



LAFAYETTE CONSOLIDATED GOVERNMENT, LOUISIANA
LAFAYETTE UTILITIES SYSTEM

Comprehensive Engineering Final Report

REPORT | APRIL 2014





April 29, 2014

Mr. Terry Huval
Director of Utilities
Lafayette Utilities System
1314 Walker Road
Lafayette, LA 70502

Subject: 2013 Comprehensive Engineering Report - FINAL

Dear Terry:

Enclosed please find 15 copies of Leidos' final 2013 Comprehensive Engineering Report. This Report is based on field reviews and interviews conducted during early 2014.

It was a pleasure working with you and your staff on this project. If you have any questions, please feel free to contact me directly at (303) 299-5342.

Sincerely,

Leidos Engineering, LLC

A handwritten signature in black ink, appearing to read "Scott H. Burnham".

Scott H. Burnham
Project Manager

SHB/meu

c w/encl: Antonio Conner, LCG (3 copies)

2013 COMPREHENSIVE ENGINEERING REPORT

Lafayette Utilities System

Table of Contents

Letter of Transmittal
Table of Contents
List of Tables
List of Figures

Executive Summary

Section 1 EXECUTIVE SUMMARY	1-1
Utilities Revenue Refunding Bonds, Series 2012, Utilities Revenue Bonds, Series 2010 and 2004 Bond Covenants.....	1-1
Summary	1-2
Communications System Revenue Bonds, Series 2007 and Series 2012 Bond Covenants.....	1-3
Summary	1-3
Section 2 INTRODUCTION	2-1
Authority.....	2-1
Requirements of Report.....	2-2
2012, 2010, 2004 and 2007 Bond Ordinances.....	2-2
Report Purpose.....	2-3
Consulting Engineer.....	2-3
Revenue Bond Program.....	2-4
Utilities Revenue Refunding Bonds, Series 2012.....	2-5
Utilities Revenue Bonds, Series 2010.....	2-6
Utilities Revenue Bonds, Series 2004.....	2-6
Communications System Revenue Bonds, Series 2007	2-6
Communications System Revenue Bonds, Series 2012	2-6
Financial and Statistical Data	2-7
Section 3 ORGANIZATION AND MANAGEMENT	3-1
LCG Organization and Management.....	3-1
Home Rule Charter	3-1
LUS Organization and Management	3-3
Lafayette Public Utilities Authority.....	3-3
Lafayette Public Power Authority	3-4
Utilities Department.....	3-4
LUS Personnel.....	3-9
Staffing Levels	3-9

Table of Contents

Pay Scale Review	3-11
Insurance	3-11
Communications System	3-12
LUS Organizational Goals	3-12
Section 4 UTILITIES SYSTEM – FINANCE AND ACCOUNTING	4-1
Accounting	4-1
Utilities Revenue Refunding Bonds, Series 2012	4-1
Rate Revisions	4-2
In-Lieu-of-Tax	4-3
Restricted Asset Transactions and Fund Balances	4-3
2010 Construction Fund	4-4
Income Statement Summary	4-4
Cash Flow and Disposition of Unpledged Cash	4-5
Operating Budget	4-6
Section 5 UTILITIES SYSTEM – ELECTRIC UTILITY	5-1
Electric Utility Facilities	5-1
Gas-Fired Generation	5-1
Coal-Fired Generation	5-8
Contracts & Agreements	5-15
Power and Fuel Marketing	5-15
Power Purchases	5-16
Power Sales	5-19
Electric Interconnection and Interchange	5-19
Fuel Supply	5-20
Other Agreements	5-21
Major Contract Summary	5-22
Operating Results	5-23
Statistical Data	5-25
Rate Revisions	5-26
Environmental Issues	5-27
Doc Bonin Plant	5-30
T. J. Labbé Plant	5-31
Hargis-Hébert Plant	5-32
RPS2 in Boyce, LA	5-33
PCB Transformers	5-35
Groundwater and/or Soil Contaminated Sites	5-35
Curtis Rodemacher Decommissioning	5-35
Section 6 UTILITIES SYSTEM – WATER UTILITY	6-1
Water Utility Facilities	6-1
Water Supply	6-1
Water Treatment	6-2
Water Storage	6-3
Water Distribution	6-3
Contracts and Agreements	6-4

Water District North 6-5
Water District South 6-5
City of Scott 6-5
Town of Youngsville 6-6
City of Broussard 6-6
Milton Water System 6-6
Wholesale Water Sales Summary 6-7
Water Utility Operations 6-8
Financial 6-8
 Operating Results 6-8
 Statistical Data 6-9
 Rate Revisions 6-11
Environmental Issues 6-12
Water Production and Distribution System 6-12
 Drinking Water Quality 6-12

Section 7 UTILITIES SYSTEM – WASTEWATER UTILITY 7-1

Wastewater Utility Facilities 7-1
 Wastewater Treatment 7-1
 Wastewater Collection 7-3
Contracts and Agreements 7-4
Financial 7-4
 Operating Results 7-4
 Statistical Data 7-5
 Rate Revisions 7-6
Environmental Issues 7-7
Wastewater Collection and Treatment 7-7
 Vermilion River Water Quality Standards 7-8
 Wastewater Collection and Treatment Permits 7-8
Industrial Pretreatment 7-9
Biosolids Beneficial Reuse Land Application Program 7-10
Spill Prevention Control and Countermeasure Plans 7-10





List of Appendices

A Financial and Statistical Data

List of Tables

Table 1-1 2010 and 2004 Bond Covenant Opinions Pertaining to the Electric,
Water, and Wastewater Utilities..... 1-2

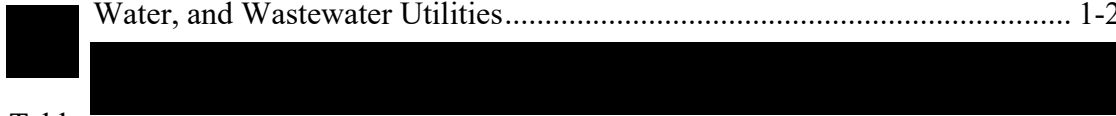


Table 3-1 President and Council Members..... 3-1

Table 3-2 LPUA Members..... 3-3

Table 3-3 LUS Division Managers..... 3-5

Table 3-4 LUS Budgeted and Actual Number of Employees..... 3-10

Table 3-5 LUS Average Annual Salaries..... 3-11

Table 3-6 LUS Insurance Transactions..... 3-12

Table 3-7 LUS Fiber Insurance Transactions 3-12

Table 3-8 Strategic Plan Goals 3-13

Table 4-1 Projected Lafayette Utility Revenue Bonds Bond Amortization
Schedule 4-2

Table 4-2 Historical ILOT Payments..... 4-3

Table 4-3 Fund Balances (\$1,000)..... 4-4

Table 4-4 2010 Construction Fund (\$1,000)..... 4-4

Table 4-5 Income Statement Summary..... 4-5

Table 4-6 Cash Flow and Disposition of Unpledged Cash..... 4-6

Table 4-7 Comparison of Actual Results to the Adopted Budget 4-7

Table 5-1 Gas Fired Generation..... 5-3

Table 5-2 Doc Bonin Plant Gas Fired Generation Operating Statistics..... 5-4

Table 5-3 T. J. Labbé Plant Gas Fired Generation Operating Statistics 5-5

Table 5-4 Hargis Hébert Plant Gas Fired Generation Operating Statistics 5-6

Table 5-5 RPS2 Operating Statistics..... 5-10

Table 5-6 Electric Utility Annual Power Costs 5-18

Table 5-7 Power Delivery Points 5-20

Table 5-8 Interchange Agreements 5-20

Table 5-9 Contracts and Agreements..... 5-22

Table 5-10 Electric Utility Operating Results 5-24

Table 5-11 Electric Sales Revenue and Statistics 5-26

Table 5-12 Electric Retail Base Rate Revenue 5-27

Table 5-13 List of Major Permits for LUS Electric Generating Stations 5-29

Table 5-14 Fuel Oil Storage Tanks 5-31

Table 6-1 Plant Treatment Capacity ⁽¹⁾ 6-2

Table 6-2 Water Distribution System ⁽¹⁾ 6-3

Table 6-3 Not Accounted For Water Volumes 6-4

Table 6-4 Contracts and Agreements for Wholesale Water Sales 6-5

Table 6-5 Wholesale Water Sales Volumes (1,000 gallons)..... 6-7

Table 6-6 Wholesale Water Sales Revenue 6-7

Table 6-7 Water Utility Operating Results 6-9

Table 6-8 Water Sales Revenue and Statistics..... 6-10

Table 6-9 Water Retail Rates (Revenue/1,000 gallons)..... 6-11

Table 7-1 Wastewater Number of Months During Which Design Capacity
was Exceeded 7-2

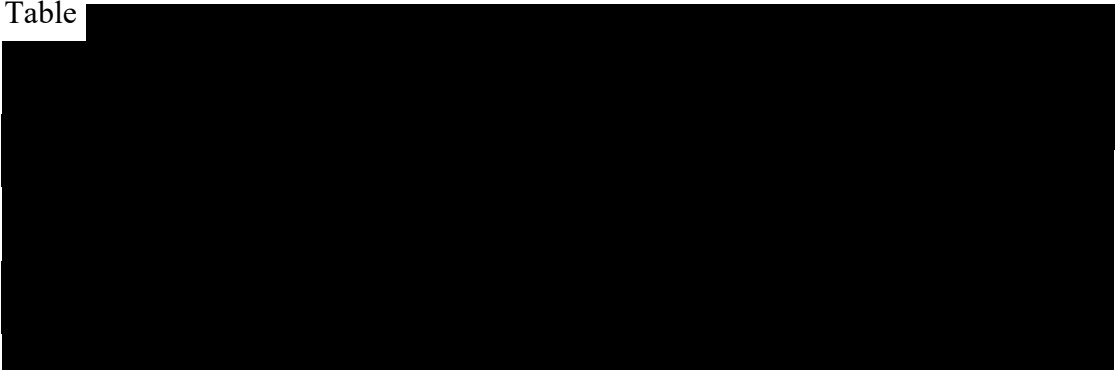
Table 7-2 Wastewater Collection System..... 7-3

Table 7-3 Wastewater Utility Operating Results 7-5

Table 7-4 Wastewater Sales Revenue and Statistics..... 7-6

Table 7-5 Wastewater Retail Rates (Revenue/Account)..... 7-6

Table



List of Figures

Figure 2-1: LCG and LUS Structure..... 2-2

Figure 5-1: Generation Unit Contributions 5-7

Figure 5-2: Annual RPS2 MWh Delivery to LUS 5-10

Figure 5-3: Residential Bills for LUS and Selected Louisiana Utilities 5-27

Figure 6-1: Water Rates for LUS & Selected Louisiana Utilities (\$/1,000
gallons) 6-11

Figure 7-1: Wastewater Rates for LUS and Selected Louisiana Utilities



Section 1

EXECUTIVE SUMMARY

The City of Lafayette (the City) and the Parish of Lafayette (the Parish) are governed by the Lafayette City-Parish Consolidated Government (referred to as Lafayette Consolidated Government or LCG). The Lafayette City Parish Council (the Council) is the governing authority of the Lafayette Public Power Authority (LPPA), a political subdivision created for the purpose of acquiring electric generating facilities to provide power to the City's Utilities System (LUS). The City issued the Utilities Revenue Refunding Bonds, Series 2012, Utilities Revenue Bonds, Series 2010, Series 2004, and the Communications System Revenue Bonds, Series 2007 and the Communications System Revenue Bonds, Series 2012. As required by the bond ordinances in each of these offerings, this 2013 Comprehensive Engineering Report (the Report) has been prepared in accordance with the bond covenants of the General Bond Ordinance dated November 2, 2010 (the 2010 Bond Ordinance), General Bond Ordinance dated June 29, 2004 (the 2004 Bond Ordinance), and General Bond Ordinance dated June 12, 2007 (the 2007 Bond Ordinance) (collectively the Bond Ordinances). This Report covers the fiscal year 2013 (November 1, 2012 to October 31, 2013) period (the Report Period). Unless otherwise stated, financial data and operational data were reported on a fiscal year basis.

This report was prepared by Leidos Engineering, LLC (Leidos or the Consulting Engineer), formerly R.W. Beck, Inc., and is intended to meet the requirements of the Bond Ordinances. The provisions of the Bond Ordinances are intended to provide engineering and management information to LUS, LCG, and Bondholders. Copies of this Report have been placed on file with the Bond Fund Trustee, LUS, and others.

This Report summarizes the results of our studies and analyses, and those of others included herein, as of the dates of those studies or statements. Changed conditions occurring after such dates may not be reflected in this Report. Any such changed conditions could affect the material presented herein to the extent of such changed conditions and such changed conditions would not be reflected in this Report. Leidos has not been retained to update this Report beyond the date hereof.

Interviews were initiated as part of this Report during February and March 2014. The Consulting Engineer interviewed LUS staff regarding operations and performed analyses of operating statistics that are indicative of the general operating condition of LUS' facilities.

Utilities Revenue Refunding Bonds, Series 2012, Utilities Revenue Bonds, Series 2010 and 2004 Bond Covenants

Article VII of the 2010 and 2004 Bond Ordinances are identical and put forward a number of covenants for LUS. The Series 2012 Refunding Bonds were issued under



Section 1

the authority of the 2004 General Bond Ordinance, and as such are subject to the covenants thereof. The following discussion addresses compliance with each such covenant.

Table 1-1
2010 and 2004 Bond Covenant Opinions Pertaining to the Electric, Water, and Wastewater Utilities

Section	Description	Opinion
7.1	Operations Covenant	The Utilities System ⁽¹⁾ was operated in a business-like manner, was adequately maintained, and maintained the necessary staff to properly operate and protect the system.
7.2	Maintenance of Utilities System: Disposition	The Utilities System was maintained in accordance with Prudent Utility Practices.
7.3	No Competitive Facilities	No competitive facilities were constructed during the Report Period and there are no existing competitive franchises.
7.4	Obligation to Connect Sewerage Users	LUS has met the requirements of this covenant.
7.5	No Free Service	No free service was supplied by the Utilities System during the Report Period.
7.6	Operating Budget	An operating budget for fiscal year 2013 was adopted September 19, 2012.
7.7	Rate Covenant	LUS has reasonably complied with the elements of the rate covenants of the 2004 Bond Ordinance and 2010 Bond Ordinance during the Report Period.
7.8	Books and Records	The City has complied with the basic accounting principles and requirements with respect to the Utilities System, as addressed in the 2004 Bond Ordinance and the 2010 Bond Ordinance during the Report Period.
7.9	Reports and Annual Audits	The City has complied with the basic accounting principles and requirements with respect to the Utilities System, as addressed in the 2004 Bond Ordinance during the Report Period.
7.10	Insurance and Condemnation Awards	The Utilities System has worked with their insurance consultants (not the Consulting Engineer) to identify risks to be addressed through self-insurance and industry standard policies.
7.11	Enforcement of Collections	The collection of fees and revenues associated with the use of the Utilities System has been reasonably enforced during the Report Period.
7.12	Additions to Utilities System	No significant additions to the Utilities System were identified during the Report Period.

(1) Utilities System includes the Electric, Water, and Wastewater Utilities of LUS.

Summary

Based on Leidos' review of the 2010 and 2004 Bond Ordinances, together with verbal and written reports provided by LCG and LUS staff, no events of material default were identified during the Report Period.

