 10,382,059 |
| Other Expenses | | | | | |
| Loss on Disposition of Property | 329,136 | 369,488 | 398,883 | 309,767 | 290,397 |
| Interest Expense | 10,970,238 | 8,916,835 | 9,622,905 | 10,362,925 | 11,184,000 |
| Amortizations | 2,256,610 | 2,046,774 | 2,304,183 | 2,187,756 | 1,986,896 |
| Interest on Customer Deposits | 821 | 1,688 | 4,307 | 5,331 | 1,834 |
| Tax Collections/Non Operating | 0 | 0 | 0 | 0 | 0 |
| Misc Non Operating Expense | 1,589,252 | 3,182,762 | 2,844,559 | 3,369,807 | 3,649,380 |
| Total Other Expenses | \$ 15,146,058 | \$ 14,517,546 | \$ 15,174,837 | \$ 16,235,585 | \$ 17,112,507 |
| Net Income Before in Lieu of Tax | 30,461,053 | 28,462,316 | 39,239,748 | 46,406,385 | 40,963,290 |
| ILOT | 23,306,557 | 22,568,235 | 23,708,786 | 25,051,002 | 24,679,711 |
| Net Income | \$ 7,154,496 | \$ 5,894,081 | \$ 15,530,962 | \$ 21,355,383 | \$ 16,283,579 |

Source: LUS Financial and Operating Statements

3.10.4 Cash Flow Statement

The LUS historical cash flows are presented in Table 3-11. LUS, like many other municipals, is primarily focused on net cash flows and cash balances and traditionally set rates based on meeting cash targets including, but not limited to, debt service coverage. Except for FY 2020, LUS has realized a steady increase in its change in cash due to operations and ILOT. The lower change in cash due to operations in FY 2020 is attributed to the same factors discussed in the net income statement section of this Report.

Table 3-11: LUS Historical Cash Flows

| | 2016 | 2017 | 2018 | 2019 | 2020 | Five-Year Total |
|---|----------------|----------------|----------------|----------------|----------------|------------------|
| Operating Revenues | \$ 220,387,318 | \$ 224,652,384 | \$ 232,203,121 | \$ 228,678,339 | \$ 216,381,978 | \$ 1,122,303,140 |
| Operating Expenses | 158,750,451 | 165,998,482 | 164,165,246 | 152,839,402 | 143,498,542 | 785,252,122 |
| Net Operating Revenues | \$ 61,636,867 | \$ 58,653,902 | \$ 68,037,875 | \$ 75,838,938 | \$ 72,883,436 | \$ 337,051,018 |
| Debt Service | 22,925,238 | 21,341,835 | 21,427,905 | 22,732,925 | 25,374,000 | 113,801,903 |
| Balance After Debt Service | \$ 38,711,630 | \$ 37,312,067 | \$ 46,609,970 | \$ 53,106,013 | \$ 47,509,436 | \$ 223,249,116 |
| Less Normal Capital & Special Equipment | 9,309,935 | 4,890,913 | 5,032,337 | 6,979,931 | 11,144,716 | 37,357,833 |
| Less ILOT | 23,306,557 | 22,568,235 | 23,708,786 | 25,051,002 | 24,679,711 | 119,314,291 |
| Change in Cash due to Operations and ILOT | \$ 6,095,137 | \$ 9,852,919 | \$ 17,868,847 | \$ 21,075,080 | \$ 11,685,009 | \$ 66,576,992 |

Source: LUS Financial and Operating Statements

4.0 ELECTRIC UTILITY SYSTEM

4.1 Electric Utility Summary

The City owns and operates an Electric System providing reliable power to approximately 70,000 retail customers. LUS operates power generation, transmission, substation, distribution, and customer facilities within and outside its service territory. Table 4-1 presents the historical Electric System retail sales, wholesale sales, and wholesale purchases over the last five years.

Table 4-1: Electric System Historical Retail and Wholesale Sales

| Year | Retail Sales (MWh) | MISO Market Sales (MWh) | MISO Market Purchases (MWh) |
|------|--------------------|-------------------------|-----------------------------|
| 2016 | 2,027,945 | 872,154 | 2,098,275 |
| 2017 | 1,980,653 | 898,205 | 2,042,686 |
| 2018 | 2,031,847 | 1,153,292 | 2,108,460 |
| 2019 | 2,004,310 | 1,132,482 | 2,036,411 |
| 2020 | 1,917,040 | 736,830 | 1,987,674 |

Source: LUS Financial and Operating Statements

LUS has been a full market participant as a Local Balancing Authority and Transmission Owner within the Midcontinent Independent System Operator, Inc. ("MISO") since 2013. Participation in the MISO market requires a buy-all/sell-all type of transaction for energy. LUS purchases all its energy requirements to serve its load from the MISO market. Correspondingly, MISO dispatches the LUS generation units and all the generation is sold into the MISO market. The MISO Market Purchases represent purchases from the MISO market to serve LUS retail load. As presented in Table 4-2, retail sales by class as of October 31, 2020, indicate that residential and commercial customers represent approximately 90 percent of Electric System sales. The LUS commercial customer base is diverse, with no single customer representing more than 2 percent of LUS electric retail revenues.

Table 4-2: Electric System Customer Class Statistics as of October 31, 2020

| | Number of Customers | Percent of Total | Sales (kWh) | Percent of Total |
|---|---------------------|------------------|----------------------|------------------|
| Residential | 56,440 | 81.4% | 813,404,514 | 42.4% |
| Residential - Outside the City | 972 | 1.4% | 15,985,869 | 0.8% |
| Commercial without Demand-Small | 8,063 | 11.6% | 177,403,666 | 9.3% |
| Commercial Small and Large - Outside the City | 173 | 0.2% | 14,478,770 | 0.8% |
| Commercial with Demand - Large | 1,249 | 1.8% | 725,503,529 | 37.8% |
| Private Security Lighting | 1,741 | 2.5% | 6,919,550 | 0.4% |
| Street Lighting | 2 | 0.0% | 16,866,743 | 0.9% |
| Schools and Churches | 440 | 0.6% | 50,779,859 | 2.6% |
| Municipal-General Fund | 3 | 0.0% | 257,491 | 0.0% |
| University of Louisiana - Lafayette | 102 | 0.1% | 60,807,708 | 3.2% |
| Interdepartmental | 181 | 0.3% | 34,631,827 | 1.8% |
| Total | 69,364 | 100.0% | 1,917,039,526 | 100.0% |

Source: LUS Financial and Operating Statements

4.2 Power Supply Summary

LUS provides energy and capacity to its customers through owned resources and power supply contracts. The total peak demand for LUS was approximately 441 megawatts (“MW”) in 2020 and is expected to grow to 500 MW by 2036 based on load forecasts conducted within a recent integrated resource plan (“IRP”). LUS is forecasted to experience long-term load growth around two tenths of a percent, which is consistent with other utilities’ load forecasts in the region. LUS owns and operates two power generation facilities in Lafayette: T.J. Labbe and Hargis-Hebert. Both facilities have two natural gas-fired combustion turbines to provide capacity and energy. These four natural gas-fired combustion turbines are interconnected to the transmission system within the City of Lafayette. In addition to the power plants which LUS owns, LUS also has several power purchase agreements in place to provide capacity and energy to meet its load. Through the LPPA, Lafayette owns 50 percent of Rodemacher No.2, which is a coal-fired unit with a capacity of approximately 500MW located near Boyce, Louisiana. Rodemacher No.2 is operated by Cleco Corporate Holdings, LLC as part of the Brame Energy Center. Table 4-3 presents the approximate installed capacity (“ICAP”) for the power supply resources owned by LUS.

Table 4-3: LUS Power Supply Resources (Net Capacity)

| LUS Power Plants | | |
|---|---------------|-------------------------------|
| Unit | Fuel | Installed Capacity (ICAP, MW) |
| Hargis-Hebert 1 | Natural Gas | 47 |
| Hargis-Hebert 2 | Natural Gas | 47 |
| TJ Labbe 1 | Natural Gas | 48 |
| TJ Labbe 2 | Natural Gas | 47 |
| LUS Power Purchase Agreements | | |
| Unit | Fuel | Installed Capacity (ICAP, MW) |
| Lafayette Public Power Authority (LPPA) Rodemacher No.2 | Coal | 246 |
| Southwest Power Administration | Hydro | 18 |
| NRG | Capacity only | 40 |

As illustrated by the list above, LUS has a diverse power supply portfolio consisting of coal, natural gas, and hydroelectric resources. The Southwest Power Administration contract consists of hydroelectric resources and is expected to operate until 2033.

Within the recent IRP conducted in 2019-2020, the long-term operation of Rodemacher No.2 was specifically evaluated due to the ongoing environmental regulations which impact coal-fired units, as well as the associated economics. Within the IRP evaluation, long-term operation of Rodemacher No.2 utilizing coal as a fuel was higher cost compared to other power supply alternatives. As such, LUS has expressed a desire to potentially retire Rodemacher No.2 from coal-fired operation at the end of 2027. However, Rodemacher No.2 is co-owned between multiple utilities. No firm retirement date has been set by the co-owners. If the co-owners elect to retire Rodemacher No.2, LUS will need to replace the capacity and energy from Rodemacher No.2 when retired with new power supply resources. LUS has already started evaluating alternatives in anticipation of replacing Rodemacher No.2.

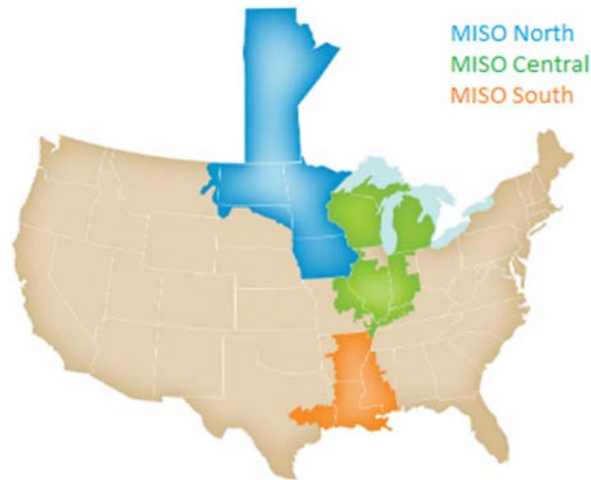
In addition to the plants above, LUS has two retired power plant facilities consisting of the Louis “Doc” Bonin Generation Station (“Bonin”) (the site of the LUS operations center) and the Curtis Rodemacher Generation Station. Both plants were retired as they became economically obsolete. The Bonin facility was retired in 2017 and has gone through various decommissioning and demolition efforts. The Bonin facility had four fuel oil tanks located on-site that have been demolished, removed, and remediated. LUS has plans to remove the cooling towers, specifically the cooling tower for Unit 3 to provide additional space for electrical switchyard/substation expansions. The remediation has been completed for the cooling towers and LUS is currently evaluating demolition alternatives.

The Curtis Rodemacher facility is a retired natural gas-fired steam plant. The plant was retired in 1993 from power generation. The facility was retired-in-place and LUS continues to monitor the facility and address issues as they arise associated with lead-based paint, asbestos, and other maintenance requirements. The Rodemacher facility is adjacent to the Pinhook substation. LUS continues to evaluate potential opportunities for repurposing the facility for LUS uses.

4.2.1 MISO Wholesale Market

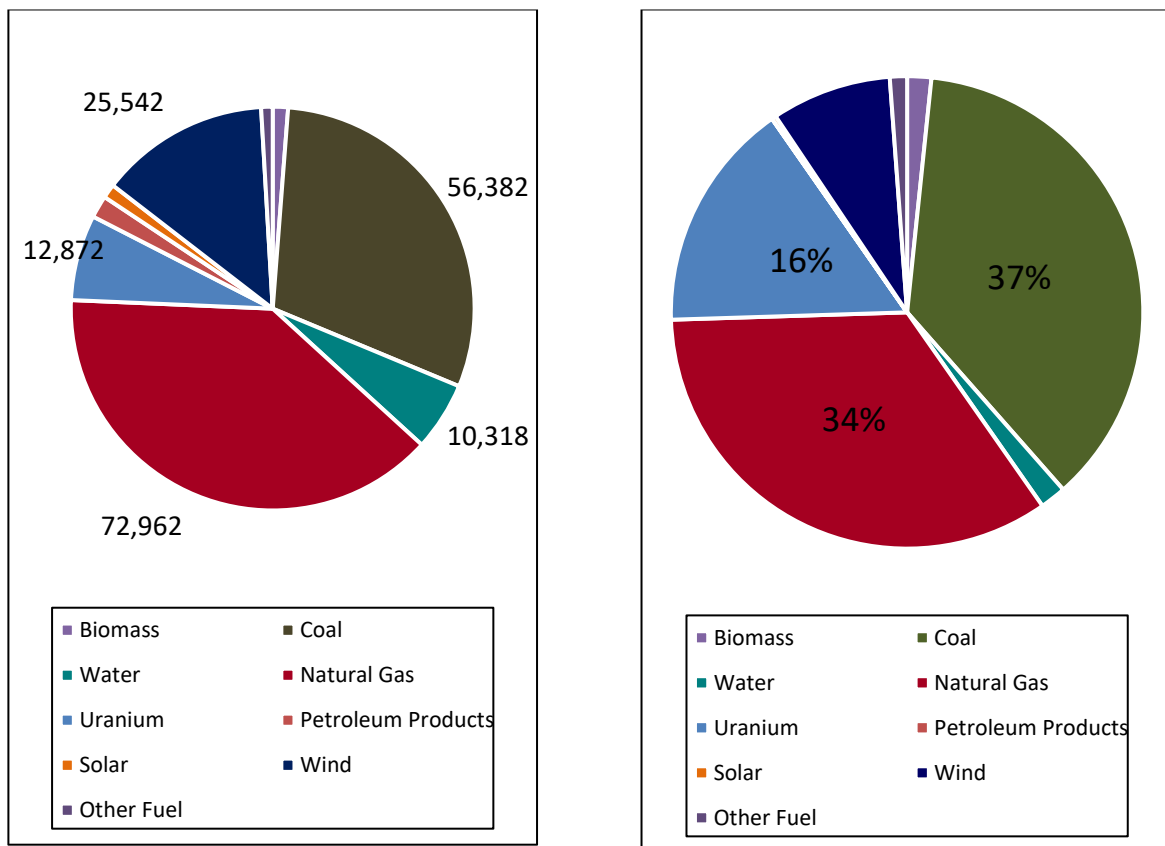
The power grid, consisting of power generation and transmission lines, is operated by independent system operators across many areas of the country. Within the central part of the country, MISO is the system operator. MISO is charged with the reliable operation of the grid. MISO initiated its integrated marketplace on April 1, 2005. On December 18, 2013, LUS officially joined MISO, along with several other utilities which formed the MISO South region and was integrated into MISO’s transmission system. MISO is separated into three areas: North, Central, and South. LUS operates in the MISO South region. The MISO market is made up of numerous utilities operating in 15 states and the Canadian province of Manitoba as illustrated in Figure 4-1.

Figure 4-1: MISO Market Area



MISO has a wide range of capacity and energy resources including fossil fuel, renewable, and nuclear generation. The capacity and energy mix of resources within MISO for 2019 is presented in Figure 4-2.

Figure 4-2: MISO 2019 Summer Capacity (MW) and Generation (%) by Fuel Type



MISO South is more heavily based on natural gas resources compared to the other two MISO regions, which rely more heavily on coal-fired resources. MISO North has the most extensive wind generation within the MISO footprint.

Utilities typically acquire all their energy from the market and sell energy from their resources into the market when it is accepted for dispatch, rather than self-scheduling resources. LUS has retained The Energy Authority (“TEA”) as its power and fuel marketer. TEA is registered as the market participant for LUS. TEA has the responsibility to assist LUS in developing a strategy for procuring and selling energy within the MISO market.

To provide sufficient capacity near load centers, MISO is divided into nine Local Resource Zones (“LRZ”), as presented in Figure 4-3 below. A utility must obtain enough capacity within its LRZ to meet MISO’s requirements. LUS is in LRZ 9.

Figure 4-3: MISO Load Resource Zones¹



Recently, wholesale energy prices have remained low due to several factors including relatively low load growth, significant addition of wind resources (MISO had 20.5 GW of wind installed as of June 30, 2019)², and low price of natural gas. According to LUS, the 2020 load cost were some of the lowest that the utility had experienced in the last decade. As discussed above, LUS dispatches its power generating facility into the MISO market. Table 4-4 presents the historical electric generation for each plant.

¹ MISO, *2020/2021 Planning Resource Auction (PRA) Results*, April 2020, <https://cdn.misoenergy.org/2020-2021%20PRA%20Results442333.pdf>

² MISO, *Planning Year 2020-2021 Wind & Solar Capacity Credit*, December 2019, <https://cdn.misoenergy.org/2020%20Wind%20&%20Solar%20Capacity%20Credit%20Report408144.pdf>

Table 4-4: Electric Generation by Plant (MWh)

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------|---------|---------|-----------|-----------|---------|
| T.J. Labbe | 13,423 | 16,738 | 17,974 | 13,755 | 17,976 |
| Hargis Hebert | 21,848 | 22,972 | 22,928 | 22,934 | 21,807 |
| Rodemacher Unit 2 | 797,928 | 825,089 | 1,062,984 | 1,045,878 | 656,054 |
| Total Generation | 833,199 | 864,799 | 1,103,886 | 1,082,567 | 695,837 |

4.2.2 T.J. Labbe Plant

4.2.2.1 Plant Description

The T.J. Labbé Plant began commercial operation in 2005 and consists of two General Electric (“GE”) simple cycle LM6000 PC aeroderivative combustion turbines. The turbines each have a nominal net output of 48 MW each. The turbines utilize GE’s Spray Intercooling (“SPRINT”) system. The SPRINT system works by spraying atomized water directly into the air stream in the compressor stages to cool the air and increase the mass flow through the turbine, thereby increasing the electrical output of the generator. The combustion turbines also utilize water injection to control nitrous oxides (“NOx”) emissions.

The combustion turbines use natural gas as the fuel source, which is supplied by the TransCanada interconnect pipeline. T.J. Labbé has three 50 percent gas compressors on site, but they are not used as gas supply pressure to the site is sufficient to run the combustion turbines without compression.

To improve combustion turbine performance during warmer weather conditions, each unit is also equipped with an inlet chiller system. A Turbine Air Systems (“TAS”) chiller system provides chilled water to coils in the inlet filter house to cool inlet air entering the turbine, thereby increasing the mass flow through the turbine, and increasing power output. The chiller can cool the inlet air down to 48°F for optimum performance up to an ambient temperature of 90°F.

The exhaust stacks are equipped with continuous emission monitoring system (“CEMS”) to ensure that the turbines comply with emissions limits.

The facility is equipped with a 600-kW emergency generator that provides black start capability.

4.2.2.2 Performance and Statistics

The LM6000 is a proven machine with years of operating experience. The first LM6000 turbine was installed in 1992 and the 1,200 units installed world-wide have logged over 39 million operating hours. The LM6000 PC can start and reach based load within 10 minutes. The turbines also have the capability

of ramping at 50 MW/min. The flexible operating profile makes these combustion turbines ideal units to service peak demand loads. Table 4-5 and Table 4-6 present the historical operating statistics for the last five years for T.J. Labbé.

Table 4-5: Unit 1 Historical Operating Statistics

| Generation Statistics | 2016 | 2017 | 2018 | 2019 | 2020 | 5-year Average |
|---|--------|--------|--------|--------|--------|----------------|
| Gross Generation (MWh) | 7,545 | 10,648 | 12,084 | 8,848 | 9,377 | 9,700 |
| Net Generation (MWh) | 5,934 | 9,998 | 11,494 | 8,128 | 8,779 | 8,867 |
| Average Heat Rate (Btu/kWH) (Note 1) | 12,976 | 11,353 | 10,702 | 13,425 | 12,661 | 12,404 |
| Unit Capacity Factor (%) | 1.4% | 2.4% | 2.6% | 2.2% | 2.4% | 2.2% |
| Unit Service Factor (%) | 3.5% | 5.5% | 5.6% | 4.5% | 4.7% | 4.7% |
| Unit Starts | 40 | 52 | 51 | 73 | 63 | 56 |
| Availability Factor (%) | 86.1% | 95.2% | 87.1% | 92.6% | 93.9% | 91.0% |
| Forced Outage Rate (%) | 2.6% | 1.2% | 1.5% | 0.0% | 0.2% | 1.1% |

Note 1: Average Heat Rate is for the entire T.J. Labbé plant and not specific to Unit 1.

Table 4-6: Unit 2 Historical Operating Statistics

| Generation Statistics | 2016 | 2017 | 2018 | 2019 | 2020 | 5-year Average |
|---|--------|--------|--------|--------|--------|----------------|
| Gross Generation (MWh) | 7,690 | 8,228 | 8,143 | 8,586 | 9,634 | 8,456 |
| Net Generation (MWh) | 6,234 | 6,741 | 6,749 | 7,079 | 8,082 | 6,977 |
| Average Heat Rate (Btu/kWH) (Note 1) | 12,976 | 11,353 | 10,702 | 13,425 | 14,464 | 12,404 |
| Unit Capacity Factor (%) | 1.4% | 1.6% | 1.9% | 2.2% | 2.3% | 1.9% |
| Unit Service Factor (%) | 3.5% | 4.6% | 5.0% | 4.3% | 4.8% | 4.5% |
| Unit Starts | 44 | 54 | 45 | 72 | 70 | 57 |
| Availability Factor (%) | 88.0% | 83.8% | 59.9% | 93.2% | 97.6% | 84.5% |
| Forced Outage Rate (%) | 23.3% | 71.6% | 86.8% | 0.0% | 2.2% | 36.8% |

Note 1: Average Heat Rate is for the entire T.J. Labbé plant and not specific to Unit 2.

The historical performance data from T.J. Labbé are in line with typical industry benchmarks for similar type units. Overall, the reliability and availability of the units is considered good.

4.2.2.3 Recent and Planned Upgrades and Maintenance

LUS has chosen to perform the major maintenance inspections more frequently than the original recommendation by GE due to feedback from other LM6000 owners in the industry. Plant personnel indicated that the combustion turbines undergo a borescope inspection twice a year, once in Spring and once in Fall. It is also documented that units will receive a borescope inspection if there is a trip where the cause is not readily known. Hot section exchanges (“HSE”) are scheduled every 15,000 hours instead of the original recommendation of 25,000 hours. The major overhauls are scheduled every 30,000 hours instead of the original recommendation of 50,000 hours. Variable stator vane (“VSV”) bushings are changed every 10,000 hours instead of the original recommendation of 12,500 hours. High pressure combustion (“HPC”) stage 1 blades are changed every 15,000 hours and the HPC stage 3-5 blades are changed every 1,000 starts. Although the more frequent major maintenance activities result in a higher O&M cost for the facilities, the low number of operating hours per year for each of the units means that each unit has only undergone one HSE to date and no major overhauls have been completed.

LUS has also continued to perform regular maintenance on the balance of plant equipment at T.J. Labbé. This includes upgrades to the chiller system such as motor overhauls (completed one chiller motor overhaul in 2020 and plan to complete one per year) and modifications to chiller coils to improve the ability to quickly drain and refill to prevent coil leaks due to freezing. LUS has also focused on painting various equipment and structures to prevent corrosion.

4.2.2.3.1 T.J. Labbé Unit 1

In Spring of 2020, the Unit 1 combustion turbine was sent to a GE facility to undergo upgrades to the air oil seals on the compressor side bearings. The unit was experiencing low oil pressure and higher vibration. This is an upgrade that the other LM6000 units in LUS’s fleet have all already undergone. The unit was out of service for approximately two weeks. Unit 1 also had the fall borescope inspection conducted by TransCanada Turbines on November 4, 2020. At the time of the inspection, Unit 1 had experienced 1,001 fired starts and 20,992 fired hours. During the borescope inspection, the inlet/compressor, combustion, turbine, and exhaust sections were evaluated. All sections were considered serviceable, and no major concerns were noted.

The Unit 1 combustion turbine also received a hot section exchange inspection in 2013. At the time of the inspection, the unit had experienced 17,520 fired hours and 548 fired starts. During the inspection, the HPT rotor assembly, and the stage 1 and 2 nozzle assemblies were replaced. The combustor has no visual defects detected. The combustor for Unit 1 was previously replaced in 2011 when the unit was at 16,784 fired hours and 477 fired starts.

The unit has not yet received a major overhaul given its limited operating hours. The first major overhaul is planned for 30,000 hours.

4.2.2.3.2 T.J. Labbé Unit 2

In 2020, the Unit 2 combustion turbine underwent a borescope inspection in the Spring and in the Fall. The Spring borescope inspection was conducted by GE and the Fall borescope inspection was conducted by TransCanada Turbines. At the time of the Spring inspection, Unit 2 had experienced 1,012 fired starts and 14,105 fired hours. At the time of the Fall inspection, Unit 2 had experienced 1,080 fired starts and 14,521 fired hours. During each borescope inspection, the inlet/compressor, combustion, turbine, and exhaust sections were evaluated. All sections were considered serviceable, and no major concerns were noted.

Unit 2 combustion turbine also received a hot section exchange inspection in 2015. At the time of the inspection, the unit had experienced 12,475 fired hours and 729 fired starts. During the inspection, the engine was shipped to Houston to receive a hot section replacement. The combustion chamber, the HPT rotor, and the stage 1 and 2 nozzle assemblies were also replaced. A new VBV expansion joint was installed.

The turbine was sent to a GE facility to undergo improvements to the air oil seals in Spring 2017. The unit has not yet received a major overhaul given its limited operating hours. The first major overhaul is planned for 30,000 hours.

4.2.2.4 Fuel Supply

Natural gas is delivered to T.J. Labbé at pressures in the range of 675 psig plus or minus 20 psig. As such, the three 50 percent natural gas compressors at Labbe are not needed and have been permanently bypassed and decommissioned in Spring 2017. The natural gas is delivered through a fuel gas strainer, gas flow meter, a primary and secondary shut off valve, a fuel gas manifold, and goes to the fuel nozzles.

Natural gas from the TransCanada pipeline is procured on behalf of LUS by The Energy Authority (TEA) who also bids the units in as MISO market participants. The quantity and price of gas is determined daily based on day-ahead nominations. T.J. Labbé does not have firm gas supply.

4.2.2.5 Water Supply

Water treatment at each site consists of chemical treatment, granular activated carbon (“GAC”) pre-filtration, cartridge filtration, reverse osmosis, and mixed bed demineralizer systems. The water treatment

system is used to meet the facilities' 143 gpm makeup water requirement for lost system water due to chiller cooling towers, water injection for NO_x control, and for the SPRINT system.

City water supply is delivered under pressure to the inlet of the pre-filtration skid. Prior to entering the filtration system, the feed water supply is dosed with sodium meta bi-sulfite to remove chlorine. The GAC filter removes organic matter and any residual chlorine from the feed water supply prior to its use in the reverse osmosis system. The reverse osmosis system removes most of the dissolved solids from the feed water by using a high-pressure pump to force water through a membrane that removes contaminants. Each reverse osmosis train consists of two passes. The second pass outlet is tied to a mixed bed demineralizer which removes the remaining dissolved solids and silica from the feed water. The demineralized ("demin") water is stored in a 180,000-gallon storage tank at each site. Each site contracts with a third party to regenerate the mixed bed and carbon filters.

Additionally, T.J. Labbé has wastewater discharge restrictions, so there is a wastewater storage tank on site that manages the discharge.

4.2.2.6 Plant Transmission Delivery

Power at T.J. Labbé is generated by two 72 megavolt amperes ("MVA"), 13.8 kilovolts ("kV") turbine generators. Each generator sends electricity to a generator step-up ("GSU") transformer via cable bus systems. The GSUs at T.J. Labbé step the 13.8 kV power up to 230 kV. Each of the turbine generators also send electrical power to auxiliary transformers that drop the voltage down to 4.16 kV. The 4.16 kV from the auxiliary transformers is sent to the medium voltage ("MV") switchgear where it is relayed to the station service transformers and the chiller system. The station service transformers further step down the voltage from 4.16 kV to 480 kV for station auxiliaries such as fans, pumps, and motors.

4.2.2.7 Plant Staffing and Operations

The facility is staffed 24 hours per day, 7 days a week, but can also be started and monitored remotely at the Hargis-Hébert facility.

4.2.2.8 Environmental Permits and Compliance

The Labbé plant holds current air permits for Title V and Acid Rain, as shown in Table 4-7. The Acid Rain permit requires quarterly reports on emissions of NO_x, sulfur dioxide ("SO₂"), and carbon dioxide ("CO₂"). NO_x from the turbines is measured by CEMS with annual CEMS Relative Accuracy Testing Audit ("RATA") testing. The turbines are classified as "gas-fired" under Acid Rain since fuel oil combustion is less than 10 percent of the annual capacity. However, the turbines may exceed this 10

percent threshold and become classified as “oil-fired.” Additional monitoring would be required as “oil-fired” units. However, the units do not currently have the ability to operate using fuel oil.

The Title V permit includes limits that make the facility a minor source for the Prevention of Significant Deterioration (“PSD”) program by limiting emissions of CO and NO_x. The facility is a minor source of HAPs. The two turbines can burn natural gas, and the one black start generator burns fuel oil. The permit allows the facility to operate as a peaking plant, meaning that while actual emissions are low, the permit allows for significant operation as needed as long as the ton per year limits are not exceeded (239.11 tpy CO and 241.37 tpy NO_x). Actual emissions for 2020 were less than 10 tons NO_x. The Title V permit allows fuel oil operation even though the turbines are not capable of burning fuel oil without a physical modification.

As presented in Table 4-8, Labbé holds sufficient allowances for its 2020 emissions under the Cross State Air Pollution Rule (“CSAPR”) for the May to September ozone season. A separate CSAPR permit is not required. Excess allowances from Bonin were transferred to Labbé.

No excess emission events occurred in 2020 and no Notice of Violations (“NOVs”) were issued. All required quarterly, semi-annual, and annual reports were submitted. Deviations were reported for data availability occurred several times in 2020.

Table 4-7: T. J. Labbé Air Permits

| Permit Description | Permit Number | Issue Date | Expiration Date | Renewal Application Deadline |
|--------------------------|----------------|-----------------|-----------------|------------------------------|
| Title V Operating Permit | 1520-00128-V4 | August 23, 2018 | August 23, 2023 | February 23, 2023 |
| Acid Rain Permit | 1520-00128-IV3 | August 23, 2018 | August 23, 2023 | February 23, 2023 |

Source: LUS

Table 4-8: T. J. Labbé Emission Allowances

| NO _x Allowances Held (tons) | 2020 Ozone Season NO _x Emissions (tons) | SO ₂ Allowances Held |
|--|--|---------------------------------|
| 661 | 4 | 1067 |

Source: LUS

4.2.3 Hargis-Hebert Plant

4.2.3.1 Plant Description

Hargis-Hébert began commercial operation in 2006 and is nearly identical to T.J. Labbé. Hargis-Hebert consists of two GE simple cycle LM6000 PC aeroderivative combustion turbines. The turbines each have a nominal net output of 48 MW each. The turbines utilize GE's SPRINT system for increased power output and water injection to control NOx emissions.

The combustion turbines use natural gas as the fuel source, which is supplied by the Gulf South pipeline. Gas supply pressure to the site is sufficient to run the combustion turbines without compression.

To improve combustion turbine performance during warmer weather conditions, each unit is also equipped with an inlet chiller system. A TAS chiller system is capable of cooling the inlet air down to 48°F for optimum performance up to an ambient temperature of 90°F.

The exhaust stacks are equipped with CEMS to ensure that the turbines comply with emissions limits.

The facility is equipped with a 600-kW emergency generator that provides black start capability.

4.2.3.2 Performance and Statistics

Table 4-9 and Table 4-10 present the historical operating statistics for the last five years for Hargis-Hebert.

Table 4-9: Unit 1 Historical Operating Statistics

| Generation Statistics | 2016 | 2017 | 2018 | 2019 | 2020 | 5-year Average |
|---|--------|--------|--------|--------|--------|----------------|
| Gross Generation (MWh) | 8,805 | 12,882 | 12,613 | 14,088 | 12,876 | 12,253 |
| Net Generation (MWh) | 7,593 | 12,168 | 11,822 | 13,494 | 12,301 | 11,476 |
| Average Heat Rate (Btu/kWh) (Note 1) | 12,853 | 12,064 | 11,354 | 11,956 | 13,438 | 12,333 |
| Unit Capacity Factor (%) | 1.7% | 2.9% | 3.0% | 3.7% | 3.2% | 2.9% |
| Unit Service Factor (%) | 4.6% | 6.5% | 7.8% | 6.5% | 5.9% | 6.3% |
| Unit Starts | 45 | 63 | 51 | 91 | 63 | 63 |
| Availability Factor (%) | 66.1% | 83.7% | 94.5% | 90.7% | 94.0% | 85.8% |
| Forced Outage Rate (%) | 82.5% | 17.7% | 1.8% | 0.3% | 0.0% | 20.5% |

Note 1: Average Heat Rate is for the entire Hargis-Hebert plant and not specific to Unit 1.

Table 4-10: Unit 2 Historical Operating Statistics

| Generation Statistics | 2016 | 2017 | 2018 | 2019 | 2020 | 5-year Average |
|---|--------|--------|--------|--------|--------|----------------|
| Gross Generation (MWh) | 15,207 | 12,318 | 12,429 | 12,571 | 9,008 | 12,307 |
| Net Generation (MWh) | 12,986 | 10,809 | 10,906 | 11,000 | 7,638 | 10,668 |
| Average Heat Rate (Btu/kWh) (Note 1) | 12,853 | 12,064 | 11,354 | 11,956 | 13,438 | 12,333 |
| Unit Capacity Factor (%) | 3.0% | 2.7% | 2.9% | 3.5% | 2.4% | 2.9% |
| Unit Service Factor (%) | 7.9% | 7.0% | 7.6% | 6.7% | 4.6% | 6.8% |
| Unit Starts | 72 | 59 | 50 | 88 | 55 | 65 |
| Availability Factor (%) | 93.2% | 94.2% | 94.3% | 87.6% | 91.6% | 92.2% |
| Forced Outage Rate (%) | 18.0% | 17.6% | 0.0% | 0.0% | 0.0% | 7.1% |

Note 1: Average Heat Rate is for the entire Hargis-Hebert plant and not specific to Unit 2.

The historical performance data from Hargis-Hebert are in line with anticipated values that Burns & McDonnell has observed in the industry. Overall, the reliability and availability of the units are considered to be good.

4.2.3.3 Recent and Planned Upgrades and Maintenance

LUS has chosen to perform the major maintenance inspections more frequently than recommended by GE due to feedback from other LM6000 owners in the industry. Inspection schedules are the same as for T.J. Labbé. Due to safety concerns related to COVID-19, LUS chose to cancel spring borescope inspections at Hargis-Hebert. This decision was discussed with GE and due to the relatively low number of starts and run-hours it was determined to be a low risk. Normal fall borescopes were completed.

LUS has also continued to perform regular maintenance on the balance of plant equipment at Hargis-Hebert. This includes upgrades to the chiller system such as motor overhauls and modifications to chiller coils to improve the ability to quickly drain and refill to prevent coil leaks due to freezing. LUS has also focused on painting various equipment and structures to prevent corrosion.

4.2.3.3.1 Hargis-Hebert Unit 1

In Fall of 2020, the Unit 1 combustion turbine underwent a borescope inspection conducted by GE on October 22, 2020. At the time of the inspection, Unit 1 had experienced 1,228 fired starts and 18,738 fired hours. During the borescope inspection, the inlet/compressor, combustion, turbine, and exhaust sections were evaluated. All sections were considered serviceable and no major concerns were noted.

The Unit 1 combustion turbine also received a hot section exchange inspection in 2013. At the time of the inspection, the unit had experienced 14,917 fired hours and 870 fired starts. During the inspection, the hot section was replaced except for the combustion chamber.

The unit has not yet received a major overhaul given its limited operating hours. The first major overhaul is planned for 30,000 hours.

4.2.3.3.2 Hargis-Hebert Unit 2

In Fall of 2020, the Unit 1 combustion turbine underwent a borescope inspection conducted by GE on October 21, 2020. At the time of the inspection, Unit 2 had experienced 1,309 fired starts and 18,043 fired hours. During the borescope inspection, the inlet/compressor, combustion, turbine, and exhaust sections were evaluated. All sections were considered serviceable, and no major concerns were noted.

In 2012, Unit 2 received a hot section exchange performed by GE. At the time of the inspection, Unit 2 had experienced 14,680 operating hours and an unreported number of starts. The whole hot section was overhauled for the inspection. Repairs were made to the gaskets and oil pumps, and the unit was returned to good operating condition.

The unit has not yet received a major overhaul given its limited operating hours. The first major overhaul is planned for 30,000 hours.

4.2.3.4 Fuel Supply

Natural gas is delivered to Hargis-Hebert at pressures in the range of 675 psig plus or minus 20 psig. Hargis-Hebert does not have compressors, but the plant does have dew point heaters. The natural gas is delivered through a fuel gas strainer, gas flow meter, a primary and secondary shut off valve, a fuel gas manifold, and goes to the fuel nozzles.

Natural gas from the Gulf South pipeline is procured on behalf of LUS by TEA who also bids the units in as MISO market participants. The quantity and price of gas is determined daily based on day-ahead nominations. Hargis-Hebert does not have firm gas supply.

4.2.3.5 Plant Transmission Delivery

Power is generated by two 72 MVA, 13.8 kV turbine generators. Each generator sends electricity to a GSU transformer via cable bus systems. The GSUs at Hargis-Hebert step the 13.8 kV power up to 69 kV. Each of the turbine generators each also send electrical power to auxiliary transformers that drop the voltage down to 4.16 kV. The 4.16 kV from the auxiliary transformers is sent to the MV switchgear

where it is relayed to the station service transformers and the chiller system. The station service transformers further step down the voltage from 4.16 kV to 480 kV for station auxiliaries such as fans, pumps, and motors.

4.2.3.6 Water Supply

Water treatment at each site consists of chemical treatment, GAC pre-filtration, cartridge filtration, reverse osmosis, and mixed bed demineralizer systems. The water treatment system is used to meet the facilities' 143 gpm makeup water requirement for lost system water due to cooling towers, water injection for NO_x control and for the SPRINT system.

At each site, the city water supply is delivered under pressure to the inlet of the pre-filtration skid. Prior to entering the filtration system, the feed water supply is dosed with sodium meta bisulfite to remove chlorine. The GAC filter removes organic matter and any residual chlorine from the feed water supply prior to its use in the reverse osmosis system. The reverse osmosis system removes most of the dissolved solids from the feed water by using a high-pressure pump to force water through a membrane that removes contaminants behind. Each reverse osmosis train consists of two passes. The second pass outlet is tied to a mixed bed demineralizer which removes the remaining dissolved solids and silica from the feed water. The demin water is stored in a 180,000-gallon storage tank. Each site contracts with a third party to regenerate the mixed bed and carbon filters. Due to low water pressures, the City has recently added a well near the Hargis-Hebert site that is untreated. The location of the well causes a higher percentage of untreated water to be supplied to Hargis-Hebert and the conductivity of the water is too high for the reverse osmosis system. Hargis-Hebert has recently installed carbon filters and green sand filters to manage to conductivity.

4.2.3.7 Plant Staffing and Operations

The facility is staffed 24 hours per day, 7 days a week, but can also be started and monitored remotely at the T.J. Labbe facility

4.2.3.8 Environmental Permits

The Hargis-Hebert plant holds current air permits for Title V and Acid Rain, as shown in Table 4-11. The Acid Rain permit requires quarterly reports on emissions of NO_x, SO₂, and CO₂. NO_x from the turbines is measured by CEMS with annual CEMS RATA testing. The turbines are classified as "gas-fired" under Acid Rain since fuel oil combustion is less than 10 percent of the annual capacity. However, the turbines may exceed this 10 percent threshold and become classified as "oil-fired." Additional monitoring would

be required as “oil-fired” units. However, the units do not currently have the ability to operate using fuel oil.

The Title V permit includes limits that make the facility a minor source for the PSD program by limiting emissions of CO and NO_x. The facility is a minor source of HAPs. The two turbines can burn natural gas, and the one black start generator burns fuel oil. The permit allows the facility to operate as a peaking plant, meaning that while actual emissions are low, the permit allows for significant operation as needed as long as the ton per year limits are not exceeded (239.11 tpy CO and 241.37 tpy NO_x). Actual emissions for 2020 were less than 13 tons NO_x. The Title V permit allows fuel oil operation even though the turbines are not capable of burning fuel oil without a physical modification.

As shown in Table 4-12, Hargis-Hebert holds sufficient allowances for its 2020 emissions under the CSAPR for the May to September ozone season. A separate CSAPR permit is not required. Excess allowances from Bonin were transferred to Hargis-Hebert.