Section 2 INTRODUCTION

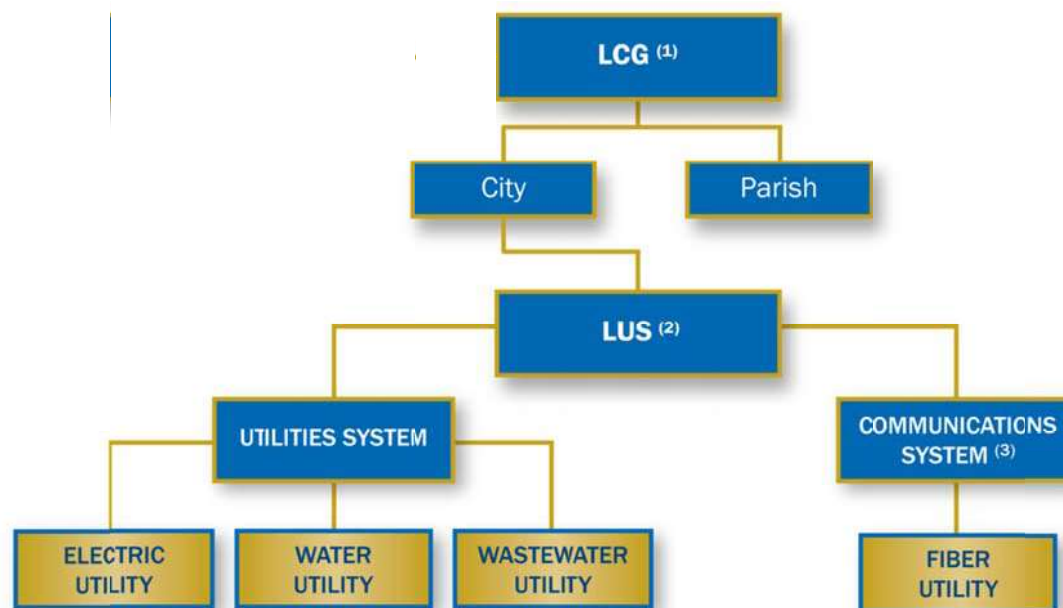
The 2013 Comprehensive Engineering Report (the Report) is presented in eight sections. Section 1 provides an Executive Summary of the Consulting Engineer's opinions regarding achievement of the covenants described in the bond ordinances. Section 2 provides a description of the governing authority for City's Utilities System (LUS), the Utilities' Revenue Bonds, Series 2010, Series 2004, the Utilities Refunding Bonds, Series 2012 and the Communication System Revenue Bonds, Series 2007, and the Communication System Revenue Bonds, Series 2012, respectively, and other high level information regarding LUS, Lafayette City-Parish Consolidated Government (referred to as Lafayette Consolidated Government or LCG), and the City of Lafayette (the City). Section 3 provides a description of the organization and management of LUS and LCG, and includes a discussion of insurance requirements, staffing levels and pay scale. Section 4 provides detailed information regarding the financial data for the overall Utilities System. Sections 5, 6, and 7 provide a discussion of the Electric, Water, and Wastewater Utility operations, respectively. Section 8 provides a discussion of the Communications System operations and finances.

This Report has been prepared by Leidos Engineering, LLC (Leidos or the Consulting Engineer) and is intended to meet the requirements of the Bond Ordinances. The provisions of the Bond Ordinances are intended to provide engineering and management information to LUS, LCG, and Bondholders.

Authority

The City operates with Lafayette Parish Government as a consolidated government known as the Lafayette City-Parish Consolidated Government. The Council and Lafayette Public Utility Authority (LPUA) are the governing authorities of LUS.

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



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

Figure 2-1: LCG and LUS Structure

Requirements of Report

The City issued the Utilities Revenue Refunding Bonds, Series 2012 (2012 Refunding Bonds) Utilities Revenue Bonds, Series 2010 (2010 Bonds), Series 2004 (2004 Bonds), the Communications System Revenue Bonds, Series 2007 (2007 Bonds) and the Communications System Revenue Bonds, Series 2012 (2012 Communications Bonds). This Report has been prepared as provided for by each of the authorizing bond ordinances for the offerings mentioned above. This Report covers the fiscal year 2013 (November 1, 2012 to October 31, 2013) (the Report Period). Unless otherwise stated, financial data and operational data are reported on a fiscal year basis.

2012, 2010, 2004 and 2007 Bond Ordinances

This Report is prepared in accordance with the provisions of Sections 8.1 and 8.2 of the 2010 and 2004 Bond Ordinances and Section 9.1 and 9.2 of the 2007 Bond Ordinance which collectively require:

“The Consulting Engineer shall prepare within one hundred eighty (180) days after the close of each fiscal year a comprehensive 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...”

It is noted that the 2012 Communications Bonds were issued under the authorization provided by the 2007 Bond Ordinance, and therefore, did not have a separate bond covenants. The 2012 Refunding Bonds were issued under the authorization provided by the 2004 Bond Ordinance and are subject to the covenants thereof.

Report Purpose

In addition to the requirements of the bond covenants described above, this Report has several purposes, including the following:

- Provide an annual review of the physical operations of the Utilities System and Communications System;
- Provide an annual review of financial operation of the Utilities System and Communications System; and
- Provide a reference document for LUS, which includes historical analysis and data.

Consulting Engineer

Leidos Engineering, formerly R.W. Beck, Inc. is presently retained by LCG as its Consulting Engineer and has been so retained since the inception of the LUS revenue bond program.

The duties of the Consulting Engineer, which are specifically defined in the Bond Ordinances, include advising LUS on its appointment of Chief Operating Officer, providing continuous engineering counsel to LCG in connection with the operations of the Utilities System and Communications System, advising on rate revisions, and preparing an annual comprehensive report (specifically, this Report) on the operations of LUS after the close of each fiscal year.

This Report includes our opinions and suggestions on the following issues and is generally organized by utility system except for activities common to all systems:

- Operations of LUS
- Maintenance of the properties
- Efficiency of management of the properties
- Proper and adequate keeping of books of account and record
- Adherence to budget and budgetary control provisions
- Adherence to all the provisions of the Bond Ordinances

- Other items having a bearing on efficient and profitable operations

Any statements in this Report involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact and are subject to being affected by fluctuating economic and regulatory conditions and the occurrence of other future events which cannot be assured. Therefore, actual results achieved may vary from projections and estimates, and such variations may be material. All capitalized terms used herein that are not conventionally capitalized are defined within the various Sections of this Report, or in the agreements or documents in which they appear.

Leidos visited and made general field observations of the Utilities System generation facilities, which were visual, above-ground examinations of selected areas that were deemed adequate to comment. Other than as expressly stated herein, the observations and examinations were not in the necessary detail to reveal conditions with respect to safety, the internal physical condition of any facilities, or conformance with agreements, codes, permits, rules, or regulations of any party having jurisdiction with respect to the operation and maintenance of the Utilities System and Communications System.

Revenue Bond Program

Utilities Revenue Bonds have been an important source of capital for additions and improvements to the Utilities System. Bond authorization programs and associated expenditures of bond proceeds follow a predetermined plan of facility additions and improvements based upon an engineering planning and feasibility study. A summary of the issuance of authorized and issued revenue bonds as of October 31, 2013 is provided in Table 2-1 below.

**Table 2-1
Utilities System Bonds Summary**

Date Issued	Authorized Amount (\$)	Application of Proceeds
1949 – 1958	18,000,000	Steam-electric generating plant improvements and extensions to the Electric, Water and Wastewater Systems
1962 – 1965	12,500,000	Improvements and extensions to the Electric, Water and Wastewater Systems
1966 – 1969	19,800,000	Addition to electric generation, water and wastewater treatment capacity, and extensions and improvements
1973 – 1976	39,000,000	Addition to electric generation capacity and extensions, additions and improvements to the Electric, Water and Wastewater Systems
1978 – 1981	26,000,000	Additions to the electric transmission system and extensions and improvements to the electric, water distribution and wastewater collection systems
1983 – 1996	40,400,000	Additions, extensions and improvements to the Electric, Water and Wastewater Systems and acquisition of electric distribution customers
2004	183,990,000	Addition to electric generation capacity and extensions, and wastewater improvements
2007	110,405,000	Creation of the Communications System to provide retail telephone, cable television and internet service to the residents of the City
2010	86,080,000	Improvements to the Electric System to alleviate the Acadian Load Pocket, development of Advanced Metering Infrastructure to benefit the Electric and Water Systems, and collection improvements for the wastewater system
2012	14,595,000	Improvements to the Communications System to provide retail telephone, cable television and internet service to the residents of the City
2012	153,960,000	Advanced refunding of a portion of 2004 Bonds, Reserve Fund

Source: Official Statements

Utilities Revenue Refunding Bonds, Series 2012

Prior to the issuance of the 2012 Refunding Bonds, the proceeds from three prior bond issues remained outstanding. Specifically, the prior outstanding debt included \$5,445,000 from the 1996 Bonds, \$15,600,000 from the 2004 Bonds, and \$86,080,000 from the 2010 Bonds.

The 2012 Refunding Bonds were issued for the purpose of advanced refunding of the 2004 Bonds in order to obtain debt service savings and fund the Reserve Fund Account. The total amount of debt issued under the 2012 Refunding Bonds was approximately \$153,960,000.

Utilities Revenue Bonds, Series 2010

Prior to the issuance of the 2010 Bonds, the proceeds from two prior bond issues remained outstanding. Specifically, the prior outstanding debt included \$183,990,000 from the 2004 Bonds and \$8,350,000 from the 1996 Bonds.

The 2010 Bonds were issued for the purpose of financing improvements and upgrades associated with LUS's Electric transmission and substation systems to address the Acadian Load Pocket project, development of LUS's Automated Metering Infrastructure (AMI) initiative to benefit the Electric System and Water System, and Wastewater System collection improvements (lift stations / interceptors). The total amount of debt issued under the 2010 Bonds was approximately \$86,080,000.

Utilities Revenue Bonds, Series 2004

Prior to the issuance of the 2004 Bonds, the proceeds from two prior bond issues remained outstanding. Specifically, the prior outstanding debt included \$6,020,000 from the Revenue Refunding Bond Series 1993 (the 1993 Bonds) and \$13,520,000 from the Utilities Revenue Bond Series 1996 (the 1996 Bonds). With the issuance of the 2004 Bonds, the City defeased the 1993 Bonds. The Louisiana Department of Environmental Quality (LDEQ), the sole holder of the 1996 Bonds, allowed that the 2004 Bonds could be issued on parity with the 1996 Bonds and will become Outstanding Parity Bonds.

The 2004 Bonds were issued for the purpose of financing the construction of the North and South Generation Projects (subsequently renamed the T. J. Labbé and Hargis Hébert Electric Generation Station Projects, respectively), Electric Utility Transmission and Distribution Improvements, and Wastewater Utility Capital Improvement Projects. The total amount of the debt issued under the 2004 Bonds was approximately \$183,990,000.

Communications System Revenue Bonds, Series 2007

The 2007 Bonds were issued for the purpose of constructing, acquiring, extending and improving the Communications System. In addition to funding capital, the bonds also funded a Reserve Account for payments of capitalized interest through June 1, 2010. Specifically, the bonds were issued to develop a communications system that offers retail telephone, cable television and internet services to the residents of the City. The total amount of the debt issued under the 2007 Bonds was approximately \$110,405,000.

Communications System Revenue Bonds, Series 2012

Prior to the issuance of the 2012 Communications System Bonds, the proceeds from one prior bond issue remained outstanding. Specifically, the prior outstanding debt included \$110,405,000 from the 2007 Bonds. The 2012 Communications System Bonds were issued for the purpose of providing funds for the completion of improvements, upgrades, and other capital projects for the Communications System.

The total amount of the debt issued under the 2012 Communications System Bonds was approximately \$14,595,000.

As indicated previously, the Bond Ordinance developed for the 2007 Bonds included authorization for the 2012 Communication Bonds.

Financial and Statistical Data

Selected financial and statistical data provided by LCG for the City and Lafayette Parish has been included as Appendix A to this Report. This data was determined to be a requirement of this Report by LCG and LUS Bond Counsel and has not been independently verified by the Consulting Engineer.

Section 3

ORGANIZATION AND MANAGEMENT

LCG Organization and Management

The current form of government includes both the City and certain areas of the Parish and is referred to as LCG. This form of government includes the President and nine Council members who are elected by the citizens of the Lafayette Parish to four-year terms of office. Names of each official and offices held by each during the Report Period are shown in the Table 3-1.

Table 3-1
President and Council Members

Office	Members
President	L. J. Durel, Jr.
District 1 Member	Kevin Naquin
District 2 Member	Jay Castille
District 3 Member	Brandon Shelvin
District 4 Member	Kenneth P. Boudreaux
District 5 Member	Jared P. Bellard
District 6 Member	Andy Naquin
District 7 Member	Donald L. Bertrand
District 8 Member	Keith J. Patin
District 9 Member	William G. Theriot

Source: LCG, 3/14

Home Rule Charter

The President and his Chief Administrative Officer (CAO), Mr. Dee Stanley, direct and supervise the administration of all departments, offices, and agencies of LCG, except as may otherwise be provided by the Home Rule Charter (Charter) or by law. The LCG departments involved in day-to-day management and operation of LUS are the Department of Finance and Management, the Department of Information Services Technology and the Legal Department.

In the fall of 1992, the electorate of the Parish, including the City, adopted a Charter establishing LCG for the purpose of consolidating the governmental functions of the City and the Parish. The new government became operative on June 3, 1996 when LCG officials took office pursuant to the Charter. The Charter set up the LCG departments and defined the responsibilities of each department as follows.

Office of Finance and Management

Financial responsibilities are handled by the Office of Finance and Management. These duties as outlined on pages 20-21 in the Charter include:

- Collection (except where specifically otherwise provided for by law) and custody of all monies of LCG from whatever source
- Assistance to the President in the preparation of the annual operating budget and the capital improvement budget
- Maintenance of a record of indebtedness and payment of the principal and interest on such indebtedness
- Ascertaining that funds are available for payment of all contracts, purchase orders and any other documents which incur a financial obligation for LCG, and that such documents are in accordance with established LCG procedures
- Disbursement of LCG funds
- Administration of a uniform central accounting system for all LCG departments, offices and agencies, using nationally accepted standards where applicable
- Preparation of a monthly statement of revenues and expenditures, which shall be completed and made available for public inspection no later than 31 days after the end of each month
- Procurement of all personal property, materials, supplies, and services required by LCG under a central purchasing system for all departments, offices, and agencies in accordance with applicable state law, Council policy and administrative requirements
- Investment of idle funds, as permitted by law, so as to receive the maximum rate of return consistent with federal and state laws and regulations
- Maintenance of an inventory of all property, real and personal
- Supervision of Risk Management Division and Group Insurance Section
- Director's executive secretary will laterally transfer to Finance from Administrative Services

Duties of utility billing and revenue collection are handled by the Department of Utilities.

Ms. Lorrie Toups serves as the Chief Financial Officer (CFO) for the Office of Finance and Management.

Department of Information Services and Technology

The IS&T Department is responsible for managing the coordinated development of an integrated information technology system for LCG and external organizations who contract with LCG for computer services, as well as for supervision of Records Management Division and of Printing and Communications Sections. Mr. Kevin L. Samples serves as the Chief Information Officer (CIO).

Legal Department

Mr. Michael D. Hebert is retained as LCG’s Attorney to render legal opinions and to counsel and advise LCG and LUS. Various Assistant City Attorneys have also been appointed and serve under the direction, and at the discretion, of LCG’s Attorney.

LUS Organization and Management

The duties, responsibilities, management and organization of LUS under LCG are taken from the Charter.

Lafayette Public Utilities Authority

The governing authority of LUS is the LPUA. LPUA consists of those members of the Council whose districts include 60 percent or more of persons residing within the boundaries of the City, as they existed on the effective date of the Charter. Members may be added should the boundaries of the City change. The latest census reports of the United States Census Bureau were the basis for determining the council districts including 60 percent or more of persons residing within the City.

LPUA members for the period reported herein are provided in Table 3-2.