LDEQ conducted a Title V permit inspection on June 19, 2020, which resulted in finding three areas of concern from operations in 2019 (related to calibration gases and natural gas sampling) and a warning letter. No excess emission event occurred in 2020 and no NOV's were issued. All required quarterly, semi-annual, and annual reports were submitted. Deviations were reported for data availability in February and in June of 2020.

Table 4-11: Hargis-Hebert Air Permits

| Permit Description | Permit Number | Issue Date | Expiration Date | Renewal Application Deadline |
|--------------------------|----------------|-----------------|-----------------|------------------------------|
| Title V Operating Permit | 1520-00128-V4 | August 17, 2018 | August 17, 2023 | February 17, 2023 |
| Acid Rain Permit | 1520-00131-IV3 | August 17, 2018 | August 17, 2023 | February 17, 2023 |

Source: LUS

Table 4-12: Hargis-Hebert NO_x Emission Allocations

| NO _x Allowances Held (tons) | 2020 Ozone Season NO _x Emissions (tons) | SO ₂ Allowances Held |
|--|--|---------------------------------|
| 617 | 4 | 1,223 |

Source: LUS

4.2.4 Rodemacher Unit 2

4.2.4.1 Plant Description

Rodemacher Unit 2 is a coal-fired steam electric generating unit located at the Brame Energy Center in Lena, Louisiana with an output of approximately 523MW (gross). Rodemacher Unit 2 entered commercial operation in 1982 and is jointly owned by LPPA (50 percent), Cleco (30 percent), and LEPA (20 percent). LPPA's ownership share of Rodemacher Unit 2 is 261.5 MW of capacity and the related energy output. Rodemacher Unit 2 is operated by Cleco, but each owner dispatches their share of the total capacity. Each owner self-schedules Rodemacher Unit 2 at minimum load and then economically dispatches the remaining capacity into the MISO market. LPPA has a power sales contract with the City of Lafayette in which the City agrees to purchase all of LPPA's share of the capacity and energy produced by Rodemacher Unit 2.

The Joint Ownership Agreement defines the LPPA's authority regarding decision making and operation of Rodemacher Unit 2. Cleco is required to provide relevant information to the Joint Owners regarding finances, operations, and future decisions. The Joint Owners require more than 50 percent ownership approval for any major changes regarding operations or finances. LPPA's 50 percent ownership stake provides the authority to reject major changes or request further analysis. This reduces the risk of the other owners could make changes that would adversely impact LPPA. The Joint Owners Agreement is effective through June 30, 2032.

Rodemacher Unit 2 generates electric power using a pulverized coal-fired, natural circulation, reheat boiler manufactured by Foster Wheeler. The boiler has a maximum continuous rating ("MCR") of 3,800,000 pounds per hour ("lb/hr") of steam at the superheater outlet pressure of 2,620 pounds per square inch gauge ("psig") and temperature of 1,005 degrees Fahrenheit ("°F"). The reheater is designed for an operating temperature of 1,005°F. The coal arrives on site via rail with rotary dump cars. Coal is prepared for the boiler by 5 roller wheel coal mills.

The boiler has a balanced draft furnace with combustion air being supplied by two 50 percent forced draft fans. The boiler was initially designed to burn various types of coal and natural gas, but primarily burns Powder River Basin ("PRB") coal and starts up on natural gas. Rodemacher Unit 2 has one motor driven startup boiler feed pump capable of allowing the unit to achieve approximately 330 MW and one 100 percent capacity turbine driven boiler feed pump capable of operating between minimum load and full load. Feedwater and condensate are heated to economizer inlet conditions utilizing four low pressure ("LP") feed water heaters ("FWHs"), a deaerator ("DA"), and two high pressure ("HP") feedwater

heaters. Rodemacher Unit 2 also utilizes a GE steam turbine generator (“STG”), which is a four casing, single reheat, tandem compound, four flow condensing unit. The generators are rated at 496 MVA. Cooling water for the Units is circulated through a two-shell single pass condenser. Cooling water for the steam turbine condenser and closed cooling water system is supplied by Lake Rodemacher. Lake Rodemacher is a man-made lake built specifically for Brame Energy Center.

For emissions controls, Rodemacher Unit 2 utilizes a selective non-catalytic reduction (“SNCR”) system with urea injection for NO_x reduction and an electro-static precipitator (“ESP”) for 99.5 percent removal of fly ash. Rodemacher Unit 2 also uses a dry sorbent injection system for acid gas control and added a fabric filter baghouse for additional particulate emissions controls to comply with EPA Mercury and Air Toxic Standards (“MATS”) requirements.

4.2.4.2 Performance and Statistics

Table 4-13 summarizes the historical operating statistics for the last five years for Rodemacher Unit 2.

Table 4-13: Rodemacher Unit 2 Historical Operating Statistics

| Generation Statistics | 2016 | 2017 | 2018 | 2019 | 2020 | 5-year Average |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|----------------|
| Gross Generation (MWh) | 1,855,018 | 1,987,052 | 2,555,929 | 2,532,781 | 1,614,522 | 2,109,060 |
| Net Generation (MWh) | 1,598,556 | 1,734,980 | 2,278,751 | 2,269,151 | 1,394,805 | 1,855,249 |
| Average Heat Rate (Btu/kWh) | 11,896 | 11,524 | 11,385 | 11,085 | 12,263 | 11,631 |
| Unit Capacity Factor (%) | 36.7% | 40.0% | 52.7% | 52.6% | 32.2% | 42.8% |
| Availability Factor (%) | 83.2% | 75.6% | 89.5% | 90.1% | 70.7% | 81.8% |
| Forced Outage Rate (%) | 2.4% | 9.5% | 3.2% | 2.4% | 4.0% | 4.3% |

Source: LPPA Manager's Monthly Reports

Rodemacher Unit 2 has been a relatively reliable unit with average Forced Outage Rates over the last five years less than five percent. In 2020, the forced outage rate was in line with previous years, but the capacity factor for the unit was lower. The reduction in capacity factor is partially due to lower market pricing in MISO which has been due to low natural gas prices. Another contributing factor was an extended planned outage that occurred in September and October.

4.2.4.3 Recent and Planned Upgrades and Maintenance

A major steam turbine inspection is scheduled every six years, which is in line with industry standards. Rodemacher Unit 2 underwent a major steam turbine overhaul in the fall of 2020. This included maintenance activities associated with the main turbine valves, inspection of turbine components, and replacing a row of LP turbine blades. The total outage duration was 102 days.

Rodemacher Unit 2 has continued to monitor and maintain the boiler tubes and duct work. The last boiler chemical clean was in 2016. Tube samples are taken annually to determine when chemical cleaning is needed. The drum is inspected annually, and no major issues have been found.

The site is attempting to reduce or eliminate copper in the condensate and feedwater system which has caused copper deposition in the HP turbine. Feedwater heaters 3, 4, 6, and 7 have been replaced with stainless steel tubes and feedwater heaters 1 and 2 are still copper nickel alloy. There are plans to replace FWHs 1 and 2 in 2021.

The condenser is manually cleaned during each spring outage and is backwashed every other week.

No major maintenance activities are planned for the next few years.

4.2.4.4 Fuel Supply and Ash Handling

The Joint Owners purchase coal from Arch Coal Sales, Inc., Navajo Transitional Energy Company (“NTEC”), and Peabody COALSALES, LLC. The coal is sourced from the Powder River Basin in Wyoming. LPPA owns two unit-trains for rail transportation to the facility. The existing contracts allow the coal to either be rejected or allows for a price adjustment if the heat content is too low or the sulfur content is too high. The bottom ash and fly ash from Rodemacher Unit 2 is removed from site by truck and sold for beneficial reuse by Charrah, Inc. The Joint Owners have an agreement with Charrah through 2025.

4.2.4.5 Plant Transmission Delivery

Rodemacher Unit 2 sends electric power from the switch station via five transmission lines, all of which operate at 230kV. The transmission lines service Clarence, Leesville, Rapides, Sherwood, and St. Landry. LUS has had firm transmission agreement for the plant since it was commissioned. LUS has decided to terminate the firm transmission agreement with Cleco and will save \$6 million to \$7 million per year. LUS provided notice three years ago. LUS will have a slight increase in network integrated transmission service (“NITS”), but expects to save a significant amount from this change. This will happen in FY 2021. NITS is not expected to increase any more than \$1 million per year. The net savings from this is \$4 million to \$5 million per year. This transmission savings is O&M savings.

4.2.4.6 Water Supply

Water is supplied from Lake Rodemacher. The water is pretreated with ultra-filtration (“UF”) and then sent through a RO and a demineralizer. There are two 250,000-gallon aluminum tanks that hold the demin water. Hydrazine and phosphate are used to treat boiler water in the drum. The lake is self-contained and is not subject to 316.B requirements.

4.2.4.7 Plant Staffing and Operations

Cleco provides maintenance and operations staffing for Rodemacher Unit 2. The unit is staffed 24 hours a day, 7 days a week.

4.2.4.8 Future Decommissioning and Conversion

Rodemacher Unit 2 would require significant modifications by 2027 in order to comply with CCR and ELG rules and continue to operate utilizing coal. Due to the cost associated with these modifications, the Joint Owners have decided that prior to the required compliance date, Rodemacher Unit 2 will stop utilizing coal in the future. The Joint Owners are still evaluating whether Rodemacher Unit 2 should be retired or converted to burn natural gas. Either alternative is expected to be a major expenditure and LUS would be responsible for 50 percent of the total cost.

4.2.4.9 Environmental Permits and Compliance

4.2.4.9.1 EPA Clean Air Act Greenhouse Gas Regulation

On January 19, 2021, the United States Court of Appeals for the District of Columbia Circuit vacated the Trump Administration's Affordable Clean Energy ("ACE") Rule, which had in turn replaced the Clean Power Plan ("CPP") of the Obama Administration. The Biden Administration is expected to start fresh in implementing its own climate change agenda. No drafts have been proposed at this time.

4.2.4.9.2 New Source Performance Standards

New Source Performance Standards ("NSPS") for Greenhouse Gas Emissions for Electric Generating Units (40 CFR Subpart TTTT) does not apply to Rodemacher 2 since it did not commence construction after January 8, 2014.

4.2.4.9.3 Environmental Permits and Compliance

Table 4-14 summarizes the key environmental permits for Rodemacher Unit 2.

Table 4-14: Rodemacher Unit 2 Key Permits

| Permit Description | Permit Number | Regulatory Authority ¹ | Expiration Date | Renewal Application Deadline |
|---|----------------|-----------------------------------|----------------------------|--|
| Title V Operating Permit | 2360-00030-V4 | LDEQ | February 20, 2024 | August 20, 2022 |
| Acid Rain Permit | 2360-00030-IV5 | EPA | February 20, 2024 | August 20, 2022 |
| LPDES Permit ² | LA0008036 | LDEQ | September 30, 2019 | Submitted March 13, 2019 |
| Solid Waste Standard Type I Permit (metal cleaning waste pond, bottom ash pond, and fly ash pond) | P-0005R1 | LDEQ | November 18, 2026 | Must renew every 10 years. |
| Solid Waste Standard Type I (coal sedimentation pond) | P-0062R1 | LDEQ | November 18, 2026 | Must review every 10 years. |
| Radioactive Material License | LA-3719-L01 | LDEQ | May 31, 2023 | 30 calendar days prior to expiration |
| Spill Prevention, Control, and Countermeasure ("SPCC") Plan | N/A | EPA | Last revised December 2019 | Plan review must be completed every 5 years. |
| Hazardous Waste Generator ("RCRA") ³ | LAD071941611 | EPA | N/A | N/A |

Source: LUS

¹ LDEQ = Louisiana Department of Environmental Quality, EPA = U.S. Environmental Protection Agency

² Facility operating under existing Louisiana Pollution Discharge Elimination System (LPDES) permit (administratively continued)

³ RCRA = Resource Conservation and Recovery Act

4.2.4.9.4 National Ambient Air Quality Standards

The Clean Air Act requires EPA to set National Ambient Air Quality Standards ("NAAQS") for pollutants that are common in outdoor air, considered harmful to public health and the environment. Rapides Parish is currently designated as attainment for all criteria pollutants; however, the Parish to the south (Evangeline) is non-attainment for SO₂. EPA updates the NAAQS every five years. The PM_{2.5} NAAQS is the subject of current scientific inquiry and a reduction of the standard is possible during the next review. A lowering of the PM_{2.5} NAAQS would create new non-attainment areas and could affect the operation of any coal-fired boiler.

4.2.4.9.5 Air Emissions and Opacity Limitations

Unit 2 operates utilizing coal, natural gas, and number 6 fuel oil to generate up to 523 MW (gross). Emissions are controlled by activated carbon injection, dry sorbent injection, fabric filter baghouse, and a selective non-catalytic reduction control device.

SO₂ and NO₂ emissions are covered in the Acid Rain permit. Emissions are lower than the limits, as presented in Table 4-15 and Table 4-16. The SO₂ limit was lowered to comply with the Regional Haze Rule State Implementation Plan. Emissions controls were added to comply with CSAPR and MATS. The SNCR has been installed and is used during the ozone season (May 1 to September 30). Rodemacher received 995 tons for the NO_x ozone season allocations in 2020. For 2021, 2022, and 2023 Rodemacher 2 will only receive 875 NO_x ozone season allocations. LUS will monitor the run hours during the ozone season to stay below the allocations issued to LPPA. LPPA should have approximately 283 allowance in the bank prior to distribution of 2021.

The final CSAPR changes were signed March 15, 2021, which encourage plants to increase use of NO_x controls by turning them on more often and/or using more reagent to achieve a lower NO_x rate when they are operating. Rodemacher 2 will likely need to increase use of the SNCR to decrease emissions.

No excess emission event occurred in 2020 and no NOVs were issued. All required quarterly, semi-annual, and annual reports were submitted. Deviations were reported for data availability occurred several times in 2020.

Table 4-15: LPPA Rodemacher Unit 2 SO₂ Emissions

| Year | Annual Average (lb/MMBtu) | Permit Limit (lb/MMBtu) | Total Annual (tpy) | Annual Allocation (tpy) |
|------|---------------------------|-------------------------|--------------------|-------------------------|
| 2016 | 0.28 | 1.2 | 3,133 | 18,212 |
| 2017 | 0.27 | 1.2 | 2,887 | 18,212 |
| 2018 | 0.33 | 1.2 | 4,726 | 18,212 |
| 2019 | 0.24 | 0.3 | 3,040 | 18,212 |
| 2020 | 0.24 | 0.3 | 1,649 | 18,212 |

Source: LUS

Table 4-16: LPPA Rodemacher Unit 2 NO₂ Emissions

| Year | Annual Average (lb/MMBtu) | Permit Limit (lb/MMBtu) | Total Annual (tpy) | Ozone Season (tpy) |
|------|---------------------------|-------------------------|--------------------|--------------------|
| 2016 | 0.18 | 0.46 | 1,984 | 868 |
| 2017 | 0.15 | 0.46 | 1,581 | 674 |
| 2018 | 0.22 | 0.46 | 3,268 | 1,488 |
| 2019 | 0.22 | 0.46 | 2,706 | 1,033 |
| 2020 | 0.18 | 0.46 | 1,257 | 699 |

Source: LUS

4.2.4.9.6 Allocations

Brame Energy Center holds sufficient allowances for its emissions, as shown in Table 4-17.

Table 4-17: Rodemacher Unit 2 Emission Allocations (LUS Portion Only)

| NO _x Allowances Held (tons) | 2020 Ozone Season NO _x Emissions (tons) | SO ₂ Allocations (tons) | 2020 SO ₂ Emissions (Tons) |
|--|--|------------------------------------|---------------------------------------|
| 497.5 | 332.37 | 9,106 | 795.81 |

Source: LUS

4.2.4.9.7 Cooling Water Supply and 316(b) Regulation

Cooling tower and boiler makeup water is pumped from a screened water intake structure at Lake Rodemacher. Rainfall and storm water runoff provides makeup to Lake Rodemacher for water lost to evaporation. As determined by LDEQ, Lake Rodemacher is not subject to Section 316(b) of the Clean Water Act because it was constructed to support power generation operations and is not considered “waters of the State.”

4.2.4.9.8 Wastewater Discharge Permit

Louisiana Pollutant Discharge Elimination System (“LPDES”) Permit No. LA0008036 authorizes the discharge of operational wastewaters and storm water from the Brame Energy Center to surface waters of the State. Although the LPDES Permit expired on September 30, 2019, a timely renewal application was submitted on March 13, 2019, and Cleco provided additional information requested by LDEQ on March 24, 2020. The conditions of the expired permit are administratively continued until the effective date of a new permit, as governed by LAC 33:IX.2321.

The LPDES Permit establishes monitoring, reporting, and recordkeeping requirements for wastewater and storm water discharges, including effluent limitations specific to wastewater types and outfall locations.

Based on review of the EPA ECHO and LDEQ online systems, the facility has no outstanding NOV's or material compliance issues associated with the LPDES Permit.

4.2.4.9.9 Wastewater Effluent Limitation Guidelines

When a 2009 study found the effluent limitation guidelines ("ELGs"), established in 1982, to be ineffective to address metals and other pollutants discharged from steam electric power generating facilities, the EPA finalized new ELGs (40 CFR 423) on September 30, 2015, which focused on wastewater streams generated by coal-fired steam electric plants: flue gas desulfurization ("FGD"), fly ash, bottom ash, flue gas mercury control, and gasification of fuels including coal and petroleum coke. In September 2017, the compliance dates for FGD wastewater and bottom ash transport water ELGs were postponed for two years to allow EPA additional time to review and reconsider the rule for these two effluent streams. However, the November 1, 2018 compliance date for fly ash transport water and flue gas mercury control wastewater remained in effect. Cleco indicated that the ELGs for these two wastewater streams are met with existing plant equipment and procedures.

In November 2019, the EPA issued the 2019 Proposed Revision to the Steam Electric Effluent Guidelines for FGD wastewater and bottom ash transport water, which changed the technology basis for treatment of these effluent streams, revised the voluntary incentives program for FGD wastewater, and added subcategories for high-low facilities, low utilization boilers, and boilers retiring by 2028. The 2019 revision established a December 31, 2023 compliance deadline for bottom ash transport water and a December 31, 2025 compliance deadline for FGD wastewater. These proposed revisions were finalized as the 2020 Steam Electric Reconsideration Rule, were published in the Federal Register on October 13, 2020, and became effective on December 14, 2020.

On December 2, 2020, Cleco notified LDEQ of its intent to comply with the site-specific alternative to initiation of closure due to permanent cessation of a coal-fired boiler by a date certain for the Bottom Ash Pond at the Brame Energy Center, pursuant to 40 CFR § 257.106(i)(18). In accordance with 40 CFR § 257.103(f)(2), Cleco submitted a demonstration seeking to qualify for these alternative closure requirements to the EPA on November 12, 2020. A revised demonstration was submitted to the EPA on November 25, 2020.

On January 8, 2021, Cleco submitted responses to LDEQ's request for additional information, including a copy of Rodemacher Unit 2's Notice of Planned Participation per 40 CFR 423.19(f). As communicated to LDEQ, Cleco plans to permanently cease coal-fired operation of Rodemacher Unit 2, the only unit at the facility that discharges bottom ash transport water, by the third quarter of 2027 in order to achieve

complete closure of the associated CCR impoundments prior to the October 17, 2028 CCR Part A deadline. Therefore, the facility would be classified as an Electric Generating Unit (“EGU”) Permanently Ceasing Coal Combustion (“PCCC”) by December 31, 2028.

As communicated by LDEQ, the final ELGs will be implemented in the renewed LPDES Permit.

4.2.4.9.10 Coal Combustion Residuals

On December 19, 2014, the EPA finalized the Coal Combustion Residuals (“CCR”) Rule, and it was published in the Federal Register (40 CFR 257) on April 17, 2015 and became effective on October 14, 2015. Rodemacher Unit 2 has two surface impoundments (Fly Ash Pond and Bottom Ash Pond) subject to the CCR Rule. Because the final CCR Rule classifies coal ash as solid waste rather than hazardous waste, Rodemacher Unit 2 continues to market and sell most of its fly ash and bottom ash for beneficial use. Although the CCR Rule redefined beneficial use, it does not affect beneficial use applications that were initiated before October 2015.

The CCR Rule also establishes minimum 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 and notification requirements. CCR surface impoundments that do not receive CCR after the effective date of the rule, but still contain water, are still subject to applicable regulatory requirements.

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 40 CFR 257.71. To comply with this requirement, Cleco obtained certification from a qualified professional engineer (Providence Engineering and Environmental Group LLC) attesting that both the Fly Ash Pond and the Bottom Ash Pond meet the requirements of the final CCR Rule. Additionally, a CCR Groundwater Monitoring Program was established to verify the integrity of the pond liners, as required by the CCR Rule.

Annual inspections of the Fly Ash Pond and Bottom Ash Pond were conducted in December 2020 by Providence Engineering and Environmental Group LLC. The Fly Ash Pond inspection found the reservoir to be in satisfactory condition; however, minor corrective actions were noted to be required on the exterior and interior slopes due to ground disturbance caused by feral hogs. The Bottom Ash Pond inspection report states that the reservoir and slopes are in satisfactory condition, and no corrective actions were needed. Annual inspections and maintenance will continue until pond closure is complete.

4.2.4.9.11 Oil Storage and Spill Prevention

The SPCC Plan for the Brame Energy Center was written in accordance with State and Federal regulations, including Title 33, Part IX Chapter 9 of the Louisiana Administrative Code (LAC 33:IX.Chapter 9) and 40 CFR 112. The SPCC Plan establishes operating procedures, best management practices, equipment, and other requirements to prevent the discharge of oil from non-transportation-related onshore and offshore facilities. The SPCC Plan must be reviewed at least every five years and was most recently revised in December 2019.

The Facility Response Plan (“FRP”) regulation (40 CFR 112.20) applies to those facilities that may reasonably be expected to cause substantial harm to the environment by discharging oil. The FRP for the Brame Energy Center addresses 40 CFR 112.20.f.1.ii (i.e., those facilities whose total oil storage capacity is greater than or equal to 1 million gallons). LPPA has no ownership interest in, nor liability for, the fuel oil storage tanks on the Brame Energy Center site.

4.2.5 Retired Sites of Bonin and Rodemacher

The Bonin site is retired from electric generation. The Bonin site is the location of the LUS operations center. The Bonin plant still has the existing switchyard and gas transmission line to the site. LUS is considering using the Bonin site for future gas-fired generation, however no final decisions have been made by LUS. Curtis Rodemacher was retired in June 2000 and ongoing site monitoring includes periodic inspections, with asbestos abatement and lead paint removal as required.

4.2.5.1 Environmental

The Acid Rain and Title V permits for the Doc Bonin facility were withdrawn in February 2017. The facility had three EGUs. Unit 1 last operated on June 22, 2011, and was put into cold storage on June 1, 2013. Unit 2 last operated on July 5, 2013, and was put into cold storage on June 29, 2014, and Unit 3 last operated on August 27, 2013, and was put into cold storage on June 29, 2014. CSAPR allowances were transferred to Labbé and Hargis-Hebert. In 2016, MISO agreed to the retirement of Bonin since Units 2 and 3 were not needed for reliability.

LUS submitted a Request for Termination of its LPDES Permit (No. LA0005711), which authorized the discharge of operational wastewaters and stormwater from the Doc Bonin facility, on May 5, 2019. In response, LDEQ issued a letter on August 16, 2019, stating that the LPDES Permit has been allowed to expire, and the permit number has been removed from the LDEQ system. Prior to LPDES Permit termination, LUS applied for permit authorization under LDEQ’s Storm Water Multi-Sector General

Permit (“MSGP”) for continued coverage of stormwater discharged from the Doc Bonin site. The MSGP (No. LAR05Q054) was authorized on April 24, 2019.

The Doc Bonin site is no longer required to adhere to regulated materials storage and spill response requirements from the EPA and LDEQ, as fuel oil tanks and other regulated materials storage vessels have been removed from the site. Contaminated soil from historic fuel oil storage has also been removed.

4.2.6 Hydroelectric Purchased Power

LUS has a power purchase agreement in place with the Southwestern Power Administration (“SWPA”). The power purchase agreement provides LUS with 22,320 MWh of energy supply from hydroelectric power generation. The power purchase agreement is through May 31, 2033. As one of four Power Marketing Administrations in the United States, Southwestern markets hydroelectric power in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas from 24 U.S. Army Corps of Engineers multipurpose dams.³

4.2.7 Power Purchase Agreements

LUS had a power purchase agreement with Exelon Generation Company, LLC for energy. The contract expired on December 31, 2020. The contract was based on a purchase of 50MW each hour at a 100 percent load factor. LUS, through The Energy Authority, Inc. (the power marketer for LUS), had a contract with STX Services B.V. for the renewable energy credits associated with the Exelon Generation energy. It also expired on December 31, 2020.

4.2.8 Capacity Contracts

As a MISO participant, LUS is required to procure sufficient capacity to meet its load requirements. This capacity can be procured through owned resources or power purchase contracts. In order to meet its resource adequacy (i.e. capacity) requirements, LUS has been purchasing short-term capacity contracts. Below provides a summary of LUS recent and current capacity contracts.

- NRG: June 2016 through May 2020 for approximately 40 MW
- TEA: June 2020 through May 2021 for 80MW
- NRG: June 2021 through May 2022 for 68MW

4.3 Transmission and Distribution

The LUS electric system consists of approximately 47 miles of transmission lines (69 kV and above),

³ <https://www.swpa.gov/>

1,019 miles of distribution lines (13.8 kV) and a few hundred miles of secondary and street light lines (600V and below). The transmission and distribution lines are connected by 15 substations which are further described in the following sections.

4.3.1 Transmission System Description

The transmission lines operate at three voltage classes: 230 kV, 138 kV, and 69 kV, on a variety of structure types and configurations, but most commonly steel or wood mono poles, with the former being the most common new construction practice. The 230 kV feeds the Pont Des Mouton, Mall, Flanders, Beadle, and Elks distribution substations. It also connects the generation at T.J. Labbe Plant and ties to Cleco (at Pont Des Mouton and T.J. Labbe Plant substations), and Entergy (at T.J. Labbe Plant substations). The 138 kV is limited to at or near Doc Bonin Plant and Flanders substations and serves primarily to create additional ties to Cleco, at Flanders substation, and Entergy, at Doc Bonin Plant substation. 69 kV is LUS's most common transmission voltage, as it serves the Warehouse, Luke, St George, Gilman, Peck, Guilbeau, Perard, Sewer, Pinhook, La Neuville, and Elks substations as well as the Hargis-Hebert Plant.

4.3.2 Substations Description

LUS's typical substation configuration includes a single bus, looped transmission configuration with provisions for up to two 69/13.8 kV or 230/13.8 kV transformers, each serving up to four 13.8 kV circuits, normally configured. Both the transmission system and distribution circuits are typically protected by breakers within each substation. All substations other than La Neuville have two transformers. The LUS system has a total of 86 distribution circuits as of February 2021.

4.3.3 Distribution System Description

The 1,019 miles of distribution lines include approximately 480 miles of overhead and 526 miles of underground primary. The overhead distribution lines are typically constructed with single wood pole (creosote-treated, yellow pine) construction, 336 aluminum-conductor steel-reinforced cable ("ACSR") or similar backbone conductor, and normally open ties to other, neighboring circuits. The underground distribution lines (primary and secondary) consist of jacketed cable in polyvinyl chloride ("PVC") conduit.

4.3.4 Inspections & Maintenance

LUS has several cyclical inspection programs, focused on specific types/categories of equipment, as a part of its proactive maintenance practices. Table 4-18 outlines key transmission, substation, and distribution inspection and maintenance programs and their associated cycle durations.

Table 4-18: Maintenance and Inspection Programs

| Asset Class | Program | Cycle (years) |
|--------------|--|---------------|
| Transmission | Pole inspections* | 8 |
| | Breaker maintenance | 5 |
| | Tree trimming / vegetation management (69 kV) | 1+ |
| | Tree trimming / vegetation management (230 kV) | 1 |
| Substation | General maintenance (transformers) | 5 |
| | Relay maintenance (microprocessor) | 5 |
| | LTC maintenance (transformers) | 3 |
| | Relay maintenance (electromechanical) | 2 |
| | Oil testing / sampling (transformers) | 1 |
| Distribution | Pole inspections* | 8 |
| | Major underground equipment inspection | 8 |
| | Tree trimming / vegetation management | 4 |
| | Capacitor testing | 1 |
| | Cable partial discharge testing | as needed |

*includes grounding/ohm testing

LUS's inspection and maintenance cycles are consistent with industry and regional best practices. Generally, maintenance work is performed by LUS crews, promoting system awareness and knowledge while new construction work is typically performed by contract crews. Much of the inspection work is executed by contractors as well, such as Osmose for pole inspections and Doble for transformer testing.

4.3.5 System Planning and Studies

LUS Staff perform annual planning assessments on both the transmission and distribution systems to assess system capacity, adequacy, and reliability.

4.3.5.1 Transmission Planning Studies

The transmission assessments are completed in accordance with applicable NERC standards such as NERC TPL-001-4 and in collaboration with MISO staff. The results of the 2019 NERC TPL-001-4 showed no performance criteria violations after existing mitigation plans for Planning Events P1 through P7 or for any Extreme Events. The study found that six LUS non-BES breakers did not have adequate interrupting capability and therefore needed replacement. The study also found that generation capacity at the retired Bonin site during a contingency can reduce loading on some nearby system elements. Overall, the LUS study results were consistent with MISO findings and continued compliance with NERC transmission planning ("TPL") standards.

4.3.5.2 Distribution Planning Studies & Practices

LUS utilizes a model export process from its Environmental Systems Research Institute ("ESRI") geographic information system ("GIS") to the Easton CYME Power Engineering Software to facilitate

load flow, short circuit, and protection coordination studies on its distribution system. Its distribution planners regularly update these models with current system topology and load levels to test system adequacy, reliability and to scope system improvement projects. LUS performs a robust annual contingency analysis to verify the system capability to serve N-1 contingency scenarios of:

- Loss of a substation transformer
- Loss of a distribution feeder
- Loss of a distribution substation

In the event of these contingencies, the system must allow for operator or crew reconfiguration while maintaining equipment operating limits and power quality limits. This practice is well aligned with LUS expectations for system reliability, availability, and operability.

4.3.6 Maintenance & System Improvement Projects

In 2020, as a part of cyclical inspections and maintenance, LUS 1) replaced 13 transmission poles and 89 distribution poles that failed Osmose inspections, 2) upgraded transmission relating at Sewer, Perard, and Guilbeau substations, 3) installed 138 kV and 230 kV SF6 breakers to replace oil breakers of the same voltage class, and 4) replaced several 15 kV oil breakers with vacuum breakers. Additionally, LUS deployed aerial photography and Light Detection and Ranging (“LiDAR”) technology to assess and analyze the age and condition of LUS transmission lines and right-of-way. Further, to improve operations, safety, and reliability, LUS completed the following projects in 2020:

- Installed 1,905 feet of 600amp underground along Town Center Pkwy.
- Installed 1,386 feet of 600amp overhead along Duhon Rd.
- Reconductored 960 feet’ of overhead, installed 537 feet of overhead, installed 1,017 feet of underground to create a loop feed on Polly Lane and create a backfeed for Polly Lane Apartments.
- Installed 2,400 feet of 600amp underground and 1,300 feet of 600amp overhead to connect PDM Substation with Warehouse substation.
- Reconductored 6,430 feet of copper overhead to improve feeders on a list of the 5 worst feeders in Lafayette.

LUS maintains little to no backlog of inspection and maintenance related replacements and prioritizes these projects as they occur.

4.3.7 Planned Maintenance & System Improvement Projects

The following projects are planned in the near term to serve new load, continue ongoing maintenance, or target worst performing feeders:

- Construct the new 230 kV / 69 kV / 13.8 kV Moss Substation and associated feeder reconductoring. This station will be connected to the existing 69kV transmission line from Gilman to Peck, and the existing 230kV station Pont Des Mouton. This station will relieve loading on Pont Des Mouton and Peck stations as well as serve as another path for power to flow from the 230kV system to the 69kV system adding resiliency and redundancy.
- Bus differential relaying upgrades at the T.J. Labbe switchyard (NERC Compliance).
- Replace aged wooden 230kV structures from Beadle-Elks with monopole steel line.
- Construct new PDM feeder # 3555.
- Reconductor circuit # 2555/8560.
- Transformer relaying upgrades at the following stations: Guilbeau, Sewer, Perard.
- Feeder relaying upgrades at the following stations: Guilbeau, Perard.
- Sewer T80B transformer replacement to be completed spring 2021.
- Inspect and rehab 230kV Steel transmission structures for deterioration.

4.3.8 Operations and Related Performance

The dispatch and operations groups were fully staffed in 2020, and up-to-date with required training for compliance with the NERC PER standards. LUS has certified internal staff facilitating NERC compliance and certification for the group.

4.3.8.1 EMS and SCADA Upgrades

In 2020, LUS upgraded its energy management system (“EMS”) and supervisory control and data acquisition (“SCADA”) systems (hardware and software), by Open Systems International, Inc. (“OSI”). The previous systems were aging, becoming cost prohibitive to maintain, and were no longer supported by maintenance or service contractors. The upgrades included: 5 workstations, 15 servers, 4 switches, and 4 firewalls. The resulting enabled EMS features include:

- Automated baseline generation tools.
- Security patch assessment tools.
- Big data historian.
- SCADA playback mode.
- Corporate read-only viewing capabilities.

Concurrent with the EMS and SCADA systems upgrades, LUS completed an ECS control room renovation. The upgrades included:

- Installation of a digital map board replacement for the analog map board.

- Datapath audio/video connections to display the state of the electric system on the digital map board.
- Replacement of the existing operator desks with two Winsted stand/sit consoles, and two stationary consoles.
- Addition of a dedicated conference room to improved sound control and operator training activities.

The new SCADA and EMS increase the speed and efficiency of operation functions, enable better reporting for management and stakeholder awareness, and simplify future maintenance operations.

4.3.9 Reliability

FY 2020 was an abnormally busy storm season for LUS. In FY 2020, LUS experienced four major storm event days. The major events days were as follows:

- January 11 – Tornado
- August 27 – Hurricane Laura
- October 9 – Hurricane Delta
- October 10 – Hurricane Delta

Excluding the major event days, which is the prevailing industry practice for comparisons between utilities, the LUS system consistently outperforms regional and national averages for system reliability and availability, reflecting its established, intentional, and proactive maintenance, planning, and construction practices. Table 4-19 details the annual reliability performance of the LUS system over the last five years, for each of the four major reporting categories (System Average Interruption Duration Index (“SAIDI”), System Average Interruption Frequency Index (“SAIFI”), Customer Average Interruption Duration Index (“CAIDI”), and Momentary Average Interruption Frequency Index (“MAIFI”). The table includes national and regional municipal utility averages for reference

Table 4-19: LUS Electric System Reliability Metrics

| Year | SAIDI | SAIFI | CAIDI | MAIFI |
|----------------------|-------|-------|-------|-------|
| 2016 | 38.2 | 0.80 | 47.6 | 0.74 |
| 2017 | 34.2 | 0.59 | 58.4 | 0.91 |
| 2018 | 31.9 | 0.72 | 44.2 | 0.83 |
| 2019 | 39.7 | 0.74 | 53.6 | 0.57 |
| 2020 | 26.6 | 0.65 | 40.8 | 0.70 |
| National Median (1) | 42.3 | 0.69 | 71.3 | N/A |
| Regional Average (2) | 93.6 | 1.17 | 62.9 | N/A |

1. Averages for 2018 triennial, American Public Power Association “Evaluation of Data Submitted in APPA’s 2018 Distribution System Reliability and Operations Survey”, Michael Hyland Alex Hofmann, Tyler Doyle and Ji Yoon Lee, July 2019.

2. APPA Region 4 (OK, AR, TX, LA) results for 2018 survey, American Public Power Association “Evaluation of Data Submitted in APPA’s 2018 Distribution System Reliability and Operations Survey”.

LUS has several initiatives that support a continued focus on system reliability. System operations has longer term plans to further utilize its Outage Monitoring System (“OMS”) and enable its operators by allowing manual operator control of feeder reclosers for contingency switching. Longer term these operations will be automatically executed quickly and without operator intervention. These advances and continued expansion of communicating faulted circuit indicators (“FCI”) and capacitor banks will enable near-term Advanced Distribution Management System (“ADMS”) capabilities. LUS annually targets the top five worst performing feeders for detailed analysis and investment to improve reliability.

4.3.10 System Security

A detailed evaluation of the Utilities System security measures is beyond the intent of this Report. However, LUS facilities have physical security in place such as fencing, automatic gates, security checkpoints, keypads, etc. LUS security practices include employee and contractor background checks, routine training, and standard entry procedures for all electric facilities. There were no modifications to the physical security systems in 2020.

4.4 Historical Capital Improvement Program

LUS uses a capital work order system to track capital expenses. The historical capital presented in Table 4-20 reflects investment in infrastructure funded by the Series 2010 and Series 2019 Bonds and retained earnings. The Series 2010 Bonds were issued for multiple projects including the Acadiana Load Pocket transmission project and Advanced Metering Infrastructure (“AMI”) projects. The Series 2019 Bonds are available to support various capital projects including fuel supply improvements, chiller coil replacement, breaker replacements, substation improvements, switchyard improvements, and street lighting upgrade.

Table 4-20: Electric System Historical CIP

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------|--------------|-------------|-------------|-------------|--------------|
| Normal Capital & Special Equipment | \$6,351,851 | \$1,565,194 | \$2,136,589 | \$3,468,467 | \$7,142,480 |
| Series 2010 Bonds | 729,576 | 0 | 0 | 0 | 0 |
| Series 2019 Bonds | 0 | 0 | 0 | 241,628 | 3,123,162 |
| Retained Earnings | 5,990,441 | 2,499,043 | 5,752,782 | 4,331,810 | 4,026,770 |
| Total Electric Capital | \$13,071,867 | \$4,064,237 | \$7,889,370 | \$8,041,906 | \$14,292,412 |

Source: LUS Financial and Operating Statements

4.5 Regulatory Compliance

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. The Electric System's most recent NERC CIP audit was completed in November 2019 with zero areas of concern. LUS's NERC 693 Reliability audit in 2017 was successful, with no violations. SERC was assigned as LUS's regional compliance enforcement authority as of December 2, 2017. SERC Reliability Corporation conducted an Operations and Planning off-site audit of 2020 LAFA, NCR01114 from May 18, 2020 through September 10, 2020 in which there were zero areas of concern and zero recommendations were made. Additionally, SERC also conducted a review of LUS as a balancing authority and transmission operator due to the new EMS. A report was issued by certification review team and determined that LUS does not require a new certification. LUS is in compliance with all applicable NERC CIP and Operations and Planning ("O&P") 693 standards.

LUS, also known as LAFA, remains registered with NERC as a Balancing Authority, Transmission Operator, Transmission Owner, Transmission Planner, Generator Operator, Generator Owner and Distribution Provider. LAFA, also has delegation agreements with MISO through Coordinated Functional Registration or Joint Registration Organizations Agreement. In 2011, LAFA established a formal program for internal compliance, supported by management and the Lafayette City council.

The formation of LAFA's NERC Compliance Section was established to meet the continuing evolution of in-scope regulatory standards and to provide oversight and assistance to Subject Matter Experts. LAFA's NERC Compliance consist of a full-time NERC Analyst, an Electric Reliability & Environmental Compliance Administrator, and several Subject Matter Experts with various departments.

4.6 Contracts and Agreements

LUS maintains many 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. Table 4-21 provides a summary of the key contracts that are in place for LPPA and LCG.