Table 3-2
LPUA Members

Name	Office
Donald L. Bertrand	Chair
Keith J. Patin	Vice Chair
Brandon Shelvin	Member
Kenneth P. Boudreaux	Member
Andy Naquin	Member

Source: LCG, 3/14

LPUA, subject to approval by the President and the Council by ordinance, may expand the area of end-user electric service only into areas authorized by R. S. 45:123, or other controlling State law, or into areas annexed into the City by LCG. Nevertheless, LPUA may enter into contracts with governmental bodies, exclusive of LCG, and other public or private utilities for other than end-user services.

LPUA must not sell, lease or, in any manner, dispose of the LUS, or any substantial part thereof, without approval by majority vote of the qualified electors residing within the boundaries of the City voting in an election called for that purpose. This may not be construed to prevent the disposal of property that has become obsolete, unserviceable and not necessary for the efficient operation of the LUS. The proceeds of the sale of such property must be used to purchase or construct other capital improvements for the LUS. In the event of the sale or lease of the entire LUS, the proceeds are to be used for capital improvements in the entire City.

A person residing in an area served by LUS may appeal to LPUA any proposed rate increases or issuance of bonds. The decision of LPUA is final, subject to appeal to the appropriate courts.

Lafayette Public Power Authority

LPPA was created January 11, 1977 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 and selling wholesale electric power to, or exchanging electric power with, the City and others.

The Council is the governing authority of the LPPA. The Chief Executive Officer of LPPA is the President of the LCG. The Director of Utilities is also the Managing Director of LPPA.

LPPA has a 50 percent ownership interest in a fossil-fuel steam-electric generating unit, Rodemacher Unit No. 2 (RPS2), located at the Brame Energy Center (formerly known as the Rodemacher Power Station) in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of Lafayette. RPS2 is operated by Cleco. LPPA supplies a significant portion (from 50 to 70 percent) of LUS's electric energy production.

Utilities Department

The Director of the Utilities Department is appointed by the President, subject to approval by LPUA, in accordance with provisions included in current or future bond resolutions and covenants. The Charter does not affect franchises and contracts in existence at the time the Charter became effective for the remaining life of these franchises and contracts.

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

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

- Production and distribution of electricity
- Water production, treatment and distribution
- Sewerage collection, treatment and disposal
- Utility engineering services
- Supervision of contract construction work for the Utilities System

- Maintaining utility equipment in cooperation with the central garage
- Reading of utility meters
- Other such activities as may be directed by the President as necessary or incidental to the operation of the Utilities System

The Managing Director of LPPA and the City’s Director of Utilities is Mr. Terry Huval. Mr. Huval is a graduate of the University of Louisiana at Lafayette with a Bachelor of Science in Electrical Engineering. He has been employed in the utility industry throughout his career and has served in various management positions with Entergy-Gulf States Utilities, until his appointment as LUS’s Director of Utilities on December 5, 1994.

The personnel serving as managers of the divisions within LUS are shown in Table 3-3.

**Table 3-3
LUS Division Managers**

Manager	Division
Frank Ledoux	Engineering Power Production Communications System
Andrew Duhon	Support Services Customer Service Employee Development
Craig Gautreaux	Wastewater Operations Water Operations
Mike Boustany	Electric Operations
Allyson Pellerin	Environmental Compliance

Source: LUS, 3/14

Engineering Division

The Engineering Division is responsible for all engineering activities necessary to operate and maintain the Utilities System. The functional activities of this division include forecasting, system planning, system design, contract administration, construction management, and engineering analysis in support of other operating divisions. The Engineering Division manager is responsible for the four sections described below.

The **Civil Engineering Section** focuses on the Water and Wastewater Utilities. Services include design, planning and construction of major water and wastewater infrastructure projects that are scheduled and budgeted with a system of work orders.

The **Power Marketing Section** responsibilities include the following areas:

- Special contracts

- Wholesale electric purchases and sales contracts and negotiations (including the LUS involvement with The Energy Authority (TEA), as described in Section 5 of this Report)
- Fuel supply contract management (coal, gas and transportation)
- Transmission and interconnection contract management
- Federal Energy Regulatory Commission (FERC) related issues and compliance reporting
- Work with developers to meet special electric service expansion needs
- Wholesale water and contract administration
- LUS representative on Southwest Power Pool (SPP) Markets & Operation Policy Committee
- SPP participation on various working groups
- Electric distribution for commercial services, residential services, Street Lighting and Private Lighting

The **Systems Engineering Section** areas of focus include:

- Geographic Information Systems (GIS) development to provide infrastructure locations and system mapping
- Network Engineering
 - Design and installation of Ethernet and wireless networks
 - Oversight of the entire LUS information technology budget
 - Operation and maintenance of the computer network hardware for all LUS facilities
 - Installation and support for applications
 - Technical support for the Supervisory Control and Data Acquisition (SCADA) system and fiber networks
- Drafting functions
- Acquisition of real property rights including easements and property ownership required for infrastructure expansions
- Material specifications for Electric, Water, and Wastewater Utilities
- Annual material purchase contracts through warehouse for Electric, Water, and Wastewater Utilities
- Document management for records center and water distribution
- Special projects including generation plants, building expansion and remediation, and fiber build-out management

The **System Construction Section** responsibilities include:

- Electric substation design and planning

- Transmission line design
- Electric system planning
- Fiber construction and installation
- Electric system communications
- Electric system personnel training

Network Engineering Section

The Engineering Division is responsible for supporting LUS' IT infrastructure.

Engineering Environmental Compliance Section

The Engineering Division manager is responsible for engineering environmental compliance, including all environmental compliance activities at power generation facilities. The Engineering Division manager is also responsible for the Electric Reliability Internal Compliance Program.

Air Quality Compliance Section

The Air Quality Compliance Section was created in 2008 to focus on the specific air quality related regulatory requirements as they relate to the power production activities of LUS.

Water Operations Division

The Water Operations Division is responsible for the water supply, production, storage, and distribution facilities. This includes maintenance as well as operations and water quality.

Wastewater Operations Division

The Wastewater Operations Division responsibilities include operation and maintenance (O&M) of the treatment and collection facilities. Also included is the management of wastewater discharge quality.

Electric Operations Division

The Electric Operations Division is responsible for the field activities associated with operating and maintaining the electrical transmission and distribution facilities. The functional activities include service calls, system construction, system control, meter shop, security, and substation operations.

Power Production Division

The Power Production Division is responsible for the O&M of the electric power production facilities. This division is also responsible for the project management, engineering, procurement and construction for its capital and O&M project budget.

Utilities Support Services Division

The Utilities Support Services Division is responsible for certain administrative duties associated with operating the Utilities System. These activities include employee training and safety, public information, utility service rates, facilities management, financial planning, and meter reading.

The Meter Services Section uses an electronic meter reading system that consists of hand-held remote data collection devices carried by meter readers, as well as computer-based translation and processing equipment at the meter services office, to provide meter data for the customer billing function.

The Meter Services Section compiles monthly statistics related to meter reading accuracy, read rates, and customer connects and disconnects in a continuous effort to identify trends and evaluate opportunities to improve the section's effectiveness.

Smart Grid & Advanced Metering Infrastructure

LUS conducted an economic evaluation of AMI systems in 2008 and in 2009 was approved for \$11.6 million in stimulus funding from the Federal government for Smart Grid-related investment. LUS provided matching funds and its smart meter installation project was substantially complete by the end of 2013. In addition to the smart meter installation, LUS is installing a Meter Data Management System, an Outage Management System, distribution and transmission automation, and demand response projects. The AMI system has reduced meter reading costs, with meter reading staff having been reduced from 20 to six meter readers. Interval data provided by the new meters allows for troubleshooting high usage questions. Future projects include a customer application that will provide access to usage data to help customers better manage their utilities costs, including a mobile application that will allow access to usage data via a smart phone.

Customer Service Division

The Customer Service Division collects and processes utility customer deposits and bills daily. This division also provides utility customers with service and responses to billing questions. Customer bill payment and other business facilities, including a drive-up window, are located in the LCG building. The cashier function includes receiving all payments delivered by mail or by hand.

Revenue collection service is an important and financially critical function for any utility. It is the "cash register" of the business, as well as an excellent opportunity to communicate directly with customers. An effective and customer-oriented revenue collection division is essential to the success of LUS.

Environmental Compliance Division

The Environmental Compliance Division supports the Utilities System in the following areas:

- Regulatory compliance for the water and wastewater divisions
- Administration of the Industrial Pretreatment Program

- Analytical services relative to analyses of drinking water, wastewater analysis, and biosolids reuse

Communications System

The Communications System is responsible for O&M activities for the wholesale and retail fiber system throughout the City. The fiber system was built in 1999 and provides internal communications capabilities that are critical to the operation and reliability of LUS.

LUS Personnel

Staffing Levels

Approximately 9 percent of the LUS total budgeted positions were unfilled at the end of 2013 (45 vacancies out of 520 positions). The average annual vacancy rate was approximately 8 percent or 36 vacant positions per month. The employee turnover rate for 2013 was reported as approximately 15 percent (including departures, transfers, retirements, etc.). The number of people employed by LUS, as well as LUS Fiber, as of October 31, 2013 and the number of full time employees (FTE) authorized in the budget for the same fiscal year are shown in Table 3-4.

Section 3

**Table 3-4
LUS Budgeted and Actual Number of Employees**

Division	2012-2013 Budget	2013 Actual Full Time	Difference	Percent Vacancy (%)
Director's Office	2	2	0	0
Support Services				
Admin & Support	11	10	1	9
Training	3	2	1	33
Meter Services	<u>18</u>	<u>15</u>	<u>3</u>	<u>17</u>
Total Support Services	32	27	5	16
Customer Service	43	41	2	5
Environmental Compliance	16	15	1	6
Power Production	50	35	15	30
Electric Operations				
Admin & Support	2	2	0	0
Transmission & Distribution	50	43	7	14
Energy Control	17	17	0	0
Substation & Communication	7	7	0	0
Facilities Management	<u>14</u>	<u>13</u>	<u>1</u>	<u>7</u>
Total Electric Operations	90	82	8	9
Water Operations				
Production	24	23	1	4
Distribution	<u>44</u>	<u>41</u>	<u>3</u>	<u>7</u>
Total Water Operations	68	64	4	6
Wastewater Operations				
Treatment	61	61	0	0
Collection	<u>37</u>	<u>36</u>	<u>1</u>	<u>3</u>
Total Wastewater Operations	98	97	1	1
Engineering				
Civil	17	13	4	24
Administration	11	10	1	9
Power Marketing	9	7	2	22
System Engineering	16	16	0	0
Electric System Construction	5	4	1	20
Environmental Compliance	4	4	0	0
Networking Engineering & Ops	<u>11</u>	<u>11</u>	<u>0</u>	<u>0</u>
Total Engineering	73	65	8	11
LUS Fiber				
Administration	3	3	0	0
Operations	28	28	0	0
Warehouse	3	3	0	0
Business Support	5	4	1	20
Engineering	<u>13</u>	<u>13</u>	<u>0</u>	<u>0</u>
Total LUS Fiber	<u>52</u>	<u>51</u>	<u>1</u>	<u>2</u>
Total Staff	524	479	45	9

Source: LUS, 'Personnel Strength Monthly Report,' 3/14

Succession Planning

LUS has a large number of highly qualified staff approaching retirement or eligible to retire and acknowledges the importance of training and hiring staff to replace those that have or will be retiring in the next few years. In the past, LUS struggled to fill vacant positions with qualified personnel and has had difficulty retaining staff. LUS has been proactive within their pay scale constraints, identifying key staff members to be mentored and working to fill vacant positions. LUS should continue these activities and maintain their proactive approach to succession planning. After a substantial increase in the turnover rate from 4 percent in 2011 to 15 percent in 2012, the turnover rate at LUS remained constant at 15 percent in 2013.

Pay Scale Review

The Bond Ordinances require the Consulting Engineer to review and make necessary recommendations related to the pay scales of LUS employees.

Employee Salary

The average LUS employee salary during 2013 and prior years is shown in Table 3-5. Changes in the average annual salary from year to year reflect salary administration and alterations to the total employee mix relating to both longevity and the proportion of senior and junior positions (supervisory employees, senior employees, and new hires). The data in the table below includes salaries associated with LUS Fiber employees. It is noted that LUS employees did not receive a pay raise during 2013.

**Table 3-5
LUS Average Annual Salaries**

	2009	2010	2011	2012	2013
Average Salary (\$)	43,274	43,539	46,024	47,168	47,026

Source: LUS, 3/14

Insurance

Insurance is handled by LCG’s Risk Management Division. LCG maintains a self-insurance fund for property and casualty claims. LCG fully self-insures general liability, auto liability, fleet collision/fleet fire, and directors’ and officers’ liability. LCG also self-insures the group health plan and administers a flex-funded life insurance plan. Excess policies are carried for fire and extended coverage, boiler, machinery, and worker’s compensation. Coverage values for existing generation assets are based on previous appraisals and conversations with appropriate LUS personnel.

According to LCG’s financial report for 2013, LCG is in compliance with Governmental Accounting Standards Board 10, Reporting for Risk Financing and Related Issues, for public entities.

Insurance related expenditures and recoveries from the Risk Management Fund for LUS (Utilities System and Communications System) for 2013 and the previous four years are provided in Table 3-6. Separate LUS Fiber Insurance Transactions for 2013 are provided in Table 3-7.

**Table 3-6
LUS Insurance Transactions**

	2009	2010	2011	2012	2013
Payments (\$)	687,155	842,417	1,347,212	1,261,558	1,372,906
Recovery (\$)	<u>(19,300)</u>	<u>(105,977)</u>	<u>(623,378)</u>	<u>(490,557)</u>	<u>193,031</u>
Effective Payments (\$)	667,855	736,439	723,834	771,001	1,179,875

Source: Suzanne Siner, LCG, 2/14

**Table 3-7
LUS Fiber Insurance Transactions**

	2012	2013
Payments (\$)	36,810	25,712
Recovery (\$)	<u>(5,910)</u>	<u>0</u>
Effective Payments (\$)	30,900	25,712

Source: Suzanne Siner, LCG, 2/14

Communications System

LCG reported that the total amount of property insurance in effect for LUS Fiber was approximately \$1.7 million, the total value of such assets was approximately \$113.2 million and that insurance was “bare” for automobile liability, general liability, errors and omissions, automobile property damage and boilers and machinery, as of October 31, 2013, meaning that the Communications System is self-funding coverage.

LCG verbally reported that it is unaware of any insurance related issues that would not be in conformance with the Communications System Revenue Bonds, Series 2007, and Communications System Revenue Bonds Series 2012.

LUS Organizational Goals

Minor changes were made to the LUS Strategic Plan in 2010 and LUS anticipates updating the plan on a triennial basis. It is noted that the plan was not updated in 2013. Various employee committees developed goals in five areas consistent with LUS’s vision, mission, values, and departments. Electric, Water, and Wastewater Utilities’ objectives include supporting the customer focus and include promotion of customer growth and creation of a customer-focused culture, in addition to the specific key areas listed in Table 3-8.

**Table 3-8
Strategic Plan Goals**

Focus	Key Areas
Customer Focus (Main Focus)	Improve customer service. Retain and expand customer base. Maintain community partnerships. Keep abreast of legal issues.
Employee Focus	Reinforce LUS core values. Develop appropriate training. Provide career development. Identify and respond to needs and concerns. Pursue performance-based compensation system.
Electric Focus	Ensure adequate self-generation capacity. Maintain supply of competitively-priced fuel. Operate and maintain generating and transmission and distribution facilities using best practices. Ensure adequate transmission system capacity with M-1 reliability criteria. Explore initiatives to promote customer sales growth. Create and nurture a customer focused culture.
Water Focus	Ensure adequate supply, treatment, and distribution capacity. Operate and maintain systems using best practices. Develop strategies and methodologies to extend service to our customers. Explore initiatives to promote customer growth. Create and nurture a customer focused culture.
Wastewater Focus	Ensure adequate treatment and collection capacity. Operate and maintain systems using best practices. Explore initiatives to promote customer growth. Create and nurture a customer focused culture.
Telecom Focus	Ensure adequate telecommunication facilities. Operate and maintain telecom facilities using best practices. Explore initiatives to promote customer sales growth. Create and nurture a customer focused culture. Develop strategies and methodologies to extend service to our customers.