Table 4-21: Electric System LPPA and LCG Key Contracts and Agreements

| Contracts & Agreements Between | Date Signed/Renewed | Termination Date | Provisions |
|---|---------------------|--|---|
| LPPA Contracts | | | |
| LPPA – Cleco, LEPA | November 15, 1982 | June 30, 2032 or end of useful life | Joint ownership of Rodemacher Unit 2 |
| LCG – LPPA | May 1, 1997 | August 31, 2047 or when bonds were paid | Purchase of power from LPPA's 50 percent share in Rodemacher Unit 2 |
| 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 |
| LPPA - Navajo Transitional Energy Company, LLC | December 11, 2002 | Upon 180 days' notice | Purchase of coal for Rodemacher Unit 2 |
| LPPA – Cleco – LEPA – Charah Inc | March 1, 2015 | February 29, 2020; may be renewed for 1- or 5-year period | Sale of byproducts (ash) for reuse |
| MISO Related Contracts | | | |
| 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 – Other Transmission Facilities Owners | February 4, 2013 | 30 years from the earliest Effective Date for any signatory, thereafter 5-year terms | Transmission Owner Agreement for LUS in MISO |
| LCG – MISO | February 4, 2013 | Coincides with MISO Owners Agreement | Agency Agreement for Open Access Transmission Service |
| LCG – MISO | August 1, 2013 | Upon 30-day notice | Agreement to procure satellite phone link |
| LCG – MISO | September 25, 2013 | 2 years from Effective Date, thereafter 1-year terms | Modeling, Data, and Analysis reliability standards compliance obligations primarily related to NERC requirements |
| 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 – Midwest ISO Transmission Owners | January 25, 2018 | Withdrawal from MISO | Cost sharing for attorneys and consultants related to MISO. |
| TEA and Fuel Contracts | | | |
| LCG – TEA | June 1, 2013 | Upon 6-months' notice, but not prior to 48 months after the Effective Date | Power and Fuel Marketing |
| TEA – Centerpointe | March 28, 2019 | June 30, 2020 with 1 year extension option | Supply of natural gas for Hargis Hébert Plant |
| TEA – Centerpointe | July 15, 2109 | June 30, 2020 with 2 year extension option | Supply of natural gas for T. J. Labbé Plant and Doc Bonin Plant sites |
| Capacity, Energy and Renewable Contracts | | | |
| 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 |
| LCG – TEA | February 22, 2018 | May 2019 | 11.8 MW of capacity from June 2018 – May 2019 |
| LCG – TEA | December 2018 | May 31 2020 | 43.8 MW of capacity from June 2019 – May 2020 |
| LCG – Exelon Generation Company, LLC | August 7, 2018 | December 31, 2020 | Energy contract for 50 MW at 100% load factor from January 1, 2019 through December 31, 2020. |
| LCG – SPA | June 1, 2018 | May 31, 2033 | Purchase of hydroelectric power |
| LCG – SPP | August 9, 2013 | September 1, 2018 | Firm point-to-point transmission service. Contract was not renewed. |
| LCG – STX Services B.V. (via TEA) | August 3, 2018 | December 31, 2020 | RECs from January 1, 2019 through December 31, 2020. |
| LCG - NRG | June 1, 2020 | May 31, 2020 | 80 MW of capacity from June 2020 – May 2021 |
| LCG - TEA | March 1, 2020 | March 31, 2021 | 50 MW on-peak 30 MW off-peak energy contract at 100% load factor for March 2020 |
| LCG - TEA | October 1, 2020 | October 31, 2021 | 50 MW 7x24 energy contract at 100% load factor for March 2020 |
| Transmission Related Contracts | | | |
| City – Louisiana Generating (Cajun Electric) | 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 – Entergy Gulf States | June 22, 2012 | June 21, 2032; year to year thereafter | Interconnection agreement for delivery of power |
| LCG – Cleco | 1991 | August 31, 2021 ⁽¹⁾ | Interconnection agreement for delivery of power. Transformer lease agreement (Cleco rents transformer space to serve Breaux Bridge) Firm transmission service point to point (expires August 31, 2021). LCG legal is working on the amendment to terminate firm transmission service. |
| Miscellaneous Contracts | | | |
| LCG – SLEMCO | September 10, 2004 | September 10, 2019 | Contract expired. Negotiations ongoing. |
| LCG – TransCanada | January 18, 2019 | January 18, 2024 | CTG Maintenance Services. |
| LCG – City of Broussard | December 18, 2015 | December 17, 2038 | Franchise Agreement |
| LCG – City of Broussard | December 18, 2015 | December 17, 2038 | Streetlighting Agreement |
| LCG – City of Youngsville | July 7, 2017 | November 30, 2026 | Franchise Agreement |
| LCG – City of Youngsville | July 7, 2017 | November 30, 2026 | Streetlighting Agreement |

Source: LUS

4.7 Utility Benchmarking

LUS compares favorably with its regional and national peers when benchmarking electric rates and financial performance. The following sections benchmark LUS's electric rates and financial performance.

4.7.1 Utility Rates Benchmark

LUS's residential and commercial electric rates have consistently been among the lowest in the region and continued to follow that trend into FY 2020. The following tables compare the average residential and commercial electric rates in the region as of October 31, 2020. Table 4-22 presents LUS and its regional peers' average electric rate based on a usage of 1,000 kWh per month. Table 4-23 presents the LUS commercial rate benchmark based on S&P Global data through 2019. While the fuel portion of the rate changes on a monthly basis based on LUS's cost of fuel and purchased power, the non-fuel rates have not been adjusted since FY 2018.

Table 4-22: Electric System Residential Rate Comparison

| Utility | Average Rate (\$/kWh) |
|------------------------|-----------------------|
| New Orleans – Cleco | \$0.1082 |
| New Orleans - Entergy | \$0.1082 |
| Shreveport – SWEPCO | \$0.1044 |
| New Iberia - Cleco | \$0.0998 |
| Alexandria | \$0.0949 |
| Baton Rouge – Entergy | \$0.0933 |
| Lake Charles – Entergy | \$0.0933 |
| LUS | \$0.0892 |

Source: LUS

Table 4-23: Electric System Commercial Rate Comparison

| Utility | Average Rate (\$/kWh) |
|-----------------------------------|-----------------------|
| New Iberia – Cleco | \$0.1092 |
| Alexandria | \$0.0959 |
| Shreveport – SWEPCO | \$0.0941 |
| New Orleans – Entergy New Orleans | \$0.0880 |
| Baton Rouge – Entergy Louisiana | \$0.0830 |
| Lake Charles – Entergy Louisiana | \$0.0830 |
| LUS | \$0.0822 |

Source: S&P Global Retail Average Retail Rate Summary for Louisiana

4.7.2 Financial and Operating Statistics Benchmark

LUS benchmarks itself against other national and regional municipal electric utilities. Table 4-24 presents selected financial and operational ratios for LUS's electric utility with other national and regional utilities. The data is based on APPA Financial and Operating Ratios of Public Power Utilities, 2019 Data

published in 2021. The APPA report contains data based on regions of the U.S. and the number of electric customers served by the utility. LUS was benchmarked against other Southwest regional utilities since Louisiana falls within the southwest region. The majority of LUS's operating ratios are within an acceptable range of both national and regional benchmarks. LUS's revenue per kWh has remained consistently below benchmarks even with recent rate increases. The financial ratios including debt to total assets, current ratio, times interest earned ratio ("TIER"), and DSC have all remained within an acceptable range. Considering the COVID-19 pandemic in FY 2020, LUS continued to retain a stable uncollectable accounts per revenue dollar which is a testament to the strength of the customers and community. The system load factor has always been lower than national and regional averages due to a higher proportionate share of Residential customers to commercial customers as expected.

Table 4-24: Benchmarked Electric Utility Operating Ratios

| Statistic | Basis | U.S. 50,000 - 100,000 Customers | | LUS | LUS | LUS |
|--|-----------|---------------------------------|----------|----------|----------|----------|
| | | Southwest U.S. | | | | |
| | | National | Regional | 2018 | 2019 | 2020 |
| Revenue per kWh – All Retail Customers | Elec | \$0.108 | \$0.091 | \$0.087 | \$0.087 | \$0.085 |
| Debt to Total Assets | Total LUS | 0.509 | 0.415 | 0.344 | 0.380 | 0.362 |
| Operating Ratio (Electric specific) | Elec | 0.763 | 0.724 | 0.725 | 0.663 | 0.673 |
| Current Ratio | Total LUS | 3.28 | 2.48 | 2.56 | 2.37 | 1.84 |
| Times Interest Earned | Elec | 2.53 | 2.63 | 7.44 | 8.49 | 7.34 |
| Debt Service Coverage | Elec | 2.09 | 1.49 | 3.05 | 3.65 | 3.15 |
| Net Income per Revenue Dollar (\$) | Elec | \$0.0430 | \$0.0630 | \$0.0645 | \$0.1140 | \$0.0856 |
| Uncollectible Accounts per Revenue Dollar (\$) | Total LUS | \$0.0012 | \$0.0012 | \$0.0060 | \$0.0052 | \$0.0048 |
| Total O&M Expense per kWh Sold | Elec | \$0.0770 | \$0.0670 | \$0.0646 | \$0.0596 | \$0.0584 |
| System Load Factor | Elec | 65.5% | 60.8% | 52.9% | 51.4% | 51.3% |

4.8 Historical Financial Performance

The LUS electric utility has maintained strong financial performance over the last five years. The electric utility is responsible for nearly 80 percent of the total LUS utility revenues, so strong performance is important for the overall financial health of LUS. The electric system has provided sufficient debt service coverage over the last five years for the Series 2010 Bonds, Series 2012 Bonds, Series 2017 Bonds, and Series 2019 Bonds. The Series 2010 Bonds were fully redeemed as of November 1, 2020. The historical operating revenues, expenses, and debt service coverage calculations are presented in Table 4-25. Operating revenues include interest income and miscellaneous income. Operating expenses do not include ILOT, normal capital spend and special equipment costs, and other miscellaneous expenses.

Table 4-25: Electric System Historical Debt Service Coverage

| Year | Operating Revenues | Operating Expenses | Net Revenues | | Debt Service Coverage Ratio |
|------|--------------------|--------------------|----------------------------|--------------|-----------------------------|
| | | | Available for Debt Service | Debt Service | |
| 2016 | \$174,354,151 | \$126,694,194 | \$47,659,957 | \$16,503,966 | 2.9 |
| 2017 | \$176,060,504 | \$133,347,125 | \$42,713,378 | \$15,655,298 | 2.7 |
| 2018 | \$180,955,690 | \$131,167,858 | \$49,787,833 | \$16,337,720 | 3.0 |
| 2019 | \$179,965,886 | \$119,400,682 | \$60,565,203 | \$16,615,466 | 3.6 |
| 2020 | \$166,467,519 | \$112,044,248 | \$54,423,272 | \$17,255,061 | 3.2 |

Source: LUS Financial and Operating Statements

4.8.1 Rate Structures

LUS's electric utility rates include customer charges, demand charges, and energy charges like many other electric utilities. The electric rates are reviewed periodically with the most recent rate study completed in FY 2016. The rate classes include residential, commercial, industrial, schools and churches, a university special contract rate, street lighting rates, and private area lighting. The residential class and small commercial class rates do not currently have demand charges while the other classes do.

Each rate class includes a fuel charge rider which recovers the variable cost of fuel and purchased power from customers monthly. Schedule Fuel Charge (FC) protects LUS from financial risk of unforeseen and volatile fluctuations in the wholesale power market which LUS operates. All operating expenses associated with environmental compliance, fuel, and purchased power are included in the FC and passed directly to customers in their monthly bills. More specifically, the FC recovers the net cost of MISO market purchases and sales, wholesale transmission costs, LPPA fuel costs, LPPA rail car debt, LPPA MATS debt, LPPA MATS O&M, LPPA reagents, LUS power plant fuel costs, hydro purchased power costs, and TEA power marketing costs.

The current electric rates are presented in Table 4-26. The base electric rates (i.e. non-FC rates) have not changed since FY 2018. LUS periodically performs rate studies so that rates continue to generate revenues that are sufficient to recover its operating expenses and pay its outstanding debt obligations.

Table 4-26: Electric System Rate Schedules

| Rate Class | Serves | Effective Date | Customer Charge (\$/month) | Demand Charge (\$/kW-month) | Non-Fuel Energy Charge (\$/kWh) |
|------------|----------------------|----------------|----------------------------|-----------------------------|---------------------------------|
| R-1 | Residential | Nov-17 | \$8.00 | \$0.00 | \$0.04764 |
| R-1-O | Residential Non-City | Nov-17 | \$8.80 | \$0.00 | \$0.05240 |
| C-1 | Small Commercial | Nov-17 | \$10.00 | \$0.00 | \$0.06176 |
| C-2 | Large Commercial | Nov-17 | \$50.00 | \$8.50 | \$0.02098 |
| SC-1 | Schools and Churches | Nov-17 | \$10.00 | \$0.00 | \$0.05220 |

Source: LUS Rate Tariffs

4.8.2 Revenue Analysis

As described in the rates section of this Report, LUS generates revenues from base rates and the FC rider. The FC is adjusted as required to recover LUS's fuel and purchased power cost as defined in the ordinances and described previously. Table 4-27 presents the historical base rate and FC revenue over the last five years. Base rate revenues have steadily increased due to increased sales and base rate increases implemented in FY 2017 and FY2018. The FC revenues have fluctuated with wholesale market prices and fuel costs along with increases in energy sales. In FY 2020, the wholesale power market prices dropped which reduced the FC rate. A reduction in overall retail sales of four percent resulted in a reduction in overall base rate revenues and FC revenues.

Table 4-27: Historical Base Rate and Fuel Charge Revenues

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| <u>Revenues</u> | | | | | |
| Retail Sales- Base Rate | \$91,631,825 | \$94,552,196 | \$102,886,777 | \$100,836,993 | \$97,878,860 |
| Retail Sales- Fuel Clause | 78,153,587 | 76,829,537 | 72,872,661 | 73,101,002 | 65,117,850 |
| Total | \$169,785,412 | \$171,381,733 | \$175,759,439 | \$173,937,995 | \$162,996,710 |
| <u>Energy Sales</u> | | | | | |
| Retail Sales (kWh) | 2,027,944,893 | 1,980,653,304 | 2,031,847,230 | 2,004,309,990 | 1,917,039,526 |
| <u>Revenue per kWh</u> | | | | | |
| Retail Sales- Base Rate | \$0.0452 | \$0.0477 | \$0.0506 | \$0.0503 | \$0.0511 |
| Retail Sales- Fuel Clause | \$0.0385 | \$0.0388 | \$0.0359 | \$0.0365 | \$0.0340 |
| Total | \$0.0837 | \$0.0865 | \$0.0865 | \$0.0868 | \$0.0850 |

Source: LUS Financial and Operating Statements

4.8.3 Revenue Statistics

As described previously, LUS provides service through multiple rate schedules which are updated periodically. LUS has experienced customer growth in all classes between FY 2016 and 2020. However, the energy usage per customer has been on a steady decline over the last five years due to more efficient homes and businesses and lower usage appliances. FY 2020 experienced a noticeable use per customer decline in the Commercial rate classes and schools due to the COVID-19 pandemic; however, that temporary reduction has already begun to subside by the reopening of businesses and schools which started in late FY 2020 and continued into early FY 2021. These trends in reduction in use per customer over the last five years and during FY 2020 are consistent with the majority of utilities across the United States. Table 4-28 presents the historical base rate revenues and sales in total and per customer by classification.

Table 4-28: Historical Base Rate Revenue Statistics

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues (non Fuel) | | | | | |
| Residential | \$37,245,915 | \$39,500,029 | \$45,868,752 | \$44,867,081 | \$45,249,322 |
| Commercial | 46,646,591 | 47,150,242 | 48,685,466 | 47,517,635 | 44,934,325 |
| Schools & Churches | 4,893,085 | 4,996,497 | 5,308,787 | 5,210,732 | 4,638,383 |
| Other | 2,846,234 | 2,905,428 | 3,023,773 | 3,241,545 | 3,056,830 |
| Total | \$91,631,825 | \$94,552,196 | \$102,886,777 | \$100,836,993 | \$97,878,860 |
| Number of Customers | | | | | |
| Residential | 54,761 | 55,227 | 55,535 | 56,769 | 57,412 |
| Commercial | 9,141 | 9,204 | 9,285 | 9,285 | 9,484 |
| Schools & Churches | 511 | 522 | 518 | 527 | 541 |
| Other | 1,912 | 1,908 | 1,905 | 1,915 | 1,926 |
| Total | 66,325 | 66,860 | 67,243 | 68,495 | 69,364 |
| Revenue per Customer | | | | | |
| Residential | \$680 | \$715 | \$826 | \$790 | \$788 |
| Commercial | 5,103 | 5,123 | 5,243 | 5,118 | 4,738 |
| Schools & Churches | 9,572 | 9,578 | 10,250 | 9,891 | 8,567 |
| Other | 1,489 | 1,523 | 1,587 | 1,692 | 1,587 |
| Total (\$/customer) | 1,382 | 1,414 | 1,530 | 1,472 | 1,411 |
| Sales (kWh) | | | | | |
| Residential | 822,151,289 | 790,227,214 | 845,855,856 | 830,153,367 | 829,390,383 |
| Commercial | 1,022,107,401 | 1,008,350,471 | 1,000,509,799 | 988,791,647 | 917,385,965 |
| Schools & Churches | 126,162,076 | 124,728,756 | 127,870,744 | 126,428,653 | 111,587,567 |
| Other | 57,524,127 | 57,346,863 | 57,610,831 | 58,936,323 | 58,675,611 |
| Total | 2,027,944,893 | 1,980,653,304 | 2,031,847,230 | 2,004,309,990 | 1,917,039,526 |
| Sales (kWh) per Customer | | | | | |
| Residential | 15,014 | 14,309 | 15,231 | 14,623 | 14,446 |
| Commercial | 111,816 | 109,562 | 107,753 | 106,498 | 96,728 |
| Schools & Churches | 246,812 | 239,097 | 246,894 | 239,978 | 206,103 |
| Other | 30,088 | 30,055 | 30,246 | 30,771 | 30,460 |
| Total | 30,576 | 29,624 | 30,216 | 29,262 | 27,638 |
| Revenue per kWh | | | | | |
| Residential | \$0.0453 | \$0.0500 | \$0.0542 | \$0.0540 | \$0.0546 |
| Commercial | 0.0456 | 0.0468 | 0.0487 | 0.0481 | 0.0490 |
| Schools & Churches | 0.0388 | 0.0401 | 0.0415 | 0.0412 | 0.0416 |
| Other | 0.0495 | 0.0507 | 0.0525 | 0.0550 | 0.0521 |
| Total | \$0.0452 | \$0.0477 | \$0.0506 | \$0.0503 | \$0.0511 |

Source: LUS Financial and Operating Statements

4.8.4 Expense Analysis

LUS's electric utility incurs both variable and fixed operating expenses. Variable expenses generally fluctuate with how much power is generated, delivered, and used while fixed operating expenses do not. Variable operating expense include fuel, LPPA fuel, and wholesale purchased power and sales. Fixed operating expenses that do not change with the amount of energy consumed include power production labor and maintenance, distribution labor and maintenance, customer service and sales expense, and administrative and general expenses. Table 4-29 presents the historical operating expenses for LUS's- electric utility system. In FY 2020, the MISO wholesale market prices were low which resulted in

lower purchased power costs, lower generation fuel consumption and generation sales. Fixed production costs have been on a steady decline due to cost reductions at Doc Bonin, Hargis-Hebert, and Labbé power plants which has helped to keep rates low when combined with previous rate increases.

Table 4-29: Historical Fixed and Variable Expenses

| Variable Expenses | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Fuel Cost - LUS | \$1,363,817 | \$1,967,322 | \$3,020,362 | \$2,369,957 | \$1,945,110 |
| Purchased Power Other | 3,543,627 | 3,926,250 | 3,637,576 | 15,569,793 | 18,203,665 |
| Purchased Power LPPA Fuel | 26,658,901 | 26,620,153 | 29,566,005 | 27,808,739 | 19,288,183 |
| Purchased Power MISO | 55,468,362 | 64,942,619 | 67,855,286 | 46,658,114 | 32,103,265 |
| Purchased Power MISO Sales | (23,357,459) | (29,186,362) | (36,621,122) | (32,525,010) | (15,696,107) |
| Production - Variable | \$63,677,247 | \$68,269,981 | \$67,458,107 | \$59,881,593 | \$55,844,116 |
| Fixed Expenses | | | | | |
| Production - Fixed | \$28,570,660 | \$28,706,647 | \$26,998,804 | \$24,491,422 | \$21,809,812 |
| Transmission | 8,661,822 | 9,192,823 | 9,275,422 | 8,612,596 | 8,438,158 |
| Distribution | 11,613,300 | 12,283,787 | 12,143,206 | 11,837,879 | 10,990,219 |
| Customer | 2,868,750 | 2,917,554 | 2,828,513 | 2,690,275 | 2,742,846 |
| A&G | 11,302,414 | 11,976,332 | 12,463,806 | 11,886,918 | 12,219,098 |
| Total Fixed | \$63,016,947 | \$65,077,144 | \$63,709,751 | \$59,519,089 | \$56,200,132 |
| Total Fixed & Variable | \$126,694,194 | \$133,347,125 | \$131,167,858 | \$119,400,682 | \$112,044,248 |
| Percent Variable | 50% | 51% | 51% | 50% | 50% |
| Percent Fixed | 50% | 49% | 49% | 50% | 50% |

Source: LUS Financial and Operating Statements

4.8.5 LPPA Historical Operating Revenue and Expense Analysis

Table 4-31 summarizes LPPA's share of the historical operating expenses for Rodemacher Unit 2. The Operating Expenses includes fuel, operations and maintenance, and A&G expense. The table also presents the LPPA total operating expense on a dollars per kWh basis. The total cost associated with LPPA is passed through as a purchased power expense to LUS. The LPPA historical Operating Revenues, Operating Expenses, and balance available for debt service is presented in Table 4-31.

Table 4-30: LPPA Historical Operating Expenses

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|
| LPPA Share (MWh) | 797,928 | 825,089 | 1,062,984 | 1,045,878 | 656,054 |
| Fuel | \$26,658,901 | \$26,620,153 | \$29,566,005 | \$27,808,739 | \$19,288,183 |
| Operations | 2,799,380 | 3,191,851 | 3,591,720 | 2,731,655 | 3,237,018 |
| Maintenance | 5,857,500 | 7,115,532 | 5,376,070 | 5,357,042 | 6,075,341 |
| Administrative & General | 2,684,288 | 2,729,322 | 2,778,370 | 2,793,274 | 2,744,099 |
| Total Operating Expenses | \$38,000,069 | \$39,656,858 | \$41,312,164 | \$38,690,711 | \$31,344,641 |
| Total Operating Expenses (\$/MWh) | 47.62 | 48.06 | 38.86 | 36.99 | 47.78 |
| Total Operating Expenses Less Fuel (\$/MWh) | 14.21 | 15.80 | 11.05 | 10.40 | 18.38 |

Source: LPPA Manager's Monthly Reports

Table 4-31: LPPA Historical Revenues, Expenses, Balances Available for Debt Service

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Operating Revenues | \$48,326,966 | \$47,753,386 | \$50,740,877 | \$47,202,751 | \$37,491,409 |
| Total Operating Expenses | 38,000,068 | 39,656,858 | 41,312,164 | 38,690,711 | 31,344,641 |
| Net Operating Revenues | \$10,326,898 | \$8,096,528 | \$9,428,713 | \$8,512,040 | \$6,146,768 |
| Other Income | \$190,946 | \$321,942 | \$548,007 | \$1,035,324 | \$317,785 |
| Balance Available for Debt Service | \$10,517,844 | \$8,418,470 | \$9,976,720 | \$9,547,364 | \$6,464,553 |
| Debt Service | 6,888,039 | 6,926,306 | 6,916,606 | 6,916,206 | 6,922,456 |
| Balance After Debt Service | \$3,629,805 | \$1,492,164 | \$3,060,113 | \$2,631,158 | (\$457,903) |
| Debt Service Coverage Ratio (1) | 1.5 | 1.2 | 1.4 | 1.4 | 0.9 |

Source: LPPA Manager's Monthly Reports

(1) Debt service includes Series 2007, 2023, and 2015 bonds. In 2015, LPPA refunded the majority of the 2007 bonds. The Series 2007 Bonds final payment was November 1, 2017. Due to a surplus in LPPA's cash balance, the Administration elected not to bill LUS for \$4.5 million of LPPA's capital expenditures in FY 2020. This resulted in a \$4.5 million decrease to LPPA's operating revenue, which in turn caused LPPA's debt service coverage ratio to drop below 1.0. This was a one-time adjustment for FY 2020 only.

4.9 Observations and Recommendations

Based on the analysis described herein, Burns & McDonnell provides the following observations:

- Based on visual inspection of facilities, records audit, and interviews of LUS staff, the LUS distribution and transmission system in good condition, maintained properly and in accordance with prudent utility and industry practices.
- LUS is proactive and strategic in its cyclical inspection, maintenance, and replacement of equipment.
- The LUS transmission and distribution planning and construction practices are proactive and aligned with a focus on reliability, resiliency, and efficient operation of the system.
- The LUS distribution system consistently outperforms regional and national averages for system reliability and availability, which reflects its intentional and proactive maintenance, planning, and construction practices.
- Revenues were sufficient to meet all financial obligations including operating expenses, LUS and LPPA debt service, capital improvements, ILOT payments, and required reserves. LUS's electric system operating, expense, debt, revenue, and related ratios reflect a financially stable and healthy utility that is currently offering competitive, lower than market average rates.
- The Utilities System CIP has been sufficient to sustain and improve the integrity and reliability of the system.
- LUS and Burns & McDonnell completed an IRP in FY 2020. The IRP had several recommendations which included the retirement of Rodemacher No. 2 in 2028, the construction of a new LUS owned simple cycle gas turbine power plant at the existing Doc Bonin site in 2028, and the addition of utility scale solar which would be procured through a power purchase agreement. LUS is progressing

through each of these initiatives.

- LUS has performed exceptionally well in FY 2020 even with sustaining two hurricanes. LUS's performance on the four reported indices is consistent or significantly better than typical national median performance reported by both regional and national benchmarks. LUS has performed well in NERC CIP audits, NERC 693 operational audits, and LDEQ environmental inspections.
- The organizational structure and management of the Electric System engineering and operations areas appears to be strong based on initial observations, interviews, organizational structures, and manpower within each department.
- LUS has indicated that it is working to fill multiple vacancies in specific departments with electric lineman being an ongoing challenge. The Electric System management team is working with local schools to hire and retain strong talent that appreciate the benefits provided by a more stable municipal utility business when compared to the oil and gas business of the gulf coast. LUS has recently begun the process for searching for a permanent utility director.
- The electric system revenue recovery structure, like most electric utilities, is misaligned. LUS recovers nearly 85 percent of its revenues through variable charges when 50 percent of its costs are fixed. This creates a systemic problem when energy usage per customer is declining but customer growth is increasing. Long term, LUS will need to address this issue with rate restructuring.

5.0 WATER UTILITY SYSTEM

5.1 Water Utility Summary

LUS provides potable water supply, water treatment, transmission, and distribution of finished potable water. Raw water supply is obtained from the Chicot aquifer. Key water infrastructure includes four water treatment facilities, 19 ground water wells, elevated and ground treated-water storage, and 1,153 miles of distribution mains.

LUS performs all water metering and customer service. In 2020, LUS provided water service to 57,412 meters representing residential, commercial, industrial, and wholesale customers. Water System total sales declined 0.7 percent in 2020; with retail water sales decreasing 1.4 percent, while wholesale water sales increased 0.9 percent. Historical Water System volume sales are presented in Table 5-1.

Table 5-1: Historical Retail and Wholesale Sales Volumes

| FY | Retail Sales (1,000 gallons) | Wholesale Sales (1,000 gallons) | Total Sales (1,000 gallons) |
|------|---------------------------------|------------------------------------|--------------------------------|
| 2016 | 5,402,650 | 2,117,627 | 7,520,277 |
| 2017 | 5,382,447 | 2,161,051 | 7,543,498 |
| 2018 | 5,363,552 | 2,256,911 | 7,620,462 |
| 2019 | 5,148,605 | 2,171,928 | 7,320,533 |
| 2020 | 5,075,882 | 2,191,571 | 7,267,453 |

Source: LUS Financial and Operating Statements

5.2 Water Supply Summary

Nineteen groundwater wells within the Chicot aquifer provide water supply to four water treatment facilities: South Water Treatment Plant (“SWP”), North Water Treatment Plant (“NWP”), Commission Boulevard Remote Site (“Commission Boulevard”), and Gloria Switch Remote Site (“Gloria Switch”) as summarized in Table 5-2. The Chicot aquifer is the sole source of supply for LUS, and groundwater produced is generally of high quality and characterized by the USGS as having a “very hard” level of hardness. Treatment processes employed by LUS are discussed in detail in Section 5.3.

Table 5-2: Summary of Well Capacity

| Well No. | Capacity (MGD) | Well No. | Capacity (MGD) |
|---------------------------------------|----------------|---------------------------------------|----------------|
| South Water Treatment Plant | | North Water Treatment Plant | |
| 1 | 2.59 | 7 | 2.88 |
| 2 | 2.59 | 9 | 2.88 |
| 3 | 2.59 | 12 | 2.81 |
| 4 | 2.59 | 14 | 3.03 |
| 5 | 2.59 | 16 | 2.95 |
| 6 | 4.04 | 19 | 2.88 |
| 7 | 4.04 | 21 | 2.88 |
| | | 22 | 2.88 |
| Total Production Capacity | 21.0 | Total Production Capacity | 23.2 |
| Firm Production Capacity ¹ | 17.0 | Firm Production Capacity ¹ | 20.2 |
| Commission Boulevard Remote Site | | Gloria Switch Remote Site | |
| 23 | 1.44 | 24 | 1.44 |
| 25 | 2.45 | 26 | 2.31 |
| Total Production Capacity | 3.89 | Total Production Capacity | 3.75 |
| Firm Production Capacity ¹ | 1.44 | Firm Production Capacity ¹ | 1.44 |

[1] Firm capacity assumes the largest well is out of service.

The Chicot aquifer system underlies approximately 9,950 square miles of southwestern Louisiana and provides approximately 800 million gallons per day (“MGD”) of freshwater for municipal, commercial, industrial, and agricultural uses through approximately 2,300 groundwater wells. In the 2018 Triennial Report (LDEQ, 2018), the water quality of the Chicot aquifer was sampled in 22 wells (one well of which is owned by LUS) located in 13 parishes between July 2016 and June 2017. Field and analytical sampling results, as summarized in the Triennial Report, indicate no EPA maximum contaminant levels (“MCLs”) were exceeded and that the secondary MCLs were exceeded in at least one well for chloride, pH, color, iron, and total dissolved solids (“TDS”). Secondary MCLs are not enforceable by the EPA and are aesthetic in nature. Treatment processes are employed by LUS to address several of these secondary MCLs as described in Section 5.3. EPA designated the Chicot aquifer as a sole-sourced aquifer, meaning it supplies at least 50 percent of the drinking water for its service area and there are no reasonably available alternate supplies should the aquifer become contaminated⁴.

⁴ https://deq.louisiana.gov/assets/docs/Water/Triennial_reports/AquiferSummaries_2015-2018/10ChicotAquiferSummary18FINAL.pdf

5.2.1 Well Completions

LUS's deep wells are each equipped with a line shaft vertical turbine pump with a surface-mounted motor. LUS reported that an independent contractor inspects wells once per year and cleaning/rehabilitation is performed as required to maintain well pumping capacity.

5.3 Water Treatment and Production

Four facilities provide treatment and/or disinfection of raw groundwater prior to entering the distribution system for public consumption. Treatment facility capacities and major processes are described in the following sections and summarized in Table 5-3.

Table 5-3: Water Treatment Capacity

| Water Treatment Facility | Primary Treatment Processes | Treatment Capacity (MGD) |
|----------------------------------|--|--------------------------|
| South Water Treatment Plant | Lime Softening Coagulation and Filtration Disinfection | 24.0 |
| North Water Treatment Plant | Lime Softening Coagulation and Filtration Disinfection | 20.8 |
| Commission Boulevard Remote Site | Stabilization Disinfection | 2.8 |
| Gloria Switch Remote Site | Iron and Manganese Removal Stabilization Disinfection | 3.8 |
| Total Treatment Capacity | | 51.1 |
| Highest Recorded Production | | 33.8 |

Source of data: LUS

5.3.1 South Water Treatment Plant

Groundwater produced by water supply wells (Well 1 through Well 7) is combined at the head of the SWP located at 810 W. Broussard Road where raw water is oxidized, softened, filtered, and disinfected. The SWP was built in the 1980s and in 1990 production capacity was expanded by addition of a third treatment unit (rated approximately 8 MGD), additional filtration, and a second finished water clear well and high service pump station. The current treatment capacity of 24 MGD exceeds the total water well production capacity at this facility by 3 MGD.

Three softening basins (also referred to as treatment unit) receive hydrated lime and alum in the mixing zone. Settled effluent from the basins is gravity fed to one of the eight filters. Filtered water is temporarily stored in one of two finished water clearwells and pumped into the distribution system. Disinfection at the SWP is provided by chlorine gas.

Waste streams including clarifier blowdown, backwash, and filter-to-waste are temporarily stored in a backwash recycle tank where decant water is pumped back to the treatment units. Settled solids are pumped from the backwash recycle tank to a digester for further thickening. Thickened treatment residuals are hauled and land-applied at local farmland.

Emergency power is provided by an on-site emergency diesel generator capable of powering the full plant. At the time of the field visit, a construction project was under way to improve the control building roof and enhance the structural integrity of the control building walls.

5.3.2 North Water Treatment Plant

Groundwater produced by water supply wells (Well 7 through Well 22) is combined at the head of the NWP located at 200 N Buchanan Street in Lafayette where it is treated utilizing processes similar to the SWP. The NWP was built in the 1929 and expanded and/or improved several times since then. The current treatment capacity is 20.8 MGD which is very close to the firm capacity of the wells feeding raw water to this facility.

Five softening basins receive hydrated lime and alum in the mixing zone and settled effluent is gravity fed to 1 of the 15 filters. Filtered water is temporarily stored in 1 of 3 finished water clearwells or an on-site 3.0-M gallon ground storage tank and pumped into the distribution system. Disinfection at the NWP is also provided by chlorine gas. Treatment plant waste streams at the NWP are handled similarly to the SWP and residuals are similarly land applied.

Emergency power is provided by an on-site emergency diesel generator capable of powering approximately one fourth of the full plant power demand. It was noted by LUS staff that operations staff prefer to work at this location during hurricane or inclement weather events due to the robust concrete construction of the operations building.

The 16-inch finished water pipeline that conveys water out of the NWP to the distribution system presents a hydraulic bottleneck and limits LUS's ability to utilize the full production capacity of the plant.

At the time of the field visit, a construction project was under way to replace the high service pump station main header. Four high service pumps were temporarily out of service for this project limited pumping capacity.

A LDEQ incident report dated October 3, 2020, indicated that a release of lime powder occurred during bulk tank transfer procedures. The report indicates 2 to 3 lbs of lime had accumulated on the tank roof during transfer. The spilled material was cleaned up via vacuum and no environmental impact occurred.

5.3.3 Commission Boulevard Remote Site

Groundwater produced by water supply wells (Well 23 and Well 25) is disinfected with sodium hypochlorite and dosed with phosphate at the Commission Boulevard Remote Site (located 204 Commission Boulevard) prior to entering the distribution system. Groundwater pumped at this location contains elevated levels of ammonia which will be addressed by a new water treatment facility that LUS intends on constructing at this location. The new treatment facility has already been designed and will utilize a biological process to remove ammonia and remove iron and manganese using oxidation and Greensand filtration similar to the Gloria Switch Remote Site. Pilot testing was conducted and determined these treatment processes to be successful at removing the targeted contaminants. Disinfection will be converted to chlorine gas as part of the project. The new water treatment plant will be located adjacent to the Commission Boulevard Remote Site and construction is scheduled to commence this year.

5.3.4 Gloria Switch Remote Site

Groundwater produced by water supply wells (Well 24 and Well 26) is treated and disinfected at the Gloria Switch Remote Site located at 1708 W Gloria Switch Road, Carencro, Louisiana. Groundwater is dosed with sodium hypochlorite and permanganate for oxidation upstream of Greensand filtration for iron and manganese removal. Phosphate is then added for stabilization and additional sodium hypochlorite provides disinfection residual. A 0.75-M gallon ground storage tank is located on site adjacent and provides supply to the high service pump station.

LUS staff noted that the Greensand media should be replaced in the future due to the presence of “mud balls.” Mud balls in granular filter media can form over time when filter media is not being cleaned (via backwashing) thoroughly.

Emergency power is provided by an on-site emergency diesel generator capable of providing the full plant power demand.

5.4 Water Distribution and Storage

Water main lines primarily consist of ductile iron, polyethylene, PVC, asbestos cement, and cast iron; however, other materials are also present in the system. There are 224 sample stations located throughout the distribution system. The distribution system assets including main lines, valves, and hydrants are summarized in Table 5-4.

Table 5-4: Water Distribution System Assets

| Asset | 2016 | 2017 | 2018 | 2019 | 2020 ¹ |
|---------------------|--------|--------|--------|--------|-------------------|
| Miles of Main Lines | 1,126 | 1,164 | 1,170 | 1,145 | 1,153 |
| Number of Valves | 23,230 | 23,435 | 23,607 | 23,755 | 24,112 |
| Number of Hydrants | 6,540 | 6,579 | 6,616 | 6,685 | 6,614 |

Source of data: LUS Internal Memorandum, December 21, 2020

¹Total number includes City of Lafayette and North Water District

During 2020, approximately 9.1 miles of new water mains were installed in the City of Lafayette and 0.2 miles of new mains in the North Water District.

Water is stored in numerous ground storage or elevated storage tanks located at the treatment plant sites and throughout the distribution system, as summarized in Table 5-5.

Table 5-5: Water Storage Facilities

| Location | Storage Type | Storage Volume (MG) |
|-----------------------------|-------------------------------------|---------------------|
| Treatment Facilities | | |
| South Water Treatment Plant | Ground Storage – Concrete Clearwell | 0.225 |
| | Ground Storage – Concrete Clearwell | 0.5 |
| | Ground Storage – Concrete Tank | 2.0 |
| | Total Storage | 2.725 |
| North Water Treatment Plant | Ground Storage – Concrete Clearwell | 0.3 |
| | Ground Storage – Concrete Clearwell | 0.3 |
| | Ground Storage – Concrete Clearwell | 0.3 |
| | Ground Storage – Concrete Tank | 3.0 |
| | Total Storage | 3.9 |
| Gloria Switch Remote Site | Ground Storage – Concrete Tank | 0.75 |
| | Total Storage | 0.75 |
| Distribution System | | |
| Fabacher | Ground Storage – Concrete Tank | 2.0 |
| Bertrand | Elevated Multi-Column | 0.3 |
| Walker Road | Elevated Multi-Column | 1.0 |
| Guilbeau | Elevated Multi-Column | 1.0 |
| South Park | Elevated Composite | 1.0 |
| North Park | Elevated Composite | 1.0 |
| Total Storage | | 6.3 |
| Total System Storage | | 13.675 |

Source of data: LUS

LUS staff indicated that additional ground storage is required at the SWP because the existing 2.0 M gallon tank has a leak in the tank floor. The tank is operated 24 hours per day, so it cannot be removed from service for the repairs to be performed.

The 2 M gallon Fabacher ground storage tank has an adjacent high service pump station with a sodium hypochlorite storage and dosing system. A 1,000-gallon sodium hypochlorite tank was augmented with a 100-gallon tank because boosting the chlorine residual at this location is rarely needed. LUS staff noted that the two 3.6 MGD single-speed high service pumps provide too much pressure, which would be alleviated with the addition of variable frequency drives.

LUS uses contracted tank inspection services on an annual basis to inspect each elevated storage tank. As a result of recent tank inspection, the Guilbeau tank was repainted, and the North Park and South Park tanks were cleaned out.

5.4.1 Operations and Related Performance

Gross water production in 2020 was 8,340 million gallons (“MG”) or an average of 22.9 MGD.

Unaccounted for water is calculated by subtracting the Total Water Sales by the Total Water Distributed and represents the volume of water lost in the distribution system. These losses can be attributed to physical losses (i.e., pipe or tank leakage) or non-physical losses (i.e., under-billed or un-billed volume). In 2020, unaccounted for water was 12.5 percent which is over 5 percent increase from the lowest value in the past five years occurring in 2017.

Table 5-6: Production and Unaccounted for Volumes

| Item | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Water Produced (1,000 Gal) | 8,153,707 | 8,150,356 | 8,430,630 | 8,272,102 | 8,340,279 |
| Plant Use (1,000 Gal) | 31,200 | 31,200 | 31,200 | 31,200 | 31,200 |
| Total Water Distributed (1,000 Gal) | 8,122,507 | 8,119,156 | 8,399,430 | 8,240,902 | 8,309,079 |
| Total Water Sales (1,000 Gal) | 7,520,277 | 7,543,498 | 7,620,462 | 7,320,533 | 7,267,453 |
| Not Accounted for (1,000 Gal) | 602,230 | 575,658 | 778,968 | 920,369 | 1,041,626 |
| Unaccounted for Water | 7.4% | 7.1% | 9.3% | 11.2% | 12.5% |

Source of data: LUS Financial and Operating Statements

Distribution system hydrant testing occurs twice per year as required by the Property Insurance Association of Louisiana (“PIAL”) and is necessary to maintain the utility’s Class II PIAL fire rating. In previous reports, it was noted that distribution system flushing was required to meet the Louisiana Department of Health and Hospitals Emergency Rule governing the minimum disinfectant residual of 0.5 mg/L chlorine in the distribution system was an attributing factor to the rise in unaccounted for water. Discussions with LUS staff indicate that automatic line flushing at 10 to 12 locations of the distribution system is also necessary to mitigate water quality concerns. Flushing is performed at night and is controlled with automatic timers.