Source: LUS, Strategic Plan 2010.

We recommend that LUS update and review its Strategic Plan on a consistent basis, including a review of measurable goals throughout the year.

Section 4

UTILITIES SYSTEM – FINANCE AND ACCOUNTING

LUS is directed by the President and regulated by the Council and LPUA with regard to utility service pricing and revenue bond financing. The Utilities System provides electric, water, and wastewater services to customers located both inside and outside the City limits.

The following discussion summarizes the findings of the Consulting Engineer with respect to the financial condition of LUS based upon discussions with, and information supplied by, LUS and LCG personnel. The financial and accounting information for the Communications System is contained in Section 8.

Accounting

The Home Rule Charter, Section 4 07, ‘Utilities Department’, states: *“The utility department shall function in accordance with conditions included in current or future bond resolutions and covenants except that reference to “city” therein shall refer to the Lafayette Public Utilities Authority.”*

LCG currently prepares monthly financial statements that include important operating financial and managerial data. Except for a few months following the close of a fiscal year, these internal statements are scheduled to be issued by the 20th day of the month following the reporting period.

The audit for the fiscal year ending in October is not available until approximately April of the following year. Basic financial and operating results including costs, revenue and performance measurements should be available from two to four weeks after the end of a given month if the utility is to be responsive to the dynamics of the rapidly changing utility industry.

In 2011, LCG implemented a new financial management system from Lawson Software. Progress was made throughout 2012 and 2013 in transitioning and utilizing this system.

The Consulting Engineer is of the opinion that the basic accounting principles and requirements of LUS, as contained in the Bond Ordinances, have been complied with by the City for the period ended October 31, 2013.

Utilities Revenue Refunding Bonds, Series 2012

The 2012 Refunding Bonds were issued for the purpose of advance refunding of a portion of the Utilities Revenue Bonds, Series 2004 outstanding bonds to obtain debt service savings and for funding a Debt Service Reserve Fund. The total amount of debt issued under the 2012 Refunding Bonds was approximately \$153,960,000. Table

4-1 below provides the combined amortization schedule for LUS' outstanding bond issues.

**Table 4-1
Projected Lafayette Utility Revenue Bonds
Bond Amortization Schedule**

Payment Date	Interest Payment (\$)	Principal Payment (\$)	Total Payment (\$)	Bonds Outstanding (\$)
2013	11,052,286	11,865,000	22,917,286	249,220,000
2014	11,978,915	11,355,000	23,333,915	237,865,000
2015	11,424,293	11,500,000	22,924,293	226,365,000
2016	10,970,238	11,955,000	22,925,238	214,410,000
2017	10,503,798	12,425,000	22,928,798	201,985,000
2018	9,932,325	11,805,000	21,737,325	190,180,000
2019	9,369,175	12,370,000	21,739,175	177,810,000
2020	8,750,675	12,985,000	21,735,675	164,825,000
2021	8,138,425	13,600,000	21,738,425	151,225,000
2022	7,458,425	14,275,000	21,733,425	136,950,000
2023	6,744,675	14,995,000	21,739,675	121,955,000
2024	5,994,925	15,740,000	21,734,925	106,215,000
2025	5,223,975	16,510,000	21,733,975	89,705,000
2026	4,415,175	17,325,000	21,740,175	72,380,000
2027	3,566,325	18,165,000	21,731,325	54,215,000
2028	2,658,075	17,870,000	20,528,075	36,345,000
2029	1,764,575	4,480,000	6,244,575	31,865,000
2030	1,540,575	4,705,000	6,245,575	27,160,000
2031	1,328,850	4,915,000	6,243,850	22,245,000
2032	1,083,100	5,165,000	6,248,100	17,080,000
2033	824,850	5,420,000	6,244,850	11,660,000
2034	553,850	5,695,000	6,248,850	5,965,000
2035	283,338	5,965,000	6,248,338	0

Source: 2012 Bonds, Official Statement. Amortization schedule includes 2012 Refunding Bonds, 2010 Bonds, 2004 Bonds and 1996 Bonds

Rate Revisions

The Council and LPUA have the exclusive right to regulate the Utilities System's rates and charges for services within and outside the corporate limits of the City. The 2010 and 2004 Bond Ordinances, Section 8.3, state that it is the duty of the Consulting Engineer to advise on any revisions of rates and charges except fuel adjustment charges.

LUS has attempted to balance reasonable utility rates to its customers with the responsibility of providing adequate and reliable electric, water, and wastewater

service and a reasonable amount of revenues in the form of ILOT payments to the LCG. The costs incurred by LUS and its Electric, Water, and Wastewater Systems in daily operation and in preparing for the future have increased over the years. Based upon factors such as (i) the covenants contained in the Bond Ordinance No. 0-122-2004 pertaining to the maintenance of rate levels, (ii) changing customer usage and cost characteristics due to a variety of factors such as growth and conservation, (iii) ILOT payments to LCG, (iv) regulatory requirements, and (v) the issuance of indebtedness to fund major capital improvements, LUS implemented retail rate changes in February 1, 2010 and November 1, 2010 (the beginning of Fiscal Year 2011). With these rate increases, the Electric, Water, and Wastewater Utilities are anticipated to continue providing a reasonable amount of revenues to LCG. No rate increases were incurred for 2013.

In-Lieu-of-Tax

According to the Bond Resolution, the ILOT payment to the general fund is based on the previous year’s revenues. Historical payments are shown in Table 4-2. The budgeted amount to be paid in 2013 is \$22.1 million or approximately 9.5 percent of LUS’s total revenues in 2013.

The ILOT to be paid based solely on electric revenues for 2013 is \$16.3 million or approximately 8.8 percent of electric revenues.

**Table 4-2
Historical ILOT Payments**

	2009	2010	2011	2012	2013	Average
LUS Operating Revenues (\$1,000)	205,522	212,213	237,552	220,734	232,281	
LUS Calculated ILOT (\$1,000)	<u>18,692</u>	<u>19,463</u>	<u>19,200</u>	<u>21,596</u>	<u>22,132</u>	
ILOT as a percent of Revenues (%)	9.09	9.17	8.08	9.78	9.53	9.12
Electric Operating Revenues (\$1,000)	169,717	172,484	189,386	173,885	186,270	
Electric Calculated ILOT (\$1,000)	<u>14,511</u>	<u>15,020</u>	<u>14,480</u>	<u>15,903</u>	<u>16,298</u>	
ILOT as a percent of Revenues (%)	8.55	8.71	7.65	9.15	8.75	8.55

Source: LUS Financial and Operating Statements 2009-2013 audited

Restricted Asset Transactions and Fund Balances

The 2010 and 2004 Bond Ordinances contain certain provisions and covenants pertaining to the separation and maintenance of funds. The 2010 and 2004 Bond Ordinances established the following funds in Article V, Section 5.1:

- (i) Receipts Fund
- (ii) Operating Fund
- (iii) Sinking Fund

- (iv) Reserve Fund
- (v) Capital Additions Fund

The Receipts, Operating, Sinking, Reserve, and Capital Additions Fund transactions during the year are presented in Table 4-3.

Table 4-3
Fund Balances (\$1,000)

	Receipts & Operating	Sinking	Reserve	Capital Additions	Total
Fund Balance as of November 1, 2012	8,571	0	24,852	78,784	112,207
Receipts during the Period:	258,765	24,366	0	45,412	328,543
Total Receipts and Cash Balance	267,336	24,366	24,852	124,196	440,750
Disbursements during the Period:	258,671	24,366	1,212	38,932	323,181
Fund Balance as of October 31, 2013	8,665	0	23,640	85,264	117,569

Source: LCG Utilities System Operating Budget, Part 2 2013-2014

2010 Construction Fund

The Construction Fund, identified in Table 4-4, was established as a result of the Series 2010 bond financing for major Electric and Wastewater Utility construction projects. The beginning balance of this fund in 2012 was \$28.5 million. Subsequent interest earnings of \$4.4 million and disbursements of \$22.1 million resulted in an ending balance of \$10.9 million in 2013.

Table 4-4
2010 Construction Fund (\$1,000)

Fund Balance as of November 1, 2012	28,534
Receipts during the Period:	4,442
Total Receipts and Cash Balance	32,976
Disbursements during the Period:	22,084
Fund Balance as of October 31, 2013	10,891

Source: LCG Utilities System Operating Budget, Part 2 2013-2014

Income Statement Summary

LUS operating revenues have increased by 5.2 percent since 2012. LUS operating expenses have also increased by 1.4 percent since 2012. Depreciation and amortization increased by 8.3 percent since 2012. Other income decreased by 3.3 percent, from approximately \$10.7 million in 2012 to \$10.4 million in 2013. Income deductions also increased by 3.8 percent. Collectively, these changes had a

positive impact on net income, which increased from \$10.2 million in 2012 to approximately \$16.5 million in 2013. LCG approved rate changes for the Utilities System that took effect in 2011. These data are shown below in Table 4-5.

**Table 4-5
Income Statement Summary**

	2009	2010	2011	2012	2013
Total Operating Revenues (\$)	205,522,289	221,304,052	247,625,213	220,734,369	232,281,011
Total Operating Expenses (\$)	169,450,165	173,002,757	180,840,726	166,165,173	168,415,411
Depreciation (\$)	18,521,599	18,637,254	17,716,330	19,376,753	20,978,328
Other Income (\$)	4,679,866	2,097,260	4,063,747	10,731,785	10,373,086
Income Deductions (\$)	<u>11,551,848</u>	<u>11,586,362</u>	<u>13,786,699</u>	<u>14,095,986</u>	<u>14,636,258</u>
Net before ILOT (\$)	10,671,740	20,174,939	39,345,205	31,828,242	38,624,100
ILOT (\$)	<u>18,660,233</u>	<u>19,462,860</u>	<u>19,199,649</u>	<u>21,596,096</u>	<u>22,131,617</u>
Net Income (\$)	(7,981,690)	712,079	20,145,556	10,232,146	16,492,483

Source: LCG Financial & Operating Statements 2009-2013 audited,

Cash Flow and Disposition of Unpledged Cash

Table 4-6 summarizes the Utilities System revenues and expenses for the Electric, Water, and Wastewater Utilities, over the most recent five years. Overall in 2013, the Utilities System total revenues (including retail sales, wholesale sales and other sources of income, and excluding Communications System totals) increased by \$11.5 million (5.2 percent), and operating expenses increased by \$2.3 million (1.4 percent). This resulted in an increase in Net Operating Revenue of approximately 9.0 percent, or \$5.8 million.

The total debt service payment for 2013 increased from the 2012 payment by approximately 49.7 percent, or \$7.6 million, according to the 2004, 2010, and 2012 Official Statements. Normal capital expenditures for additions to plant paid from cash, not including retained earnings, decreased by 2.9 percent.

**Table 4-6
Cash Flow and Disposition of Unpledged Cash**

	2009	2010	2011	2012	2013
Utilities System Operating Revenues (\$)	205,522,289	221,304,052	247,625,213	220,734,369	232,281,011
Utilities System Operating Expenses (\$)	169,450,165	173,002,757	180,840,726	166,165,173	168,415,411
Utilities System Other Revenues (Expenses) (\$)	<u>6,107,523</u>	<u>2,467,704</u>	<u>3,177,771</u>	<u>9,132,074</u>	<u>5,590,666</u>
Net Operating Revenues (\$)	42,179,647	50,768,999	69,962,258	63,701,270	69,456,266
Debt Service					
Interest (\$)	9,451,150	9,782,038	11,227,182	13,736,868	11,052,286
Principal (\$)	<u>915,000</u>	<u>940,000</u>	<u>940,000</u>	<u>1,575,000</u>	<u>11,865,000</u>
Total Debt Service(\$)	10,366,150	10,722,038	12,167,182	15,311,868	22,917,286
Balance After Debt Service (\$)	31,813,497	40,046,961	57,795,076	48,389,402	46,538,980
Less Normal Capital (\$)	10,150,440	11,081,943	4,115,030	5,980,934	5,804,975
Change in Cash due to Operations (\$)	21,663,056	28,965,018	53,680,046	42,408,468	40,734,005
Change in 'Unpledged Cash' - Funds(\$)	<u>(13,071,571)</u>	<u>(9,735,128)</u>	<u>23,260,176</u>	<u>24,589,495</u>	<u>6,056,475</u>
Subtotal	8,591,486	19,229,890	76,940,222	66,997,963	46,790,480
Less In-Lieu-of-Tax Payment (\$)	<u>18,660,233</u>	<u>19,462,860</u>	<u>19,199,649</u>	<u>21,596,096</u>	<u>22,131,617</u>
Changes in Balance Sheet Accounts affecting Cash (\$)	(10,068,747)	(232,970)	57,740,573	45,401,867	24,658,863

Source: LUS Financial and Operating Statements 2009-2013 audited
LUS Unofficial Status of Construction Work Orders, October 2013

Operating Budget

2012-2013 Operating Budget

The LCG's fiscal year 2012-2013 budget (November 1, 2012 through October 31, 2013), including LUS's budget, was submitted by the President to the Council and approved by the Council by Ordinance No. O-159-2012. A comparison of the projected operations in the Adopted Budget with actual operating results is shown in Table 4-7.

Table 4-7
Comparison of Actual Results to the Adopted Budget

	FY 2013 Actual Results	FY 2013 Adopted Budget	Difference	% Difference
Receipts (\$1,000)	232,281	245,201	(12,920)	-5.3
Non-Operating Revenues/Expenses (\$1,000)	5,591	2,220	3,371	151.8
O&M (\$1,000)	<u>168,415</u>	<u>182,333</u>	<u>(13,917)</u>	<u>-7.6</u>
Balance Before Debt Service (\$1,000)	69,456	65,089	4,368	6.7
Debt Service (\$1,000)	<u>22,917</u>	<u>15,312</u>	<u>7,605</u>	<u>49.7</u>
Balance After Debt Service (\$1,000)	46,539	49,777	(3,238)	-6.5
Capital Expenditures (\$1,000)	5,805	9,273	(3,468)	-37.4
In-Lieu-of-Tax (\$1,000)	<u>22,132</u>	<u>22,250</u>	<u>(118)</u>	<u>-0.5</u>
Balance of Revenues (\$1,000)	18,602	18,254	349	1.9

Source: LCG Annual Budget Document 2012-2013

LUS Financial and Operating Statements 2012-2013 audited

Note: The Capital Expenditures do not include Construction Funds for the 2010 Series Bonds

Section 5

UTILITIES SYSTEM – ELECTRIC UTILITY

During March 2014, the Consulting Engineer interviewed LUS staff regarding Electric Utility operations and performed analyses of operating statistics that are indicative of the general operating condition of LUS's Electric Utility facilities. The following discussion summarizes the findings of the Consulting Engineer with respect to the maintenance and management of the property based upon discussions with and information supplied by LUS personnel.

This Section contains a discussion of the Electric Utility's generation facilities, fuel supply, purchased power, and distribution facilities. The information and findings of the Consulting Engineer are based upon general observations, discussions with utility supervisory personnel, and information supplied by LUS personnel.

Electric Utility Facilities

The production of power for the Electric Utility is primarily provided from three gas-fired generating facilities located in the City and one coal-fired generating facility (through purchases from LPPA). LPPA supplies a significant portion (from 50 to over 80 percent) of LUS's electric energy requirements. The discussion below provides a description of the facilities, the historical operating statistics for each facility, a summary of the O&M history and plans, and the condition of the facilities as observed by the Consulting Engineer.

Gas-Fired Generation

The gas-fired generating facilities, which supply a portion of the demand and energy requirements of LUS, include the Doc Bonin Plant, the T. J. Labbé Electric Generation Station (T. J. Labbé Plant), and the Hargis-Hébert Electric Generation Station (Hargis-Hébert Plant). Construction and commissioning of the T. J. Labbé Plant and Hargis-Hébert Plant were completed in 2005 and 2006, respectively.

The Curtis A. Rodemacher Electric Generation Station (Rodemacher Station), also located in the City, has not operated since 1994 and LUS is in the process of decommissioning the plant. LUS is working with Burns & McDonnell to issue a task order for fiscal year 2013 – 2014 to perform a subsurface investigation at Curtis A Rodemacher Power Plant to determine any environmental concerns in order to develop a decommissioning plan.

Doc Bonin Plant

The Doc Bonin Plant is located in the northwest part of the City and consists of three natural gas-fired conventional utility boilers each with a dedicated steam turbine (ST). The units were installed in 1964, 1970, and 1976, respectively. Unit 1 generates steam

at 1,250 pounds per square inch (psi) and includes a non-reheat, tandem compound, bottom exhaust ST. Unit 2 and Unit 3 generate steam at 1,800 psi and include tandem compound, bottom exhaust STs with reheat. Each unit has a dedicated cooling tower for heat rejection. Well water is utilized for cooling tower make-up and municipal potable water is supplied to the water treatment system. Each unit has a dedicated exhaust stack and none of the units have emission control equipment. Unit 1 and Unit 2 are electrically interconnected to the LUS system at the 69 kilovolt (kV) level and Unit 3 is connected at the 138 kV level.

T. J. Labbé Plant and Hargis-Hébert Plant

The T. J. Labbé Plant is located toward the northern portion of the Parish, and consists of two natural gas-fired LM6000PC Sprint combustion turbines (CTs) with water injection for nitrogen oxides (NO_x) control and chillers for inlet air cooling to enhance power production when operating at high ambient temperatures. The T. J. Labbé Plant is equipped with three 50 percent capacity gas compressors and is electrically connected to the 230-kV system via transmission lines to the Doc Bonin Plant, Pont Des Mouton Substation, Wells Substation, and Sellers Road Substation.

The Hargis-Hébert Plant is a similar configuration as the T. J. Labbé Plant and is located toward the southern portion of the City, and consists of two natural gas-fired LM6000PC Sprint CTs with water injection for NO_x control and chillers for inlet air cooling. The Hargis-Hébert Plant has been designed with two 100 percent capacity natural gas heaters and is electrically connected to the existing Elks Substation by means of a 1.2-mile 69-kV transmission line.

The T. J. Labbé Plant and Hargis-Hébert Plant have quick start capability, allowing operation of the units in the event of the loss of power from the transmission grid. In addition, these plants are equipped such that personnel at the Doc Bonin Plant can monitor, as well as control (start-up, shutdown, load adjustment, etc.) the CTs remotely; however, normally the CTs are operated locally with site personnel and monitored by personnel at the Doc Bonin Plant. Both CTs at the Hargis-Hébert Plant are equipped with synchronous condensers, or clutches, between the turbine and the generator to provide voltage support to the system. The synchronous condensing capability was tested during commissioning, but has not been utilized since and due to control system upgrades; further testing would be required prior to dispatching the units in synchronous condensing mode.

General information including net capacity for each unit at the Doc Bonin Plant, T. J. Labbé Plant, and Hargis-Hébert Plant is listed in Table 5-1 below. Tables 5-2, 5-3, and 5-4 below provide five year operating statistics for the Doc Bonin Plant, T. J. Labbé Plant, and Hargis-Hébert Plant, respectively.

**Table 5-1
Gas Fired Generation**

Unit	Net Capacity (MW) ⁽²⁾	Fuel	Boiler Manufacturer	Turbine Manufacturer
Doc Bonin Unit 1	0 ⁽²⁾	Gas/Oil ⁽¹⁾	Babcock and Wilcox	Westinghouse
Doc Bonin Unit 2	68 ⁽³⁾	Gas/Oil ⁽¹⁾	Combustion Engineering	General Electric
Doc Bonin Unit 3	<u>103</u> ⁽³⁾	Gas/Oil ⁽¹⁾	Babcock and Wilcox	General Electric
Doc Bonin Plant Total	171			
T. J. Labbé Unit 1	48 ⁽³⁾	Gas	N/A	General Electric
T. J. Labbé Unit 2	<u>48</u> ⁽³⁾	Gas	N/A	General Electric
T. J. Labbé Plant Total	96			
Hargis-Hébert, Unit 1	48 ⁽³⁾	Gas	N/A	General Electric
Hargis-Hébert, Unit 2	<u>48</u> ⁽³⁾	Gas	N/A	General Electric
Hargis-Hébert Plant Total	<u>96</u>			
Total	363			

(1) Natural gas is the fuel used for generation, with oil permitted as an alternative supply

(2) Unit 1 entered mothball status in June 2013 when MISO became the LUS Reliability Coordinator

(3) Currently derated capacity values.

Source: Jamie Webb, LUS, 3/14

Section 5

**Table 5-2
Doc Bonin Plant Gas Fired Generation Operating Statistics**

	2009	2010	2011	2012	2013	5-Year Average
Doc Bonin – 1						
Gross Generation (MWh)	4,290	2	0	0	0	858
Gross Capacity Factor (%) ⁽¹⁾	1	0	0	0	0	0
Service Factor (%) ⁽²⁾	2	0	0	0	0	0
Availability Factor (%) ⁽³⁾	73	28	36	8	0	29
Forced Outage Rate (%) ⁽⁴⁾	93.0	72	0	100	N/A	66
Number of Starts	2	1	0	0	0	1
Doc Bonin – 2						
Gross Generation (MWh)	160,244	251,461	288,263	48,022	54,689	160,536
Gross Capacity Factor (%) ⁽¹⁾	20	32	37	6	7	20
Service Factor (%) ⁽²⁾	43	53	58	14	21	38
Availability Factor (%) ⁽³⁾	93	86	81	54	94	82
Forced Outage Rate (%) ⁽⁴⁾	7.6	3	0.8	52.7	6.6	14.1
Number of Starts	4	9	4	3	1	4
Doc Bonin – 3						
Gross Generation (MWh)	123,419	179,635	284,572	475,832	102,164	233,124
Gross Capacity Factor (%) ⁽¹⁾	8	11	17	29	6.2	14
Service Factor (%) ⁽²⁾	17	25	45	66	14.3	34
Availability Factor (%) ⁽³⁾	100	62	54	83	52	70
Forced Outage Rate (%) ⁽⁴⁾	0.0	3.0	12.5	15.0	64.5	19.0
Number of Starts	1	3	7	1	2	3
Doc Bonin Totals						
Total Gross Generation (MWh)	287,953	431,097	572,835	523,854	156,853	394,519
Total Net Generation (MWh)	260,180	395,518	526,993	484,016	85,793	350,500
Total Gas Usage (MMBtu)	3,030,798	4,359,661	6,114,318	5,340,044	1,735,707	4,116,106
Net Heat Rate (Btu/kWh)	11,649	11,023	11,602	11,033	20,231	13,108

(1) Gross Capacity Factor is the actual electric generation divided by the maximum the unit is capable of generating

(2) Service Factor reflects the percent of time the unit was electrically connected to the transmission system

(3) Availability Factor reflects the percent of time the unit was capable of providing service

(4) Forced Outage Rate reflects the percent of time the unit was removed from service due to an unplanned failure

Source: Jamie Webb, LUS 3/14

Table 5-3
T. J. Labbé Plant Gas Fired Generation Operating Statistics

	2009	2010	2011	2012	2013	5-Year Average
T. J. Labbé - 1						
Gross Generation (MWh)	18,072	67,016	151,490	22,314	28,598	57,498
Gross Capacity Factor (%) ⁽¹⁾	4	15	35	5	5	13
Service Factor (%) ⁽²⁾	8	36	72	7	9	27
Availability Factor (%) ⁽³⁾	93	99	94	84	95	93
Forced Outage Rate (%) ⁽⁴⁾	37.79	0	2.7	39.8	1.8	16
Number of Starts	66	34	35	63	49	49
T. J. Labbé - 2						
Gross Generation (MWh)	23,614	37,537	35,373	21,269	39,163	31,391
Gross Capacity Factor (%) ⁽¹⁾	5	9	8	5	8	7
Service Factor (%) ⁽²⁾	11	20	17	7	12	13
Availability Factor (%) ⁽³⁾	96	98	99	87	99	96
Forced Outage Rate (%) ⁽⁴⁾	15.3	3.0	1.8	2.7	1.5	5
Number of Starts	65	49	50	64	79	61
T. J. Labbé Totals						
Total Gross Generation (MWh)	41,686	104,551	186,863	43,583	67,760	88,889
Total Net Generation (MWh)	38,926	102,745	177,384	41,139	63,925	84,824
Total Gas Usage (MMBtu)	468,323	1,370,659	2,201,988	655,900	706,006	1,080,575
Net Heat Rate (Btu/kWh)	12,031	13,340	12,414	15,944	11,044	12,207

(1) Gross Capacity Factor is the actual electric generation divided by the maximum the unit is capable of generating

(2) Service Factor reflects the percent of time the unit was electrically connected to the transmission system

(3) Availability Factor reflects the percent of time the unit was capable of providing service

(4) Forced Outage Rate reflects the percent of time the unit was removed from service due to an unplanned failure

Source: Jamie Webb, LUS, 3/14

**Table 5-4
Hargis Hébert Plant Gas Fired Generation Operating Statistics**

	2009	2010	2011	2012	2013	5-Year Average
Hargis-Hébert - 1						
Gross Generation (MWh)	58,390	89,566	87,168	22,728	29,312	57,433
Gross Capacity Factor (%) ⁽¹⁾	13	20	20	5	5	13
Service Factor (%) ⁽²⁾	14	24	29	6	8	16
Availability Factor (%) ⁽³⁾	99	87	95	89	96	93
Forced Outage Rate (%) ⁽⁴⁾	6.8	4.0	1.0	54.8	13.8	16.1
Number of Starts	123	89	166	56	39	95
Hargis-Hébert - 2						
Gross Generation (MWh)	105,277	81,757	70,334	7,174	19,330	56,774
Gross Capacity Factor (%) ⁽¹⁾	24	19	16	2	4	13
Service Factor (%) ⁽²⁾	32	24	20	2	6	17
Availability Factor (%) ⁽³⁾	99	94	96	66	97	90
Forced Outage Rate (%) ⁽⁴⁾	1.6	3.0	4.5	8.9	7.1	21.0
Number of Starts	140	101	110	19	37	81
Hargis-Hébert Totals						
Total Gross Generation (MWh)	163,667	171,323	157,502	29,901	48,641	114,207
Total Net Generation (MWh)	158,193	168,074	151,742	27,786	42,227	109,604
Total Gas Usage (MMBtu)	1,658,598	1,740,821	1,602,632	297,321	509,688	1,161,812
Net Heat Rate (Btu/kWh)	10,485	10,358	10,562	10,700	12,070	10,835

(1) Gross Capacity Factor is the actual electric generation divided by the maximum the unit is capable of generating

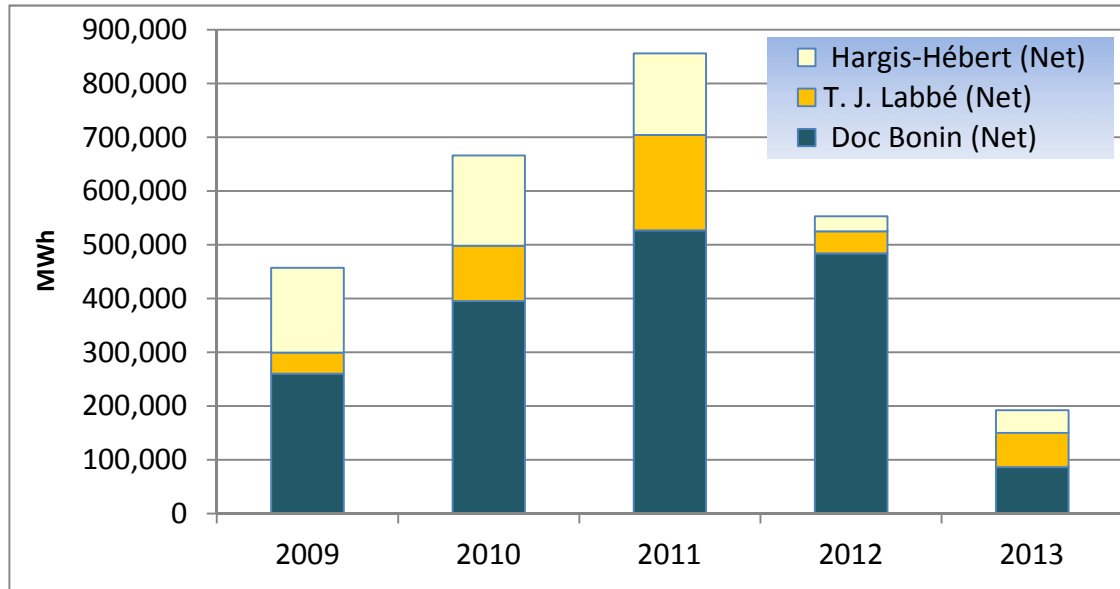
(2) Service Factor reflects the percent of time the unit was electrically connected to the transmission system

(3) Availability Factor reflects the percent of time the unit was capable of providing service

(4) Forced Outage Rate reflects the percent of time the unit was removed from service due to an unplanned failure

Source: Jamie Webb, LUS, 3/14

Figure 5-1 below shows the total energy production from the gas-fired generation facilities and illustrates the energy contributed by each.



Source: Jamie Webb, LUS, 3/14

Figure 5-1: Generation Unit Contributions

LUS attempts to utilize their coal-fired capacity at RPS2 to provide as much energy as possible throughout the year. Delivery limitations from RPS2 due to transmission constraints have in the past occurred quickly and with limited warning. Therefore, in the past, because several hours are required to start up one of the Doc Bonin Plant units, one or more of the Doc Bonin Plant units were kept on-line. However, the addition of the T. J. Labbé Plant and the Hargis-Hébert Plant, which have much quicker start-up times and are more efficient than the Doc Bonin Plant units, has significantly altered the operating profile of the units of the Doc Bonin Plant and the energy production of the gas-fired generation resources in general.

Prior to 2012, the occurrence of transmission constraints had required an increase in operation of the Doc Bonin Plant. However, in 2013, generation at the Doc Bonin Plant, as well as at the T. J. Labbé Plant and the Hargis-Hébert Plant, continued to trend downward. Figure 5-1 above shows the trend of gas-fired generation over the past five years.

The 2013 availability of the Doc Bonin Units 2 and 3 were lower than we would expect the long-term average availability to be for units of similar size, type, and age, due to scheduled and forced outages. Unit 2 outages and derates were associated with turbine controls, turbine vibration, circulating water expansion joint repair, cooling tower header replacement, turning gear repairs, turbine oil quality, and 480 V bus A ground faults. Unit 3 underwent a major turbine overhaul in fiscal year 2013, and as well experienced outages and derates associated with the forced draft fans, boiler feed pups, automatic voltage regulator, turbine controls, and economizer tube leaks. The

Doc Bonin Unit 1 experienced zero availability due to continued boiler and control system problems and the associated extended outage. In 2013, the Doc Bonin Units 2 and 3 forced outage rates were worse than we would expect due mostly to the forced outages described above. We note that LUS has raised the minimum load level of the Doc Bonin Unit 3 to approximately 80 megawatts (MW) in order to mitigate excessive NO_x emissions events relative to the air permit.