Due to the continued increasing trend in unaccounted water, LUS should consider studying water loss in more detail or performing a Water Audit for Water Loss Control for improved management of non-revenue water.

5.5 Historical Capital Improvement Program

LUS tracks capital expenses through its capital work order system. Historical capital improvements program expenditures presented in Table 5-7 reflect investments in infrastructure funded by the Series 2010 and Series 2019 Bonds and retained earnings. The Series 2010 Bonds were used for the Water System AMI projects and improvements to the water production system. The Series 2019 Bonds are available to support various capital projects including building rehabilitation and improvements, ground storage tank and treatment plant upgrades. Major capital improvements completed in FY2020 included water tower painting, filter gallery painting and replacement, replacement of 2" galvanized mains, maintenance building expansion and phosphate chemical system, and armoring of the South plant operations building.

Table 5-7: Historical Capital Improvement Program

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Normal Capital & Special Equipment | \$ 1,433,461 | \$ 1,448,745 | \$ 1,630,841 | \$ 1,526,170 | \$ 2,382,861 |
| Series 2010 Bonds | 98,026 | 0 | 0 | 0 | 0 |
| Series 2019 Bonds | 0 | 0 | 0 | 0 | 1,003,625 |
| Retained Earnings | 2,925,329 | 1,704,416 | 791,664 | 786,874 | 633,431 |
| Total Water Capital | \$ 4,456,815 | \$ 3,153,161 | \$ 2,422,504 | \$ 2,313,045 | \$ 4,019,917 |

Source of data: LUS Financial and Operating Statements

5.6 Environmental and Regulatory Compliance

The following sections provide an overview of environmental and regulatory compliance associated with the water system. Environmental compliance for the water system is provided by LUS Environmental and Compliance staff including sample collection, analysis, and reporting.

5.6.1 Water Quality

The EPA requires water utilities to perform specific annual water quality sampling and summarize results in an annual Consumer Confidence Report which is then made available to the public.⁵ The 2019 water quality report indicates no MCL exceedances were observed in the 2019 calendar year. A Louisiana Drinking Water Watch search was performed and indicates there were no water system deficiencies found, as presented in Table 5-8.

⁵ The 2019 Consumer Confidence Report can be found at <https://www.lus.org/water-quality>.

Table 5-8: Drinking Water System Violations

| Type | Category | Analysis | Compliance Period |
|---|----------|----------|-------------------|
| No violations occurred during this CER reporting period | NA | NA | NA |

Source of data: LUS 2019 Consumer Confidence Report

Triennial lead and copper sampling was performed by LUS in 2019 and was not required in the 2020 calendar year. For reference, the 2019 lead and copper sampling results are provided in Table 5-9. There are zero sites that reported lead or copper concentrations above EPA Designated Action Levels. Section 5.6.3 discusses recent revisions to the Lead and Copper Rule.

Table 5-9: 2019 Triennial Lead and Copper Sampling

| Constituent | Major Source in Drinking Water | EPA Designated Action Level (requires treatment) at 90 th Percentile | LUS Results at 90 th Percentile Testing |
|-------------|--|---|--|
| Lead | Corrosion of household plumbing systems; Erosion of natural deposits | 15 ppb | 0 ppb |
| Copper | Corrosion of household plumbing systems | 1.3 ppm | 0 ppm |

Source of data: 2019 Triennial Lead and Copper Sampling

The EPA Stage 2 Disinfectants and Disinfection Byproducts Rule (“DBPRs”) requires sampling of regulated contaminants including total trihalomethanes (“TTHM”) and five haloacetic acids (“HAA5”). LUS is required to sample six distribution system monitoring locations quarterly. Results of the DBPR sampling are summarized in Table 5-10. No TTHM or HAA5 samples exceeded the respective MLC or MCLG.

Table 5-10: Disinfection Byproducts Monitored in Distribution System

| DBP | Typical Source | Maximum Contaminant Level (MCL) | Maximum Contaminant Level Goal (MCLG) | Locational Running Annual Average (LRAA) | Range | Location |
|------------------------------|---|---------------------------------|---------------------------------------|--|---------------|----------------------------------|
| Haloacetic Acids (HAA5) | By-product of drinking water chlorination | 60 ppb | 0 ppb | 4.4 ppb | 2.8-4.9 ppb | Ambassador Caffery & W. Congress |
| | | | | 5.0 ppb | 4.3-5.9 ppb | Gloria Switch Rd. & Arbor |
| | | | | 6.3 ppb | 2.8-10.1 ppb | Kaliste Saloom & E. Broussard |
| | | | | 7.2 ppb | 6.5-8.3 ppb | Thomas Nolan & Brigante |
| | | | | 3.5 ppb | 1.5-3.8 ppb | Vennard & Valley View |
| | | | | 2.9 ppb | 1.4-3.3 ppb | Walker & Doc Bonin |
| Total Trihalomethanes (TTHM) | By-product of drinking water chlorination | 80 ppb | 0 ppb | 9.8 ppb | 7.5-9.1 ppb | Ambassador Caffery & W. Congress |
| | | | | 11.0 ppb | 8.1-12.0 ppb | Gloria Switch Rd. & Arbor |
| | | | | 8.7 ppb | 8.0-9.6 ppb | Kaliste Saloom & E. Broussard |
| | | | | 18.4 ppb | 12.7-21.1 ppb | Thomas Nolan & Brigante |
| | | | | 9.1 ppb | 7.4-8.6 ppb | Vennard & Valley View |
| | | | | 6.4 ppb | 5.8-7.1 ppb | Walker & Doc Bonin |

Source of data: LUS 2019 Consumer Confidence Report
ppb: parts per billion

Chlorine gas and sodium hypochlorite are disinfectants used at each of LUS’s treatment facility locations to control microbes within the distribution system. The minimum allowable free chlorine concentration in the distribution system, set by Louisiana Department of Health and Hospitals (“LA DHH”), is 0.5 ppm and the maximum residual disinfectant level (“MRDL”) and maximum residual disinfectant level goal (“MRDLG”) are both 4 ppm. A summary of chlorine in the distribution system is included in Table 5-11.

Table 5-11: Distribution System Disinfectant

| Disinfectant | Typical Source | MRDL | MRDLG | Highest RRA | LUS Range |
|--------------|------------------------------------|-------|-------|-------------|--------------|
| Chlorine | Water additive to control microbes | 4 ppm | 4 ppm | 1.6 ppm | 0.52-2.2 ppm |

Source of data: LUS 2019 Consumer Confidence Report

Drinking water in the distribution system is also sampled and analyzed for microbes. The results of the microbiological sampling are summarized in Table 5-12.

Table 5-12: Microbiologicals Monitored in Distribution System

| Microbiologicals | Typical Source | Maximum Contaminant Level (MCL) | Maximum Contaminant Level Goal (MCLG) | Result |
|------------------|----------------|---------------------------------|---------------------------------------|--------|
| None Detected | NA | NA | NA | NA |

Source of data: LUS 2019 Consumer Confidence Report

Raw groundwater was also sampled and analyzed for barium, fluoride, combined radium (-226 and -228) and gross beta particle activity. The results of the sampling are summarized in Table 5-13.

Table 5-13: Constituents Monitored Before Treatment

| Constituent | Major Source in Drinking Water | Maximum Contaminant Level (MCL) | Maximum Contaminant Level Goal (MCLG) | LUS Max | LUS Range |
|-------------------------------|--|---------------------------------|---------------------------------------|-----------|---------------|
| Barium | Erosion of natural deposits; runoff from orchards; runoff from glass and electronics production wastes | 2 ppm | 2 ppm | 0.28 ppm | <RL-0.28 ppm |
| Fluoride | Erosion of natural deposits; discharge from fertilizer and aluminum factories | 4 ppm | 4 ppm | 0.2 ppm | <RL-0.2 ppm |
| Combined Radium (-226 & -228) | Erosion of natural deposits | 5 pCi/L | 0 pCi/L | 1.5 pCi/L | 0.0-1.5 pCi/L |
| Gross Beta Particle Activity | Decay of natural and man-made deposits | 50 pCi/L | 0 pCi/L | 2.5 pCi/L | <RL-2.5 pCi/L |

Source of data: LUS 2019 Consumer Confidence Report

EPA requires monitoring of specific contaminants under the Unregulated Contaminant Monitoring Rule (“UCMR”). Under UCMR4, covering calendar years 2018 to 2020, groundwater systems are required to sample 20 contaminants. Unregulated contaminants detected are summarized in the 2019 CCR and in Table 5-14. Every five years, the EPA updates the contaminants to be monitored by public water systems. UCMR5 has been published in draft form and includes sampling and analysis for 29 per- and polyfluoroalkyl substances (“PFAS”) and one metal: lithium. Sampling for UCMR5 will take place between 2023 and 2025.

Table 5-14: Unregulated Contaminants (UCM4)

| Unregulated Contaminant | Month of Collection | LUS Max | LUS Range |
|--------------------------|---------------------------------|-----------|---------------|
| Manganese | January, February, July, August | 75.7 ppb | 0.81-75.7 ppb |
| Bromide | January, February, July, August | 260.0 ppb | <RL-260.0 ppb |
| Bromochloroacetic Acid | January, July | 2.5 ppb | 0.90-2.5 ppb |
| Bromodichloroacetic Acid | January, July | 2.0 ppb | 0.57-2.0 ppb |
| Chlorodibromoacetic Acid | January, July | 1.9 ppb | 0.50-1.9 ppb |

Notes:

Source of data: LUS 2019 Consumer Confidence Report

5.6.2 America's Water Infrastructure Act of 2018

The America's Water Infrastructure Act ("AWIA") of 2018, Section 2013 requires all water systems perform a Risk and Resilience Assessment ("RRA") and update the water system's Emergency Response Plan ("ERP"). LUS was required to certify completion of an RRA and ERP Update by March 31, 2020, and September 30, 2020, respectively. LUS reported that these services were performed by Neel Schaffer and that EPA certifications were submitted by LUS prior to the regulatory deadlines.

5.6.3 Lead and Copper Rule Revisions

The EPA issued the final Lead and Copper Rule Revisions ("LCRR") on January 15, 2021, aimed to better protect children at schools and childcare facilities against lead exposure through drinking water. The LCRR represents the first major update to the Lead and Copper Rule in 30 years and requires water utilities to prepare and maintain lead service line inventories, requires modifications to lead and copper sample locations and protocols, and, if triggered, perform and implement corrosion control studies and/or lead service line replacement.

On March 12, 2021, EPA announced that the effective date of the LCRR, initially proposed as March 16, 2021, would be delayed until June 17, 2021. LUS should begin preparing for operational changes brought about by the LCRR, specifically in developing a lead service line ("LSL") inventory and revisions to the lead and copper sampling. Per the LCRR, all systems with any LSLs shall prepare and submit to the state a LSL Replacement Plan by January 16, 2024.

It should be noted that, because of presidential directives to review certain regulations, EPA has proposed to delay the effective date of the LCRR until December 16, 2021 with a compliance date of September 16, 2024. At the time of this report's publication, it was unknown if EPA's proposal to delay the effective date until December 16, 2021 would be accepted. So, while there is some uncertainty regarding the timing

of the LCRR being effective, LUS should evaluate the requirements and implement initiatives necessary to ensure compliance.

5.6.4 Louisiana Pollutant Discharge Elimination System Permits

The water system maintains three LPDES permits as described in the following sections.

5.6.4.1 North Water Treatment Plant LPDES Permit

LPDES Permit LAG380057 permits for the discharge of clarifier sludge and/or clarifier blowdown at Outfall 004. The permit is effective as of December 17, 2020.

5.6.4.2 South Water Treatment Plant LPDES Permit

LPDES Permit LA0079278 permits for the discharge of stormwater or process flows at five stormwater outfalls. The permit is effective as of June 1, 2020.

5.6.4.3 North Booster Well Treatment and Storage Facility

LPDES Permit LAG380096 permits for the discharge of stormwater or process flows to outfalls at the North Booster Well Treatment and Storage Facility located at Gloria Switch Road. The permit is effective as of December 17, 2020.

5.6.5 Spill Prevention Control and Countermeasures Plan

SPCC plans are required to comply with state and federal regulations if facilities are proximate to U.S. waters. Compliance is required by facilities which are subject to spills of oils, fuels, or other controlled substances and have a storage capacity of more than 1,320 gallons at a single facility. SPCC Plans are required at the North Water Treatment Plant and the South Water Treatment Plant and were prepared for each facility in 2006. Each water treatment plant SPCC Plan was last reviewed for substantial changes in May 2017. SPCC Plans must be reviewed every five (5) years (the next review is due in 2022) or upon significant change in oil storage or if a spill incident occurs.

5.6.6 Post-Hurricane Inspections

Two post-hurricane inspections were completed by the EPA at the North Water Treatment Plant and the South Water Treatment Plant following Hurricane Delta, and Hurricane Marco and Hurricane Laura (one inspection). Both water treatment plant facilities were noted as operational with no further action required.

5.7 Contracts and Agreements

LUS owns, operates, and maintains a regional Water System that serves customers both inside and outside its City limits. Services are provided on a retail and wholesale basis outside the City, including seven wholesale customers governed by six contracts. Wholesale customers are comprised of two water districts and five neighboring water systems or cities including:

- Waterworks District North (retail and wholesale)
- Waterworks District South
- The City of Scott
- The City of Broussard
- Milton Water System
- The City of Youngsville
- The City of Carencro (emergency supply only; not a typical wholesale customer)

LCG also provides billing services on behalf of Waterworks District North to its retail customers. Both the North and South Waterworks Districts constructed their own additions and extensions following LUS construction standards. In addition to its wholesale contracts, LCG has a contract to provide emergency back-up water service to the City of Carencro. This agreement was signed in 1980 and has no expiration.

Wholesale customers represented 30.2 percent of total water sales volume and 30.1 percent of the total water sales revenue in 2020, respectively. While both wholesale water sales volume and revenues have increased recently, wholesale revenues have increased more due to wholesale rate increases. Table 5-15 and Table 5-16 summarize the historical wholesale water volume sales and revenues by customer.

Table 5-15: Wholesale Water Sales by Customer (1,000 gallons)

| Customer | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|-----------|-----------|
| City of Scott | 331,260 | 356,855 | 339,037 | 365,611 | 332,496 |
| City of Broussard | 236,605 | 260,502 | 297,294 | 332,037 | 219,374 |
| City of Youngsville | 314,452 | 345,638 | 406,563 | 367,097 | 449,303 |
| Milton Water System | 245,279 | 225,155 | 234,024 | 240,071 | 246,763 |
| Waterworks District North | 458,802 | 448,394 | 442,492 | 324,787 | 376,549 |
| Waterworks District North - Wholesale | 228,077 | 225,320 | 222,101 | 227,818 | 213,567 |
| Waterworks District South | 303,152 | 299,187 | 315,399 | 314,507 | 353,520 |
| Total Wholesale Water Sales | 2,117,627 | 2,161,051 | 2,256,911 | 2,171,928 | 2,191,571 |
| Total Water Sales (Wholesale and Retail) | 7,520,277 | 7,543,498 | 7,620,462 | 7,320,533 | 7,267,453 |
| Percent of Total Sales from Wholesale | 28.2% | 28.6% | 29.6% | 29.7% | 30.2% |

Source: LUS Financial and Operating Statements

Table 5-16: Wholesale Water Revenues by Customer

| Customer | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|
| City of Scott | \$711,851 | \$844,031 | \$988,418 | \$997,561 | \$909,160 |
| City of Broussard | 503,623 | 613,321 | 760,203 | 879,643 | 590,437 |
| City of Youngsville | 665,814 | 820,289 | 1,033,306 | 934,361 | 1,240,640 |
| Milton Water System | 516,698 | 528,244 | 601,330 | 602,054 | 675,946 |
| Waterworks District North | 1,210,188 | 1,187,053 | 1,265,202 | 944,243 | 1,394,202 |
| Waterworks District North - Wholesale | 483,261 | 536,451 | 574,238 | 588,692 | 571,651 |
| Waterworks District South | 645,213 | 703,063 | 815,558 | 815,953 | 973,644 |
| Total Wholesale Water Revenues | \$4,736,650 | \$5,232,452 | \$6,038,256 | \$5,762,507 | \$6,355,680 |
| Total Water Sales (Retail & Wholesale) | \$18,286,651 | \$19,458,484 | \$21,220,243 | \$20,524,232 | \$21,144,642 |
| Percent of Total Sales from Wholesale | 25.9% | 26.9% | 28.5% | 28.1% | 30.1% |

Source: LUS Financial and Operating Statements

A summary of wholesale contract terms is presented in Table 5-17. In 2019, the contract with the City of Broussard was extended from an expiration in 2020 to 2038. Also, in 2019, the contract with the City of Scott was extended from an expiration in 2022 to 2038. The Waterworks District North and Waterworks District South contracts expire in 2032 and 2035, respectively. The Milton Water System expires in 2037 and the City of Youngsville expires in 2038.

Table 5-17: Wholesale Water Contract Terms

| Customer | Contract Date | Term in Years | Termination Date |
|---|-------------------|---------------|-------------------|
| Water District North – Full Service – Phase 1, 2, 3, 4 (NE area, NW area, Scott area) | October 17, 2002 | 30 | October 17, 2032 |
| Waterworks District North – Wholesale | October 17, 2002 | 30 | October 17, 2032 |
| City of Scott | May 28, 1997 | 41 | May 31, 2038 |
| City of Broussard | March 5, 1998 | 40 | July 31, 2038 |
| Milton Water System | April 28, 1997 | 40 | April 28, 2037 |
| City of Youngsville | December 24, 1998 | 40 | December 24, 2038 |
| Waterworks District South | October 13, 1995 | 40 | October 12, 2035 |
| City of Carencro ⁽¹⁾ | March 28, 1980 | N/A | None |

Source: LUS

(1) Letter Agreement with the City of Carencro on an emergency back-up basis. The rate charged will be the same as the current City of Scott rate. As per information received from LUS's Water System, LUS supplied water to the City of Carencro under this letter agreement fewer than five times.

5.8 Utility Benchmarking

5.8.1 Utility Rates

LUS's residential and commercial water rates have historically been among the lowest in the state and surrounding region. Table 5-18 and Table 5-19 provide a regional comparison of effective water rates for residential and commercial customers, respectively.

Table 5-18: Residential Rate Comparison

| Utility | Average (\$/1,000 gallons) ⁽¹⁾ |
|--------------|--|
| LUS | \$ 2.64 |
| Alexandria | \$ 3.19 |
| Lake Charles | \$ 3.49 |
| Shreveport | \$ 3.59 |
| Baton Rouge | \$ 4.37 |
| New Iberia | \$ 5.46 |
| New Orleans | \$ 9.64 |

Source: LUS. Rates as of January 2021.

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

Table 5-19: Commercial Rate Comparison

| Utility | Average (\$/1,000 gallons) ⁽¹⁾ |
|--------------|--|
| LUS | \$ 2.97 |
| Alexandria | \$ 3.27 |
| Shreveport | \$ 4.08 |
| Lake Charles | \$ 4.18 |
| Baton Rouge | \$ 4.45 |
| New Iberia | \$ 4.45 |
| New Orleans | \$ 9.77 |

Source: LUS. Rates as of January 2021.

(1) Assumes monthly water consumption of 30,000 gallons.

LUS last completed a rate study in 2016, indicating the need to increase Water System rates to adequately cover its costs. Retail rates were increased 7.4 percent effective November 1, 2016 and 7.2 percent effective November 1, 2017. Retail rates have remained unchanged since then.

Wholesale rates are evaluated every other year through a cost-of-service study. The next cost of service study for wholesale water rates is scheduled to occur later in 2021.

5.8.2 Financial and Operating Statistics

The American Water Works Association (“AWWA”) annually publishes benchmarking data across a variety of performance indicators for water and wastewater utilities. The *2020 AWWA Utility Benchmarking: Performance Management for Water and Wastewater* was released in early 2021, compiling various financial and operating ratios from 2019. For this analysis, specific ratios were obtained from the AWWA report representing national and regional medians. The AWWA defines national metrics as water utilities in both the United States and Canada, hereafter referred to as “National.” Ratios are also available by region and by number of water customers served. The U.S. South region was used, which includes Louisiana and is hereafter referred to as “Regional.” Further, ratios are available specifically for water utilities, wastewater utilities, and combined water and wastewater utilities. Where possible, comparisons have been made to water utility ratios. However, some LUS balance sheet information is available only for the combined Electric, Water and Wastewater Utilities System, hereafter referred to as “Combined.” The AWWA “Combined” benchmarking data only includes water and wastewater utilities.

LUS’s operating ratio benchmark results are presented in Table 5-20. LUS’s water operational costs are lower than the National and Regional medians. LUS’s combined debt ratio is lower than the Regional median, but higher than the National median. The operating ratio is higher on both a water-only and combined basis than either the National or Regional medians. However, the AWWA combined utilities median includes water, wastewater, and stormwater, while LUS includes water, wastewater and electric. LUS’s cash reserves are lower than the National and Regional medians. Debt service coverage for LUS is higher than either the National or Regional medians on both a water-only and combined basis.

Table 5-20: Benchmarked Water Utility Operating Ratios

| Statistics | Basis | National ⁽¹⁾ | Regional | LUS | |
|---|----------|-------------------------|----------|---------|---------|
| | | 2019 | 2019 | 2019 | 2020 |
| Operational Costs per MG | Water | \$1,949 | \$2,159 | \$1,720 | \$1,556 |
| Debt to Total Assets (Debt Ratio) | Combined | 0.31 | 0.48 | 0.38 | 0.37 |
| Operating Ratio (O&M cost/ Operating revenue) | Water | 0.49 | 0.50 | 0.69 | 0.61 |
| Operating Ratio (O&M cost/ Operating revenue) | Combined | 0.46 | 0.47 | 0.68 | 0.67 |
| Cash Reserve Days ⁽²⁾ | Combined | 413 | 256 | 51 | 49 |
| Debt Service Coverage | Water | 3.08 | 2.62 | 3.76 | 3.83 |
| Debt Service Coverage | Combined | 3.20 | 2.24 | 3.54 | 3.02 |

Source: AWWA and LUS

- (1) National AWWA benchmarks for water and combined water and wastewater utilities with 50,001 to 100,000 customers to align with the Water System customers served.
- (2) LUS results based on total O&M for Electric, Water, and Wastewater Systems less fuel and purchased power expenses.

5.9 Historical Financial Performance

Table 5-21 presents historical debt service and the associated DSCR. Historical Water System debt service as shown below includes a portion of the Series 2010 Bonds, Series 2012 Bonds, Series 2017 Bonds, and Series 2019 Bonds. The Series 2010 Bonds were fully redeemed by the proceeds of the Series 2017 Bonds on November 1, 2020. The first debt service payment for the Series 2019 Bonds was due November 1, 2019 (FY 2020). In each year since 2016, the DSCR exceeded the minimum coverage requirement of 1.0 required by the Bond Ordinances.

Table 5-21: Historical Financial Performance

| Fiscal Year | Operating Revenues ⁽¹⁾ | Operating Expenses ⁽²⁾ | Net Revenues Available for Debt | | Debt Service Coverage Ratio |
|-------------|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------|-----------------------------|
| | | | Service | Debt Service ⁽³⁾ | |
| 2016 | 18,593,541 | 13,761,106 | 4,832,435 | 1,801,748 | 2.7 |
| 2017 | 19,822,196 | 13,965,819 | 5,856,377 | 1,415,916 | 4.1 |
| 2018 | 21,736,544 | 14,260,225 | 7,476,319 | 1,726,379 | 4.3 |
| 2019 | 21,369,475 | 14,227,206 | 7,142,269 | 1,899,168 | 3.8 |
| 2020 | 21,696,556 | 13,159,106 | 8,537,450 | 2,276,675 | 3.7 |

Source: LUS Financial and Operating Statements

- (1) Operating Revenues include 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 was prepared on a cash basis for this table and includes a portion of the Series 2010 Bonds, Series 2012 Bonds, Series 2017 Bonds, and Series 2019 Bonds. The Series 2010 Bonds were fully redeemed by the Series 2017 Bonds on November 1, 2020.

5.9.1 Rate Structures

The Water System provides service to retail and wholesale customers. Wholesale customers are outside the City limits and are served on a contract basis. Retail customers are served both inside and outside the City limits. Water System customer classes include residential, commercial, schools and churches, and special contract customers for bulk water. The Water System rate structure for retail customers includes a customer charge that varies based on the meter size, and a commodity charge that is based on usage in thousand gallons. The commodity charge for Residential customers includes a uniform rate per thousand gallons in the winter period (December through March) and an inclining block rate structure in the summer period (April through November). Table 5-22 presents the retail rate schedule for LUS.

Table 5-22: Retail Rate Schedules

| Rate Class | Serves | Effective Date | Meter Size (inches) | Customer Charge (\$/month) | Winter Commodity Rate (\$/1,000 gallons) | Summer Commodity Rate Tier 1 (\$/1,000 gallons) | Summer Commodity Rate Tier 2 (\$/1,000 gallons) | Monthly Commodity Rate (\$/1,000 gallons) |
|------------|----------------------|----------------|---------------------|----------------------------|--|---|---|---|
| W-1 | Residential | Nov-17 | 0.75 | \$4.85 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 1.00 | \$8.10 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 1.50 | \$16.15 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 2.00 | \$25.85 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 3.00 | \$48.50 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 4.00 | \$80.85 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 6.00 | \$161.65 | \$1.65 | \$1.65 | \$2.65 | NA |
| | | | 8.00 | \$258.65 | \$1.65 | \$1.65 | \$2.65 | NA |
| W-1-O | Residential Non-City | Nov-17 | 0.75 | \$9.70 | \$3.30 | \$3.30 | \$5.30 | NA |
| | | | 1.00 | \$16.15 | \$3.30 | \$3.30 | \$5.30 | NA |
| | | | 1.50 | \$32.35 | \$3.30 | \$3.30 | \$5.30 | NA |
| | | | 2.00 | \$51.75 | \$3.30 | \$3.30 | \$5.30 | NA |
| W-2 | Commercial | Nov-17 | 0.75 | \$4.85 | NA | NA | NA | \$1.85 |
| | | | 1.00 | \$8.10 | NA | NA | NA | \$1.85 |
| | | | 1.50 | \$16.15 | NA | NA | NA | \$1.85 |
| | | | 2.00 | \$25.85 | NA | NA | NA | \$1.85 |
| | | | 3.00 | \$48.50 | NA | NA | NA | \$1.85 |
| | | | 4.00 | \$80.85 | NA | NA | NA | \$1.85 |
| | | | 6.00 | \$161.65 | NA | NA | NA | \$1.85 |
| | | | 8.00 | \$258.65 | NA | NA | NA | \$1.85 |
| W-2-O | Commercial Non-City | Nov-17 | 0.75 | \$9.70 | NA | NA | NA | \$3.70 |
| | | | 1.00 | \$16.15 | NA | NA | NA | \$3.70 |
| | | | 1.50 | \$32.35 | NA | NA | NA | \$3.70 |
| | | | 2.00 | \$51.75 | NA | NA | NA | \$3.70 |

5.9.2 Revenue Analysis

Table 5-23 presents the Water System revenues. The total retail revenues increased by 4.8 percent in 2017 and 6.9 percent in 2018 due primarily to rate increases. The revenues decreased by 2.7 percent in 2019 due to lower sales. In 2020, total retail revenues increased 0.8 percent, with higher Residential sales and revenues largely offset by lower sales and revenues from non-residential classes, a dynamic influenced heavily by the COVID-19 pandemic.

Table 5-23: Retail Revenues by Class

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|
| Revenues | | | | | |
| Residential | \$7,426,141 | \$7,796,049 | \$8,410,699 | \$8,181,849 | \$8,515,274 |
| Commercial | 5,092,632 | 5,319,854 | 5,543,239 | 5,464,127 | 5,355,309 |
| Schools & Churches | 500,405 | 537,322 | 632,392 | 534,520 | 473,545 |
| Other | 210,500 | 209,454 | 234,910 | 244,873 | 200,216 |
| Total | \$13,229,678 | \$13,862,679 | \$14,821,240 | \$14,425,369 | \$14,544,345 |
| Number of Customers | | | | | |
| Residential | 42,393 | 42,693 | 42,929 | 44,633 | 43,627 |
| Commercial | 6,550 | 6,647 | 6,671 | 6,899 | 6,824 |
| Schools & Churches | 297 | 305 | 312 | 317 | 317 |
| Other | 283 | 284 | 283 | 281 | 285 |
| Total | 49,524 | 49,929 | 50,195 | 52,130 | 51,054 |
| Revenue per Customer | | | | | |
| Residential | \$175 | \$183 | \$196 | \$183 | \$195 |
| Commercial | 777 | 800 | 831 | 792 | 785 |
| Schools & Churches | 1,683 | 1,763 | 2,028 | 1,685 | 1,494 |
| Other | 743 | 739 | 831 | 871 | 702 |
| Total | \$267 | \$278 | \$295 | \$277 | \$285 |
| Sales (1000 gallons) | | | | | |
| Residential | 2,737,573 | 2,714,031 | 2,735,228 | 2,561,224 | 2,681,717 |
| Commercial | 2,334,596 | 2,342,707 | 2,243,690 | 2,237,397 | 2,130,776 |
| Schools & Churches | 231,962 | 236,557 | 289,301 | 248,388 | 187,246 |
| Other | 98,519 | 89,152 | 95,333 | 101,596 | 76,143 |
| Total | 5,402,650 | 5,382,447 | 5,363,552 | 5,148,605 | 5,075,882 |
| Sales (1000 gallons) per Customer | | | | | |
| Residential | 65 | 64 | 64 | 57 | 61 |
| Commercial | 356 | 352 | 336 | 324 | 312 |
| Schools & Churches | 780 | 776 | 928 | 783 | 591 |
| Other | 348 | 314 | 337 | 361 | 267 |
| Total | 109 | 108 | 107 | 99 | 99 |
| Revenue per 1000 gallon | | | | | |
| Residential | 2.71 | 2.87 | 3.07 | 3.19 | 3.18 |
| Commercial | 2.18 | 2.27 | 2.47 | 2.44 | 2.51 |
| Schools & Churches | 2.16 | 2.27 | 2.19 | 2.15 | 2.53 |
| Other | 2.14 | 2.35 | 2.46 | 2.41 | 2.63 |
| Total | 2.45 | 2.58 | 2.76 | 2.80 | 2.87 |

Source: LUS Financial and Operating Statements

5.9.3 Expense Analysis

Table 5-24 shows historical water operating expenses, distinguished between fixed and variable costs. Variable operating expenses within Power & Pumping include purchased power costs, while variable operating expenses within Purification include chemical costs. Fixed operating expenses include Source of Supply, a portion of Power & Pumping and Purification, Distribution, Customer Service, and Administrative and General (“A&G”) expenses. Historically, variable expenses average about 22 percent of total expenses.

Table 5-24: Historical and Variable Expense Summary

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Variable Expenses | | | | | |
| Power & Pumping | \$474,683 | \$461,177 | \$464,538 | \$461,845 | \$465,557 |
| Purification | 2,624,435 | 2,556,678 | 2,587,531 | 2,675,900 | 2,372,173 |
| Total Variable Expenses | \$3,099,118 | \$3,017,855 | \$3,052,070 | \$3,137,745 | \$2,837,730 |
| Fixed Expenses | | | | | |
| Source of Supply | \$185,999 | \$191,113 | \$175,620 | \$183,896 | \$179,867 |
| Power & Pumping | 327,040 | 268,334 | 296,324 | 303,191 | 274,159 |
| Purification | 1,853,514 | 1,929,383 | 1,971,597 | 1,871,480 | 1,716,917 |
| Distribution | 2,538,366 | 2,619,286 | 2,884,033 | 2,889,727 | 2,098,086 |
| Customer | 1,149,579 | 1,128,205 | 1,219,158 | 1,172,251 | 1,295,339 |
| A&G | 4,607,489 | 4,811,643 | 4,661,424 | 4,668,916 | 4,757,007 |
| Total Fixed Expenses | \$10,661,987 | \$10,947,964 | \$11,208,155 | \$11,089,461 | \$10,321,376 |
| Total Fixed & Variable | \$13,761,106 | \$13,965,819 | \$14,260,225 | \$14,227,206 | \$13,159,106 |
| Percent Variable | 23% | 22% | 21% | 22% | 22% |
| Percent Fixed | 77% | 78% | 79% | 78% | 78% |

Source: LUS Financial and Operating Statements

5.10 Observations and Recommendations

- Based on the analysis described herein, Burns & McDonnell presents the following observations and recommendations.
- Total water production has remained generally stable but overall retail water sales have declined.
- Retail sales reductions have been partially offset by wholesale sales increases, with wholesale sales representing 28 to 30 percent of total sales over the last five years. LUS coordinates closely with its wholesale customers regarding growth for planning purposes and should continue to do so.
- With relatively steady water production and a general decline in water sales, unaccounted for water has increased from 7.4 percent in 2016 to 12.5 percent in 2020. Overall unaccounted for water (i.e., losses) on a percentage basis have increased over the last four years.
- Within its next rate study, LUS should evaluate the possibility of increasing its fixed cost recovery in its Water System revenue streams to improve overall revenue stability. Such a change can be accomplished in a revenue-neutral way, meaning rates would still produce the same overall Water System revenue under normal conditions. This change could be phased-in over time to mitigate customer impact.
- Water produced by the two Commission Boulevard groundwater wells is not softened or treated for iron and manganese removal prior to entering the distribution system. Areas of the distribution system where this groundwater blends with softened water from the North and/or South Water Treatment

Plants has been observed to cause aesthetic issues with water being delivered to customers. LUS utilizes automatic flushing in these areas of the distribution system; however, robust monitoring or operational changes in the system may be necessary to prevent these events from occurring until the new Commission Boulevard Water Treatment Facility is constructed and operational. The treatment plant improvements are scheduled to be completed in 2022.

- The 16-inch pipeline leaving the North Water Treatment Plant into the distribution system presents a hydraulic limitation (or “bottleneck”) on the amount of water that can be pumped out of the treatment plant. This in turn, reduces the ability to utilize the full treatment capacity of the plant. Burns & McDonnell recommends potential solutions to mitigate this bottleneck for this pipeline be evaluated in the future. This would allow LUS to utilize the full treatment capacity of the plant to meet increasing demands in the system.
- Annual programs are in place for inspection of elevated water towers and for inspection and testing of groundwater production wells. Through discussion and observations, it appears that a programmatic proactive maintenance approach is not applied consistently across all LUS water assets. Proactive maintenance results in extended asset life and reduces the likelihood and duration of unexpected downtime or failures. LUS should evaluate its water system assets to estimate remaining service life and likelihood of failure. The results of that assessment should be used to further develop capital improvement planning to address critical assets over a long-term period, with targeted strategies to address high-priority items. This effort should include planning for renewal and replacement of aging infrastructure over its anticipated service life.
- LUS should begin preparing for operational changes brought about by recent LCRR, specifically in developing an LSL inventory and revisions to lead and copper sampling locations and protocol. An LSL Replacement Plan must be developed if LSL are present in the distribution system. LUS should evaluate LCRR requirements as soon as possible to confirm operating and capital obligations associated with compliance.
- Due to the continued increasing trend in unaccounted for water, LUS should consider studying water loss in more detail or performing a Water Audit for Water Loss Control for improved management of non-revenue.

6.0 WASTEWATER UTILITY SYSTEM

6.1 Wastewater Utility Summary

LUS provided wastewater conveyance, treatment, and sludge management and disposal services to 46,133 retail customers in 2020. Key infrastructure includes 688.4 miles of collection mains, 195 lift stations, four wastewater treatment plants, and sludge management and disposal facilities. The total combined permitted treatment capacity of the four plants is 18.5 MGD, while the total combined flowholding capacity at the four plants is 38.5 M gallons. LUS is also responsible for integrating small package wastewater treatment plants that primarily serve subdivisions and rural areas into the main LUS Wastewater System.

Wastewater system collected flow decreased in 2020 by 4.3 percent compared to 2019 flows, and generally lower than the average collected flow from 2016 through 2019. Historical Wastewater System collected flows are shown in Table 6-1.

Table 6-1: Wastewater System Historical Retail Collection

| Fiscal Year | Retail Collection (1000 gallons) ⁽¹⁾⁽²⁾ |
|-------------|---|
| 2016 | 6,267,402 |
| 2017 | 5,768,832 |
| 2018 | 5,326,815 |
| 2019 | 5,746,278 |
| 2020 | 5,498,088 |

Source: LUS Financial and Operating Statements

(1) The Wastewater System does not provide wholesale service.

(2) Retail Collection is not associated with the gallons used for billing wastewater customers.

6.2 Wastewater Treatment

LUS owns and operates four wastewater treatment plants (“WWTPs”): 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 combined average day treated flowrate for these WWTPs in 2020 was 15.4 MGD and the total permitted capacity is 18.5 MGD as summarized in Table 6-2.

Table 6-2: Wastewater Treatment and Storage Summary

| Facility | 2020 Average Day Flow (MGD) | Permitted Capacity (MGD) | Wet-Weather Storage Capacity (MG) |
|------------------------------------|-----------------------------|--------------------------|-----------------------------------|
| South Sewage Treatment Plant | 5.1 | 7.0 | 3.5 |
| East Sewage Treatment Plant | 3.1 | 4.0 | 3.0 |
| Ambassador Caffery Treatment Plant | 5.9 | 6.0 ⁽¹⁾ | 7.0 |
| Northeast Treatment Plant | 1.3 | 1.5 | 25.0 |
| Total | 15.4 | 18.5 | 38.5 |

Source: LUS

¹ Permitted capacity is 6.0 MGD; however, plant treatment capacity is 9.25 MGD.

The LUS wastewater system is a separate sanitary sewer system, consisting of an interconnected network of piping and lift stations that conveys domestic sewage to the City's WWTPs. During wet weather events with large amounts of precipitation, the WWTPs may be undersized to completely treat peak flows associated with stormwater and groundwater, known as inflow and infiltration (I&I), that enters the sanitary sewer system through cross connections with stormwater sources or cracks in pipes or manholes. Influent flow exceeding the WWTPs peak design flow capacity is diverted to on-site wet weather basins. Wastewater diverted to the wet weather basins is stored and treated by the WWTPs when wet weather flows subside. Wet weather flows are generally treated as if they are domestic sewage. Influent flow exceeding the capacity of the on-site wet weather basins may be bypassed around biological treatment processes but is disinfected prior to discharge to the Vermillion River, but this occurs very rarely only during an extreme weather event.

Since wastewater treatment uses microorganisms for removal of organics, a portion of the biomass waste or sludge streams must be continuously removed from the WWTPs. Final disposal of biosolids (i.e., dewatered sludge from the WWTPs) is land applied at several farms in the Lafayette area. Recent land development has reduced the number of land-application sites that are available to LUS. Three of the WWTPs use mechanical dewatering devices to further concentrate the solids (to approximately 22 to 27 percent solids by weight) and reduce the total volume of biosolids to be land-applied. The NETP does not use mechanical dewatering and the resulting land-applied biosolids are approximately 2 to 3 percent solids by weight.

LUS staff have indicated the majority of wastewater treated at the WWTPs is domestic waste, with very little industrial waste flows. The Louisiana Department of Environmental Quality (LDEQ) has limited discharge loading into the Vermillion River due to farming and unincorporated wastes being discharged to the river. As such, treatment of wastewater needs to be performed to levels that reduce the 5-day

carbonaceous biological oxygen demand (“BOD5”), total suspended solids (“TSS”), and ammonia in the effluent streams of the WWTPs, in accordance with each facility’s LPDES permit.

6.2.1 South Sewage Treatment Plant

The SSTP treats an average flowrate of 5.1 MGD and is permitted to treat up to 7 MGD of flow. The SSTP headworks receives water from the on-site main pump station and the primary force main from the Acacia Lift Station across the Vermillion River. All influent flows pass through rotary screens and vortex grit removal processes to separate large debris and sediment from the water to improve treatability. After pretreatment, the SSTP flow splits between two treatment trains: the East Side train and the West Side train. Each train uses activated sludge (i.e., a mixture of microbial organisms and sewage which are oxygenated for nutrient removal) followed by circular clarifier basins and chain-and-flights final clarifiers. Treated water is then disinfected with chlorine, and finally dechlorinated prior to discharge to the Vermillion River. The SSTP does not have any means to actively control odor at the plant. During wet weather events, the SSTP is configured to segregate influent flow into an on-site 3.5 M gallon wet weather storage basin.