In 2013, the availability factors of the T. J. Labbé Plant and the Hargis-Hébert Plant were improved compared to the previous year operation. In 2013, the T. J. Labbé Plant availability was mainly reduced due to a hot section exchange (Unit 1), and various equipment failures/repairs including the inlet air chillers, water injection system, fire protection system, generator vent fans/filters, and control system components. In 2013, the Hargis-Hébert Plant availability was mainly reduced due to generator inspections and various equipment failures/repairs including the inlet air chillers, and multiple control system components.

Fuel Infrastructure and Supply Contracts

LUS owns a ten mile, 10-inch gas supply pipeline, which connects to Texas Gas Transmission Corporation (Texas Gas) and Columbia Gulf Transmission Company (Columbia Gulf) pipeline systems. LUS reports that the Texas Gas supply system has not been used in over 15 years. The LUS-owned gas pipeline is the primary means of supplying gas to the Doc Bonin Plant and the T. J. Labbé Plant; alternatively, the Crosstex Gulf Coast Marketing, Ltd. (Crosstex) pipeline may be used. For 2013, LUS reports the Crosstex pipeline was used for emergency fuel supply to the Doc Bonin Plant to mitigate the risk of fuel supply interruption during critical periods of generation. The LUS-owned gas pipeline also crosses (but is not interconnected with) two other gas pipelines, Florida Gas Transmission, a subsidiary of CrossCountry Energy, LLC, and Gulf South Pipeline Company, LP (Gulf South).

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

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

Coal-Fired Generation

LPPA supplies a significant portion from 50 to over 80 percent of LUS's electric energy production. LPPA has a 50 percent ownership interest in a fossil-fuel steam-electric generating unit, RPS2, located in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of Lafayette. RPS2 is operated by

Cleco and consists of a Foster-Wheeler steam boiler and a General Electric reheat steam turbine generator with a nominal rating of 510,828 kilowatt (kW).

The RPS2 is equipped with a hot-gas electrostatic precipitator to remove fly ash from the flue gas with a design collection efficiency of 99.5 percent when burning low sulfur coal, and 95 percent when burning oil. The boiler is rated at 3,800,000 pounds of steam per hour. Design throttle pressure is 2,400 pounds per square inch gauge (psig) with five percent continuous over-pressure capability. Boiler main steam temperature is 1,005 degrees Fahrenheit (°F) with a reheat temperature of 1,005°F. The electric generator is rated at 620,000 kilovolt amperes (kVA) and operates at 3,600 revolutions per minute (rpm).

Circulating water for cooling and condensing the steam is supplied from Lake Rodemacher by circulating water pumps that are located in the screened water intake structure. Evaporation and water otherwise lost from the lake is replaced by rainfall runoff within the Lake Rodemacher's drainage area, which is approximately 34 square miles.

Transmission for RPS2

There are five 230-kV lines owned by Cleco out of the Rodemacher switching station. Four of the 230-kV lines extend to Clarence, Leesville, Rapides, and St. Landry (Cocodrie), while the fifth line from the Rodemacher Power Station extends to Sherwood. Two other 230-kV lines have been constructed from Sherwood to the Pineville-Rapides 230-kV line.

Through these Cleco transmission facilities, the Rodemacher switching station is interconnected with the area transmission grid. LUS is interconnected with the area transmission grid through its 138-kV and 230-kV ties to Cleco and Entergy. Interconnection facilities provide capability for LUS to receive electricity at a maximum capacity of 500 MW.

Coal for Rodemacher Unit No. 2

The principal fuel for RPS2 is coal; purchases are made via master coal purchase agreements discussed later in this Report. The coal is transported via rail from Wyoming to the facility in Boyce, Louisiana. LPPA owns two unit trains that are operated by Cleco in coordination with Cleco's unit trains to bring LPPA's coal to the facility.

**Table 5-5
RPS2 Operating Statistics**

	2009	2010	2011	2012	2013	5-Year Average
Gross Generation (MWh)	3,108,727	3,455,279	3,433,091	2,858,332	3,047,012	3,180,488
Station Service (MWh)	<u>216,251</u>	<u>239,105</u>	<u>237,591</u>	<u>225,368</u>	<u>222,149</u>	<u>228,093</u>
Net Generation (MWh)	2,892,476	3,216,174	3,195,500	2,632,964	2,824,863	2,952,395
Station Service (%)	7.0%	6.9%	6.9%	7.9%	7.3%	7.2%
Net Capacity Factor (%) ⁽¹⁾	63.1%	70.2%	69.8%	61.7%	66.4%	66.2%
Hours Available	6,996	7,945	7,943	7,933	7,515	7,666
Net Unit Heat Rate (Btu/kWh) ⁽²⁾	10,923	10,975	10,754	11,077	10,975	10,941
Availability Factor (%) ⁽³⁾	79.9%	90.7%	90.7%	90.3%	85.8%	87.5%
Forced Outage Factor (%) ⁽⁴⁾	4.2%	4.9%	1.7%	2.5%	5.8%	3.8%
Scheduled Outage Factor (%)	15.9%	4.4%	7.6%	7.2%	8.4%	8.7%

(1) Net Capacity Factor is the actual electric generation divided by the maximum the unit is capable of generating

(2) The heat rate is calculated by multiplying the average Btu content of the fuel (as reported from the mine's coal analysis) by fuel consumption, and dividing by the energy in MWhs generated and delivered to the transmission grid

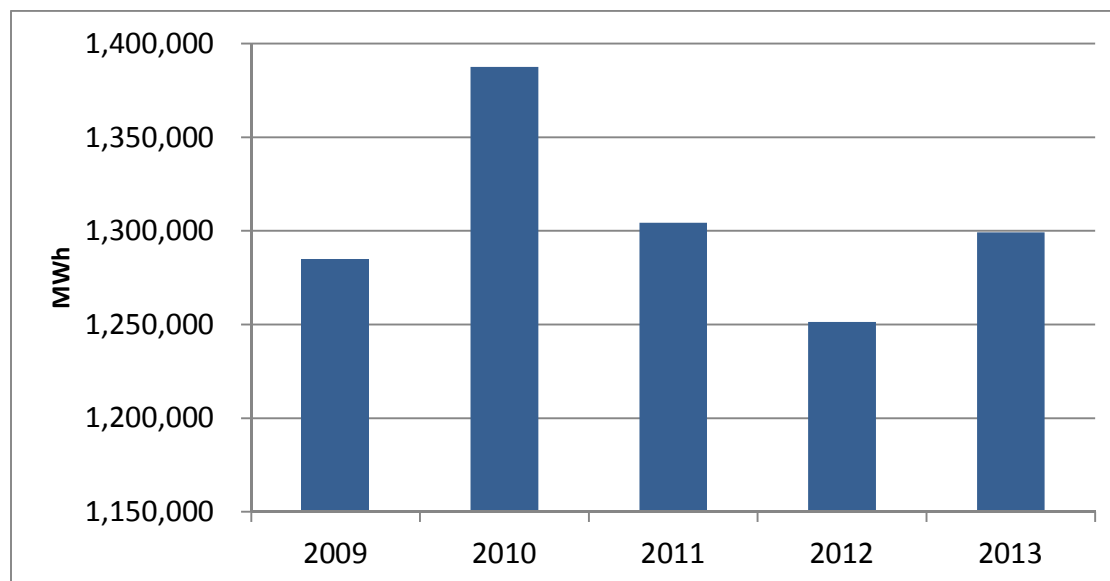
(3) Availability Factor reflects the percent of the time the unit was capable of providing service

(4) Forced Outage Factor reflects the percent of time the unit was removed from service due to an unplanned failure

Source: LPPA Manager's Monthly Reports

The five-year average availability of the Rodemacher Plant is within the range of expected values for availability of coal-fired power plants of similar size, type and age.

Figure 5-2 shows the MWh delivered to LUS annually from RPS2.



Source: LPPA Manager's Monthly Reports

Figure 5-2: Annual RPS2 MWh Delivery to LUS

Transmission & Distribution

Scheduling and delivery of reliable energy to the Electric Utility customers is accomplished through a network of transmission and distribution lines monitored by an integrated communication system and the functions performed by the Electric Operations Division. The discussion below provides a description of the facilities, historical O&M statistics, a summary of O&M and capital plans and the condition of the facilities, as reported to the Consulting Engineer. A summary of the major functions of the Electric Operations Division is also provided below.

LCG's electric transmission system includes 230-kV transmission facilities and a 69-kV loop. Step-down transformation provides the connection between the 230-kV, 138-kV, and the 69-kV systems and from the 230-kV, 69-kV systems and the 13.8-kV distribution service voltage at 14 distribution substations located throughout the City. The system still has a small amount of 2,400-V service at Doc Bonin Plant that will remain in service for the life of the plant. The service area covers approximately 40 square miles and is primarily residential and commercial customers.

The 230-kV transmission system is comprised of 16.13 miles of line with interconnections to Cleco at Pont Des Mouton Substation in the north, one 230-kV tie to Entergy at the T.J. Labbé Switchyard, one 230-kV tie to Cleco at the T.J. Labbé Switchyard, two 138-kV ties to Entergy at the Doc Bonin Plant Substation, one 230-kV tie to Cleco at the Flanders Substation in the southern part of the City, and one 69-kV radial tap from the Elks Substation to the Cleco Breaux Bridge Substation. The Doc Bonin Substation has two autotransformers connecting the 230kV and 138kV systems as well as two autotransformers that connect the 138kV and 69kV systems. The Elks Substation has an autotransformer connecting the 230-kV and 69-kV systems. The 69-kV system has 28.2 miles of line with multiple loops throughout the north and central parts of the City.

There are 14 distribution substations (typically consisting of two step-down transformers with three to four feeders each) and two transmission/generation substations (T. J. Labbé Plant and Hargis-Hébert Plant). The distribution system has 80 load-serving 13.8-kV feeders with 472 miles of overhead lines and 482 miles of underground cable as reported from the updated geographical information system (GIS) mapping system.

Energy Control System

The ECS Section is responsible for generating unit commitment, dispatch, the purchase and sale of wholesale power, and operation of the SCADA system for all LUS facilities. LUS uses an outside service, The Energy Authority (TEA), to perform Midcontinent Independent System Operator, Inc. (MISO) market transactions. In addition, ECS is in continuous communication with TEA regarding existing capacity and load requirements.

Lafayette Utilities System became a full member of MISO during 2013. Effective June 1, 2013, MISO became LUS's Reliability Coordinator, and on December 19, 2013 LUS became a Local Balancing Authority within MISO. TEA was designated as LUS' Market Participant. LUS reported all ECS operating personnel received the

required training necessary to meet all the MISO's market reliability and market requirements. In 2013, LUS had a CIP Audit 706 conducted by Southwest Power Pool auditors. LUS reported the summary of the 2013 CIP Audit to be as follows:

- Audit conducted on April 22-May 3, 2013
- Audit Monitoring Period was October 1, 2010 to May 3, 2013
- Standards covered during audit was CIP-002-3 through CIP-009-3
- 40 Requirements were audited
- The overall result was successful with small possible violations cited.

SCADA System

The SCADA system maintains control of all electric transmission and distribution substation breakers, feeder circuit breakers, and other equipment on the electric system. The SCADA system collects a wide range of electric system operating data and information regarding alarms, system energy flow, voltage, switch positions, protective equipment operations, and transmission interchange status. This data positively affects system reliability, as system status information is instantly available to operations and engineering staff.

The LogRhythem tool LUS uses is a Security Information and Event Management (SIEM) appliance. It automatically centralizes and archives logs for all cyber assets within the electronic security perimeter. In addition, it provides for real-time monitoring of logs, alerts for suspicious activity, and provides automated reporting functionality.

The Energy Management System (EMS)/SCADA system was upgraded in 2013 and LUS reported without any issues and with optimal performance to date. The EMS system is assisting both the Doc Bonin Plant staff and ECS staff in strengthening their coordination. The EMS is also assisting in the refinement and verification of O&M costs, start-up costs, and real-time fuel monitoring data.

LUS reports the following upgrades were made to the EMS system in 2013 in conjunction of MISO/LUS's integration:

- OpenMOS for MISO Market. OpenMOS is the Market Operation System program that is used to communicate the XML messaging from LUS' XML Listener to OpenECA. LUS uses this information to receive generation dispatch signals and generation start/stop notifications via XML from MISO.
- OpenECA for MISO Market OpenECA is the Energy Market Control Algorithm program. It receives signals via ICCP and XML communications and controls LUS' generation units as to what LUS' Balancing Authority, MISO, is sending.
- XML Listener for MISO Market. XML Listener is the program that listens for XML notifications of generation dispatch signals and generation start/stop commands. This is then fed into OpenMOS.

- GFI Languard 2014 for Testing of system changes. GFI Languard 2014 is the program LUS uses for its Cyber Security Controls Testing. LUS uses this to scan test systems (TCP/UDP port scan, Services scan, User scan) prior to any change or upgrade. LUS applies the change or upgrade and then runs the scans again. Any expected change will be noted and Ports/Services/User Baselines will be updated and then the change will be propagated to LUS' production environment. Any unexpected change will also be noted and not be propagated to production systems.
- Several Upgrades to System Point count for licensing (Analog/Status/ICCP). LUS is licensed through its EMS vendor, Open Systems International, to have a certain finite amount of analog, status, setpoint, accumulator, ICCP, FEP, and control points. In 2013, LUS had system upgrades and needed to increase the amount of analog, status, ICCP, and FEP points.
- NetAPT for testing firewall configurations. NetAPT is a program used to test CISCO firewall configurations. It is used to determine if there are any vulnerabilities in LUS' configurations that would compromise the EMS network.
- New Inter-Control Center Communications Protocol (ICCP) links added for Outage Management System, MISO. New ICCP data links were added to outside systems to provide for visibility and communications with the OMS and MISO.
- New Remote Terminal Unit (RTUs) added for expansion. New RTU's were added to LUS' EMS as the system expands. These RTU's communicate data out in the field back the LUS' Master SCADA system.

The SCADA system is designed for full redundancy including a back-up Master Station. The SCADA system uses a robust communication system built on LUS's fiber network using dedicated fibers and a ring configuration Ethernet. This provides an isolated network, enhancing the security and the integrity of the system. In addition, the SCADA network is constantly monitored for security issues and undergoes periodic maintenance to ensure the integrity of the EMS and SCADA system based on NERC requirements. The entire SCADA network is isolated from all other systems, using dedicated hardware and software. A connection to the outside world is made through dedicated network switches and firewall devices. In addition, all computers connected to the SCADA network have virus protection software installed that is routinely updated and monitored by a security server for intrusion.

The Back-up Control Center (BCC) houses all EMS/SCADA and associated equipment required to fully operate the electric system in the event of the loss of the main ECS. The BCC has its own emergency power and Uninterruptible Power Supply (UPS) systems. This BCC facility is exercised eight hours a month to test for functionality and is also used for training purposes.

The ECS system collects data from 14 electric substations, two water wells, five water towers, and 37 lift stations in the wastewater system. LUS intends to eventually install remote terminal units (RTUs) at all 127 lift stations.

Transmission System Construction & Planning

LUS staff reports that the transmission and distribution system has been prudently planned and designed. The capacity of the transmission system is reviewed annually using Siemens PTI PSS/E and ASPEN software analysis programs. These programs are updated through yearly maintenance updates/upgrades and the results are reported in LUS's Electric Transmission Assessment Report.

Substations Construction & Planning

LUS staff reported analysis results have indicated the need to build two new substations and feeders within the next five years.

A dedicated fiber optic communications system links all substations. The fiber optic system allows LUS to keep pace with the increasing communication requirements of a sophisticated protection system. LUS purchases access to the fiber system from LUS Fiber. LUS has also completed or initiated several substation projects to improve system reliability.

Electric Distribution

The integrity of the distribution system is reviewed annually using Cooper Power Systems CYME power engineering software. The distribution system undergoes power flow analysis of capacities and voltages as part of this review. Based on these studies, if the distribution apparatus is loaded at or above 70 percent of its continuous nameplate rating, the apparatus is placed on a project list. The project list is used to initiate further investigations, remediation options, and a planned course of action. Higher priority is given to apparatus that is loaded at or above 80 percent.

LUS staff reported that studies did not show any improvements that were needed in the distribution system for 2013. LUS continues its efforts to standardize construction, material specifications and contract documents. LUS staff also verbally reported that the distribution system is designed and constructed in accordance with prudent industry practices.

During 2013, there were no acquisitions associated with the Southwest Louisiana Electric Membership Corporation (SLEMCO) acquisition agreement, but the final customer was taken per the Entergy Gulf States settlement agreement.

GIS

The Systems Engineering Group is responsible for GIS mapping and associated software, along with easement acquisitions for the electric and water utilities.

LUS utilizes Cityworks software for work task assignments and asset management that interfaces with the GIS Map software by ESRI. All associated GIS mapping data is accessible in the field.

Condition of the Property

LUS has a maintenance program to maintain electric transmission, substation and distribution facilities in good condition. LUS's maintenance program includes (as

transformers are cycled through their maintenance interval) sweep frequency analyses testing of new and major transformers, and evaluation of transformer oil corrosive sulfur content (i.e. in addition to physical properties and dissolved gases-in-oil). Older equipment is continually being reviewed for replacement based on age, maintenance costs, and good utility practices. In general, capital projects are being approved and completed on a five-year cycle in LCG's Adopted Budget.

Contracts & Agreements

LCG has many contracts and agreements in place related to the business of the Electric Utility. Principal Electric Utility contracts and agreements are summarized in the following paragraphs.

Power and Fuel Marketing

The Energy Authority

LUS signed a Resource Management Agreement (RMA) with TEA on November 28, 2000. The objective of this contract is for TEA to market LUS's electrical capacity and energy in excess of the requirements of its retail customers and to purchase power on behalf of LUS as needed. The RMA was amended effective June 1, 2013 to provide certain services related to LUS's operation as a member of MISO.

Contractually, LUS provides the following information to TEA on a daily basis for a seven day period:

- Hourly electric demand
- Generating unit costs and availability
- Quantities of capacity and energy that LUS has determined it is willing to sell or purchase
- Hourly incremental and decremental costs

TEA is responsible for:

- Reservation and verification of transmission paths
- Confirmation of schedule with counterparties
- Creation of tags
- Timely and effective notification of all schedules
- Performance of daily checkouts
- Adhering to LUS's credit policy
- Execution of all transactions in the wholesale market within the forward year

On a day-to-day basis, LUS primarily uses the TEA arrangement to balance energy during the hours when LUS has surplus power or is deficient. In recent years, LUS

has purchased wholesale power to serve its native load when RPS2 was off-line and during the summer months (when demand is high). In 2013, LUS sold 27,892 MWh of energy to TEA and purchased 385,082 MWh of energy from TEA. Because of transmission constraints in the LUS region, buying and selling large amounts of wholesale power is not a viable alternative for most hours.

LUS signed Letter Agreement Number Two for Natural Gas Services, dated February 1, 2005 (the Letter Agreement) with TEA, which supersedes the previous agreements for natural gas services. The Letter Agreement authorizes TEA to provide resource management services, including but not limited to, purchasing natural gas and transportation on behalf of LUS, and marketing LUS's surplus natural gas and transportation. The Letter Agreement continues until either party provides 30-day written notice of termination to the other party.

TEA may also enter into financial transactions to manage risk associated with power and fuel for LUS. Financial transactions are not necessarily intended by the parties to go to physical delivery, but are used to manage risk exposure to market price volatility. Financial transactions include purchases or sales of futures, options, and swaps. While these activities are currently limited in nature, they should nevertheless be governed by a best practice-based Energy Risk Management Policy and associated procedures. LUS has not yet developed such policies and procedures.

LUS's electric power and energy requirements are met through purchases from power suppliers, through its contract with TEA, LPPA and the Southwestern Power Administration (SPA), as well as by the locally installed generating capacity.

Power Purchases

Lafayette Public Power Authority

LCG, through LPPA, acquired a 50 percent ownership interest in RPS2. The primary fuel supply to the RPS2 is low sulfur Wyoming coal. The City and LPPA entered into the Power Sales Contract (PSC), whereby LPPA agreed to sell, and the City agreed to purchase, LPPA's share of the power and energy produced from the RPS2. The PSC expires on August 31, 2047.

Under the PSC, payments are specified to be sufficient to pay all costs of LPPA in connection with RPS2, including LPPA's share of operation and maintenance of the RPS2, debt service requirements, and all other financial obligations of LPPA's share of the RPS2. The PSC provides that the obligations of the City to make such payments in each contract year shall constitute obligations payable as an operating expense of the LUS and payable solely from the revenues of such utilities system. Such payments are to be made whether or not RPS2 is operating or operable.

Southwestern Power Administration

LCG has a purchase agreement with SPA and a current capacity allocation of 18.6 MW and energy allocation of 1,200 kWh per kW per year. The contract with SPA has a term of 15 years, which ends on May 31, 2018. Typically, the total annual energy under this contract represents approximately two percent of LUS's total annual

energy requirement. The cost of this power for 2013 was \$60.23 per MWh for peaking energy and \$44.70 per MWh for the combination of both peaking and supplemental energy.

Power Costs

Table 5-6 summarizes Electric Utility power costs for the most recent five years. As shown in this table, the total Electric Utility energy costs increased overall by 6.3 percent to \$51.45 per MWh in 2013. Total self-generation costs decreased by 26.8 percent and on a MWh basis, self-generation costs declined by 54.7 percent.

Total purchased power costs increased by 13.5 percent, but on a dollars per MWh basis increased by 1.8 percent from 2012 to 2013. LPPA purchased power costs increased by 0.8 percent per MWh.

Table 5-6
Electric Utility Annual Power Costs

	2009	2010	2011	2012	2013
Expenses					
Self Generation (\$)					
Fuel	26,187,503	35,639,036	43,553,606	18,324,469	11,471,370
Other	<u>6,642,118</u>	<u>10,191,250</u>	<u>10,088,322</u>	<u>15,073,384</u>	<u>12,959,625</u>
Total Self Generation (\$)	32,829,621	45,830,286	53,641,928	33,397,853	24,430,995
Purchases (\$)					
LPPA	65,840,205	64,653,777	64,047,865	58,094,335	60,403,471
Other Supplies	<u>17,660,119</u>	<u>12,114,427</u>	<u>9,415,304</u>	<u>16,705,045</u>	<u>24,477,797</u>
Total Purchased Power (\$)	<u>83,500,324</u>	<u>76,768,205</u>	<u>73,463,169</u>	<u>74,799,380</u>	<u>84,881,268</u>
Total Supply (\$)	116,329,945	122,598,491	127,105,096	108,197,233	109,312,263
Energy (MWh)					
Self Generation					
	457,295	666,337	856,119	552,941	250,332
Purchases					
LPPA	1,316,905	1,422,361	1,336,972	1,277,864	1,318,327
Other Supplies	<u>359,833</u>	<u>235,474</u>	<u>192,527</u>	<u>403,884</u>	<u>555,771</u>
Total Purchased Power	<u>1,676,738</u>	<u>1,657,835</u>	<u>1,529,499</u>	<u>1,681,748</u>	<u>1,874,098</u>
Total Supply	2,134,033	2,324,172	2,385,618	2,234,690	2,124,430
Average Costs (\$/MWh)					
Self Generation (\$)					
Fuel	57.27	53.49	50.87	33.14	45.82
Other	<u>14.52</u>	<u>15.29</u>	<u>11.78</u>	<u>27.26</u>	<u>51.77</u>
Total Self Generation (\$)	71.79	68.78	62.66	60.40	97.59
Purchases (\$)					
LPPA	50.00	45.46	47.91	45.46	45.82
Other Supplies	<u>49.08</u>	<u>51.45</u>	<u>48.90</u>	<u>41.36</u>	<u>44.04</u>
Total Purchased Power (\$)	<u>49.80</u>	<u>46.31</u>	<u>48.03</u>	<u>44.48</u>	<u>44.29</u>
Total Supply (\$)	54.51	52.75	53.28	48.42	51.45

Source: LUS Financial and Operating Statements 2009-2013 audited

Power Sales

Electric Interconnection and Interchange

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

In addition to local energy resources, LUS utilizes electric capacity and energy from outside of its geographic boundaries in order to improve the reliability of supply and to capture available economic benefits.

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

Entergy Gulf States

The City signed a long-term (31 years) interconnection agreement with Entergy Gulf States (formerly Gulf States Utilities) in October 1984, which would have expired in 2015. The interconnection agreement was superseded in 2012 with a new one, entered into between the City and Entergy Gulf States on June 22, 2012 (the Interconnection Agreement). The Interconnection Agreement established a new point of interconnection at T.J. Labbé Switchyard, in association with the ALP transmission upgrades. This new agreement, which has a term of 20 years including provision for year to year extension thereafter, has been accepted by the Federal Energy Regulatory Commission (FERC).

Cleco

Cleco and LCG entered into an Electric System Interconnection Agreement (ESIA) in 1991. The term of the agreement is such that the ESIA shall not terminate sooner than August 29, 2016, and thereafter shall continue in effect for five-year periods unless terminated by written notice given by one party to the other. Effective November 1, 2012, the ESIA was revised to adopt the formula rate and implementation protocols for use in calculating charges for transmission delivery services. The agreement provides the following:

- Identification of the Unit – a point where power may flow into Cleco facilities from an LCG power source, or an LCG-contracted power source.
- Identification of the following power delivery points and associated capacity effective with agreement modifications are presented in Table 5-7.

Table 5-7
Power Delivery Points

138 kV and Above	Contract Demand – MW
Lafayette	246

Source: Karen Hoyt, 3/14

Interchange

LUS has entered into interchange agreements with Louisiana Generating, SWEPCO, Entergy Louisiana, and the SPA. The expiration and extensions provisions of each of these agreements are provided in Table 5-8; however, all of these agreements are still in effect.

Table 5-8
Interchange Agreements

Entity	Term and Extension Provisions
Louisiana Generating	Any date after May 23, 1993 with three years notice
Entergy Louisiana	Initial expiration date of February 28, 1993, with automatic extensions for three-year periods until terminated with 18 months notice
SWEPCO	Terminated August 10, 2013
SPA	May 2018

Source: Karen Hoyt, LUS, 3/14

Joint Ownership/Use

The Amended and Restated Agreement for Joint Ownership, Construction and Operation of the RPS2 between LPPA, Cleco, and LEPA was entered into in November 1982 and is to remain in effect throughout the useful life of RPS2. This agreement was amended in 1986 to provide for the transmission of LPPA's ownership percentage of generation from RPS2 to points of delivery other than the point of interconnection with LCG. Another amendment of the agreement was entered into on October 30, 2012, which extended its term to the lesser of June 30, 2032 or as long as the Common Facilities and Related Facilities are used or useful for the generation of electricity.

Fuel Supply

Coal for Rodemacher Unit No. 2

The principal fuel for the Rodemacher Plant is coal mined in Campbell County, Wyoming, which can be supplied to the plant by Cloud Peak Energy, Coalsales, LLC and/or Arch Coal Sales Company, Inc., under master coal purchase agreements. The coal is purchased through confirmation notices. These master coal purchase agreements include provisions for adjustment of the coal price based on changes in law, sulfur content, and Btu of coal and provide LPPA with multiple options to

purchase its coal needs. As operator of the RPS2, Cleco has the responsibility to represent the other Owners in connection with fuel supply and associated contracts.

The original contract was executed in 1973 by Cleco and since that time has been renegotiated several times. In November 2007, a second master coal purchase agreement was executed with Coalsales, LLC for purchase of coal in quantities as set forth in confirmation notices.

In August 2009, the initial confirmation under the Arch Coal Sales Inc. master coal purchase agreement was executed for 900,000 tons per year in 2010 and 2011 at \$12.00 per ton and \$13.25 per ton, respectively. A confirmation was signed in May 2012 for purchase of 900,000 tons of coal per year in 2013 and 2014 at \$12.00 per ton and \$13.00 per ton, respectively.

ATMOS Energy Marketing, LLC

Natural gas supply and delivery is primarily provided from ATMOS Energy Marketing, LLC (ATMOS) pursuant to a base contract between ATMOS and TEA dated February 1, 2004, which is backed by LUS, in conjunction with confirmations between TEA and ATMOS.

Confirmation No. 4, dated August 6, 2009, is for deliveries to the T. J. Labbé Plant and the Doc Bonin Plant over pipelines owned by Columbia Gulf Transmission Company, with an initial expiration date of October 31, 2012. This confirmation was extended through October 31, 2014, upon mutual agreement of both parties.

Confirmation No. 5 was executed on April 6, 2010 for deliveries to the Hargis-Hébert Plant over a Gulf South pipeline. This confirmation, which was to expire on October 31, 2012, was replaced with Confirmation No. 6, dated July 1, 2012. Confirmation No. 6 has an expiration date of June 30, 2014, with provision for the automatic extension for an additional 12 months.

Crosstex Gulf Coast Marketing, Ltd

Natural gas supply can also be provided from Crosstex for up to 15,000 MMBtu per day pursuant to a base contract between Crosstex and TEA dated September 1, 2002, which is backed by LUS, in conjunction with a confirmation between TEA and Crosstex dated January 1, 2010. This confirmation has an initial term from January 1, 2010 to December 31, 2010 but will continue month to month thereafter until either party terminates the confirmation upon 30 days written notice.

Other Agreements

Southwestern Louisiana Electric Membership Co-op

In 1987, LUS entered into a non-competitive agreement with SLEMCO for certain electric customers outside of the City limits. On September 10, 2004, LUS entered into a new 15-year, non-competitive agreement with SLEMCO. The agreement allows for an orderly acquisition of customers from SLEMCO at pricing specified in the agreement.

CT Parts Agreement

LUS and TransCanada Turbines, Inc. entered into a combustion turbine Parts Agreement for the supply of parts for the CTs installed or being installed in the City. The CT Parts Agreement effective November 9, 2006 (executed on February 17, 2006) provided LUS CT parts price certainty for a five-year term. The contract expired February 16, 2011, and LUS has publicly solicited bids to establish a new contract; however, LUS has not accepted any of the bids that were received. Until a parts contract is in place, LUS is purchasing parts from GE through the CT Services Agreement. LUS also purchases some parts from TransCanada through the LCG bid process on a case-by-case basis.

CT Maintenance Agreement

LUS and GE Packaged Power, Inc. (GE) entered into a Services Agreement dated September 21, 2006 (executed on November 9, 2006) for maintenance activities relating to the four LM6000 CTs. The Services Agreement was amended on May 1, 2012 to extend its term through December 31, 2018. Pursuant to the agreement, GE is to provide engineering, field supervision, and craft labor on an as needed basis at the request of LUS.

Major Contract Summary

A summary of the contracts and agreements is provided in Table 5-9.