The sludge goes through aerobic digestion (i.e., biological digestion of nutrients in the presence of both free and bound oxygen) and anaerobic digestion (i.e., biological digestion of nutrients in absence of both free and bound oxygen) to further breakdown organic content. Digested sludge is then dewatered by a belt filter press. The solids from the belt filter press are then land applied, and the liquid stream is sent back to the plant headworks.

6.2.2 East Sewage Treatment Plant

The ESTP receives waste flows along the I-49 corridor area of Lafayette and has a permitted capacity of 4 MGD. In 2020, the average treated flow was 3.1 MGD. Wastewater flows into the ESTP dry pit area via gravity and pumped from the dry pit to the plant headworks. The treatment at the ESTP consists of rotary screens and diffused air grit removal for pretreatment, followed by primary clarifiers, oxidation ditches, final clarifiers, chlorine disinfection, and dechlorination. Sodium hypochlorite is used for both disinfection and for odor control. The treated water is then stored in an on-site tank for non-potable uses or discharged to the Vermillion River. During wet weather events, the ESTP is configured to segregate influent flow into an on-site 3.0 M gallon wet weather storage basin.

The sludge goes through a thickening process followed by anaerobic digestion (i.e., biological digestion of nutrients in absence of both free and bound oxygen) to further breakdown organic content. Digested sludge is then dewatered by a belt filter press. The solids from the belt filter press are then land applied,

and the liquid stream is sent back to the plant headworks. A segment of land at the Vermillion Conference Center, adjacent to the ESTP, will be utilized for sludge drying in the future.

6.2.3 Ambassador Caffery Treatment Plant

The ACTP treats an average flow rate of 5.9 MGD and is permitted to treat up to 6 MGD (the design capacity of this plant is 9.25 MGD). Wastewater flows into the ACTP through a gravity-fed dry pit area which is then pumped from the dry pit to the plant headworks, or through a collection of forcemains which pump directly to the plant headworks. Pretreatment at the ACTP consists of rotary screens and vortex grit removal. Flow is then split to two different aerobic treatment processes, sequencing batch reactors (“SBRs”) and oxidation ditches, followed by final clarifiers, chlorine disinfection, and dechlorination. During wet weather events, the ACTP is configured to segregate influent flow into an on-site 7 M gallon wet weather storage basin.

The sludge is treated through a thickening process followed by anaerobic digestion to further breakdown organic content in the sludge. Digested sludge is then dewatered by a spiral screw press, which is aided by addition of a polymer. The solids from the screw press are then land applied, and the liquid stream is sent back to the plant headworks.

6.2.4 Northeast Treatment Plant

The NETP treats an average flow rate of 1.3 MGD, which is slightly less than the permitted capacity of 1.5 MGD. Wastewater flows into the NETP headworks through a collection of local forcemains. Pretreatment at the NETP consists of stepping screens and bypass screens and a vortex grit removal chamber. Flow is aerobically treated in oxidation ditches, followed by final clarifiers, chlorine disinfection, and dechlorination using sulfur dioxide. During wet weather events, the NETP is configured to segregate influent flow into an on-site 25 M gallon wet weather storage basin.

The sludge is mixed with lime via a paddle wheel mixer to produce a homogenized mixture of stabilized sludge to produce Class B biosolids. Addition of lime increases the pH to effectively kill pathogens and microorganisms, in addition to providing some loss of moisture content. The stabilized lime mixture is then land-applied. A 20-acre pond for lime solids holding located at the NETP is used to store solids trucked from the South Water Treatment Plant and North Water Treatment Plant during rainy conditions that will not allow for the general disposal on land farm sites.

6.3 Wastewater Collection

As described previously, the LUS wastewater system is a separate sanitary sewer system conveying domestic sewage. Surface runoff is conveyed through a separate system. The topography of the service

area is relatively flat and spans both sides of the Vermillion River. Due to the topography and geographic boundary of the river, the LUS wastewater collection system uses 195 lift stations to overcome hydraulic grade line (i.e., overcome natural drainage patterns due to gravity) of the city via pumping. Of these lift stations, approximately 30 percent are self-priming style suction lift stations, and the remainder are submersible lift stations of various functionality. In recent years, the increasing number of lift stations is due to LUS providing sewer service to an increasing amount of new land development. The wastewater collection system infrastructure is summarized in Table 6-3.

Table 6-3: Wastewater Collection System Assets

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|--------|--------|--------|--------|--------|
| Number of Connections | 44,269 | 45,034 | 45,436 | 45,942 | 46,380 |
| Miles of Pipe ¹ | 659 | 665 | 673 | 692 | 688.4 |
| Number of Manholes | 12,313 | 12,538 | 12,716 | 12,868 | 13,008 |
| Number of Lift Stations | 179 | 185 | 188 | 190 | 195 |

Source of data: LUS Internal Memorandum, December 21, 2020

(1) Includes gravity sewers and force mains; does not include service laterals.

Engineering design of significant wastewater system infrastructure is typically delegated to consultant engineering firms. Some limited design tasks are performed by LUS staff. Lift stations (“LS”) that need upgrades or rehabilitation are the Thomas Park LS, and the Alice Drive LS. The design of the improvements to Thomas Park LS design will be completed by the end of the year. Replacement of the Alice Drive LS will follow replacement of the Thomas Park LS.

Wastewater infrastructure (i.e., gravity pipes, force mains, and pump stations) in the downtown and geographically-central areas of the City are undersized to accommodate the recent land development and population density changes in these parts of the service area. The City has largely ceased new housing development in the downtown area because the infrastructure cannot meet conveyance needs. The design project for a new sewer lift station and 20-inch force main to the SSTP is in progress. This project will require a new 20-inch force main and is expected to take at least two years. Although the state government owns some property along the proposed routing, LUS has encountered challenges with acquiring property for the lift station and force main routing. Additionally, the SBRs at the SSTP are being evaluated to handle new and future capacity associated with housing development in the downtown area.

The older, aging, lift stations in the LUS inventory are primarily wet-pit and dry-pit style, with the newer lift stations being submersible style. Improvements to the aging lift stations are being evaluated to convert these to suction-lift style. There are on-going efforts to improve the resiliency of the lift stations by adding quick-connection fittings to the discharge piping, which allow for operators to use a portable pump

to convey wastewater flows in the event of a power outage. Lift station telemetry (i.e., remote-collection and transmission of data) equipment is not uniform, with 40 lift stations having fiber optic transmission, 50 lift stations having cellular transmission, 30 lift stations having no telemetry, and the remainder (including package plants) have Mission auto-dialers.

6.3.1 Operations and Related Performance

6.3.1.1 COVID-19

Due to COVID-19, LUS has modified basic operations of the utility to keep non-essential personnel at home when possible. Operations staff has also been separated to ensure that, in the possibility of an outbreak, staff would not get infected at the same time.

Additionally, operations and maintenance shifted from a proactive approach to a reactionary approach to minimize the close-quarters exposure of operators and limiting maintenance to only critical situations. This has impacted routine inspections and maintenance items, such as closed-circuit television video (“CCTV”) inspections and other items discussed in Section 6.3.1.2. The full extent of the impact of this approach cannot be determined and may result in further reactionary maintenance in the future.

6.3.1.2 Capacity, Management, Operations, and Maintenance Program

The EPA performed an audit of LUS’s sanitary sewer system in 2017 which included the wastewater master plan, flow studies, and a tour of the four wastewater plants and some lift stations. A report of findings from the EPA’s audit was released in May 2018. Resulting from the audit, an Administrative Order (“AO”) was issued effective April 24, 2018 which requires LUS to prepare and implement a Capacity, Management, Operations, and Maintenance Program (“CMOM”) by May 1, 2020.

The details of the CMOM implementation plan were submitted by LUS in February 2020, which included Collection System Management, Collection System Operations, Collection System Maintenance, and Collection System Capacity Evaluation. The AO requires LUS to regularly test and repair sewerage infrastructure by inspecting and cleaning 10 percent of the collection system each year and addressing defects within three years of the date on which they were identified. Additionally, the entire wastewater collection system needs to be rehabilitated by November 1, 2033, which averages approximately 7.7 percent annually.

LUS increased the budget for CCTV inspection, inflow and infiltration (“I&I”) repairs in CIP, manhole lining, and point repairs. LUS staff have indicated that temporary changes in operations due to COVID-19

have resulted in lessened CCTV inspections of the wastewater collection system. This is of particular importance, as LUS is required to inspect at least 10 percent of the collection system each year.

Additional measures required by the AO include implementation of a sanitary sewer cleaning program which aims to clean the sanitary sewers on a 10-year revolving schedule. As the staff implements this program, the cycles of cleaning will depend on the pipeline condition, risk, and consequence of failure. As for critical cleaning, certain line segments may be identified to be more susceptible to blockages and may be put on a critical cleaning list as a preventive measure. The field supervisor is responsible for determining the cleaning cycle for these line segments.

LUS performs routine manhole inspections which are recorded in the CityWorks program software for asset management tracking. LUS indicated that Sewer Line-Rapid Assessment Tool acoustic technology and CCTV would be used to adhere to the CMOM to inspect all pipes and manholes, rotating through the entire system every 10 years. The first rotation through the entire collection system is required to be completed by November 1, 2030. Furthermore, LUS prioritizes repairing manholes and pipes using the Point Repair Priority Scores and Definitions and Manhole Repair Priority Scores that were developed in response to the AO.

LUS has also implemented a comprehensive training program for all staff participation in O&M in accordance with Activity D.2 of the AO. This arose from a lack of documented O&M training program and concern with staff succession.

Additionally, the CMOM Program establishes protocols for LUS to identify I&I issues for the most problematic areas of the collection system. LUS's CCTV inspection program uses remote cameras to inspect pipes owned by LUS; however, any defects within privately-owned systems are challenging to rehabilitate because work must be performed by the property owner. Activities completed related to testing maintenance, and repair of sewage infrastructure are as noted on the 2019 and 2020 budgets.

6.3.1.3 Biosolids and Land Application

Currently, LUS's use of biosolids are permitted under LDEQ Sewage Sludge and Biosolids Use or Disposal Permit No. LAJ020125. Waste sludge generated at each of the wastewater treatment plants is treated to Class B biosolids standards and dewatered prior to transport to the application site.

Due to the shortage of land application sites, LUS continues to face challenges associated with land application of biosolids. Currently, LUS applies biosolids on privately-owned farmland, and, due to the nature of land-use agreements, staff cannot always access the sites to apply the biosolids when needed.

LUS is required to accommodate farming activities such as crop and livestock rotation, and any needed access during inclement weather. As a result, LUS is required to lease more acreage than is physically necessary for the amount of biosolids produced (year-to-year leases with 30-day end-notice). LUS currently leases approximately 1,163 acres for biosolids application, but only utilized 302 acres in 2019.

Currently, three of the four wastewater plants (SSTP, ESTP, and ACTP) use mechanical dewatering and belt press the biosolids to remove excess water from the biosolids. The dewatered biosolids are land applied. The NETP uses only lime stabilization to treat the biosolids. Adding mechanical dewatering before the lime stabilization will reduce the volume of biosolids produced by the plants.

Although not all WWTPs have active odor control, the permit from LDEQ requires that odor production be minimized as an operational standard for land applying the biosolids. Additional land-use agreements, such as purchasing and owning land to apply the biosolids, should be considered.

6.4 Historical Capital Improvement Program

LUS tracks capital expenses through its capital work order system. Historical capital improvements program expenditures shown in Table 6-4 reflect investments in infrastructure funded by the Series 2010 and Series 2019 Bonds. The Series 2010 Bonds were issued for wastewater collection system improvements including lift stations and interceptors. The Series 2019 Bonds are available to support capital projections like expansion of the treatment plants, lift station, and sludge handling.

Table 6-4: Wastewater System Historical CIP

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Wastewater | | | | | |
| Normal Capital & Special Equipment | \$1,524,624 | \$1,876,974 | \$1,264,908 | \$1,985,294 | \$1,619,375 |
| Series 2010 Bonds | 98,009 | 0 | 0 | 0 | 0 |
| Series 2019 Bonds | 0 | 0 | 0 | 128,538 | 174,992 |
| Retained Earnings | 2,294,350 | 4,207,580 | 6,881,980 | 5,247,716 | 4,298,097 |
| Total Wastewater Capital | \$3,916,983 | \$6,084,553 | \$8,146,888 | \$7,361,548 | \$6,092,464 |

6.5 Environmental and Regulatory Compliance

In accordance with each facility's LPDES permit, LUS is required to file an Annual Municipal Water Pollution Prevention audit report for each operating facility. Sometimes, LUS exceeds the design/permitted flow capacity at its wastewater treatment plants. These exceedances are reported to LDEQ and LDEQ coordinates with LUS for an excursion regrading repairs and replacements. The number of months during which the design capacity of each plant was exceeded over the past five years is summarized in Table 6-5.

Table 6-5: Total Monthly Occurrences of Design or Permit Capacity Exceedances

| Wastewater Treatment Plant | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------|------|------|------|------|------|
| Flow Exceedances | | | | | |
| South Sewage | 2 | 0 | 0 | 0 | 0 |
| East Sewage | 1 | 2 | 1 | 0 | 0 |
| Ambassador Caffery | 8 | 5 | 1 | 6 | 5 |
| Northeast | 1 | 0 | 0 | 0 | 0 |
| Biological Loading Exceedances | | | | | |
| South Sewage | 0 | 0 | 0 | 3 | 0 |
| East Sewage | 1 | 0 | 0 | 0 | 0 |
| Ambassador Caffery | 0 | 0 | 0 | 0 | 0 |
| Northeast | 0 | 0 | 0 | 1 | 0 |

Source: LUS

6.5.1 Spill Prevention Control and Countermeasures

SPCC plans are required to comply with state and federal regulations if facilities are proximate to U.S. waters. Compliance is required by facilities which are subject to spills of oils, fuels, or other controlled substances and have a storage capacity of more than 1,320 gallons at a single facility. SPCC plans were prepared and implemented in accordance with these regulations for each wastewater treatment facility. Each facility's SPCC Plan was last reviewed in 2017. SPCC Plans must be reviewed every five (5) years (the next review is due in 2022) or upon significant change in oil storage or if a spill incident occurs.

6.5.2 Wastewater Pretreatment Program

Federal regulation requires that LUS maintain a wastewater pretreatment program that is applicable to certain customers discharging to the LUS collection system, with particular emphasis on industrial users. Industrial users are identified by review of the North American Industry Classification System ("NAICS") code of the user. The program is overseen and enforced by the LUS Environmental Compliance Division; and was established to accomplish the following objectives:

1. Prevent pollutant discharges which will interfere with operations of publicly owned treatment works ("POTWs"), including the use or disposal of municipal sludge (i.e., biosolids),
2. Prevent pollutant discharges which the POTW is not designed to remove by treatment,
3. Reduce the risk of exposing workers to hazardous chemicals, and
4. Improve opportunities to recycle and reclaim industrial wastewaters and sludges.

Significant Industrial User Permits are issued to any customer that discharges an average of 25,000 gallons or more of process wastewater. Six customers have been issued this permit because they either contribute process waste stream that make up 5 percent or more of the average dry-weather hydraulic or

organic capacity of the treatment plant or have a reasonable potential for adversely affecting the treatment facility's operation for violating any pretreatment standard or requirement.

A total of seven Categorical Zero Discharge Permits have been issued to customers that do not discharge any process wastewater in accordance with CWA section 307.

A Pretreatment Audit was conducted by the Louisiana Department of Environmental Quality in February 2020. The audit concluded that all testing and monitoring requirements were met by all industrial users under the permit. Resulting recommendations were to provide explanation of where permit limitations are derived from within the Fact Sheet (the documentation submitted as a part of the Pretreatment Audit,) and that industrial users include an evaluation of spills or slug loads that may have occurred during the year. Any proposed change to the facility regarding its Pretreatment Program must first be submitted to LDEQ for approval.

6.5.3 Flow and Biological Loading

The wastewater strength to the LUS WWTPs is characterized as primarily domestic wastewater, with very little industrial wastewater. LUS operators have indicated that the wastewater influent is consistent between the WWTPs. Influent water quality generally contains 25 mg/L of total nitrogen, 170 mg/L of 5-day carbonaceous BOD₅, and 30 to 40 mg/L TSS.

Publicly-owned treatment works serving the City of Lafayette are subject to regulatory limitations of wastewater discharges to the Vermillion River to Bayou St. Claire. The wastewater discharge limitations are established by the LPDES permit, which has assigned a permit limit and specific discharge loading limits for each of the LUS WWTPs. Although the concentrations (mg/L) of each contaminant are consistent between the WWTPs, the loading rate (lbs/day) is not consistent and presents treatment challenges as the City continues to grow and develop. The average monthly discharge limitations are summarized in Table 6-.

Table 6-7: Wastewater Treatment Plant Average Monthly Discharge Limitations

| | South Sewage | East Sewage | Ambassador Caffery | Northeast |
|--|-------------------------|------------------------|--------------------------|----------------------------------|
| LPDES Permit | LA0036374 | LA0036382 | LA0042561 | LA0036391 |
| Design Flow | 7.0 MGD | 4.0 MGD | 6.0 MGD | 1.5 MGD |
| BOD ₅ – May through December | 584 lbs/day 10 mg/L | 334 lbs/day 10 mg/L | 500 lbs/day 10 mg/L | 125 lbs/day 10 mg/L |
| BOD ₅ – January through April | 1168 lbs/day 20 mg/L | 667 lbs/day 20 mg/L | 1,000 lbs/day 20 mg/L | 250 lbs/day 20 mg/L |
| Total Ammonia-Nitrogen (as N) May through December | 292 lbs/day 5 mg/L | 167 lbs/day 5 mg/L | 250 lbs/day 5 mg/L | 63 lbs/day 5 mg/L |
| Total Ammonia-Nitrogen (as N) January through April | 584 lbs/day 10 mg/L | 334 lbs/day 10 mg/L | 500 lbs/day 10 mg/L | 125 lbs/day 10 mg/L |
| Total Nitrogen (as N) | Monitoring Only | Monitoring Only | Monitoring Only | Monitoring Only |
| Cyanide | -- | -- | -- | Monitoring and Reporting Only |
| TSS – May through December | 876 lbs/day 15 mg/L | 500 lbs/day 15 mg/L | 751 lbs/day 15 mg/L | 188 lbs/day 15 mg/L |
| TSS – January through April | 1168 lbs/day 20 mg/L | 667 lbs/day 20 mg/L | 1,000 lbs/day 20 mg/L | 250 lbs/day 20 mg/L |
| Total Phosphorus (as P) | Monitoring Only | Monitoring Only | Monitoring Only | Monitoring Only |

The LPDES has imposed a hold on new (additional) contaminant loading to the Vermillion River due to agriculture, waste flows from unincorporated areas, and waste flows from publicly owned treatment works. As the City continues to develop and grow, this contaminant loading restriction requires that the lbs/day limit by LDEQ is met by the LUS WWTPs, regardless of influent flow increases.

6.5.4 Post-Hurricane Inspections

Two post-hurricane inspections were completed by the EPA for each of the four WWTPs following Hurricane Delta and Hurricane Marco and Hurricane Laura (one inspection), in late 2020.

The SSTP, ESTP, and NETP were found to have no needed repairs following the hurricanes. The ACTP was found to have some needed repairs following Hurricane Marco and Hurricane Laura, but damages were not caused by the hurricane and repairs were scheduled to occur the following week. There were no damages to the ACTP following Hurricane Delta.

6.6 Contracts and Agreements

LUS is currently under contract in the Grossie Avenue area for wastewater O&M. This area included a small number of customers served by a separately owned wastewater collection system where the flows from the approximately 50 customers are treated at the ESTP. The 40-year agreement was executed in

1995 and expires August 2035.

6.7 Utility Benchmarking

6.7.1 Utility Rates

Residential and commercial wastewater rates implemented by LUS are comparable to and competitive with utilities benchmarked in the state and surrounding region. Table 6-8 and Table 6-6 provide a regional comparison of effective wastewater rates for residential and commercial customers, respectively.

Table 6-8: Residential Rate Comparison

| Utility | Average (\$/1,000 gallons) ⁽¹⁾ |
|--------------|--|
| Alexandria | \$ 3.86 |
| Lake Charles | \$ 4.40 |
| New Iberia | \$ 5.14 |
| Baton Rouge | \$ 6.61 |
| LUS | \$ 7.13 |
| Shreveport | \$ 10.81 |
| New Orleans | \$ 12.23 |

Source: LUS. Rates as of January 2021.

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

Table 6-6: Commercial Rate Comparison

| Utility | Average (\$/1,000 gallons) ⁽¹⁾ |
|--------------|--|
| Alexandria | \$ 3.59 |
| Lake Charles | \$ 3.94 |
| Baton Rouge | \$ 6.15 |
| New Iberia | \$ 6.17 |
| LUS | \$ 6.69 |
| Shreveport | \$ 8.74 |
| New Orleans | \$ 13.18 |

Source: Burns & McDonnell. Rates as of January 2021.

Assumes monthly water consumption of 30,000 gallons.

LUS last completed a rate study in 2016, indicating the need to increase Wastewater System rates to adequately cover its costs. Retail rates were increased 6.1 percent effective November 1, 2016, and 5.7 percent effective November 1, 2017. Retail rates have remained unchanged since then.

6.7.2 Financial and Operating Statistics

The AWWA annually publishes benchmarking data across a variety of performance indicators for water and wastewater utilities. The *2020 AWWA Utility Benchmarking: Performance Management for Water*

and Wastewater was released in early 2021, compiling various financial and operating ratios from 2019. For this analysis, specific ratios were obtained from the AWWA report representing national and regional medians. The AWWA defines national metrics as wastewater utilities in both the United States and Canada, hereafter referred to as "National." Ratios are also available by region and by number of wastewater customers served. The U.S. South region was used, which includes Louisiana and is hereafter referred to as "Regional." Further, ratios are available specifically for water utilities, wastewater utilities, and combined water and wastewater utilities. Where possible, comparisons have been made to wastewater utility ratios. However, some LUS balance sheet information is available only for the combined Electric, Water and Wastewater Utilities System, hereafter referred to as "Combined." The AWWA "Combined" benchmarking data only includes water and wastewater utilities.

The benchmark results are presented in Table 6-9. LUS's wastewater operational costs are lower than the National median but higher than the Regional median. LUS's combined debt ratio is lower than the Regional median but higher than the National median. The operating ratio is higher on both a wastewater-only and combined basis than either the National or Regional medians. However, the AWWA combined utilities median includes water, wastewater, and stormwater, while LUS includes water, wastewater, and electric. LUS's cash reserves are lower than the National and Regional medians. While LUS's 2020 wastewater debt service coverage is lower than the Regional median, all other measures of LUS debt service coverage presented in Table 6-7 are higher than their respective National or Regional median benchmarks.

Table 6-7: Benchmarked Wastewater Utility Operating Ratios

| Statistics | Basis | National ⁽¹⁾ | Regional | LUS | |
|---|------------|-------------------------|----------|---------|---------|
| | | 2019 | 2019 | 2019 | 2020 |
| Operational Costs per MG | Wastewater | \$3,519 | \$2,149 | \$3,343 | \$3,328 |
| Debt to Total Assets (Debt Ratio) | Combined | 0.31 | 0.48 | 0.38 | 0.36 |
| Operating Ratio (O&M cost/ Operating revenue) | Wastewater | 0.50 | 0.48 | 0.64 | 0.61 |
| Operating Ratio (O&M cost/ Operating revenue) | Combined | 0.46 | 0.47 | 0.68 | 0.67 |
| Cash Reserve Days ⁽²⁾ | Combined | 413 | 256 | 51 | 48 |
| Debt Service Coverage | Wastewater | 2.11 | 2.39 | 3.04 | 2.20 |
| Debt Service Coverage | Combined | 3.20 | 2.24 | 3.54 | 2.99 |

Source: AWWA and LUS

- (1) National AWWA benchmarks for water and combined water and wastewater utilities with 50,001 to 100,000 customers to align with the Water System customers served.
- (2) LUS results based on total O&M for Electric, Water, and Wastewater Systems less fuel and purchased power expenses.

6.8 Historical Financial Performance

Table 6-8 presents historical debt service and the associated DSCR. Historical Wastewater System debt service as shown below includes the Series 1996 Bonds, a portion of the Series 2010 Bonds, Series 2012 Bonds, Series 2017 Bonds, and Series 2019 Bonds. The Series 2010 Bonds were fully redeemed by the proceeds of the Series 2017 Bonds on November 1, 2020. The first debt service payment for the Series 2019 Bonds was due November 1, 2019 (FY 2020). In each year since 2016, the DSCR exceeded the minimum coverage requirement of 1.0 required by the Bond Ordinances.

Table 6-8: Historical Financial Performance

| Fiscal Year | Operating Revenues ⁽¹⁾ | Operating Expenses ⁽²⁾ | Net Revenues Available for Debt | | Debt Service Coverage Ratio |
|-------------|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------|-----------------------------|
| | | | Service | Debt Service ⁽³⁾ | |
| 2016 | \$29,144,574 | \$18,295,151 | \$10,849,422 | \$4,619,524 | 2.3 |
| 2017 | \$30,790,307 | \$18,685,538 | \$12,104,769 | \$4,270,621 | 2.8 |
| 2018 | \$32,379,226 | \$18,737,163 | \$13,642,063 | \$3,363,806 | 4.1 |
| 2019 | \$32,038,772 | \$19,211,514 | \$12,827,259 | \$4,218,291 | 3.0 |
| 2020 | \$31,122,710 | \$18,295,187 | \$12,827,523 | \$5,842,264 | 2.2 |

Source: LUS Financial and Operating Statements

- (1) Operating Revenues include 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 was prepared on a cash basis for this table and includes the Series 1996 Bonds and a portion of the Series 2010 Bonds, Series 2012 Bonds, Series 2017 Bonds and Series 2019 Bonds. The Series 2010 Bonds were fully redeemed by the proceeds of the Series 2017 Bonds on November 1, 2020. The first debt service payment for the Series 2019 Bonds was due November 1, 2019 (FY 2020).

6.8.1 Rate Structures

The Wastewater System provides service to retail customers both inside and outside the City limits. Wastewater System customer classes for ratemaking purposes include residential and commercial. The Wastewater System rate structure includes a customer charge based on class and a commodity charge applied to billed volume. The determination of billed volume varies by season. During December through March, customers are billed actual water use. For the remaining months of the year, usage is generally calculated using the average usage of the four preceding winter months (December through March). However, billed volume may not be less than 75 percent of actual water consumption in each of those months. LUS can adjust billed volume as needed.

Table 6-9: Rate Schedules

| Rate Class | Serves | Effective Date | Customer Charge (\$/month) | Monthly Volumetric Charge (\$/1,000 gallons) |
|------------|----------------------|----------------|----------------------------|--|
| S-1 | Residential | Nov 2017 | \$8.60 | \$5.90 |
| S-1-O | Residential Non-City | Nov 2017 | \$10.30 | \$7.10 |
| S-2 | Commercial | Nov 2017 | \$16.15 | \$6.15 |
| S-2-O | Commercial Non-City | Nov 2017 | \$24.20 | \$7.40 |

Source: LUS Rate Schedules

6.8.2 Revenue Analysis

Table 6-10 presents the Wastewater System retail rate revenues. In total, 2020 revenues were generally consistent with 2019, decreasing 0.2 percent year over year. Residential revenues increased in 2020 but were offset by declining revenue in all other classes, a dynamic influenced by the COVID-19 pandemic. Customer counts have increased on average 1.0 percent per year from 2016 to 2020. Consistent with trends in overall Wastewater System revenues, revenue per customer declined overall by 1.3 percent in 2020, with Residential revenue per customer increasing while other classes declined.

Table 6-10: Retail Revenues by Class

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | | | | | |
| Residential | \$15,428,467 | \$16,301,946 | \$17,209,307 | \$16,620,065 | \$17,069,978 |
| Commercial | 11,669,904 | 11,899,780 | 12,073,215 | 11,804,385 | 11,552,556 |
| Schools & Churches | 1,213,052 | 1,300,138 | 1,509,518 | 1,316,766 | 1,092,977 |
| Other | 211,356 | 204,511 | 185,506 | 169,456 | 145,715 |
| Total | \$28,522,778 | \$29,706,376 | \$30,977,546 | \$29,910,672 | \$29,861,226 |
| Number of Customers | | | | | |
| Residential | 38,569 | 39,054 | 39,229 | 39,791 | 40,237 |
| Commercial | 5,328 | 5,398 | 5,402 | 5,442 | 5,503 |
| Schools & Churches | 257 | 263 | 273 | 275 | 282 |
| Other | 115 | 116 | 116 | 115 | 111 |
| Total | 44,269 | 44,830 | 45,019 | 45,623 | 46,133 |
| Revenue per Customer | | | | | |
| Residential | \$400 | \$417 | \$439 | \$418 | \$424 |
| Commercial | 2,190 | 2,205 | 2,235 | 2,169 | 2,099 |
| Schools & Churches | 4,719 | 4,947 | 5,528 | 4,781 | 3,876 |
| Other | 1,838 | 1,762 | 1,606 | 1,479 | 1,309 |
| Total | \$644 | \$663 | \$688 | \$656 | \$647 |

Source: LUS Financial and Operating Statements

6.8.3 Expense Analysis

Table 6-11 presents historical wastewater operating expenses, distinguished between fixed and variable costs. Variable operating expenses within Collection include purchased power costs, while variable operating expenses within Treatment include chemical costs. Fixed operating expenses include the remaining portions of Collection and Treatment expenses, plus Customer Service and A&G expenses. Historically, variable expenses average about 9 percent of total expenses, with the remaining 91 percent pertaining to fixed expenses.

Table 6-11: Historical Fixed and Variable Expense Summary

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Variable Expenses | | | | | |
| Collection | \$366,371 | \$346,809 | \$332,139 | \$372,159 | \$354,468 |
| Treatment | 1,350,099 | 1,351,974 | 1,334,120 | 1,249,620 | 1,163,932 |
| Total Variable Expenses | \$1,716,470 | \$1,698,783 | \$1,666,259 | \$1,621,779 | \$1,518,400 |
| Fixed Expenses | | | | | |
| Collection | \$4,095,630 | \$4,350,118 | \$4,390,309 | \$4,940,592 | \$4,534,054 |
| Treatment | 5,565,525 | 5,452,814 | 5,543,161 | 5,737,501 | 5,089,896 |
| Customer | 1,347,623 | 1,345,368 | 1,399,015 | 1,365,016 | 1,318,028 |
| A&G | 5,569,902 | 5,838,454 | 5,738,418 | 5,546,626 | 5,834,810 |
| Total Fixed Expenses | \$16,578,681 | \$16,986,755 | \$17,070,904 | \$17,589,735 | \$16,776,788 |
| Total Fixed & Variable | \$18,295,151 | \$18,685,538 | \$18,737,163 | \$19,211,514 | \$18,295,187 |
| Percent Variable | 9% | 9% | 9% | 8% | 8% |
| Percent Fixed | 91% | 91% | 91% | 92% | 92% |

Source: LUS Financial and Operating Statements

6.9 Observations and Recommendations

Based on the analysis described herein, Burns & McDonnell offers the following observations and recommendations.

- Within its next rate study, similar to the Water System, LUS should evaluate the possibility of increasing its fixed cost recovery in its Wastewater System revenue streams to improve overall revenue stability. Such a change can be accomplished in a revenue-neutral way, meaning rates would still produce the same overall Wastewater System revenue under normal conditions. This change could be phased-in over time to mitigate customer impact.
- It is important that cleaning, inspection, and rehabilitation of the wastewater collection system be continued to comply with the requirements of the AO. The rate of such work needs to be resumed to meet the required 10 percent per year, which is an increase from the 8 percent performed in 2018 and 2019. It is unknown if the EPA will take exception to the requirements of the AO and CMOM due to COVID-19, and until some confirmation is provided, it should not be assumed

that exception will be given. Additionally, collection system rehabilitation should be performed at a pace of 7.7 percent of the system per year, which is a much higher rate than the reported 1.6 percent in 2018.

- The CMOM program implemented in response to the AO has established a framework for programmatic proactive maintenance of LUS's collection system assets. Proactive maintenance results in extended asset life and reduces the likelihood and duration of unexpected downtime or failures. As part of its efforts to implement its CMOM program, LUS should evaluate its wastewater system assets to estimate remaining service life and likelihood of failure. The results of that assessment should be used to further develop capital improvement planning to address critical assets over a long-term period, with targeted strategies to address high-priority items. This effort should include planning for renewal and replacement of aging infrastructure over its anticipated service life.
- LUS currently has agreements for access to areas totaling more than the area physically required to contain all produced biosolids, because the land-use agreement structures require LUS to accommodate farming activities, which reduces the availability of these spaces. LUS may evaluate new, or restructured, land-use agreements to provide better availability of land or flexibility for the application of biosolids.
- LUS should evaluate a mechanical dewatering process at the NETP to remove excess water prior to lime stabilization. This WWTP generates biosolids at approximately 2 to 3 percent solids by weight, and the other three WWTPs produce biosolids at approximately 22 to 27 percent solids by weight after processing with mechanical equipment. This is also anticipated to alleviate some challenges with the frequency of land application.
- LUS should evaluate its wastewater system assets to estimate remaining service life and likelihood of failure. The results of that assessment should be used to further develop capital improvement planning to address critical assets over a long-term period, with targeted strategies to address high-priority items. This effort should include planning for renewal and replacement of aging infrastructure over its anticipated service life.
- Due to regional contaminant loading to the Vermillion River, the LDEQ has imposed a hold on new and additional contaminant loading to the river. Simultaneously, population growth and development within the LUS service area has increased, and therefore wastewater flows to the LUS WWTPs have also increased. As a confluence of these factors, it is recommended that a treatment process evaluation of the four WWTPs be completed to identify the risks that LUS faces with respect to meeting LPDES loading limits, and what improvements may reduce LUS

loading to the river. The evaluation should consider potential changes to treatment costs at each of the plants in total and on a per unit of wastewater treatment basis.

7.0 COMMUNICATIONS SYSTEM

7.1 Communication System Summary

The Communications System began in 1998 with LUS building fiber to serve the Electric System's SCADA system, transmission line protection systems, and LUS facilities. Further expansion of the system allowed LUS to offer wholesale communications and data services to governmental and educational facilities, and retail data, telephone, and cable TV services to the general public. The first retail customers began receiving service in February 2009.

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 does not expect any future loans from the Utilities System. The Communications System repayment of the loans will continue through 2033. The repayment of the Utilities System loans is subordinate to the payment of debt service on the Communications System bonds.

The Communications System, also known as LUS Fiber, is comprised of a 191-mile fiber backbone system with direct connections to national Tier 1 broadband providers, 161 miles of distribution fiber, and 577 miles of access fiber connecting to individual premise locations. About 40 percent of the infrastructure is on aerial utility poles and 60 percent is underground. LUS reports that it has constructed on average between one and one and a half miles of new infrastructure per month in the past year, mostly underground.

The system is a fiber-to-the-premises ("FTTP") architecture, with fiber located in most of the streets of the service area. Relative to the copper telephone and cable broadband technologies used by its competitors, LUS Fiber uses a passive optical network ("PON") technology that is well-suited to all residential and all but the most intensive commercial and institutional uses. FTTP has many times the theoretical maximum capacity of other technologies and can be scaled to much higher speeds in the coming years simply by changing modules in the network headend and huts, and by upgrading the network terminal at the home or business. The system is currently configured with a split of 32 homes per PON segment, per industry standard.

LUS Fiber cables are installed both on aerial poles and underground, based usually on the location of the other utilities. Where fiber is on aerial poles owned by LUS, it is placed 15 inches below power in the "safety space" that is restricted to the power company, thus taking advantage of the open space above the

other communications providers, while safely constructed and managed by individuals qualified to work with high voltages. Where LUS Fiber cables are on poles owned by a different utility, they are currently located in the communication space. LUS Fiber staff continues to work with these utilities in an effort to allow LUS Fiber to locate their cables in the safety space.

At intervals, a pole mounted splice enclosure is placed below the communication space. The placement of the enclosure allows for easy access to the drop installation points by installation staff or contractors who are not necessarily qualified to work in the high-voltage space on the poles. Based on one day of sample drive-through inspection of the system, the aerial infrastructure appears to be well maintained.

7.1.1 Backbone Architecture

The headend has 13 satellite dishes and one tower for of air reception of local TV networks. There are two power inputs to the headend building for redundancy. There is also a battery backup to maintain the network until the power can be switched to the secondary power source if an outage interrupts the primary power source. There is also a backup generator that is tested once a week. The equipment in the headend appears to be well maintained, cabling is kept in an orderly fashion.

There are 14 huts connected over backbone fiber to the headend. Most of the huts can serve up to 2,304 subscribers and two of the huts are equipped to serve up to 4,608 subscribers. There are two power inputs to each hut for redundancy. There is also a battery backup.

The equipment in the headend and the huts is undergoing a scheduled replacement and upgrade. The core network routers are Cisco ASR9010, located at the headend and hut locations, feeding two separate networks. One network is comprised of Cisco ASR 9010s used to sell wholesale and enterprise services. The other network is comprised of Nokia 7750s, 7450s and 7342, used to sell residential and business services. The Communications System is in the process of upgrading the backbone ring from 10 Gbps 7450s and 7342s to 100 Gbps 7360s. The upgrade is not complete. While the migration takes place, there are two parallel backbone rings in operation, one using legacy equipment and one using the new equipment.

The fiber distribution equipment uses the industry standard gigabit passive optical network (“GPON”) technology. At each hut, the current GPON optical terminal (“OLT”) provides an aggregate 2.5 Gbps to 32 premises--- these OLTs are being replaced by the Nokia 7360 which will deliver 10 Gbps to those premises.

7.1.2 Customers

Since 2016, the Communications System number of accounts increased at a compound annual rate of 4.9 percent, totaling 20,412 retail accounts in 2019. The historical number of accounts and market share is consistently increasing as presented in Table 7-1

Table 7-1: Communications System Market Share (Confidential)

| Fiscal Year | Number of Customer Accounts | Increase in Customer Accounts (%) | LUS Fiber Total Passings ⁶ | Increase in LUS Fiber Passings (%) | LUS Fiber Market Share |
|-------------|-----------------------------|-----------------------------------|---------------------------------------|------------------------------------|------------------------|
| 2015 | 16,578 | | 48,753 | | |
| 2016 | 18,243 | 10.0% | 49,521 | 1.6% | 36.8% |
| 2017 | 18,973 | 4.0% | 50,218 | 1.4% | 37.8% |
| 2018 | 20,412 | 7.6% | 50,857 | 1.3% | 40.1% |
| 2019 | 21,291 | 4.3% | 51,452 | 1.2% | 41.4% |
| 2020 | 22,053 | 3.6% | 52,011 | 1.1% | 42.4% |

LUS Fiber's marketing activities focus primarily on single family residence and business customers receiving electric service inside the City limits. Customers meeting this profile enable LUS Fiber to provide communication services with minimal additional cost. For the purposes of understanding the Communications System's share of the LUS target market, the Communications System customer projections are compared with a subset of LUS Electric System customers along with customers outside the LUS Electric System service territory.

Roughly 95 percent of LUS Fiber's residential customers live in single-family units, including duplexes and fourplexes. Currently, LUS Fiber only offers service in two or three large multi-dwelling-unit complexes with 150 to 200 residences. LUS Fiber reports having a difficult getting access from apartment owners. Many have existing agreements with Cox, which are not cost-effective to overbuild. For new buildings, LUS had positive conversations with the local developers, but once these buildings are turned over to national management companies, those companies often already have a larger agreement with Cox; in those scenarios, it is challenging for LUS Fiber to compete with the "door fees" charged by the management company. LUS Fiber is in the process of updating its plan to serve apartment complexes within its service territory.

LUS Fiber also offers services to both single-tenant and multi-tenant commercial properties. Of the

⁶ Total passings includes serviceable residential and business customers throughout the communication system's service footprint, excluding MDUs where landlords do not provide LUS Fiber with access to residential units.

10,305 total business and government passings, LUS Fiber has just over 5,000 business customers.

7.1.3 Service Offerings

In the retail market, the Communications System offers “triple play” services. “Triple play” is a common term in the industry that refers to cable TV, internet, and telephone services. The Communications System provides services to approximately 20,000 customers, who can choose to purchase any, or all, of the triple-play services. These services are in competition with regional and national data, and communications providers including Cox Communications, Dish, AT&T, Dish, Kaptel, REACH4, and HughesNet.

The Communications System offers the following residential retail services to customers:

1. Residential Cable Television / Video Services
 - a. 87 analog, 327 digital channels
 - b. Traditional Video Packages
 - i. Basic Package with 21 channels
 - ii. Expanded Basic with 80+ channels
 - iii. Digital Access with 200+ digital channels
 - iv. Digital Plus with 270+ digital channels
 - v. Digital Hispanic with 270+ digital channels, including 5 Spanish-only channels
 - vi. Premium Movie Suites (HBO, Cinemax, Showtime, Starz/Encore)
 - c. Additional equipment and service options include digital video recorder (“DVR”), video on demand, pay-per-view, and set top boxes.
2. ConneCTV Packages
 - a. ConneCTV Basic with 21 channels
 - b. ConneCTV Expanded with Basic 80+ channels
 - c. ConneCTV Plus with 270+ channels
 - d. Sports Package with 18 channels
 - e. Premium Movie Suites (HBO, Cinemax, Showtime, Starz/Encore)
3. Residential Internet Service
 - a. 3, 60, 100 megabits per second (“Mbps”)
 - b. 1 and 10 gigabit per second (“Gbps”)
 - c. Hub City Wi-Fi – residential Wi-Fi service
 - d. Hub City Wi-Fi Plus – residential Wi-Fi service
4. Residential Telephone Service

- a. Basic Line – basic digital telephone service line with paid long-distance calling; packages and features are sold separately
- b. Basic Feature Package – basic calling features
- c. Premium Feature Package – basic service, plus voicemail and caller identification
- d. Unlimited Long Distance – offered as a separate service to add to the above services
- e. International Long Distance – per minute rate depending on the area called

In addition to the residential retail communications services, the Communications System offers the following business retail services to customers:

5. Business Internet Service
 - a. 10, 25, 100 Mbps
 - b. 1 Gbps
6. Business Video Service
 - a. 87 analog, 327 digital channels
 - b. Traditional Video Packages (same as residential service offerings)
7. Business Telephone Service
 - a. Utility line- includes unlimited local calling
 - b. Business Phone Line- includes anonymous call rejection, automatic callback, automatic recall, busy call forwarding, call blocking, hold, transfers, call waiting, calling name/number delivery/blocking, delayed call forwarding, selective call acceptance, rollover group, selective call forwarding/rejection, speed calling, three-way calling, telephone user interface commands, immediate forwarding and voicemail.
 - c. Business Phone Line Enhanced- includes incoming call manager, sequential ring, priority call, time of day/day of week routing, individual contact management, call screening and remote office services
 - d. Hosted voice (“HPBX”)
 - e. Primary Rate Interface (“PRI”)
 - f. Conference Calling, Unlimited Long Distance, E-Fax, Auto-Attendant – offered as separate services to add to the above services.

The sale of internet services exhibits the highest growth for the Communications System, while cable TV service and telephone service sales are more variable. Although the number of cable TV and telephone subscribers have remained relatively stable over the last few years, growth has not kept pace with overall customer growth. This year has seen a surge in the use of over-the-top video and VoIP telephone services,

and LUS Fiber anticipates that the total number of cable TV and telephone subscribers will begin to gradually decline in 2021. It is difficult to directly compare specific cable TV, internet, and telephone service offerings across all competitors in the market as each competitor bundles packages, services, and offerings differently.

7.1.4 Wholesale Contracts

The Communications System has contracts with AT&T and CenturyLink to connect to the national fiber backbone. The Communications System has several wholesale contracts with major carriers, internet service providers (“ISP”), and application service providers, who in turn provide bandwidth, internet, and telephone services on a retail basis to medium and large business customers.

7.2 Competition and Benchmarking

The cable TV and internet services markets within the City are competitive. National telecommunications firms such as Cox Communications, Dish, and AT&T offer services. All three of these companies also have licensed or priority access to wireless spectrum, which may further increase competition for telecommunications services within LUS Fiber’s service territory.

Across most of its service territory, the Communications System’s network has significant technical advantages over its competitors’ networks. Increased reliance on videoconferencing platforms during the pandemic has led to growing demand for upload capacity, but the overall capacity limitations of HFC networks forces Cox to offer service with 10 percent or less of overall bandwidth dedicated to upload. AT&T’s DSL network can only provide a similarly asymmetrical service, with even more limited overall capacity. However, AT&T has upgraded its copper plant with fiber in some parts of Lafayette and the surrounding areas, enabling the company to offer symmetrical internet services comparable to LUS Fiber. AT&T has announced plans to continue expanding its fiber network over the next two years, including in parts of Lafayette, though the extent of its fiber construction plans in the area remains unclear at this time.

Current Communications System rates are stable, with increases for cable TV or video generally driven by programming and content costs. LUS Fiber offers comparable and competitively priced cable TV packages as its competitors throughout its service territory. LUS Fiber’s internet services are competitively priced and deliver faster download speeds and significantly faster upload speeds than any other provider can offer, except where AT&T’s fiber service is available. The Communications System also offers customers a unique feature that enables peer-to-peer connections within the City limits with excellent data exchange speeds. Currently competitors cannot offer this feature. Telephone service is competitive but difficult to compare directly with competitors’ packages.

Table 7-2 summarizes and compares LUS Fiber and competitors' internet service offerings within the City. The comparison illustrates LUS Fiber's competitive advantage of faster download and upload speeds available at lower prices than competitors. Lafayette Economic Development Authority also markets these capabilities to businesses the Authority is working to attract.

Table 7-2: Communications System Competitive Internet Service Offerings

| Provider | Speed (Download/Upload) in Mbps | Monthly Price (Regular/ Non-Promotional) |
|---|---------------------------------|--|
| LUS Fiber-Internet | 3/3 | \$19.95 |
| LUS Fiber-Internet | 60/60 | \$52.95 |
| LUS Fiber-Internet | 100/100 | \$62.95 |
| LUS Fiber-Internet | 300/300 | \$88.95 |
| LUS Fiber-Internet | 1,000/1,000 | \$114.95 |
| LUS Fiber-Internet | 10GB/10GB | \$295.95 |
| LUS Fiber-Hub City Wi-Fi | 60/60 and Wi-Fi | \$62.95 |
| LUS Fiber-Hub City Wi-Fi | 100/100 and Wi-Fi | \$72.95 |
| LUS Fiber-Hub City Wi-Fi | 300/300 and Wi-Fi | \$93.95 |
| LUS Fiber-Hub City Wi-Fi | 1000/1000 and Wi-Fi | \$119.95 |
| Cox Residential | 25/1 | \$44.99 |
| Cox Residential | 50/3 | \$65.99 |
| Cox Residential | 150/10 | \$83.99 |
| Cox Residential | 500/10 | \$99.99 |
| Cox Residential | 940/35 | \$119.99 |
| ATT Fiber (limited availability) | 100/100 | \$55.00 |
| ATT Fiber | 300/300 | \$65.00 |
| ATT Fiber | 1000/1000 | \$80.00 |
| ATT IPBB | 10/1 | \$55.00 |
| ATT IPBB | 5/1 | \$55.00 |
| LUS Fiber Business | 10/10 | \$74.95 |
| LUS Fiber Business | 25/25 | \$99.95 |
| LUS Fiber Business | 50/50 | \$139.95 |
| LUS Fiber Business | 100/100 | \$199.95 |
| LUS Fiber Business | 500/500 | \$299.95 |
| LUS Fiber Business | 1000/1000 | \$499.95 |
| Cox Business | 50/10 | \$94.99 |
| Cox Business | 100/20 | \$124.99 |
| Cox Business | 200/20 | \$174.99 |
| ATT Business | 8/1 | \$80 |
| ATT Business | 12/1.5 | \$130 |
| ATT Business | 50/10 | \$200.00 |
| ATT Business | 100/20 | \$300.00 |
| ATT Fiber Business (limited availability) | 300/75 | \$180.00 |
| ATT Fiber Business | 500/100 | \$300 |
| ATT Fiber Business | 1000/200 | \$500 |

Source: LUS Fiber, and ATT and Cox websites

7.3 Operations and Related Performance

As a normal course of business, service outages do occur. Since the inception of the Communications System, LUS Fiber has successfully restored service in a timely manner when outages occur. Successful outage management requires the proactive periodic replacement and upgrade of equipment. Overall, the Communications System performance remains highly reliable with limited outages for customers.

Communications System customers regularly give LUS Fiber high marks for reliability, contrasting the negative reliability trend of its competitors. There were no major network outages in 2019. There were a few minor outages due to fiber cuts by third party construction crews; these outages were geographically isolated and affected a small percentage of customers.

Customers may pay their bill by mail, phone, online, drop box, or in person. LUS Fiber also accepts automatic bank or credit card payments. At the end of 2020, LUS Fiber launched BPA Quality Assurance Call Quality Grading for customer service personnel. The initial reports from BPA suggested significant room for improvement. Since then, LUS Fiber has been working on developing more in-depths the training for customer service representatives and setting benchmarks to improve the quality of the service they provide.

7.3.1 Communication Shared Services

During 2020, Communications System employees and facilities were organized separately from Utilities System operations; however, several services (such as accounting) and reporting functions were shared among the Communications System and Utilities 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.

Prior to November 2020, the LUS Business Support Services division managed the customer service for both the Utilities System and the Communications System. In November, the Communications System took on direct management of LUS Fiber's customer service employees. The Communications System continues to share the same office space and customer service centers as the Utilities System. An appropriate portion of shared costs are allocated to the Communications System through LCG's Cost Allocation Plan, in compliance with the "Fair Competition Act."

7.3.2 Construction and Installation

LUS Fiber has fiber optic technicians on staff to maintain its existing plant. This crew can do line work, maintenance, splicing, as well as troubleshooting. Major new build projects are done by a contract construction company. LUS Fiber staff augment the contract crews during major new build projects.

New underground build is mostly directional boring. LUS Fiber has been able to reduce construction costs relative to previous years. It is issuing a new bid for construction companies.

The focus for the next 18 months in new construction will be in the areas to be built under which the EDA award, in addition to the continual expansion within Lafayette Parish.

LUS Fiber staff perform repairs and maintenance out on cable infrastructure, including splicing.

The engineering department designs and prepares work prints for new construction projects. Market growth is considered in design process to efficiently use the resources to accommodate future expansion of the network.

Service installation is done by contractors. LUS Fiber has been considering the option of bringing installation in-house and has completed an analysis that indicating the costs to be similar. However, in a contractor arrangement the installations can be paid on a per installation basis and can be easily scaled up and down. It would also be necessary to determine how to structure incentives if installations were brought in-house.

7.3.3 Fiber Documentation and Automation

LUS Fiber uses ESRI ArcGIS Mapping software for mapping its communication network. GIS allows the user to readily locate equipment and track a fiber from the headend to the subscriber's address. This can potentially also be an effective tool to help field technicians perform mobile data collection and editing, find assets and information, and report their real-time locations. LUS Fiber is in the process of migrating from a paper-based approach to an entirely electronic means of work orders, ticketing, and mapping, but staff are still on a learning curve and tools are being developed. Installation and repair technicians each have tablet computers, used for routing and trouble tickets.

The GIS system has comprehensive information on each enclosure and cable in the system. The level of detail is in line with industry standards.

7.3.4 Outages and Performance Metrics

According to LUS, there were no major network outages since November 1, 2019. There were a few minor outages resulting from fiber cuts due to third party construction crews, that were geographically isolated and affected only a small percentage of customers.

LUS is interested in more formal tracking and reporting of outages and key metrics. It would like to begin formally tracking install timeframes, trouble ticket timeframes, and construction cost per foot. It would

like to begin goal setting on those metrics, and to have a management dashboard with those metrics, to be addressed by LUS specialists.

7.3.5 Environmental Issues

LUS reports no changes in environmental issues or compliance since November 1, 2019.

7.3.6 Security and Risk Assessment

LUS reports that there have been no significant security issues or changes in security posture since November 1, 2019, and no risk analyses or reports since then.

7.4 Regulatory Structure and Compliance

The Communications System must adhere to the Local Government Fair Competition Act (the “Fair Competition Act”) in Louisiana. The Fair Competition Act requires, among other provisions, that LUS Fiber 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 Fiber 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 Fair Competition Act, covered services of LUS Fiber include telecommunications services, advanced services (internet), and cable TV.

Separate from the requirements of the Fair Competition Act and Louisiana Public Service Commission (“LPSC”) Rules, the LPSC has some jurisdiction over the telecommunication rates of LUS Fiber—but it does not have jurisdiction over LUS Fiber’s rates for advanced services (internet) and cable TV.

Pursuant to the Act, LUS Fiber is also subject to certain rules and audit requirements of the LPSC. In particular, pursuant to the Act, the LPSC enacted Cost Allocation and Affiliate Transaction Rules (“LPSC Rules”) and has responsibility and authority for compliance thereof by LUS Fiber. LUS Fiber is required by the LPSC Rules to file a certification with the LPSC on an annual basis, signed under oath, stating that it is complying with the Act and the LPSC Rules. After 2014, LUS Fiber was no longer required to file the annual audit.

7.4.1 Attest Audit

The LPSC Rules require LUS Fiber to have an attest engagement audit performed on an annual basis by an independent certified public accountant. The attest audit expresses an opinion as to whether the LUS Fiber systems, processes, and procedures comply with the Fair Competition Act and the LPSC Rules. LUS Fiber obtains and files such attest audit reports with the LPSC annually for each fiscal year of its

operations. In addition, pursuant to the LPSC Rules, the LPSC conducts separate audits of LUS Fiber's compliance with the LPSC Rules.

In April 2018, during the preparation of the FY17 attest audit, LUS self-reported that it paid for services from LUS Fiber, but had not fully utilized these services. LUS reported fiber was run to approximately 180 sewer lift stations; however, the Wastewater Division's efforts to complete connections for these services did not keep pace with LUS Fiber's construction, resulting in only 117 of the lift stations being fully connected.

Per the 2017 attest audit, dated September 28, 2018, LUS requested and was being billed for 180 lift stations; however, service was not utilized by LUS at 63 of those lift stations even though LUS Fiber installed and provided the services. This resulted in LUS paying \$1,259,855 since 2012 for services not utilized. In addition, LUS neglected to terminate service at 25 CAP banks resulting in \$274,882 being paid to LUS Fiber for services not used. LUS was reimbursed by LUS Fiber a total of \$1,752,194.85 for the above charges in 2018 at the request of LCG administration, even though the reimbursement was not mandated by the LPSC. On March 17, 2021, the LPSC accepted the findings of the 2017 audit, affirming that the systems, processes, and procedures applied by the Communications System complies with the LPSC rules and the Fair Competition Act through the end of FY17.

The FY18 and FY19 audits are still outstanding at the time of this Report's preparation. The major unresolved item is the appropriate price for LUS Fiber to charge LUS for a Power Outage Monitoring System ("POMS") service that provided instantaneous outage notifications to the electrical utility for 989 taps through the end of June 2019.

The auditor has proposed a methodology for calculating the cost of providing the service that divides the direct costs associated with providing the POMS service (the incremental cost of POMS) by the total direct cost pool to generate an allocation factor, and then multiplying the allocation factor by the total indirect cost pool to set the indirect costs allocatable to the POMS service. Using this methodology, the auditor has proposed assigning the costs of a full year of the POMS service to be \$210,540, suggesting LUS Fiber overcharged LUS for the POMS service by \$645,766 in FY 2018, and \$435,359 in FY 2019.

The auditors' proposed methodology is not in compliance with LUS's Cost Allocation Manual (CAM). The full-cost accounting methodology mandated by the CAM requires LUS Fiber to set prices for services offered exclusively to LUS based on all costs incurred in providing the service, but the proposed methodology sets an allocation factor based on incremental costs alone.

The incremental costs associated with providing the POMS were minimal, but delivering outage data from optical network terminals would not be possible without the ongoing operation and maintenance of the network as a whole. To comply with full cost accounting, the allocation factor ought to reflect both incremental costs attributable to POMS and some fair portion of the overall direct costs associated with maintaining network operations.

Furthermore, the proposed methodology would lead LUS Fiber to charge dramatically less than the market rate for a comparable service, raising concerns about cross-subsidization prohibited under the Fair Competition Act.

The auditor's proposed methodology suggests pricing that would have been dramatically lower than what LUS Fiber would have paid for backhaul alone for an outage management solution from another vendor. For example, an independent broadband utility in a nearby state charges its electrical counterpart \$50 per month per site for AMI collector sites, switchgear, capacitor banks, and other core electrical sites that require connectivity. At this price, backhaul from data collection sites for the 989 LUS taps served by the POMS would cost \$593,400 per year, or 2.8 times the price the auditor proposes for a full year of POMS service.

While the CAM indicates that the cost of the POMS service should be calculated using full cost accounting, and not by reference to fair market pricing, the fact that the proposed methodology calculates a cost for a service that is less than half of what LUS might pay to another vendor for backhaul alone raises concerns that the proposed pricing does not properly account for all costs. Further, using a methodology that sets an allocation factor based on incremental costs alone, rather than full-cost accounting, creates a precedent for allocating common costs that would lead LUS Fiber to regularly undercharge LUS, creating an effective subsidy.

Using a methodology that sets an allocation factor based on a fair portion of both the indirect and direct costs will lead to pricing more in line with the market price of a comparable service. However, if the attest auditor's methodology is used to set the appropriate price of the POMS service, LUS Fiber will be required to reimburse LUS a total of \$1,182,677 according to the auditors' calculations. LUS Fiber has sufficient funds in its retained earnings reserve account to immediately cover the full cost of this reimbursement if necessary, though doing so will reduce the funds available for network expansion efforts.

7.4.2 Federal Communications Commission

In February 2015, the Federal Communications Commission (“FCC”) ruled and reclassified broadband internet access services under Title II of the Communications Act. The FCC will regulate certain aspects of broadband internet services across the country, in particular the ability of broadband providers (e.g., AT&T/DirecTV, Cox Communications) to slow or block competitors’ services and/or charge fees to content providers to deliver content at faster speeds. This broadband regulation is commonly referred to as “Net Neutrality.” While the FCC ruled on Net Neutrality, the U.S. Telecom Association filed a lawsuit against the FCC challenging the Net Neutrality rule. In June 2016, the US Court of Appeals upheld the FCC’s Net Neutrality rules and the idea that broadband access is a public utility, rather than a luxury.

In November 2017, a newly appointed FCC Commissioner proposed a repeal of Net Neutrality, with the FCC subsequently voting to repeal the legislation. Various states announced they planned to sue the FCC over the decision. In February 2018, the FCC informed Congress of their intention to repeal Net Neutrality, giving Congress 60 days to stop the repeal with the Congressional Review Act. Congress failed to pass the Congressional Review Act and the 2015 Net Neutrality Order was repealed. The FCC Restoring Internet Freedom Order took effect on June 11, 2018.

7.4.3 Environmental Compliance

Given the design and operation of the Communications System, there are limited environmental compliance issues. The Communications System fiber is installed on LUS’s overhead electric poles and in underground ducts co-located within the underground electric distribution system, avoiding additional right-of-way requirements or construction and land use related issues.

7.5 Payment In Lieu of Tax and Imputed Tax

Pursuant to terms of a regulatory settlement, the Communications System must calculate and pay to the City an Imputed Tax. The Imputed Tax is equivalent to the payments that it would have to make if it were a privately-owned entity paying applicable state and local sales tax, property tax, franchise tax, and income tax. This Imputed Tax calculation is performed annually and can be paid to either the Utilities System or the LCG General Fund. As the Communications System improves operating margins, the Communications System will be able to pay ILOT to the LCG General Fund. Once ILOT payments are made to the LCG General Fund, the corresponding Imputed Tax obligation is reduced on a dollar-by-dollar basis.

The Communications System’s ILOT calculation provides for an ILOT payment up to 12 percent of Adjusted Revenues (revenues less the cost of goods sold). However, all or a portion of this payment is

made subject to a test. The ILOT test ensures that the Communications System retains sufficient cash to meet capital obligations. The test requires that the ILOT payment be no greater than 12 percent of Adjusted Revenues, or the cash balance available after the payment of operating expenses and debt service less 7.5 percent of Adjusted Revenues. The Communications System tax requirement cannot be less than that required by the Imputed Tax calculation.

On July 21, 2015, the City-Parish Council approved Ordinance No. O-014-2015 that revised the ILOT calculation. This ordinance recognizes that the Communications System operates in a competitive environment and the current ILOT calculation is a greater expense than Imputed Tax. With the approval of this ordinance, the Communications System is now required to pay an ILOT amount equal to Imputed Taxes. The Imputed Tax payments were made to LUS and the City for years 2016 through 2020 as prescribed in the ordinance. Beginning in 2020, 100 percent of Imputed Tax payments goes to the City. The reduced financial obligation has helped increase cash available for Communications System's capital improvement projects and reserves, thereby reducing pressure to raise rates in the future and helping to maintain a level playing field with competitors.

7.6 Operating and Capital Budget

The Communications System prepares and submits their proposed operating and capital budget to LCG. The operating portion of the budget contains projections of revenues and expenses for the upcoming fiscal year. The CIP as contained in the 2021 Budget is presented in Table 7-3 and totals \$39.4 million over the five-year period. The Communications System's five-year CIP is reviewed, updated, and budgeted annually. General life expectancy of incoming connections and distribution (e.g., headend), network, and hut equipment is 5 to 10 years, at which time replacement or upgrade may be warranted. Customer premises equipment has a roughly five-year life expectancy.

Table 7-3: Projected Capital Improvement Plan

| Project Description | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Customer Installations | \$2,189,000 | \$2,050,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$10,239,000 |
| Customer Premise Equipment | 3,262,000 | 2,850,000 | 2,650,000 | 2,250,000 | 2,150,000 | 13,162,000 |
| Headend Equipment and Upgrades | 350,000 | 475,000 | 550,000 | 650,000 | 650,000 | 2,675,000 |
| Hut Equipment and Upgrades | 375,000 | 350,000 | 350,000 | 350,000 | 350,000 | 1,775,000 |
| Network Equipment and Upgrades | 410,000 | 375,000 | 350,000 | 350,000 | 350,000 | 1,835,000 |
| Special Equipment | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 9,250,000 |
| Special Capital | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 425,000 |
| Total | \$8,521,000 | \$8,035,000 | \$7,835,000 | \$7,535,000 | \$7,435,000 | \$39,361,000 |

Source: LUS Fiber CIP. All projects are shown in 2021 dollars.

The timing of capital projects is continually evaluated based on priority given changing circumstances; therefore, projects identified in the early years of the five-year program reflect a higher degree of certainty. All projects identified in the Communications System CIP are expected to be funded with cash available from Communications System operations.

The Communications System's revenue performance was aligned with the 2020 and is presented in Table 7-4. The Communications System collected \$42.9 million in operating and miscellaneous revenues in 2020, as compared to the budgeted \$42.3 million. Operating expenses were under budget at \$22.4 million, as compared to the budgeted \$22.7 million. Other Income & Expenses were close to the budgeted amount. Overall, the cash available for capital was slightly above the budgeted amount. The Communications System's actual financial performance was close to budget and it exceeded DSCR requirements and continued to increase its net revenues.

Table 7-4: Communications System Budget to Actual Performance

| | Actual (millions) | Adopted Budget (millions) | Difference (millions) | Difference (%) |
|-----------------------------------|-------------------|---------------------------|-----------------------|----------------|
| Operating Revenues | | | | |
| Retail Sales | \$39.5 | \$39.3 | \$0.2 | 0.5% |
| Wholesale Sales | 2.6 | 2.7 | (0.1) | -2.6% |
| Interest Income | 0.1 | 0.2 | (0.1) | -74.5% |
| Miscellaneous Income | 0.7 | 0.1 | 0.6 | 421.0% |
| Total Operating Revenue | \$42.9 | \$42.3 | \$0.6 | 1.4% |
| Operating Expenses | | | | |
| Cost of Production | \$9.2 | \$9.8 | (\$0.6) | -5.7% |
| Other O&M | 13.2 | 13.0 | 0.2 | 1.7% |
| Total Operating Expenses | \$22.4 | \$22.7 | (\$0.3) | -1.5% |
| Other Income (Expenses) | | | | |
| Normal Capital | (\$0.1) | (\$0.1) | \$0.0 | -32.4% |
| Interest on Long Term Debt | (4.8) | (4.8) | 0.0 | 0.0% |
| Principal on Long Term Debt | (4.6) | (4.6) | 0.0 | 0.0% |
| Note Payable | (1.7) | (1.7) | 0.0 | 0.0% |
| Imputed Tax | (0.5) | (1.1) | 0.6 | -50.6% |
| Total Other | (\$11.7) | (\$12.2) | \$0.6 | -4.5% |
| Cash Available for Capital | \$8.8 | \$7.4 | \$1.5 | 20.2% |

Source: LCG Finance and Accounting

7.7 Accounting and Financial Statements

The accounting responsibilities for the Communications System resides with LCG. LCG prepares monthly Financial and Operating Statements for the Communications System. These statements include a balance sheet, income statement, and detailed revenues and expenses. As part of LCG, the Communications System follows the same fiscal year with the ending date of October 31.

The audit for each fiscal year is generally not available until April of the following year. The detailed financial data included for the Utilities System was primarily based on the monthly Financial and Operating Statements that support and align with the audited CAFR. The tables included in this Report may slightly vary from the tables in the CAFR as numbers may be presented in various ways to calculate metrics. Although the numbers may vary, the differences are not material and do not affect the resulting metrics.

7.7.1 Balance Sheet

A comparative balance sheet is presented in Table 7-5. Total Assets have remained steady over the five years primarily due to renewal and replacement of assets. Since 2016, the Retained Earnings increased due to positive net operating income. There was a significant increase in uncollectible accounts in 2019 due to an upgrade of the billing system. During the upgrade, the Communications System fell behind on writing off uncollectible accounts; however, as the upgrade was completed, the write-offs returned to historical levels and declined back towards historical averages in 2020.

Table 7-5: Communications System Historical Balance Sheet

| Total Assets | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Communications Plant | \$77,989,976 | \$76,227,066 | \$77,827,044 | \$78,200,948 | \$76,036,947 |
| Bonds and Special Accounts | 6,327,788 | 9,404,519 | 6,014,644 | 5,920,578 | 9,946,583 |
| Cash and Cash Equivalent | 3,467,990 | 2,959,953 | 2,580,711 | 2,677,170 | 2,651,089 |
| Accounts Receivable | 1,508,689 | 1,451,287 | 1,425,507 | 2,174,550 | 2,577,723 |
| Reserve for Uncollectible Accounts | (100,656) | (138,185) | (183,659) | (605,788) | (499,419) |
| Prepayments | 262,960 | 256,139 | 448,868 | 404,315 | 400,011 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Deferred Debits | 9,613,092 | 8,496,356 | 7,252,853 | 6,864,226 | 5,852,558 |
| Total Assets | \$99,069,837 | \$98,657,134 | \$95,365,968 | \$95,635,998 | \$96,965,493 |
| Total Liabilities & Equity | | | | | |
| Long Term Debt | \$105,255,000 | \$101,210,000 | \$96,785,000 | \$92,140,000 | \$87,260,000 |
| Current Liabilities | 2,654,078 | 4,198,360 | 2,395,408 | 2,913,130 | 3,447,363 |
| Long Term Liabilities | 42,556,583 | 41,249,931 | 39,484,427 | 37,899,544 | 36,342,579 |
| Retained Earnings | (51,395,823) | (48,001,156) | (43,298,868) | (37,316,675) | (30,084,450) |
| Total Liabilities & Fund Equity | \$99,069,837 | \$98,657,134 | \$95,365,968 | \$95,635,998 | \$96,965,493 |

Source: Communications System Financial and Operating Statements

7.7.2 Fund Balances

Article V of the Communications System General Bond Ordinance dictates the Communications Systems' funds and accounts and how the 'Flow of Funds' works. Article V creates the following accounts: Receipts, Operating, Sinking Fund, and Capital Additions. In addition, funds may be created as new bonds are issued. Table 7-6 summarized the beginning balance, receipts, disbursements, and ending balances of the required funds. The Total Fund Balances increased by \$4.97 million, or 44.8 percent, in 2019.

Table 7-6: Communications System Fund Balances as of October 31, 2020 (\$1,000)

| | Receipts | Operating | Debt Service | Retained Earnings Reserve | Capital Additions | Security Deposits | Construction Funds | Total Accounts |
|-------------------|----------|-----------|--------------|---------------------------------|----------------------|----------------------|-----------------------|----------------|
| Beginning Balance | \$125 | \$2,250 | \$0 | \$2,695 | \$5,921 | \$108 | \$0 | \$11,099 |
| Receipts | 43,636 | 28,472 | 9,444 | 1,059 | 11,256 | 40 | 0 | 93,907 |
| Disbursements | 43,641 | 28,472 | 9,444 | 0 | 7,379 | 0 | 0 | 88,936 |
| Ending Balance | \$120 | \$2,250 | \$0 | \$3,754 | \$9,798 | \$148 | \$0 | \$16,070 |

Source: Communications System Financial and Operating Statements

7.7.3 Income Statement

Table 7-7 presents the comparative income statement. The Operating Revenues and Operating Expenses have increased consistently since 2016 as the Communications System expanded and gained market share. Correspondingly, the Net Operating Revenues have increased 4.7 percent annually over the last five years.

Other Income varied over the years as amortization, fund balances, and interest rates changed. While the Net Income before Taxes was negative through 2015, it has been positive since.

There was a major change in the depreciation calculation in year 2016. The asset lives used for depreciation were originally set up nearly 10 years ago based on a consultant's recommendations. The historical depreciation rates for the communications related assets were aggressive and in recent years the City's auditors have commented that the depreciation needed to be reviewed. During 2016, the asset lives used for depreciation were adjusted to better reflect the actual asset lives based on the Communications System's experience with the assets and based on asset lives used by other municipal utilities. Each account was reviewed by LCG and adjusted based on this information. The adjustments were then reviewed by the City's auditors and approved. The depreciation in 2016 decreased by \$4.2 million, or 39 percent from year 2015. The decrease in depreciation expense, in addition to increases in revenues, contributed to the increase in Net Income since 2016.

Table 7-7: Communications System Income Statement

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|
| Operating Revenues | \$35,686,587 | \$37,217,396 | \$38,265,799 | \$40,816,572 | \$42,878,636 |
| Operating Expenses | 19,467,412 | 19,654,241 | 20,312,983 | 21,398,164 | 22,388,190 |
| Net Operating Revenues | \$16,219,175 | \$17,563,155 | \$17,952,816 | \$19,418,408 | \$20,490,446 |
| Depreciation | 6,602,622 | 6,869,519 | 7,369,971 | 7,901,209 | 7,736,639 |
| Net Operating Revenues after Depreciation | \$9,616,553 | \$10,693,635 | \$10,582,845 | \$11,517,199 | \$12,753,807 |
| Other Income | | | | | |
| Interest Income | \$18,136 | \$64,463 | \$151,056 | \$195,263 | \$50,918 |
| Unrealized Gain/Loss on Invs | 0 | | 0 | 481 | 0 |
| Amortization of Debt Premium | 1,211,233 | 1,206,147 | 1,151,434 | 1,091,581 | 1,028,753 |
| Amortization of Debt Discount | (4,118) | (4,118) | (4,118) | (4,118) | (4,118) |
| Misc. Non Operating Revenue | 103,639 | 91,683 | 135,700 | 90,273 | (15,901) |
| Other Operating Gains/Losses | 1,095 | (14,672) | 650 | 687 | 836 |
| Total Other Income | \$1,329,985 | \$1,343,503 | \$1,434,722 | \$1,374,168 | \$1,060,489 |
| Other Expenses | | | | | |
| Amortized Bond Issuance Costs | \$24,565 | \$24,462 | \$23,352 | \$22,138 | \$20,864 |
| Amortized Start Up Costs | 96,742 | 96,742 | 96,742 | 96,743 | 96,742 |
| Amortized 2007 Expense | 6,786 | 6,786 | 6,786 | 6,785 | 6,786 |
| Amortized Loss On Refunding | 622,118 | 619,506 | 591,404 | 560,663 | 528,392 |
| Interest on Long Term Debt | 5,225,541 | 5,206,741 | 5,004,491 | 4,783,241 | 4,550,991 |
| Interest on Long Term Debt - LUS Note | 901,003 | 897,753 | 883,386 | 862,204 | 834,802 |
| Interest on Customer Deposits | 36 | (695) | 10 | 23 | 21 |
| Extraordinary Charges | 0 | | 0 | 0 | 0 |
| Total Other Expenses | \$6,876,792 | \$6,851,296 | \$6,606,172 | \$6,331,797 | \$6,038,600 |
| Net Income Before in Lieu of Tax | \$4,069,747 | \$5,185,843 | \$5,411,395 | \$6,559,570 | \$7,775,696 |
| ILOT or Imputed Taxes | 823,878 | 686,575 | 542,800 | 561,239 | 543,471 |
| Net Income | \$3,245,869 | \$4,499,268 | \$4,868,594 | \$5,998,331 | \$7,232,225 |

Source: Communications System Financial and Operating Statements

7.7.4 Cash Flow

Cash flow is an important indicator of municipal utility financial health. Municipal utilities typically operate on a Cash Basis. Cash Basis means that non-cash expenses, such as depreciation are excluded from calculations, but other cash expenses, such as principal payments associated with debt service are included. Since municipally owned utilities are primarily concerned with accumulating sufficient cash balances to meet operating expenses, debt service, capital improvements, and other obligations, the financial results are presented in this manner.

Table 7-8 presents the change in cash due to Operations and Imputed Tax or ILOT for the Communications System over the period 2016 through 2020. These numbers indicate current Communications System revenues have improved from year-to-year as new customers were added to the system. Since 2016, the Communications Systems Net Operating Revenues met operating expenses, debt

service, ILOT, or Imputed Tax obligation of the utility, and generated positive cash flow. The 5-year cumulative net margin resulted in a gain of approximately \$44.8 million.

Table 7-8: Communications System Comparative Cash Flow

| | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|--------------|--------------|--------------|--------------|--------------|---------------|
| Operating Revenues | \$35,686,587 | \$37,217,396 | \$38,265,799 | \$40,816,572 | \$42,878,636 | \$194,864,991 |
| Operating Expenses | 19,467,412 | 19,654,241 | 20,312,983 | 21,398,164 | 22,388,190 | 103,220,991 |
| Net Operating Revenues | \$16,219,175 | \$17,563,155 | \$17,952,816 | \$19,418,408 | \$20,490,446 | \$91,644,000 |
| Debt Service | \$6,165,541 | \$9,251,741 | \$9,429,491 | \$9,428,241 | \$9,430,991 | \$43,706,006 |
| Balance After Debt Service | \$10,053,634 | \$8,311,413 | \$8,523,325 | \$9,990,167 | \$11,059,455 | \$47,937,994 |
| Less ILOT/Imputed Tax | \$823,878 | \$686,575 | \$542,800 | \$561,239 | \$543,471 | \$3,157,964 |
| Change in Cash due to Operations and ILOT / Imputed Tax | \$9,229,756 | \$7,624,838 | \$7,980,525 | \$9,428,928 | \$10,515,984 | \$44,780,030 |

Source: Communications System Financial and Operating Statements

7.8 Historical Capital Improvement Program

LUS uses a capital work order system to track capital expenses. The historical capital presented in Table 7-9 reflects investment in infrastructure funded by the Series 2007 Bonds, Series 2012 Bonds, and retained earnings. The Series 2007 Bonds were issued to build the retail side of the Communications System. The Series 2012 Bonds were issued for customer installations and equipment and various projects.

As mentioned, LUS Fiber attained franchise status in November 2017 to offer communications service outside Lafayette in the City of Broussard, City of Youngsville, and unincorporated areas in the Parish. In 2018, LUS Fiber expanded into Broussard and Youngsville to serve new customers as indicated by the capital spending in 2018. In 2019, LUS Fiber expanded into Carencro. LUS Fiber is continuing to build out targeted areas. As previously noted, during preparation of this report the EDA announced LUS Fiber will be awarded a grant to extend service to underserved commercial areas in St. Martin Parish and Iberia Parish. After the extension through the business districts is complete, LUS Fiber will be able to continue to expand its service territory into the residential neighborhoods passed by the new fiber construction.

Table 7-9: Communications System Historical Capital Improvement Program

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| Series 2012A Bonds | \$21,315 | \$0 | \$13,731 | \$2,223 | \$0 |
| Series 2012 B Bonds | 38,141 | 0 | 26,213 | 801 | 0 |
| Retained Earnings | 4,967,142 | 4,865,162 | 8,523,970 | 7,734,867 | 5,273,513 |
| Special Equipment | 0 | 11,138 | 50,465 | 247,473 | 54,984 |
| Total Capital | \$5,026,598 | \$4,876,301 | \$8,614,379 | \$7,985,364 | \$5,328,497 |

Source: Communications System Status of Construction Work Order Reports

7.9 Historical Financial Performance

Since its inception in 2009, the Communications System exhibited steady growth and improved operating margins. The Communications System credit rating from Moody's was increased in 2019 from A3 to A2.

7.9.1 Historical Debt Service Coverage

Communications System debt service for years 2016 through 2020 include the Series 2007 Bonds, Series 2012 Bonds, and Series 2015 Bonds. Table 7-10 presents historical debt service and the associated DSCR. In each year since 2016, the DSCR exceeded the minimum coverage requirement of 1.0 required by the Bond Ordinances.

Table 7-10: Communications System Historical Debt Service Coverage

| Year | Operating Revenues | Operating Expenses | Net Revenues | | Debt Service Coverage Ratio |
|------|--------------------|--------------------|----------------------------|--------------|-----------------------------|
| | | | Available for Debt Service | Debt Service | |
| 2016 | \$35,704,723 | \$19,467,412 | \$16,237,311 | \$6,165,541 | 2.6 |
| 2017 | \$37,281,859 | \$19,654,241 | \$17,627,618 | \$9,251,741 | 1.9 |
| 2018 | \$38,416,855 | \$20,312,983 | \$18,103,872 | \$9,429,491 | 1.9 |
| 2019 | \$41,011,835 | \$21,398,164 | \$19,613,671 | \$9,428,241 | 2.1 |
| 2020 | \$42,929,555 | \$22,388,190 | \$20,541,364 | \$9,430,991 | 2.2 |

Source: Communications System Financial and Operating Statements

(1) Operating revenues include interest income and other miscellaneous income.

(2) O&M and other expenses include customer service, and A&G costs. Operating expenses do not include ILOT internal loan payments to LUS, and other miscellaneous expenses.

(3) Debt service includes the Series 2007 Bonds, Series 2012 Bonds, and Series 2015 Bonds. The 2012 Series Bonds debt service in years 2012 and 2013 was paid for out of capitalized interest. The 2015 debt service includes \$4.77 million paid into the refunded Series 2007 Bonds escrow account.

7.9.2 Revenue Analysis

The Communications System's internet revenues have consistently increased over the last five years as the Communications System expanded as shown in Table 7-11. Cable and telephone revenues fluctuate; however, each remain relatively stable over the last five years. Wholesale and other revenues have fluctuated and include dark fiber lease, late fees, miscellaneous revenues, colocation, and other items.

Table 7-11: Communications System Historical Operating Revenues

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Cable TV | \$12,495,096 | \$12,355,260 | \$11,646,190 | \$12,292,735 | \$13,428,408 |
| Data/Internet | 14,238,687 | 15,839,986 | 17,639,525 | 19,515,248 | 20,505,164 |
| Telephone | 5,840,121 | 5,685,137 | 5,727,349 | 5,604,970 | 5,613,103 |
| Wholesale | 2,263,413 | 2,464,909 | 2,537,726 | 2,794,419 | 2,582,259 |
| Other | 849,270 | 872,104 | 715,008 | 609,200 | 749,703 |
| Total Operating Revenues | \$35,686,587 | \$37,217,396 | \$38,265,799 | \$40,816,572 | \$42,878,636 |

Source: Communications System Financial and Operating Statements

Related to the 2019 Mayor-President's internal audit of LUS Fiber services to LU0S, services were identified as potentially noncompliant with the Fair Competition Act. These included a power outage monitoring system for the electric utility and several network service and fiber connections for LUS assets, facilities, or equipment. In 2019, LUS eliminated the power outage monitoring system through LUS fiber with the anticipated implementation of its OMS. The elimination of the wholesale service to LUS reduced LUS Fiber Wholesale revenues; however, other wholesale sales and customers have replaced the lost revenue and continue to grow. Prior repayments from LUS Fiber to LUS occurred in 2018 and did not impact 2019 or 2020 revenues, cash flow or Debt Service Coverage.

7.9.3 Expense Analysis

The cost of goods sold generally increased since 2016 as LUS Fiber added customers as presented in Table 7-12. Cost of goods sold predominantly consists of programming and content costs associated with service offerings. As the number of customers increase, so do the costs of goods sold for the cable and long-distance phone customers. The Plant Specific Expense averages \$4.6 million and decreased by 6.1 percent in 2020. The Plant Specific Expense includes vehicles, furniture, electronics, maintenance, repairs, general maintenance, and other plant related items. The Plant Non-specific Expense have averaged approximately \$2.3 million per year. The primary cost item in this category is engineering. Customer Operations have averaged \$2.0 million over the last five years and decreased 14.2 percent in 2020. The administrative costs averaged \$3.3 million over the past five years.

Table 7-12: Communications System Historical Operating Expenses

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Cost of Goods Sold | \$7,382,247 | \$7,207,212 | \$7,786,666 | \$8,697,038 | \$9,212,774 |
| Plant Specific Expense | 4,521,047 | 4,601,990 | 4,664,168 | 4,639,539 | 4,655,614 |
| Plant Non Specific Expense | 2,453,269 | 2,560,755 | 2,308,814 | 1,947,137 | 2,563,273 |
| Customer Operations | 1,597,052 | 1,911,069 | 2,278,406 | 2,166,207 | 1,908,748 |
| Administrative | 3,280,872 | 3,140,940 | 3,018,940 | 3,652,305 | 3,535,648 |
| Other Operating Expenses | 232,924 | 232,275 | 255,989 | 295,938 | 512,134 |
| Total Operating Expenses | \$19,467,412 | \$19,654,241 | \$20,312,983 | \$21,398,164 | \$22,388,190 |

Source: Communications System Financial and Operating Statements

7.9.4 Credit Event Analysis

The Communications System is financially separate from the Utilities System; however, if the Communications System fails to transfer to the Paying Agent by the 21st day of the month preceding an interest payment date the amount equal to the debt service on the Communications System Bonds falling due on the first day of the following month (a Credit Event), the Utilities System is required to pay such debt service (but only to the extent of such insufficiency) from revenues available for the payment of

Subordinated Indebtedness on deposit in the Capital Additions Fund of the Utilities System. Upon the occurrence of a Credit Event, the Communications System must proceed to discontinue its provision of services, as soon as reasonably practical, taking into consideration minimizing the interruption of services to existing users of the Communications System. Pursuant to the ordinances of the City authorizing the issuance of the Communications System Bonds, the rate covenant contained in the Bond Ordinances were incorporated by reference into the Communications System Bond Ordinance, and the debt service requirements on any Communications System Bonds are treated as amounts payable with respect to Subordinated Indebtedness of the Utilities System for the purposes of the rate covenant under the Bond Ordinances. Table 7-13 shows that if a Credit Event had occurred in 2020, the Utilities System DSCR would have exceeded the minimum coverage requirement of 1.0 required by the Bond Ordinances.

Table 7-13: Credit Event Residual Balance Coverage Calculation

| | 2020 |
|--|--------------|
| Utilities System Net Revenues | \$76,713,912 |
| Less Interest Income from Internal Loans | \$862,204 |
| Utilities System Balance Available for Debt Service | \$75,851,708 |
| Less Utilities System Debt Service (1) | \$25,374,000 |
| Less Capital of 7.5% (2) | \$11,311,545 |
| Utilities System Residual Revenues Available for Communications Debt Service | \$39,166,164 |
| Communications System Debt Service (3) | \$9,430,991 |
| Utilities System Debt Service Coverage Ratio for Communications System Debt | 4.2 |

Source: LUS

- (1) Debt service includes include the Series 2010 Bonds, Series 2012 Bonds and Series 2019 Bonds. The Series 2019 Bonds first debt service was due November 1, 2019 (FY 2020).
- (2) The Bond Ordinance requires a minimum amount equal to 7.5% of the Adjusted Revenue deposits into the Receipts Account for the purposes of paying capital costs.
- (3) The debt service represents debt service on the Series 2012 Bonds and Series 2015 Bonds.

7.10 Observations and Recommendations

Based on the analysis described herein, Burns & McDonnell and CTC offer the following observations and recommendations.

- LUS Fiber should consider refinancing debt to provide additional capital to fund network expansion

efforts. With interest rates low, refinancing the Communications System's existing internal LUS loans and Fiber Bonds would reduce annual debt service payments in the near term. The additional reserves and cash flow would provide LUS Fiber with the flexibility to react to the fast-changing market. This is particularly important considering the enormous growth in broadband use in general—an expansion that was accelerated by the pandemic, and now will be affected further by the extraordinary availability of new federal broadband grant funds. LUS Fiber should position itself to react to opportunity that is in the best interest of LUS Fiber and the community. Given LUS Fiber's solid financial position and strong credit rating, the Communications System could consider issuing new debt to accelerate network expansion into nearby underserved areas and provide LUS Fiber with additional flexibility to react to changing market conditions that will impact operations. More rapid expansion will potentially help grow the revenue base and provide more stability in the coming years, during which there likely will be dramatic shifts in the market for voice, video, and data services.

- LUS Fiber should continue to pursue federal and state grant opportunities and local partnerships to extend the network to underserved surrounding areas. LUS Fiber's future revenue growth is primarily constrained by the Communications System's ability to expand into nearby underserved areas. Grants like the one the EDA recently awarded LUS Fiber would allow the Communications System to expedite the process of extending its network into surrounding communities where demand for robust, symmetrical broadband products is strong. LUS Fiber should consider developing a strategy to take advantage of upcoming federal and state broadband infrastructure grant opportunities to expand its territory and further grow its customer base.
- LUS Fiber should continue developing the customer service department to serve as a secondary sales and retention department. Taking over direct management of LUS Fiber customer service personnel has already begun to give the Communications System more control over the customer-facing side of the organization. Over time, LUS Fiber managers can work with customer service representatives to play additional roles for the organization, including upselling customers with additional service offerings and recognizing when additional interventions may be required to prevent a customer from discontinuing service.
- Maintaining a qualified staff will continue to present LUS Fiber with potential challenges due to the extremely competitive nature of the business, leading to the potential for employees to make significantly greater salaries in the marketplace.
- LUS Fiber may want to consider creating a tiered management structure. LUS Fiber currently has a flat organizational structure with many people reporting to a single manager. For example, the Chief Engineer has 30 direct reports. One way to address the issue would be to formally assign many of the

reports to an Engineer III taking up a managerial role. The Communication Business Supervisor recently took on the responsibility of managing the customer service team, adding 11 direct reports, and exacerbating the need for team leads or supervisors. With so many direct reports, there is a risk of an unofficial management structure evolving in place of one with firmly established accountability.

- Given the competitiveness of the broadband market, LUS Fiber should evaluate its compensation structure. For fiscal year 2019/2020, there was a cost-of-living increase raise of 5 percent, which went into effect on December 15, 2019. Based on the salary benchmarking review, LUS Fiber is compensating its employees at a level slightly below the regional median salaries reviewed. Two classifications compared were only a few percent lower and the other two classifications more than 10 percent below the regional median salary. LUS Fiber should examine its salaries in comparison to other regional telecommunication providers so that it can continue to hire and retain well qualified analysts, technicians, and support specialists.
- LUS Fiber may consider reviewing required qualifications for specific roles. For example, it may not be necessary to require a P.E. license for a particular Engineer III role, if that individual is focused on network electronics or other specialties that require a different skill set.
- LUS Fiber may consider creating systems for tracking key network performance, installation, and customer service metrics. To continue to improve customer satisfaction and financial performance, LUS Fiber management needs additional visibility into the costs and response times associated with various aspects of network installation, maintenance, and repair. Tracking these metrics will allow management to monitor performance over time and set improvement goals.
- LUS Fiber may consider restructuring its enterprise service catalogue and find a sales partner with experience selling business and enterprise services. A large potential revenue opportunity lies in using excess network capacity to sign up additional high-value enterprise customers. Historically, LUS Fiber's enterprise service offerings have been marketed only to wholesale customers. To attract additional retail enterprise customers, LUS Fiber may need to simplify its pricing and align its enterprise service offerings with the service categories most commonly used in the enterprise data service marketplace. It may also be valuable to conduct a competitive procurement to assess the market of entities that could help with the marketing and sales efforts needed to attract additional enterprise customers.
- LUS Fiber may consider adding mobile service offering. Increasingly customers are bundling home internet, video, voice, and mobile service from a single provider. AT&T already offers a quadruple-play bundle, and last year Cox began taking steps that suggest it will soon roll out a mobile service

offering as well, likely in conjunction with the buildout of its own LTE network using the Citizens Broadband Radio Service (“CBRS”) priority access licenses it purchased last year. LUS Fiber may want to explore partnerships with mobile service providers to help increase market share among those consumers who want to bundle a mobile service offering with their home internet, phone, and some form of video service (whether CATV or over-the-top). The revenue opportunity associated with such a partnership is likely limited, but LUS Fiber may be able to find partnership opportunities where the costs to LUS Fiber are low and risks are minimal.

8.0 PROJECTIONS OF FINANCIAL RESULTS AND CONCLUSIONS

8.1 Utilities System

This section includes forward-looking financial statements based on Burns & McDonnell'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 as of the date of this Report. Burns & McDonnell 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. Burns & McDonnell prepared a 10-year projection of financial and operating data for each of the Electric, Water, and Wastewater Systems. Projections are based on Burns & McDonnell's review of historical operating results, the 2021 Budget, visual observations of the Utilities System assets, and other assumptions and considerations as listed in the Report. The projections prepared by Burns & McDonnell are for the Projected Period of November 1, 2020 through October 31, 2030. LUS provided actual historical data for the 2016 through 2020 period.

8.1.1 Electric System Revenue and Expense Projections

Burns & McDonnell completed a long-term system load forecast in 2020. The long-term load forecast forms the basis for long term projections of customer growth and energy sales and was used in the 2020 LUS IRP prepared by Burns & McDonnell. Electric System retail revenue projections are based on the load forecast and the existing utility rates in place. The existing electric rates allow LUS to pass the direct MISO power cost, fuel cost, certain LPPA costs, environmental costs, purchased power costs, and other eligible cost directly to consumers in the form of a fuel charge that is adjusted regularly. This mechanism greatly reduces risk to LUS. LUS's largest expense is associated with the cost to purchase and generate power for the electric utility system. The projected purchased power cost is based on the 2020 IRP projections prepared by Burns & McDonnell. Fixed expense projections associated with operating the generating units are based historical average levels with escalation. Variations in variable purchased power costs are directly covered by the fuel charge billed to customers. Other electric utility fixed costs such as transmission, distribution, customer costs, A&G expenses, and debt service are recovered through LUS's base electric rates.

8.1.2 Wastewater System Revenue and Expense Projections

The long-term forecast assumes that the number of customers in the wastewater utility will grow at approximately 0.4 percent per year over the next 10 years. Wastewater rate increases of 2% per year are assumed for the wastewater utility over the forecast. Wastewater operating expenses include treatment,

collection, customer, and A&G expense with water treatment being the largest. These expense projections are generally based historical average levels with escalation. Some variable production expenses are escalated based on volumes and changes to electric rates. The wastewater system recovers increases in expenses through periodic rate increases that are approved in rate studies.

8.1.3 Water Revenue and Expense System Projections

The long-term forecast assumes that the number of customers in the water utility will grow at approximately 0.4 percent per year over the next 10 years. Water rate increases of 2% per year are assumed for the water utility over the forecast. Wholesale water sales are projected to continue to grow over the forecast period with 6% rate increases assumed every other year. Water operating expenses include production, distribution, customer, and A&G expense with water production being the largest. These expense projections are generally based historical average levels with escalation. Some variable production expenses are escalated based on volumes and changes to electric rates. The water system recovers increases in expenses through rate increases that are approved in rate studies.

8.1.4 Utilities System Financial Projections Summary

The tables included in this section present the historical and projected customers, operating revenues, and operating expenses for the electric utility, wastewater utility, and water utility.

Table 8-1: Utilities System Historical and Projected Number of Customers by System

| Year | Electric | Water | Wastewater |
|-------------------|----------|--------|------------|
| Historical | | | |
| 2016 | 66,325 | 55,851 | 44,269 |
| 2017 | 66,860 | 56,302 | 44,830 |
| 2018 | 67,243 | 56,564 | 45,019 |
| 2019 | 68,495 | 58,316 | 45,623 |
| 2020 | 69,364 | 57,412 | 46,133 |
| Projected | | | |
| 2021 | 69,716 | 57,735 | 46,491 |
| 2022 | 70,086 | 57,996 | 46,737 |
| 2023 | 70,427 | 58,236 | 46,964 |
| 2024 | 70,746 | 58,459 | 47,177 |
| 2025 | 71,046 | 58,669 | 47,378 |
| 2026 | 71,334 | 58,863 | 47,569 |
| 2027 | 71,609 | 59,053 | 47,753 |
| 2028 | 71,863 | 59,229 | 47,922 |
| 2029 | 72,118 | 59,405 | 48,092 |
| 2030 | 72,372 | 59,581 | 48,262 |
| Average Growth | 0.4% | 0.4% | 0.4% |

Source: LUS Fiber

- (1) Electric System projections based on 2019 Load Forecast for LUS developed by Burns & McDonnell.
- (2) Water System retail customer projections were based on the Electric System customer growth forecast. Wholesale customer growth was based on specific growth forecasts for wholesale customers.
- (3) Wastewater System customer projections were based on the Electric System customer growth forecast.

Table 8-2: Electric System Historical and Projected Sales and Revenue

| FY | Retail Sales (MWh) | Retail Sales: | | | Total Operating Revenue |
|------|-----------------------|----------------------|-----------------------------|---------------|----------------------------|
| | | Base Rate Revenue | Retail Sales: FC Revenue | Other Revenue | |
| 2016 | 2,027,945 | \$91,631,825 | \$78,153,587 | \$4,568,740 | \$174,354,151 |
| 2017 | 1,980,653 | \$94,552,196 | \$76,829,537 | \$4,678,770 | \$176,060,504 |
| 2018 | 2,031,847 | \$102,886,777 | \$72,872,661 | \$5,196,252 | \$180,955,690 |
| 2019 | 2,004,310 | \$100,836,993 | \$73,101,002 | \$6,027,891 | \$179,965,886 |
| 2020 | 1,917,040 | \$97,878,860 | \$65,117,850 | \$3,470,810 | \$166,467,519 |
| 2021 | 2,007,361 | \$102,697,149 | \$72,345,290 | \$4,782,971 | \$179,825,410 |
| 2022 | 2,010,412 | \$102,850,291 | \$71,429,938 | \$4,887,505 | \$179,167,734 |
| 2023 | 2,017,139 | \$103,145,237 | \$74,170,201 | \$5,058,888 | \$182,374,325 |
| 2024 | 2,023,866 | \$103,439,079 | \$76,744,999 | \$5,201,943 | \$185,386,021 |
| 2025 | 2,029,632 | \$103,687,156 | \$81,266,465 | \$5,324,501 | \$190,278,123 |
| 2026 | 2,035,398 | \$103,935,009 | \$81,639,814 | \$5,452,146 | \$191,026,969 |
| 2027 | 2,041,164 | \$104,182,698 | \$83,606,077 | \$5,601,088 | \$193,389,863 |
| 2028 | 2,046,930 | \$104,429,343 | \$77,537,708 | \$5,752,799 | \$187,719,851 |
| 2029 | 2,051,735 | \$104,632,326 | \$80,715,255 | \$5,928,979 | \$191,276,560 |
| 2030 | 2,057,501 | \$104,888,981 | \$82,526,365 | \$6,172,681 | \$193,588,027 |

Source: LUS and Burns & McDonnell projections

- (1) Projections based on Burns & McDonnell load forecast from 2020 IRP.
- (2) Base rate revenue projections reflect revenue from existing rate structures.
- (3) Other revenue includes miscellaneous operation revenue and interest income.

Table 8-3: Electric System Historical and Projected Operating Expenses

| FY | Production | Transmission | Distribution | Customer | | Total Operating Expenses |
|------|---------------|--------------|--------------|------------------------------|-----------------------------|-----------------------------|
| | | | | Accounts, Service & Sales | Administrative & General | |
| 2016 | \$92,247,908 | \$8,661,822 | \$11,613,300 | \$2,868,750 | \$11,302,414 | \$126,694,194 |
| 2017 | \$96,976,628 | \$9,192,823 | \$12,283,787 | \$2,917,554 | \$11,976,332 | \$133,347,125 |
| 2018 | \$94,456,911 | \$9,275,422 | \$12,143,206 | \$2,828,513 | \$12,463,806 | \$131,167,858 |
| 2019 | \$84,373,015 | \$8,612,596 | \$11,837,879 | \$2,690,275 | \$11,886,918 | \$119,400,682 |
| 2020 | \$77,653,928 | \$8,438,158 | \$10,990,219 | \$2,742,846 | \$12,219,098 | \$112,044,248 |
| 2021 | \$89,996,672 | \$7,730,084 | \$11,664,970 | \$2,729,678 | \$12,104,337 | \$124,225,741 |
| 2022 | \$90,504,743 | \$3,108,037 | \$11,839,945 | \$2,764,790 | \$12,285,902 | \$120,503,416 |
| 2023 | \$92,275,812 | \$3,154,657 | \$12,017,544 | \$2,808,043 | \$12,470,190 | \$122,726,246 |
| 2024 | \$105,554,230 | \$3,201,977 | \$12,197,807 | \$2,851,558 | \$12,657,243 | \$136,462,816 |
| 2025 | \$103,393,332 | \$3,250,007 | \$12,380,774 | \$2,899,423 | \$12,847,102 | \$134,770,638 |
| 2026 | \$101,942,691 | \$3,298,757 | \$12,566,486 | \$2,939,470 | \$13,039,808 | \$133,787,212 |
| 2027 | \$104,276,909 | \$3,348,238 | \$12,754,983 | \$2,983,356 | \$13,235,406 | \$136,598,892 |
| 2028 | \$89,786,809 | \$3,398,462 | \$12,946,308 | \$3,011,600 | \$13,433,937 | \$122,577,115 |
| 2029 | \$85,700,903 | \$3,449,439 | \$13,140,503 | \$3,059,064 | \$13,635,446 | \$118,985,354 |
| 2030 | \$87,610,417 | \$3,501,180 | \$13,337,610 | \$3,102,227 | \$13,839,977 | \$121,391,413 |

Source: LUS and Burns & McDonnell projections

- (1) Production expenses are based on 2020 IRP forecasts and incorporate new contracts for capacity and solar.
- (2) Transmission cost reduction will reduce in FY2022 due to expiration of Cleco contract. LUS estimated forecast expenses.
- (3) Total Operating Expenses do not include ILOT, debt service, capital, or other expenses.
- (4) Production expense assumes LPPA Series 2021 Refunding Bonds refund the LPPA Series 2012 Bonds.

Table 8-4: Wastewater System Historical and Projected Retail Sales and Revenue

| FY | Retail Sales (1000 gallons) | Retail Sales Revenue | Other Revenue | Total Operating Revenue |
|------|-----------------------------|----------------------|---------------|-------------------------|
| 2016 | 6,267,402 | \$28,522,778 | \$621,796 | \$29,144,574 |
| 2017 | 5,768,832 | \$29,706,376 | \$1,083,931 | \$30,790,307 |
| 2018 | 5,326,815 | \$30,977,546 | \$1,401,680 | \$32,379,226 |
| 2019 | 5,746,278 | \$29,910,672 | \$2,128,101 | \$32,038,772 |
| 2020 | 5,498,088 | \$29,861,226 | \$1,261,483 | \$31,122,710 |
| 2021 | 5,765,733 | \$30,790,941 | \$920,703 | \$31,711,643 |
| 2022 | 5,796,316 | \$31,567,217 | \$833,741 | \$32,400,958 |
| 2023 | 5,824,500 | \$32,336,646 | \$839,071 | \$33,175,717 |
| 2024 | 5,850,864 | \$33,145,937 | \$844,451 | \$33,990,388 |
| 2025 | 5,875,740 | \$33,952,600 | \$850,009 | \$34,802,609 |
| 2026 | 5,899,541 | \$34,758,565 | \$855,841 | \$35,614,407 |
| 2027 | 5,922,267 | \$35,608,202 | \$862,086 | \$36,470,288 |
| 2028 | 5,943,256 | \$36,452,679 | \$878,111 | \$37,330,791 |
| 2029 | 5,964,327 | \$37,302,747 | \$863,731 | \$38,166,478 |
| 2030 | 5,985,399 | \$37,434,536 | \$837,908 | \$38,272,444 |

Source: LUS and Burns & McDonnell projections

(1) Retail sales are based on projected customer growth and use per customer.

(2) Retail sales revenue includes historical rate increases in 2017 and 2018. 2.0% rate increases are assumed through 2029.

(3) Other revenue includes miscellaneous operation revenue and interest income.

Table 8-5: Wastewater System Historical and Projected Operating Expenses

| FY | Treatment | Collection | Customer Accounting, Collecting, Service and Info | Administrative & General | Total Operating Expenses |
|------|-------------|-------------|---|--------------------------|--------------------------|
| 2016 | \$6,915,624 | \$4,462,001 | \$1,347,623 | \$5,569,902 | \$18,295,151 |
| 2017 | \$6,804,788 | \$4,696,927 | \$1,345,368 | \$5,838,454 | \$18,685,538 |
| 2018 | \$6,877,281 | \$4,722,449 | \$1,399,015 | \$5,738,418 | \$18,737,163 |
| 2019 | \$6,987,121 | \$5,312,751 | \$1,365,016 | \$5,546,626 | \$19,211,514 |
| 2020 | \$6,253,827 | \$4,888,522 | \$1,318,028 | \$5,834,810 | \$18,295,187 |
| 2021 | \$6,511,264 | \$5,295,207 | \$1,314,473 | \$5,700,805 | \$18,821,750 |
| 2022 | \$6,703,825 | \$5,367,273 | \$1,332,121 | \$5,786,317 | \$19,189,536 |
| 2023 | \$6,808,345 | \$5,453,460 | \$1,352,734 | \$5,873,112 | \$19,487,651 |
| 2024 | \$6,913,195 | \$5,540,155 | \$1,373,520 | \$5,961,208 | \$19,788,079 |
| 2025 | \$7,027,304 | \$5,635,753 | \$1,395,930 | \$6,050,626 | \$20,109,614 |
| 2026 | \$7,125,566 | \$5,716,384 | \$1,415,647 | \$6,141,386 | \$20,398,982 |
| 2027 | \$7,231,580 | \$5,804,396 | \$1,436,808 | \$6,233,507 | \$20,706,291 |
| 2028 | \$7,305,550 | \$5,862,032 | \$1,452,503 | \$6,327,009 | \$20,947,094 |
| 2029 | \$7,419,279 | \$5,957,058 | \$1,475,103 | \$6,421,914 | \$21,273,355 |
| 2030 | \$7,528,757 | \$6,047,973 | \$1,496,264 | \$6,518,243 | \$21,591,237 |

Source: LUS and Burns & McDonnell projections

(1) Total Operating Expenses do not include ILOT, debt service, capital, or other expenses

Table 8-6: Water System Historical and Projected Retail and Wholesale Sales and Revenue

| FY | Retail Sales (1000 gallons) | Wholesale Sales (1000 gallons) | Retail Sales Revenue | Wholesale Sales Revenue | Other Revenue | Total Operating Revenue |
|------|-----------------------------|--------------------------------|----------------------|-------------------------|---------------|-------------------------|
| 2016 | 5,402,650 | \$2,117,627 | \$13,229,678 | \$4,736,650 | \$627,213 | \$18,593,541 |
| 2017 | 5,382,447 | \$2,161,051 | \$13,862,679 | \$5,232,452 | \$727,065 | \$19,822,196 |
| 2018 | 5,363,552 | \$2,256,911 | \$14,821,240 | \$6,038,256 | \$877,048 | \$21,736,544 |
| 2019 | 5,148,605 | \$2,171,928 | \$14,425,369 | \$5,762,507 | \$1,181,598 | \$21,369,475 |
| 2020 | 5,075,882 | \$2,191,571 | \$14,544,345 | \$6,355,680 | \$796,531 | \$21,696,556 |
| 2021 | 5,375,099 | \$2,273,591 | \$15,211,529 | \$6,585,487 | \$567,020 | \$22,364,036 |
| 2022 | 5,403,609 | \$2,322,204 | \$15,616,430 | \$7,060,063 | \$554,828 | \$23,231,322 |
| 2023 | 5,429,884 | \$2,373,342 | \$16,018,157 | \$7,281,874 | \$554,840 | \$23,854,870 |
| 2024 | 5,454,462 | \$2,425,065 | \$16,417,931 | \$7,809,668 | \$547,358 | \$24,774,957 |
| 2025 | 5,477,653 | \$2,478,477 | \$16,816,394 | \$8,055,114 | \$540,644 | \$25,412,152 |
| 2026 | 5,499,841 | \$2,533,644 | \$17,214,502 | \$8,642,737 | \$541,024 | \$26,398,263 |
| 2027 | 5,521,027 | \$2,590,638 | \$17,612,076 | \$8,918,319 | \$540,297 | \$27,070,691 |
| 2028 | 5,540,594 | \$2,649,534 | \$18,006,930 | \$9,573,207 | \$543,459 | \$28,123,596 |
| 2029 | 5,560,238 | \$2,710,409 | \$18,459,990 | \$9,882,942 | \$552,014 | \$28,894,946 |
| 2030 | 5,579,882 | \$2,773,345 | \$18,525,208 | \$10,613,535 | \$564,357 | \$29,703,101 |

Source: LUS and Burns & McDonnell projections

- (1) Retail sales are based on projected customer growth and use per customer. Wholesale sales are based on customer specific forecasts.
(2) Retail sales revenue includes historical rate increases in 2017 and 2018. 2.0% rate increases are assumed through 2029.
(3) Wholesale revenue increases of 6% are included every other year of the forecast beginning in 2022.
(4) Other revenue includes miscellaneous operation revenue and interest income.

Table 8-7: Water System Historical and Projected Operating Expenses

| FY | Production | Distribution | Customer Accounting, Collecting, Service and Info | Administrative & General | Total Operating Expenses |
|------|-------------|--------------|---|--------------------------|--------------------------|
| 2016 | \$5,465,672 | \$2,538,366 | \$1,149,579 | \$4,607,489 | \$13,761,106 |
| 2017 | \$5,406,685 | \$2,619,286 | \$1,128,205 | \$4,811,643 | \$13,965,819 |
| 2018 | \$5,495,611 | \$2,884,033 | \$1,219,158 | \$4,661,424 | \$14,260,225 |
| 2019 | \$5,496,311 | \$2,889,727 | \$1,172,251 | \$4,668,916 | \$14,227,206 |
| 2020 | \$5,008,674 | \$2,098,086 | \$1,295,339 | \$4,757,007 | \$13,159,106 |
| 2021 | \$5,399,910 | \$2,297,856 | \$1,297,806 | \$4,513,417 | \$13,508,989 |
| 2022 | \$5,667,678 | \$2,490,927 | \$1,315,767 | \$4,581,119 | \$14,055,491 |
| 2023 | \$5,815,879 | \$2,529,789 | \$1,335,964 | \$4,649,835 | \$14,331,467 |
| 2024 | \$5,967,077 | \$2,569,158 | \$1,356,363 | \$4,719,583 | \$14,612,181 |
| 2025 | \$6,127,384 | \$2,609,057 | \$1,378,022 | \$4,790,377 | \$14,904,841 |
| 2026 | \$6,281,823 | \$2,649,516 | \$1,397,804 | \$4,862,232 | \$15,191,375 |
| 2027 | \$6,444,887 | \$2,690,541 | \$1,418,718 | \$4,935,166 | \$15,489,312 |
| 2028 | \$6,591,993 | \$2,732,100 | \$1,435,739 | \$5,009,193 | \$15,769,025 |
| 2029 | \$6,768,225 | \$2,774,306 | \$1,457,866 | \$5,084,331 | \$16,084,729 |
| 2030 | \$6,946,666 | \$2,817,164 | \$1,479,031 | \$5,160,596 | \$16,403,457 |

Source: LUS and Burns & McDonnell projections

- (1) Total Operating Expenses do not include ILOT, debt service, capital, or other expenses.

8.1.5 Revenues Available for Debt Service

LUS debt service includes the existing LUS Series 2010 Bonds, Series 2017 Bonds, Series 2019 Bonds, and proposed LUS Series 2021 Refunding Bonds. Future new debt service assumes a bond issue in 2027 for a proposed gas turbine plant. No other new debt issues are included in the projections. The projected debt service coverage ratio exceeds the minimum requirement of 1.0. Based on the current market conditions as of the date of this report the Underwriter estimates that the LUS Series 2021 Refunding Bonds will refund the LUS Series 2012 Bonds and save LUS approximately \$10.65 million from years 2022 to 2029 as shown in Table 8-8.

Table 8-8: LUS Series 2021 Refunding Bonds Savings

| Calendar Year | Series 2012 Bonds Debt Service | Series 2021 Bonds Debt Service | Savings |
|---------------|--------------------------------|--------------------------------|---------------------|
| 2022 | \$714,953 | \$1,942,875 | \$1,227,922 |
| 2023 | \$2,540,900 | \$3,885,750 | \$1,344,850 |
| 2024 | \$13,851,650 | \$15,200,625 | \$1,348,975 |
| 2025 | \$13,840,550 | \$15,185,875 | \$1,345,325 |
| 2026 | \$13,819,700 | \$15,166,500 | \$1,346,800 |
| 2027 | \$13,809,000 | \$15,155,875 | \$1,346,875 |
| 2028 | \$13,783,400 | \$15,132,500 | \$1,349,100 |
| 2029 | \$12,594,700 | \$13,940,000 | \$1,345,300 |
| Total | \$84,954,853 | \$95,610,000 | \$10,655,147 |

Source: Series 2021 Refunding Bonds debt service and savings from Underwriter

For illustrative purposes, Table 8-9 presents the Utilities System Net Revenues Available for Debt Service. The Utilities Net Revenue Available for Debt Service is equal to gross operating revenues less operating expense, excluding payments made by LUS for the debt service. It is estimated that the debt service coverage ratio for the existing and indicated debt service will range from a minimum of 3.1 to a maximum of 4.9 over the forecast for the Utilities System.

Table 8-9: Utilities System Revenues and Debt Service Coverage

| FY | Operating Revenues | Operating Expenses | Net Available Revenues for Debt Service | Debt Service | Balance Available After Debt Service | Debt Service Coverage Ratio |
|------|--------------------|--------------------|---|--------------|--------------------------------------|-----------------------------|
| 2021 | \$233,901,089 | \$156,556,480 | \$77,344,609 | \$25,095,600 | \$52,249,009 | 3.1 |
| 2022 | \$234,800,014 | \$153,748,443 | \$81,051,571 | \$23,692,617 | \$57,358,954 | 3.4 |
| 2023 | \$239,404,912 | \$156,545,364 | \$82,859,548 | \$23,588,600 | \$59,270,948 | 3.5 |
| 2024 | \$244,151,365 | \$170,863,075 | \$73,288,290 | \$23,577,150 | \$49,711,140 | 3.1 |
| 2025 | \$250,492,883 | \$169,785,092 | \$80,707,791 | \$23,564,900 | \$57,142,891 | 3.4 |
| 2026 | \$253,039,638 | \$169,377,569 | \$83,662,069 | \$23,555,950 | \$60,106,119 | 3.6 |
| 2027 | \$256,930,843 | \$172,794,495 | \$84,136,347 | \$23,534,750 | \$60,601,597 | 3.6 |
| 2028 | \$253,174,238 | \$159,293,235 | \$93,881,003 | \$31,084,306 | \$62,796,697 | 3.0 |
| 2029 | \$258,337,984 | \$156,343,438 | \$101,994,546 | \$20,976,964 | \$81,017,582 | 4.9 |
| 2030 | \$261,563,571 | \$159,386,107 | \$102,177,464 | \$20,980,103 | \$81,197,361 | 4.9 |

Source: LUS

- (1) Operating Revenues include 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, nor other miscellaneous expenses.
- (3) Utilities System Debt Service was prepared on a cash basis. Utilities Debt Service includes the Series 2010 Bonds, Series 2017 Bonds, Series 2019 Bonds, proposed LUS Series 2021 Refunding Bonds and a projected bond issue in 2027 for a new power plant. The Series 2021 Refunding Bonds are refunding the Series 2012 Bonds.

As described in Section 7.0 of this report, if the Communications System defaults on its bonds, to the extent of the insufficiency, the Residual Revenues of the Utilities System will be used to pay the debt service associated with the Communications System. Table 8-10 presents the annual Utilities System Residential Revenues debt service coverage under a “default” scenario. The ratio compares the Utilities System Residual Revenues to the Communications System debt obligation.

Table 8-10: Utilities System Revenues and Debt Service Coverage – Assuming a Communications System Default

| FY | Utilities System Net Available Revenues for Debt Service | Utilities System Debt Service | Capital Additions Account, Minimum Capital Requirement | Net Revenues Available for Communications Debt Service | Communications Debt Service | Balance Available After Debt Service | Debt Service Coverage Ratio from Residual Revenues |
|------|--|-------------------------------|--|--|-----------------------------|--------------------------------------|--|
| 2021 | \$76,509,807 | \$25,095,600 | \$12,090,338 | \$39,323,869 | \$9,431,991 | \$29,891,878 | 4.2 |
| 2022 | \$80,248,607 | \$23,692,617 | \$12,222,385 | \$44,333,606 | \$9,541,943 | \$34,791,663 | 4.6 |
| 2023 | \$82,108,832 | \$23,588,600 | \$12,361,571 | \$46,158,661 | \$9,853,203 | \$36,305,458 | 4.7 |
| 2024 | \$72,591,911 | \$23,577,150 | \$12,518,217 | \$36,496,544 | \$10,136,553 | \$26,359,991 | 3.6 |
| 2025 | \$80,067,923 | \$23,564,900 | \$12,654,208 | \$43,848,815 | \$10,483,353 | \$33,365,463 | 4.2 |
| 2026 | \$83,080,973 | \$23,555,950 | \$12,811,755 | \$46,713,268 | \$10,528,953 | \$36,184,315 | 4.4 |
| 2027 | \$83,616,373 | \$23,534,750 | \$12,954,704 | \$47,126,919 | \$10,526,303 | \$36,600,616 | 4.5 |
| 2028 | \$93,424,595 | \$31,084,306 | \$13,124,129 | \$49,216,161 | \$10,530,903 | \$38,685,258 | 4.7 |
| 2029 | \$101,604,248 | \$20,976,964 | \$13,271,385 | \$67,355,899 | \$10,534,728 | \$56,821,172 | 6.4 |
| 2030 | \$101,855,921 | \$20,980,103 | \$13,369,644 | \$67,506,173 | \$10,542,278 | \$56,963,896 | 6.4 |

Source: LUS

- (1) Utilities System Debt Service was prepared on a cash basis. Utilities Debt Service includes the Series 2010 Bonds, Series 2017 Bonds, Series 2019 Bonds, proposed LUS Series 2021 Refunding Bonds and a projected bond issue in 2027 for a new power plant. The Series 2012 Bonds are being refunded with the Series 2021 Refunding Bonds.
- (2) The Bond Ordinances require a minimum amount equal to 7.5 % of the total Non-fuel Revenue deposits into the Receipts Account for the purposes of paying capital costs.
- (3) Communications System Debt Service was prepared on a cash basis. Communications System Debt Service includes the proposed LUS Fiber Series 2021 Refunding Bonds, Series 2015 Bonds. No new bonds are projected to be issued for the Communications System from 2022 through 2030. The LUS Fiber Series 2021 Refunding Bonds are refunding the Series 2012 Bonds.

8.1.6 Principal Considerations and Assumptions

The projected operating results for the Utilities System, also referred to as LUS, rely upon information gathered and assumptions made during Burns & McDonnell's review. Key assumptions which were relied upon are summarized below.

1. LUS is assumed to 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.
2. LUS is assumed to continue to hire and maintain competent personnel in amounts necessary to sustain service. If needed, LUS will provide training to personnel to ensure the safety of personnel and reliability of the utilities.
3. LUS is assumed to continue to maintain and renew any required permits or approvals related to the utilities including electric, water, and wastewater treatment plants and sites.
4. There will not be further regulation of LUS facilities that require major capital expenditures for LUS to comply beyond those referenced in this Report and included in the LUS CIP.
5. It is assumed that the Rodemacher Unit 2, Hargis-Hébert Plant, T. J. Labbé Plant and the future combustion turbine plants will be maintained and operated in good condition throughout the Projected Period.
6. It is assumed that the transmission and distribution systems will be maintained and operated in good condition throughout the Projected Period.
7. It is assumed that the water treatment plants, ground water wells, and distribution system will be maintained and operated in good condition throughout the Projected Period.
8. It is assumed that the wastewater treatment plants and collection system will be maintained and operated in good condition throughout the Projected Period.
9. It is assumed that all existing contracts will be honored and that the Utilities System would extend or replace any expired contracts as needed.
10. It is assumed that standard operating procedure for LUS will continue and will not include the effects of any event outside of LUS's control including events traditionally considered force majeure.
11. LUS is assumed to continue to have adequate coal, natural gas, and water supply for operation of the power plants.
12. LUS is assumed to continue to have adequate water supply from the Chicot aquifer to meet the customers' needs.
13. LUS is assumed to continue to be a market participant in MISO including providing capacity and meeting all other operational and financial requirements.
14. LUS is assumed to continue to have adequate transmission access in MISO to buy and sell power as

needed.

15. Utilities System financial and operating data was provided by LUS and LCG.
16. LPPA financial and operating data was provided by LUS, LPPA and Cleco staff. Data provided includes historical financial and operating data for 2015 through 2019, the 2020 Budget, and the LPPA Operating and Capital Budget.
17. Burns & McDonnell completed a long-term system load forecast in 2020. The long-term load forecast forms the basis for long term projections of customer growth and energy sales and was used in the 2020 LUS IRP prepared by Burns & McDonnell.
18. Burns & McDonnell prepared an IRP for the electric system in 2020. The IRP contained projections of forecasted fuel usage and cost, MISO wholesale market revenues, MISO wholesale market costs, and power purchase agreement costs for both LUS and LPPA power plants. The IRP assumes Rodemacher Unit 2 is retired in 2027 and is replaced with a simple cycle gas turbine plant of similar capacity. Additional solar capacity and energy is assumed to be added between 2021 and 2029. The load forecast and IRP have not been updated since early 2020.
19. The existing electric rates allow LUS to pass the direct MISO power cost, fuel cost, certain LPPA costs, environmental costs, purchased power costs, and other eligible cost directly to consumers in the form of a fuel charge that is adjusted regularly. This mechanism reduces risk to LUS.
20. Future costs associated with emissions or potential environmental compliance have not been included within the projected operating results. Rodemacher Unit 2 is planned to be retired in 2027 and Burns & McDonnell has included preliminary estimated costs for the retirement and closure of the plant. All operating expenses associated with environmental compliance are included in the fuel charge and passed through to customers in the retail electric rates.
21. The most recent semiannual Blue Chip Economic Indicator projection of GDP dated March 2020 was used for inflation. The GDP inflation factor was used to escalate O&M expenses and capital similar to previous years.
22. Projected interest cost associated with future LUS bonds were assumed to be 2.4% gradually increasing to 2.8% by 2030 with new bonds being financed over 25 years. Only the electric utility is assumed to issue bonds in the Projected Period.
23. The ILOT calculation provides for an ILOT payment equal to 12% of the Receipts Fund deposits. To be eligible to make the ILOT payment, LUS 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% of the Non-fuel Revenues, is greater than 12% of the Receipts Fund, LUS passes the test and makes the ILOT payment to the City. If LUS fails the ILOT test, LUS pays the cash available after debt service less 7.5% of the Non-fuel Revenues.

24. The projections include the LUS CIP which reflects capital projects designed to upgrade, renew, and expand the system to meet customer growth requirements. In this Report, the capital plan for years 2021 through 2025 was based on the 2021 Budget and 2026 through 2030 was based on historical levels. The five-year CIP is updated annually.
25. Cash available reflects remaining funds available to LUS once all other credit obligations of LUS are satisfied. LCG has a financial objective that requires a minimum cash balance of \$8,000,000 to be held in an 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 and debt service obligations are met by LUS, accumulated cash balances are held in a Capital Additions Fund and are applicable to capital projects or other lawful uses. The Projected Period assumes that capital additions for LUS will be paid with a combination of cash balances available in the Capital Additions Fund and new debt.
26. All proposed 2021 refunding bonds for LUS, LPPA, and LUS Fiber are successfully completed simultaneously.
27. Debt service payments associated with all 2021 refunding bonds have been provided for each refunding issue by the Underwriter.

8.1.7 Principal Conclusions

Based on upon the principal considerations and assumptions and upon the studies and analyses summarized or discussed in this Report, which should be read in its entirety, Burns & McDonnell is of the following opinions pertaining to the Utility System:

- Based on physical observations of the system and review of records, LUS is maintaining the properties in a manner consistent with reasonable utility practices.
- LCG, LUS, and LPPA have an efficient management structure in place to maintain the utility property and maintain adequate accounting and financial records for each of the three utility systems.
- LUS prepares budgets and has budgetary control measures that have enabled the utility to maintain its financial position over the last five years. Revenues were sufficient to meet all financial obligations including debt payment, operating expenses, ILOT payments, and capital funding requirements. LUS has maintained competitive utility service rates while exceeding its minimum 1.0 DSC ratio.
- LUS has been deploying the necessary capital for the repair, replacement, and expansion of the utility systems. Based on Burns & McDonnell's review of the historical and projected capital improvement plan, LUS is making necessary repairs, renewals, replacements, extensions, betterments, and improvements of each of the utility systems.
- For each of the utility systems, LUS is striving to maintain competitive salaries to recruit and retain

talented engineers, managers, operators, technicians, and financial staff. The managers and staff in place within LUS appear to be well organized and committed to successfully running the utilities.

- Subject to proposed revenue increases, revenues anticipated for the Utilities System are adequate to provide for: (1) the estimated operation and maintenance expenses of the Utilities System; (2) debt service on all Utilities System currently outstanding bonds and all other payments required to be made pursuant to the LUS Bond Ordinance; (3) deposits to fund capital additions as estimated in this report; (4) the estimated ILOT payments to the City; and (5) the required reserves.

8.2 LPPA

This section includes forward looking financial statements based on Burns & McDonnell's current expectations and projections about future events and financial trends regarding LPPA. Projections as contained herein reflect estimates of what might occur in the future based on the information available to us as of the date of this Report. Burns & McDonnell cannot predict the future or guarantee future financial performance of LPPA. To the extent that assumptions used in these projections vary from those actually observed, financial performance as presented herein will vary from actual performance. Burns & McDonnell prepared a 10-year projection of financial and operating data for LPPA. Projections are based on Burns & McDonnell's review of historical operating results, CLECO's budgets, visual observations of the LPPA assets, and other assumptions and considerations as listed in the Report. The projections prepared by Burns & McDonnell are for the Projected Period of November 1, 2020 through October 31, 2030. LUS provided actual historical data for the 2016 through 2020 period.

8.2.1 Financial Projections

LPPA projected revenues reflect the full cost recovery per the PSC. Therefore, revenues are equivalent to debt service, capital, and meeting reserve requirements. LPPA's largest expense is its fuel cost. Rodemacher Unit 2 is economically dispatched into the MISO market. The projected fuel expense used in the forecast is based on the Burns & McDonnell 2020 IRP. The IRP utilized various assumptions to dispatch the unit using fuel pricing from LUS and market prices. Rodemacher Unit 2 will no longer burn coal beginning in 2027. A new gas fired generation unit is assumed to replace the plant capacity in 2027. The other non-fuel operating expenses for LPPA were provided by CLECO through 2025. Years 2026 to 2027 are escalated based on inflation. The forecast assumes that the plant is retired in 2028 with minimal continued operating expenses thereafter. The tables within this section summarize the projected LPPA operating revenues and expenses.

8.2.2 Revenues Available for Debt Service

LPPA fuel, O&M expenses, debt service associated with MATS upgrades, and debt service associated with rail cars are included in the LUS FC calculation. In 2020, approximately 80% of LPPA debt service was passed through Schedule FC. LUS Electric System base rates recover the remaining LPPA debt service obligation. LPPA existing debt service includes the existing LPPA Series 2015 Bonds and proposed LPPA Series 2021 Refunding Bonds. Projected operating results assume no future bond issues to meet LPPA capital requirements. The debt service coverage ratio meets the minimum requirement of 1.0. Because LUS pays 100% of LPPA costs, Operating Revenues, provided exclusively from LUS, generally equal Operating Costs including expenses, debt service, and capital spending. To the extent that

DSC is greater than 1.0, any available cash is applied to capital improvement projects. Based on the current market conditions as of the date of this report the Underwriter estimates that the LPPA Series 2021 Refunding Bonds will refund the LPPA Series 2012 Bonds and save approximately \$7.82 million from years 2022 to 2033 as shown in Table 8-11.

Table 8-11: LPPA Series 2021 Refunding Bonds Savings

| Calendar Year | Series 2012 Bonds Debt | Series 2021 Bonds Debt | Savings |
|---------------|------------------------|------------------------|-------------|
| | Service | Service | |
| 2022 | \$358,839 | \$916,925 | \$558,086 |
| 2023 | \$1,170,995 | \$1,833,850 | \$662,855 |
| 2024 | \$4,256,945 | \$4,915,950 | \$659,005 |
| 2025 | \$4,241,095 | \$4,901,175 | \$660,080 |
| 2026 | \$4,234,045 | \$4,893,425 | \$659,380 |
| 2027 | \$4,230,645 | \$4,892,300 | \$661,655 |
| 2028 | \$4,225,845 | \$4,887,300 | \$661,455 |
| 2029 | \$4,224,595 | \$4,883,050 | \$658,455 |
| 2030 | \$4,211,945 | \$4,874,175 | \$662,230 |
| 2031 | \$4,252,445 | \$4,914,025 | \$661,580 |
| 2032 | \$4,209,308 | \$4,870,250 | \$660,943 |
| 2033 | \$4,205,760 | \$4,863,625 | \$657,865 |
| Total | \$43,822,462 | \$51,646,050 | \$7,823,588 |

Source: Series 2021 Refunding Bonds debt service and savings from Underwriter

For illustrative purposes, Table 8-12 presents the Net Revenues Available for Debt Service. The Net Revenue Available for Debt Service is equal to operating revenues less operating expense, excluding payments made for the debt service. It is estimated that the debt service coverage ratio for the existing and indicated debt service will range from a minimum of 1.0 to a maximum of 3.8 over the forecast for LPPA as presented in Table 8-12.

Table 8-12: LPPA Revenues and Debt Service Coverage Ratios

| FY | Operating Revenues | Operating Expenses | Net Revenues | | Debt Service Coverage Ratio |
|------|--------------------|--------------------|----------------------------|--------------|-----------------------------|
| | | | Available for Debt Service | Debt Service | |
| 2021 | \$58,774,457 | \$47,946,053 | \$10,828,404 | \$6,916,306 | 1.6 |
| 2022 | \$60,522,893 | \$47,248,822 | \$13,274,071 | \$6,233,497 | 2.1 |
| 2023 | \$60,353,400 | \$48,495,306 | \$11,858,093 | \$6,232,651 | 1.9 |
| 2024 | \$72,817,870 | \$49,330,931 | \$23,486,939 | \$6,220,151 | 3.8 |
| 2025 | \$66,227,724 | \$49,600,901 | \$16,626,823 | \$6,214,951 | 2.7 |
| 2026 | \$59,938,157 | \$45,370,051 | \$14,568,106 | \$6,216,751 | 2.3 |
| 2027 | \$68,022,834 | \$53,342,041 | \$14,680,793 | \$6,199,401 | 2.4 |
| 2028 | \$15,331,916 | \$200,000 | \$15,131,916 | \$6,200,751 | 2.4 |
| 2029 | \$9,541,126 | \$203,000 | \$9,338,126 | \$9,338,126 | 1.0 |
| 2030 | \$9,549,621 | \$206,045 | \$9,343,576 | \$9,343,576 | 1.0 |

(1) Operating Revenues equals revenues received from LUS.

(2) Operating Expenses do not include capital.

(3) Debt service includes existing bond debt service and proposed LPPA Series 2021 Refunding Bonds debt service. The proposed LPPA Series 2021 Refunding Bonds refund the existing Series 2012 Bonds.

8.2.3 Principal Considerations and Assumptions

The projected operating results for LPPA rely upon information gathered and assumptions made during Burns & McDonnell's review. Key assumptions pertaining to LPPA, which also impact LUS, were relied upon and summarized in Section 8.1.6 of this report. Additional assumptions are provided below.

1. LPPA financial and operating data was provided by LUS, LPPA and Cleco staff. Data provided includes historical financial and operating data for 2015 through 2019, the 2020 Budget, and the LPPA Operating and Capital Budget.
2. Burns & McDonnell prepared an IRP for the electric system in 2020. The IRP assumes Rodemacher Unit 2 is retired in 2027 and is replaced with a simple cycle gas turbine plant of similar capacity.
3. The existing electric rates allow LUS to pass the direct MISO power cost, fuel cost, certain LPPA costs, environmental costs, purchased power costs, and other eligible cost directly to consumers in the form of a fuel charge that is adjusted regularly. This mechanism greatly reduces risk to LUS.
4. Future costs associated with emissions or potential environmental compliance have not been included within the projected operating results. Rodemacher Unit 2 is planned to be retired in 2027 and Burns & McDonnell has included preliminary estimated costs for the retirement and closure of the plant. All operating expenses associated with environmental compliance are included in the fuel charge and passed through to customers in the retail electric rates.

5. Burns & McDonnell has made no determination as to the validity and enforceability of any contract, agreement, rule, or regulation applicable to LCG, LUS, or LPPA and the operation thereof. For the purposes of our report and projections we have assumed that all contracts, agreements, rules, and regulations will be fully enforceable in accordance with the terms.
6. Burns & McDonnell conducted our analysis and studies for this report based on information provided by the bond market analysis performed by the Underwriter and previous work completed in the 2021 Annual Consulting Engineers Report.
7. Based on the bond market analysis provided by Underwriter with respect to the issuance of the Series 2021 Bonds, Burns & McDonnell has assumed that the new bonds will refund the Series 2012 Bonds.
8. The Managing Director of LPPA, who is also the Director of Utilities, will operate and maintain LPPA following prudent utility practices.
9. All permits, approvals, and permit modifications necessary to operate Rodemacher Unit 2 through will be maintained and renewed. Any changes in permits and approvals will not require significant changes in design or cause a significant increase in the costs associated with the RPS-2 or cause a reduction in generation before 2027.
10. Cleco will continue to operate, maintain, and provide for necessary capital renewals and replacements through the life of the bonds.
11. During the Projected Period, the LPPA CIP reflects capital projects designed to maintain the assets for reliability and environmental compliance. The capital projects include low pressure blade replacements, baghouse bag and cage replacements, boiler insulation repair, CCR compliance asset retirement obligation, and other projects related to reliability or improving performance.
12. LPPA's current Bond Reserve Fund Balance is approximately \$9.56 million as required by the bond ordinance. LPPA also maintains a Reserved and Contingency Fund of approximately \$5.28 million and a Fuel Cost Stability Fund of approximately \$4.5 million.
13. All proposed 2021 refunding bonds for LUS, LPPA, and LUS Fiber are successfully completed simultaneously.
14. Debt service payments associated with all 2021 refunding bonds have been provided for each refunding issue by the Underwriter.

8.2.4 Principal Conclusions

Based upon the foregoing principal considerations and assumptions and upon the studies and analyses summarized in this Report, which should be read in its entirety, Burns & McDonnell is of the following opinions pertaining to LPPA:

1. Rodemacher Unit 2 is in generally good condition and maintained within prudent utility practices. These practices include prudent operations, maintenance, and capital improvements and replacements.
2. Revenues collected from LUS will be adequate to provide for the operation, maintenance, fuel, capital, and debt cost associated with LPPA.
3. Rodemacher Unit 2 has provided and should continue to provide a reliable source of capacity and energy to the electric system until 2027.
4. LUS is expected to be able to meet its obligations for power purchases from LPPA in accordance with the Power Sales Contract.
5. The capital projects proposed by the Joint Owners are justified based on the data provided to Burns & McDonnell. The funds budgeted for the projects are within the range expected.
6. The Joint Owners have identified and obtained key environmental permits and approvals necessary for operation of Rodemacher Unit 2. While some permits and approvals require periodic renewals, Burns & McDonnell did not identify any instances that would prevent the renewal of a permit and approval provided applications for those are submitted to agencies timely.
7. Rodemacher is currently in material compliance with the key environmental permits and approvals issued by the various federal agencies for operation.

8.3 Communications System

This section contains forward looking financial statements based on Burns & McDonnell's current expectations and projections about future events and financial trends regarding the Communications System. Projections as contained herein reflect estimates of what might occur in the future based on the information available to us as of the date of this Report. Burns & McDonnell cannot predict the future or guarantee future financial performance of the Communications 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. Burns & McDonnell relied upon a 10-year projection prepared by the Communications System for the Projected Period of November 1, 2020 through October 31, 2030. LUS provided actual historical data for the 2016 through 2020 period.

8.3.1 Communications System Projections

Since the Communications System inception in 2009, the system has successfully added customers and increased market share within the LUS service territory. The sale of CATV, Internet, and telephone services to retail and wholesale customers directly relates to the Communications System revenues. Projected operating results reflect average annual customer growth of 4.0% over the 2021 through 2030 period. The growth assumption results in target market share from the current 41% to 56% in 2030. The Communications System Number of Customers and Market Penetration is presented in Table 8-13.

Revenue per customer reflects a blend of CATV, Internet, and telephone services as described earlier in this Report. Retail service pricing levels are projected to be adjusted periodically in consideration of the cost of goods sold and other rising costs. The Communications System pricing practices reflect an opportunistic approach where the development of new or higher value service offerings and competitor price increases provide the Communications System the ability to adjust rates if warranted. The Communications System's pricing strategy is to offer comparable or higher quality services at a lower price than the competition. Additionally, wholesale customer projections remain constant, at 34 customers, from 2021 to 2030 with revenues of \$2.6 million annually. Projected Operating Revenues are presented in Table 8-14.

The expense projection includes the cost of goods sold, maintenance of plant, A&G expense, and other miscellaneous expenses. The projected cost of goods sold assumes the 2020 cost per customer (adjusted for historical cost of goods sold inflation) multiplied by the projected number of customers. Other expenses have been escalated at 2.1% annually over the period 2021 through 2030. Projected Operating Expenses are presented in Table 8-15.

Table 8-13: Communications System Number of Customers and Market Penetration

| Year | Number of Customer Accounts | Increase in Customer Accounts (%) | Market Potential | LUS Target Market | Increase in LUS Target Market (%) | LUS Target Market Share |
|----------------|-----------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|-------------------------|
| 2016 | 18,243 | 10.0% | 54,732 | 49,521 | 1.6% | 36.8% |
| 2017 | 18,973 | 4.0% | 55,503 | 50,218 | 1.4% | 37.8% |
| 2018 | 20,412 | 7.6% | 56,209 | 50,857 | 1.3% | 40.1% |
| 2019 | 21,291 | 4.3% | 56,866 | 51,452 | 1.2% | 41.4% |
| 2020 | 22,053 | 3.6% | 57,484 | 52,011 | 1.1% | 42.4% |
| 2021 | 23,045 | 4.5% | 58,072 | 52,543 | 1.0% | 43.9% |
| 2022 | 23,949 | 3.9% | 60,072 | 53,022 | 0.9% | 45.2% |
| 2023 | 24,907 | 4.0% | 62,072 | 53,460 | 0.8% | 46.6% |
| 2024 | 25,904 | 4.0% | 64,072 | 53,868 | 0.8% | 48.1% |
| 2025 | 26,940 | 4.0% | 66,072 | 54,279 | 0.8% | 49.6% |
| 2026 | 28,018 | 4.0% | 68,072 | 54,692 | 0.8% | 51.2% |
| 2027 | 29,138 | 4.0% | 70,072 | 55,107 | 0.8% | 52.9% |
| 2028 | 30,304 | 4.0% | 72,072 | 55,525 | 0.8% | 54.6% |
| 2029 | 31,516 | 4.0% | 74,072 | 55,944 | 0.8% | 56.3% |
| 2030 | 32,777 | 4.0% | 76,072 | 55,944 | 0.0% | 58.6% |
| Average Growth | 4.0% | | 3.0% | 0.7% | | |

Source: LUS Fiber

- (1) Communications customer projections include retail customers with CATV, Internet, and telephone or some combination of the three services. The number of customers reflects the customers at the end of the year. The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. Historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) Projection includes all LUS residential electric customers inside the City limits, as well as other locations passed by LUS Fiber's fiber network.
- (3) Target market excludes apartments and other multifamily dwellings.

Table 8-14: Communications System Revenue Forecast

| Year | Number of Retail Customers | Number of Wholesale Customers | Retail | Wholesale | Total |
|----------------|----------------------------|-------------------------------|--------------|-------------|--------------|
| 2021 | 23,045 | 34 | \$39,546,675 | \$2,582,259 | \$42,128,933 |
| 2022 | 23,949 | 34 | \$40,099,029 | \$2,582,259 | \$42,681,288 |
| 2023 | 24,907 | 34 | \$40,717,730 | \$2,582,259 | \$43,299,989 |
| 2024 | 25,904 | 34 | \$41,273,870 | \$2,582,259 | \$43,856,129 |
| 2025 | 26,940 | 34 | \$41,761,932 | \$2,582,259 | \$44,344,191 |
| 2026 | 28,018 | 34 | \$42,176,002 | \$2,582,259 | \$44,758,261 |
| 2027 | 29,138 | 34 | \$42,509,746 | \$2,582,259 | \$45,092,005 |
| 2028 | 30,304 | 34 | \$42,756,381 | \$2,582,259 | \$45,338,640 |
| 2029 | 31,516 | 34 | \$42,908,646 | \$2,582,259 | \$45,490,905 |
| 2030 | 32,777 | 34 | \$42,958,774 | \$2,582,259 | \$45,541,033 |
| Average Growth | 4.0% | 0.0% | 0.9% | 0.0% | 0.9% |

Source: LUS Fiber

Table 8-15: Communications System Operation and Maintenance Expense

| Year | Cost of Goods | | Total Expenses |
|----------------|---------------|----------------|----------------|
| | Sold | Other Expenses | |
| 2021 | \$9,102,829 | \$13,596,533 | \$22,699,362 |
| 2022 | \$8,956,409 | \$13,827,516 | \$22,783,925 |
| 2023 | \$8,755,536 | \$14,034,929 | \$22,790,465 |
| 2024 | \$8,512,469 | \$14,245,453 | \$22,757,922 |
| 2025 | \$8,223,490 | \$14,459,135 | \$22,682,625 |
| 2026 | \$7,884,617 | \$14,676,022 | \$22,560,639 |
| 2027 | \$7,491,583 | \$14,896,162 | \$22,387,745 |
| 2028 | \$7,039,819 | \$15,119,605 | \$22,159,423 |
| 2029 | \$6,524,435 | \$15,346,399 | \$21,870,834 |
| 2030 | \$5,940,200 | \$15,576,595 | \$21,516,795 |
| Average Growth | -4.6% | 1.5% | -0.6% |

Source: LUS Fiber

- (1) Cost of Goods Sold predominantly consists of programming and content costs associated with service offerings.
- (2) Includes O&M expenses; other expenses include customer service, and A&G costs. Excludes depreciation. Operating expenses do not include imputed tax, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

8.3.2 Revenues Available for Debt Service

The Communications System debt service included the existing Series 2015 Bonds and proposed LUS Fiber Series 2021 Refunding Bonds. No other debt issues are included in the projections. The projected debt service coverage ratio exceeds the minimum requirement of 1.0. Based on the current market conditions as of the date of this report the Underwriter estimates that the LUS Fiber Series 2021 Refunding Bonds will refund the LUS Fiber Series 2012 Bonds and save approximately \$2.75 million from years 2022 to 2032 as shown below Table 8-16.

Table 8-16: Communications System Series 2021 Refunding Bonds Savings

| Calendar Year | Series 2012 Bonds Debt | Series 2021 Bonds Debt | Savings |
|---------------|------------------------|------------------------|-------------|
| | Service | Service | |
| 2022 | \$183,810 | \$374,064 | \$190,254 |
| 2023 | \$875,190 | \$1,887,104 | \$1,011,914 |
| 2024 | \$1,159,765 | \$1,887,969 | \$728,204 |
| 2025 | \$1,441,840 | \$1,889,484 | \$447,644 |
| 2026 | \$1,777,040 | \$1,881,054 | \$104,014 |
| 2027 | \$1,827,640 | \$1,882,335 | \$54,695 |
| 2028 | \$1,825,990 | \$1,873,409 | \$47,419 |
| 2029 | \$1,827,790 | \$1,874,424 | \$46,634 |
| 2030 | \$1,827,940 | \$1,869,000 | \$41,060 |
| 2031 | \$1,831,340 | \$1,871,975 | \$40,635 |
| 2032 | \$1,827,545 | \$1,864,825 | \$37,280 |
| Total | \$16,405,890 | \$19,155,643 | \$2,749,753 |

Source: Series 2021 Refunding Bonds debt service and savings from Underwriter

For illustrative purposes, Table 8-17 presents the Net Revenues Available for Debt Service. The Net Revenue Available for Debt Service is equal to gross operating revenues less operating expense, excluding payments made by the Communications System for the debt service. It is estimated that the debt service coverage ratio for the existing and indicated debt service will range from a minimum of 2.1 to a maximum of 2.2 over the forecast for the Communications System.

Table 8-17: Communications System Projected Operating Results

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---------------|---------------|---------------|---------------|---------------|
| Operating Revenues | | | | | |
| Retail Sales | \$39,546,675 | \$40,099,029 | \$40,717,730 | \$41,273,870 | \$41,761,932 |
| Wholesale Sales | 2,582,259 | 2,582,259 | 2,582,259 | 2,582,259 | 2,582,259 |
| Other Revenues | 790,647 | 796,315 | 807,370 | 823,465 | 843,679 |
| Total Operating Revenues | \$42,919,580 | \$43,477,603 | \$44,107,358 | \$44,679,594 | \$45,187,869 |
| Operating Expenses | | | | | |
| Cost of Goods Sold | \$9,102,829 | \$8,956,409 | \$8,755,536 | \$8,512,469 | \$8,223,490 |
| O&M and Other | 13,596,533 | 13,827,516 | 14,034,929 | 14,245,453 | 14,459,135 |
| Total Operating Expenses | \$22,699,362 | \$22,783,925 | \$22,790,465 | \$22,757,922 | \$22,682,625 |
| Balance Available for Debt Service | \$20,220,218 | \$20,693,678 | \$21,316,893 | \$21,921,672 | \$22,505,244 |
| Debt Service | \$9,431,991 | \$9,541,943 | \$9,853,203 | \$10,136,553 | \$10,483,353 |
| Debt Service Coverage Ratio | 2.1 | 2.2 | 2.2 | 2.2 | 2.1 |
| Balance After Debt Service | \$10,788,227 | \$11,151,736 | \$11,463,691 | \$11,785,119 | \$12,021,892 |
| Other Income (Expenditures) | | | | | |
| Imputed Tax | (\$767,904) | (\$877,788) | (\$825,882) | (\$789,595) | (\$750,625) |
| Inter-utility Loan Repayment | (2,410,578) | (2,422,635) | (2,435,174) | (2,448,215) | (2,461,778) |
| Other Income | 71,809 | 72,887 | 73,980 | 75,090 | 76,216 |
| Total Other Income (Expenditures) | (\$3,106,672) | (\$3,227,536) | (\$3,187,077) | (\$3,162,721) | (\$3,136,187) |
| Balance Available for Capital | \$7,681,555 | \$7,924,199 | \$8,276,614 | \$8,622,398 | \$8,885,705 |

Source: LUS Fiber

As described in Section 8.1 of this report, the financial performance of the Communications System has a financial impact on the Utilities System. While the Communications System is separate from the Utilities System, if the Communications System defaults on the existing Series 2015 Bonds or the proposed Series 2021 Bonds, the Utilities System Residual Revenues would be used to cover any debt service shortfalls. The Utilities System Residual Revenues are defined by Bond Ordinance as those revenues that are deposited into the Capital Additions Fund and are available for subordinated indebtedness.

8.3.3 Principal Considerations and Assumptions

The projected operating results for the Communications System rely upon the information gathered and assumptions made during Burns & McDonnell's review. Key assumptions which were relied upon are summarized below.

1. Burns & McDonnell assumed the Communications System will operate, maintain, and upgrade head-end facilities and other important supporting infrastructure to ensure reliable and technologically

competitive service offerings to customers.

2. Burns & McDonnell assumed the Communications System will hire and maintain competent personnel in amounts necessary to sustain service. If needed, the Communications System will provide training to personnel to ensure the safety and reliability of the Communications System.
3. Burns & McDonnell assumed the Communications System will maintain and renew any required permits or approvals.
4. Burns & McDonnell assumed standard operating procedure for the Communications System and Burns & McDonnell did not include the effects of any event outside of the Communications System's control, including force majeure.
5. Communications System financial and operating information was provided by the Communications System, LCG, interviews with LUS and LCG staff, and visual observations of the Communications System facilities. Data provided by the Communications System and LCG include historical financial and operating data for years 2016–2020, projected financial and operating data for years 2021–2030, and the 2021 Budget.
6. Burns & McDonnell relied upon the most recent semi-annual Blue Chip Economic Indicator projection of GDP, as of 2021. The GDP factor was used to escalate O&M expenses and capital. Per the Blue Chip forecast, the annual GDP factor is projected to be 2.1% over the Projected Period.
7. Other expense items include the Communications System's Imputed Tax obligations, repayment of inter-utility loans from the Utilities System, Operating Account reserve obligations, and other miscellaneous expenses. The Communications System utilized loans from the LUS to fund the fiber system assets purchase, startup costs, and operating costs. The Communications System loans repayment will continue through 2033. The Operating Account reserve obligation was a one-time expense incurred by the Communications System to establish a Communications Systems Operating Account.
8. Pursuant to terms of a regulatory settlement, the Communications System must pay an Imputed Tax. The Imputed Tax is equivalent to paying state and local sales tax, property tax, franchise tax, and income tax. The Communications System's ILOT calculation provides for an ILOT payment up to 12% of Adjusted Revenues deposits (revenues less cost of goods sold). However, all or a portion of this payment is made subject to an ILOT test. The ILOT test ensures that the Communications System retains sufficient cash to meet capital obligations. The ILOT test requires that the ILOT payment be no greater than 12% of Adjusted Revenues deposits, or the cash balance available after the payment of operating expenses and debt service less 7.5% of the Adjusted Revenues deposits. The Communications System tax requirement cannot be less than that required by the Imputed Tax calculation. In 2015, the City-Parish Council approved an ordinance that revises the required ILOT

payment. This ordinance recognizes that the Communications System operates in a competitive environment and the ILOT calculation was a greater expense than Imputed Tax. With the approval of this ordinance, the Communications System pays an ILOT amount equal to Imputed Taxes. The Imputed Tax payments was made to LUS and the City through 2020 as prescribed in the ordinance. Starting in 2020, 100% of the Imputed Tax payments go to the City.

9. The CIP includes the ongoing cost of customer installations, head-end, hut, network equipment and upgrades, and other miscellaneous items. In this Report, the capital plan for years 2021 through 2025 was based on the 2021 Budget and 2026 through 2030 was based on historical spending.
10. Cash available reflects remaining funds available to the Communications System once all other credit obligations of the Communications System are satisfied. For the Communications System, LUS established a financial objective that requires a minimum cash balance of \$2,250,000 to be held in an Operating Account. The Operating Account maintains a cash reserve to meet system O&M expense requirements. Once O&M expense and debt service obligations are met by the Communications System, accumulated cash balances are held in a Capital Additions Fund and are applicable to capital projects or other lawful uses. The Projected Period assumes that there are sufficient cash balances in the Capital Additions Fund to meet the entire Communications System CIP obligation.
11. All proposed 2021 refunding bonds LUS, LPPA, and LUS Fiber are successfully completed simultaneously.
12. Debt service payments associated with all 2021 refunding bonds have been provided for each refunding issue by the Underwriter.

8.3.4 Principal Conclusions

Based upon the principal considerations and assumptions and upon the studies and analyses summarized or discussed in this Report, which should be read in its entirety, Burns & McDonnell is of the following opinions:

1. Based on visual inspection of facilities, records audit, and interviews of LUS Fiber staff, the LUS Fiber communication network is in good condition, maintained properly and in accordance with reasonable industry practices.
2. At the current customer levels, the Communications System generates sufficient revenues to meet operating and maintenance expenses, debt service, capital improvements, inter-utility loan payments, imputed taxes, and all other financial obligations, with a sufficient profit margin to allow the Communications System to spend \$2 million per year on continued network expansion.
3. Existing and projected internal loans from the Utilities System to the Communications System do not have a material impact on the financial health of the Utilities System.

4. Burns & McDonnell is not aware of any current law or regulation that would greatly expense or danger the operation of the Communications System.
5. Competition exists in the telecommunications industry. The Communications System is subject to different risks than the Utilities System services. These risks include market risk, technology risk, and customer turnover. Pricing for LUS Fiber's services is competitive however LUS Fiber monitors and updates its service offerings and technology to maintain competitiveness.
6. Various business and technical observations and recommendations are contained in the 2021 Annual Consulting Engineers Report. LUS Fiber and its Consulting Engineer of Record monitor the business and technical health of LUS Fiber annually.
7. Based upon the historical financial performance and business forecasts as provided by LUS Fiber, the Utilities System does not appear to be at financial risk due to the Communications System.



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FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$7,000,000

COMMUNICATIONS SYSTEM REVENUE REFUNDING BONDS, SERIES 2021A

AND

\$7,140,000

TAXABLE COMMUNICATIONS SYSTEM REVENUE REFUNDING BONDS, SERIES
2021B

CITY OF LAFAYETTE, STATE OF LOUISIANA

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Lafayette, State of Louisiana (the "Issuer"), acting through its Chief Financial Officer, in connection with the issuance of the above captioned issues of Communications System Revenue Refunding Bonds, Series 2021A, and Taxable Communications System Revenue Refunding Bonds, Series 2021B (collectively, the "Bonds"). The Bonds are being issued pursuant to Ordinance No. O-053-2006, adopted on March 21, 2006, which supplemented, amended, and restated in its entirety Ordinance No. O-230-2005, adopted on September 6, 2005, as further supplemented, including as supplemented by the Fourth Supplemental Bond Ordinance adopted on November 2, 2021 (collectively, the "Ordinance"), and are described in that certain Official Statement dated October 21, 2021 (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. *Definitions.* In addition to the definitions set forth in the preceding paragraph and 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.

"**Bondholder**" shall mean any owner of the Bonds, including any owner of a beneficial interest in the Bonds.

"**Dissemination Agent**" shall mean the Chief Financial Officer of the Issuer, whose mailing address is 705 W. University Ave., Lafayette, Louisiana 70506, or any successor Dissemination Agent designated by the Issuer.

"**Governing Authority**" shall mean the Lafayette City Council.

"**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, through its Electronic Municipal Market Access Center ("EMMA") 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, and which is available at the following web address:

Municipal Securities Rulemaking Board
Electronic Municipal Market Access Center
<http://emma.msrb.org>

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, the firm acting as representative of the firms acting as underwriters in the primary 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 2. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and the Participating Underwriter, and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 3. *Provision of Annual Reports.* (a) On or before June 30 of each year, commencing June 30, 2022, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements set forth in Section 4 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. If the Issuer's fiscal year changes, it shall give, or shall cause to be given, notice of such change in the same manner as for a Listed Event under Section 5, and this Disclosure Certificate shall, to the extent necessary, be automatically amended so that the due date of the Annual Report as provided in this paragraph shall be the last day of the eighth month following the end of the new fiscal year, and such new date shall be included in the notice given pursuant to this sentence.

(b) If the Annual Report is not provided to the MSRB by the date required in (a) above, the Issuer shall, or shall cause the Dissemination Agent to, send in a timely manner a Notice of Failure to File Annual Report to the MSRB, in substantially the form attached as **Exhibit A**.

SECTION 4. *Content of Annual Reports.* (a) The Annual Report shall contain or incorporate by reference the following:

- (i) Audited financial statements of the Issuer for the preceding fiscal year. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format preferred by the Issuer, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- (ii) Any change in the basis of accounting used by the Issuer in reporting its financial statements. The Issuer currently 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.
- (iii) The Annual Engineering Report required to be prepared by the Ordinance, which Report shall include updates to the financial, statistical and operating data under the headings "THE COMMUNICATIONS SYSTEM", specifically under the summary schedules "Customers," "Historical Communications Operating Revenues," "Historical and Projected Operating Expenses," and "Capital Improvement Plan", "OPERATING REVENUES AND EXPENSES," "DEBT SERVICE COVERAGE

CALCULATION,” and “CITY OF LAFAYETTE UTILITIES SYSTEM”, specifically under the summary schedules “Electric System Sales,” “Electric System Rates,” “Wastewater System Sales,” “Wastewater System Rates,” “Water System Sales,” “Water System Rates,” “Utilities System Trend in Finances,” and “Utilities System Historical Debt Service Coverage Calculation” in the Official Statement.

Any or all of the items listed in Section 4(a) or 4(b) 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.* (a) This section shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, 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 status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material;
- (xv) Incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondholders; or
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall direct the Dissemination Agent to file as soon as possible, but in no event more than ten business days after the occurrence of the event, a notice of such occurrence with the MSRB.

(c) The term "financial obligation" as used in Section 5(a)(xv) and (xvi) above shall have the meaning given to such term in the Issuer's Post-Issuance Compliance Policy for Municipal Securities in effect on the date hereof, as said policy may be amended from time to time.

SECTION 6. *Management Discussion of Items Disclosed.* If an item required to be disclosed as part of the Annual Report or the Listed Events would be misleading without discussion, the Issuer shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

SECTION 7. *Termination of Reporting Obligation.* The obligations of the Issuer under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. *Dissemination Agent.* The Issuer may, from time to time, appoint or engage a successor 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 9. *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, provided that the following conditions are satisfied:

(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, in the opinion of counsel expert in federal securities laws selected by the Issuer, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by Bondholders in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Bondholders, (ii) does not, in the opinion of counsel expert in federal securities laws selected by the Issuer, materially impair the interests of the Bondholders, (iii) is necessary to comply with a change in the legal requirements or other change in law, including any change in the requirements of the Rule, or (iv) is otherwise permitted by federal securities laws at the time of such 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 data being presented by or in respect of the Issuer.

SECTION 10. *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 not have any 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 11. *Default.* In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or the Participating Underwriter 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 12. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 13. *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 in Portable Document Format (.pdf) and word-searchable (without regard to diagrams, images and other non-textual elements).

IN FAITH WHEREOF, the undersigned has executed this Continuing Disclosure Certificate on this, the 18th day of November, 2021.

**CITY OF LAFAYETTE, STATE OF
LOUISIANA**

By: _____

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: \$7,000,000 Communications System Revenue Refunding Bonds, Series 2021A, and \$7,140,000 Taxable Communications System Revenue Refunding Bonds, Series 2021B

Date of Issuance: November 18, 2021

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report as required by the Continuing Disclosure Certificate dated November 18, 2021. The Issuer anticipates that its Annual Report will be filed by _____.

Date: _____

**CITY OF LAFAYETTE, STATE OF
LOUISIANA**

By: _____
Chief Financial Officer

APPENDIX F

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED
OCTOBER 31, 2020**

The Lafayette City-Parish Consolidated Government Comprehensive Annual Financial Report for the Fiscal Year Ended October 31, 2020 has been filed with EMMA and is included by specific cross-reference in this Official Statement. It can be found and accessed at <http://emma.msrb.org/>. For convenience, a copy of this document can also be found on the Issuer's website (https://www.lafayettela.gov/docs/default-source/finance-management-documents/accounting/lcg2020cafr.pdf?sfvrsn=98cf30c1_4). No statement on the Issuer's website is included by specific cross-reference herein.

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APPENDIX G

FORM OF LEGAL OPINIONS

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Upon delivery of the Tax-Exempt Bonds in definitive form, Foley & Judell, L.L.P., New Orleans, Louisiana, Bond Counsel to the Issuer, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Honorable Lafayette City Council City of
Lafayette
Lafayette, Louisiana

\$7,000,000
COMMUNICATIONS SYSTEM REVENUE REFUNDING BONDS, SERIES 2021A
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 in fully registered form, are dated, bear interest at the rates, and mature on the dates and in the principal amounts and are subject to redemption as set forth in the Bond Ordinance (hereinafter defined).

The Bonds have been issued by the Issuer pursuant to an ordinance adopted by its governing authority on September 6, 2005, as amended and restated on March 21, 2006, and supplemented on November 2, 2021 (collectively, the “Bond Ordinance”), for the purpose of (i) refunding the Issuer’s Communications System Revenue Bonds, Series 2012A, maturing November 1, 2022 to November 1, 2028, inclusive, and November 1, 2031 (the “Refunded Bonds”), and (ii) paying the costs of issuance of the Bonds, under the authority of Part II of Chapter 4 of Subtitle II of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority (the “Act”).

The Issuer, in and by the Bond Ordinance, has entered into certain covenants and agreements with the owners 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 Bond Ordinance. Capitalized terms used but not defined herein shall have the meaning given to them in the Bond Ordinance.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings of the governing authority 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 Bond 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. Said proceedings, documents and proofs show lawful authority for the issuance of the Bonds pursuant to said Constitution and statutes and the Bond Ordinance.
2. The Bonds have been duly executed and delivered and are legal and binding special obligations of the Issuer, payable, equally with the Outstanding Parity Bonds (as hereinafter defined), solely from and

secured by an irrevocable pledge of the Net Revenues of the Communications System and second, to the amount necessary, from a secondary or subordinate pledge of the Revenues of the Utilities System, all as provided in the Bond Ordinance. The Bonds do not constitute an indebtedness or pledge of the general credit of the State of Louisiana, the Issuer, the Lafayette City-Parish Consolidated Government, or any other political subdivision of the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness.

3. The Bonds have been issued on a complete parity in all respects with the Issuer's outstanding Communications System Revenue Refunding Bonds, Series 2015, maturing November 1 of the years 2022 through 2031, inclusive, and Taxable Communications System Revenue Refunding Bonds, Series 2021B, which are being delivered simultaneously with the Bonds (collectively, the "Outstanding Parity Bonds"), and 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 Bond Ordinance and the ordinances authorizing the issuance of the Outstanding Parity Bonds.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

5. Under the Act, the Bonds and the interest or other income thereon or with respect thereto shall be exempt from all income tax and other taxation in Louisiana.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

In rendering the opinions expressed in numbered paragraphs 4 and 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 Bond Ordinance pertaining to those sections of 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 Bond Ordinance, interest on the Bonds could become 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 or accrual 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 and the Bond 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 of Louisiana, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Upon delivery of the Taxable Bonds in definitive form, Foley & Judell, L.L.P., New Orleans, Louisiana, Bond Counsel to the Issuer, proposes to render its final approving opinion in substantially the following form:

Honorable Lafayette City Council
City of Lafayette, State of Louisiana
Lafayette, Louisiana

\$7,140,000
TAXABLE COMMUNICATIONS SYSTEM REVENUE REFUNDING BONDS, SERIES 2021B
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 in fully registered form, are dated, bear interest at the rates, and mature on the dates and in the principal amounts and are subject to redemption as set forth in the Bond Ordinance (hereinafter defined).

The Bonds have been issued by the Issuer pursuant to an ordinance adopted by its governing authority on September 6, 2005, as amended and restated on March 21, 2006, and supplemented on November 2, 2021 (collectively, the “Bond Ordinance”), for the purpose of (i) refunding the Issuer’s Taxable Communications System Revenue Bonds, Series 2012B, maturing November 1, 2022 to November 1, 2028, inclusive, and November 1, 2031 (the “Refunded Bonds”), and (ii) paying the costs of issuance of the Bonds, under the authority of Part II of Chapter 4 of Subtitle II of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority (the “Act”).

The Issuer, in and by the Bond Ordinance, has entered into certain covenants and agreements with the owners 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 Bond Ordinance. Capitalized terms used but not defined herein shall have the meaning given to them in the Bond Ordinance.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings of the governing authority 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 Bond 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. Said proceedings, documents and proofs show lawful authority for the issuance of the Bonds pursuant to said Constitution and statutes and the Bond Ordinance.
2. The Bonds have been duly executed and delivered and are legal and binding special obligations of the Issuer, payable, equally with the Outstanding Parity Bonds (as hereinafter defined), solely from and secured by an irrevocable pledge of the Net Revenues of the Communications System and second, to the amount necessary, from a secondary or subordinate pledge of the Revenues of the Utilities System, all as provided in the

Bond Ordinance. The Bonds do not constitute an indebtedness or pledge of the general credit of the State of Louisiana, the Issuer, the Lafayette City-Parish Consolidated Government, or any other political subdivision of the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness.

3. The Bonds have been issued on a complete parity in all respects with the Issuer's outstanding Communications System Revenue Refunding Bonds, Series 2015, maturing November 1 of the years 2022 through 2031, inclusive, and Communications System Revenue Refunding Bonds, Series 2021A, which are being delivered simultaneously with the Bonds (collectively, the "Outstanding Parity Bonds"), and 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 Bond Ordinance and the ordinances authorizing the issuance of the Outstanding Parity Bonds.

4. Interest on the Bonds is not excludable from gross income for federal income tax purposes.

5. Under the Act, the Bonds and the interest or other income thereon or with respect thereto shall be exempt from all income tax and other taxation in Louisiana.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual 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 and the Bond 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 of Louisiana, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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