**Table 5-9
Contracts and Agreements**

Contracts & Agreements Between		Date Signed/Renewed	Termination Date	Provisions
LUS	TEA	June 1, 2013	Upon 6 months notice, but not prior to 48 months after the Effective Date	Power and Fuel Marketing
LPPA	Cleco, LEPA	November 1, 1982	June 30, 2032 or end of useful life	Joint ownership of RPS2
LCG	LPPA	May 1, 1997	August 31, 2047 or when Bonds have been paid	Purchase of power from LPPA's 50 percent share in Rodemacher Unit 2
LCG	SPA	January 1, 2004	May 31, 2018	Purchase of Power
LCG	Entergy Gulf States	June 22, 2012	June 21, 2032	Interconnection agreement for delivery of power
LCG	Cleco	1991	August 29, 2016	Interconnection agreement for delivery of power
LUS	Louisiana Generating	May 23, 1983	Upon 3 year notice	Interchange agreement for electric transmission
LUS	Entergy Louisiana	October 6, 1988	Upon 18 month notice	Interchange agreement for electric transmission

**Table 5-9
Contracts and Agreements**

Contracts & Agreements Between		Date Signed/Renewed	Termination Date	Provisions
LUS	SWEPCO	May 1, 1994	Terminated on August 10, 2013	Interchange agreement for electric transmission.
LUS	SPP	August 9, 2013	Upon mutual agreement	Firm point-to-point transmission service
LUS	Rio Tinto Energy America	December 11, 2002	Upon 180 days notice	Purchase of coal for RPS2
LUS	Coalsales, LLC	November 7, 2007	60 days written notice	Purchase of coal for RPS2
TEA	Crosstex	January 1, 2010	Month to month	Supply of natural gas for LUS generating facilities
TEA	ATMOS	August 6, 2009	October 31, 2014	Supply of natural gas for Doc Bonin Plant and T.J. Labbé Plant
TEA	ATMOS	July 1, 2012	June 30, 2014	Supply of natural gas for Hargis-Hébert Plant facilities
LUS	SLEMCO	September 10, 2004	September 10, 2019	Customer acquisition agreement
LUS	GE	May 1, 2012	December 31, 2018	CT Maintenance Services
LUS	TEA	February 7, 2007	Upon 30 days notice	Amended Section 9 – Compensation
LUS	Arch Coal Sales, Inc	August 4, 2009	Upon 30 days notice	Purchase of coal for RPS2
LCG	MISO	February 4, 2013	Coincides with MISO Owners Agreement	Agency Agreement for Open Access Transmission Service
LCG	Other Transmission	January 4, 2013	Coincides with MISO Owners Agreement	Supplemental Agreement between Transmission Facilities Owners and MISO regarding RTO services and functions
LCG	Other Transmission Facilities Owners	February 4, 2013	30 years from the earliest Effective Date for any signatory, thereafter 5yr terms	Agreement of Transmission Facilities Owners to Organize MISO
LCG	MISO	December 26, 2012	2 years from Effective Date, thereafter 1 year terms	Agreement between Local Balancing Authorities and MISO
LUS	MISO	December 26, 2012	Upon written notice or mutual agreement	Reliability Coordination Service Agreement
LUS	MISO	August 1, 2013	Upon 30 day notice	Agreement to procure satellite phone link
LUS	MISO	September 25, 2013	2 years from Effective Date, thereafter 1 year terms	Modeling, Data, and Analysis reliability standards compliance obligations

Source: Karen Hoyt, Jamie Webb, LUS,3/14

Operating Results

Table 5-10 summarizes the Electric Utility revenues and expenses for the most recent five years. In 2013, the Electric Utility operating revenues increased approximately

Section 5

6.5 percent, or approximately \$11.3 million, from 2012. During 2013, Electric Utility total O&M expenses increased by 0.9 percent, from 2012. The natural gas cost decreased by 37.4 percent, or \$6.8 million, due to changes in the generation resource mix from 2012 to 2013. The LPPA purchased power cost increased 2 percent, or \$1.1 million, and Purchased Power cost (other than LPPA) increased 46.5 percent, or \$7.7 million. Other operating expenses increased by about 1.6 percent in 2013 compared to 2012. Maintenance expenses decreased in 2013 by 8 percent, or \$1.3 million, from 2012.

LUS passes fuel costs on to retail customers via a fuel adjustment factor. LUS reviews the fuel adjustment factor monthly and adjusts the calculation periodically in order to recover fuel and purchased power costs. In 2013, the Net Margin increased by approximately 16.7 percent, or \$7.2 million from 2012 levels.

Table 5-10
Electric Utility Operating Results

	2009	2010	2011	2012	2013
Electric Operating Revenues (\$)					
Retail	162,840,592	164,430,120	178,575,608	165,381,279	182,018,580
Wholesale	1,334,735	3,952,181	6,145,005	4,462,303	932,096
Other	<u>5,542,082</u>	<u>4,102,088</u>	<u>4,665,025</u>	<u>4,040,958</u>	<u>2,257,623</u>
Total Electric Operating Revenues (\$)	169,717,409	172,484,389	189,385,638	173,884,539	185,208,299
Electric Operating Expenses (\$)					
Operation Expenses					
Fuel – Gas	26,187,503	35,639,036	43,553,606	18,324,469	11,471,370
Purchased Power – LPPA	65,840,205	64,653,777	64,047,865	58,094,335	59,279,599
Purchased Power – Other	17,660,119	12,114,427	9,415,304	16,705,045	24,477,797
Other	24,748,572	23,554,970	25,915,281	28,276,725	28,739,455
Maintenance Expenses	<u>8,318,750</u>	<u>11,267,443</u>	<u>10,839,644</u>	<u>16,484,356</u>	<u>15,165,611</u>
Total Operating Expenses (\$)	142,755,149	147,229,653	153,771,699	137,884,930	139,133,832
Electric Non Operating Revenues (Expenses) (\$)					
Interest Revenues	5,216,213	1,911,058	1,516,233	1,005,582	1,892,875
Miscellaneous Non Operating Revenues	108,855	(56,504)	1,478,052	7,005,016	3,744,250
Fiber to the Home (FTTH) Start Up Project	(42,409)	0	0	0	0
Interest on Customer Deposits	(14,400)	(5,909)	0	0	(9,884)
Tax Collections/Non Operating	91,947	55,521	(87,789)	(191,073)	(199,346)
Miscellaneous Non Operating	<u>(57,485)</u>	<u>0</u>	<u>(256,386)</u>	<u>(488,596)</u>	<u>(918,106)</u>

**Table 5-10
Electric Utility Operating Results**

	2009	2010	2011	2012	2013
Expense					
Total Non Operating Revenues (Expenses) (\$)	5,302,721	1,904,166	2,650,110	7,330,929	4,509,789
Net Margin (\$) ⁽¹⁾	32,264,981	27,158,901	38,264,048	43,330,538	50,584,257

(1) Before Depreciation and Debt Service

Source: LUS Financial and Operating Statements 2009-2013 audited

Statistical Data

The selected statistical data in this Section pertaining to the number of customers, customer usage, and revenues by class was obtained or developed from the LUS Financial and Operating Statements for years 2009 through 2013.

Revenues

Table 5-11 shows the Electric Utility statistics for the most recent five years. The total sales MWh decreased by 4.1 percent between 2012 and 2013. The number of electric accounts increased by 0.9 percent over the previous fiscal year.

In 2013, the average electric usage per retail customer decreased by 0.5 percent, from 30,831 kWh to 30,686 kWh. The average electric revenue per retail customer, including fuel cost adjustment charges increased by 9.1 percent in 2013 compared to 2012. Table 5-11 shows the wholesale revenue on a per MWh basis decreased from \$33.74 per MWh in 2012 to \$25.09 per MWh in 2013.

Table 5-11
Electric Sales Revenue and Statistics

	2009	2010	2011	2012	2013
Electric Sales Revenues (\$)					
Retail - Rate Base	71,907,624	80,680,077	90,791,982	88,556,974	88,860,207
Retail - Fuel Adjustment	90,932,968	83,750,043	87,783,625	76,824,304	93,158,373
Wholesale	1,334,735	3,952,181	6,145,005	4,462,303	932,096
Other	<u>5,542,082</u>	<u>4,102,088</u>	<u>4,665,025</u>	<u>4,040,958</u>	<u>3,319,008</u>
Total Electric Sales Revenues (\$)	169,717,409	172,484,389	189,385,638	173,884,539	186,269,684
Electric Sales (MWh)					
Retail	1,950,205	2,020,173	2,024,762	1,970,448	1,979,136
Wholesale	<u>60,673</u>	<u>151,215</u>	<u>230,531</u>	<u>132,272</u>	<u>37,151</u>
Total Sales	2,010,878	2,171,388	2,255,293	2,102,720	2,016,287
Electric Number of Accounts (Average)					
Retail	62,403	62,746	63,531	63,911	64,496
Wholesale	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>
Total Accounts	62,416	62,759	63,544	63,924	64,509
Electric Statistics – Retail					
Usage per Account (kWh)	31,252	32,196	31,862	30,831	30,686
Revenue per Account (with fuel) (\$)	2,609	2,621	2,811	2,588	2,822
Revenue per Account (without fuel) (\$)	1,152	1,286	1,429	1,386	1,378
Revenue per MWh (with fuel) (\$)	83.50	81.39	88.22	83.93	91.97
Revenue per MWh (without fuel) (\$)	36.87	39.94	44.85	44.94	44.90
Electric Statistics - Wholesale					
Usage per Account (kWh)	4,667,154	11,631,923	17,733,154	10,174,769	2,857,769
Revenue per Account (with fuel) (\$)	102,672	304,014	472,693	343,254	71,700
Revenue per MWh (with fuel) (\$)	22.00	26.14	26.66	33.74	25.09

Source: LUS Financial and Operating Statements 2009-2013 audited

Rate Revisions

As shown in Table 5-12, Electric Utility average base rate revenue for Residential, Small Commercial and Large Commercial customers increased by less than 10 percent in 2010, increased by approximately 12.7 percent in 2011, and remained flat in 2012. The small increases shown in 2013 may be a reflection of differences in items such as collections and bad debt. Since 2009, the average residential base rate revenue has increased by 22.6 percent, Small Commercial base rate revenue has increased by 23.9 percent, and the revenue for Large Commercial base rates has increased by 22.6 percent.

**Table 5-12
Electric Retail Base Rate Revenue**

Class	2009	2010 ⁽¹⁾	2011 ⁽²⁾	2012	2013
Residential (\$/kWh)	0.0364	0.0395	0.0445	0.0450	0.0447
Small Commercial-Non Demand (\$/kWh)	0.0499	0.0547	0.0618	0.0610	0.0618
Large Commercial-Demand (\$/kWh)	0.0339	0.0365	0.0413	0.0413	0.0416

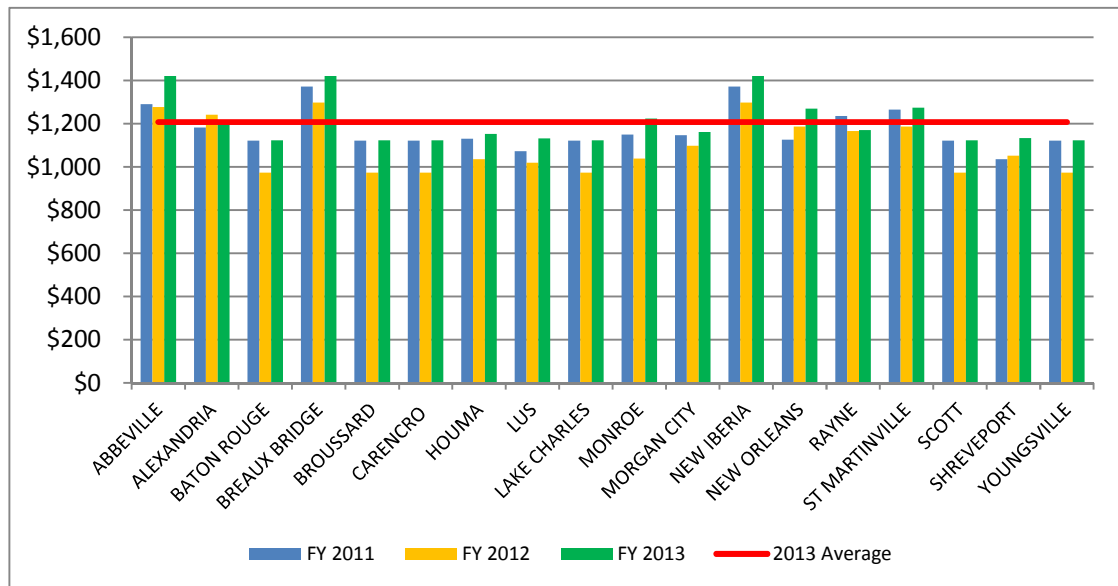
(1) The Electric Utility instituted an 11 percent base rate increase on February 1, 2010

(2) The Electric Utility instituted a 10 percent base rate increase November 1, 2010 (fiscal year 2011)

Source: LUS Financial and Operating Statements 2009-2013 audited

Rate Comparison

Figure 5-3 graphically compares the average annual residential electricity bills for LUS and other selected Louisiana communities for the years 2011 through 2013. Overall, LUS’s average annual residential bill in 2013 was approximately \$1,133, which is below the group average of \$1,207.



Source: LUS 4/13

Figure 5-3: Residential Bills for LUS and Selected Louisiana Utilities

Environmental Issues

The LUS Electric System is subject to various environmental permits, approvals, laws, rules, and regulations. This section provides a discussion of the current status of major environmental permits and potentially significant environmental liabilities for the Electric System and is not meant to provide a comprehensive environmental compliance assessment of the system. The intent is to provide a description of our understanding of the status of the Electric System with respect to requirements set

forth in its permits and approvals, and applicable environmental laws and regulations. The information provided is based on review of documents provided by, and discussions with, persons providing information on behalf of the Electric System and primarily addresses the major requirements that affect the electric, water and wastewater systems including: the Clean Air Act and the Clean Air Act Amendments of 1990 (CAA). Requirements of the CAA are addressed through a permit program administered by the Louisiana Department of Environmental Quality (LDEQ) and the United States Environmental Protection Agency (USEPA). Requirements of the CWA are administered through a permit process whereby any discharge into surface waters necessitates a National Pollutant Discharge Elimination System (NPDES) permit (administered by the LDEQ under the Louisiana Pollutant Discharge Elimination System (LPDES) permit program).

In addition to the regulations discussed above, LUS facilities, operations and associated activities are subject to regulations that cover the following areas: waste storage and disposal, superfund liability, groundwater, underground and aboveground petroleum storage tanks, oil spills, emergency planning and community right-to-know, management of polychlorinated biphenyl compounds (PCB or PCBs), used oil, pesticides, wood poles, and asbestos.

A brief discussion of environmental compliance and environmental issues at each facility is provided in the sections below and a list of the major permits for each of the plants operated by LUS is provided in Table 5-13.

Table 5-13
List of Major Permits for LUS Electric Generating Stations

Permit	Responsible Agency	Expiration Date	Comments/Description
Doc Bonin Plant			
Part 70 Operating Permit Number 1520-00002-V2 (Title V Air Permit)	LDEQ	December 19, 2016	Issued December 19, 2011. Allows for the discharge of air pollutants from the turbine stacks and other emissions sources located at the site. Sets forth monitoring, recordkeeping, and reporting requirements.
Acid Rain Program Permit Number 1520-00002-IV2 (Title IV Air Permit)	USEPA	December 19, 2016	Allows for discharge of acid rain constituents from the turbine stacks and requires the owner to hold annual emissions allowances equal to applicable emissions.
Louisiana Pollution Discharge Elimination System Permit Number LA0005711	LDEQ	TBD – renewal application submitted but renewed permit has not been issued as of the date of this report	Issued January 9, 2009 with effective date February 1, 2009. Allows for the discharge of boiler blowdown, cooling tower blowdown, low volume wastewater, and stormwater runoff to the Vermilion River via local drainage. Sets forth monitoring, recordkeeping, and reporting requirements.
Clean Air Interstate Rule Permit 1520-00002-IR0	LDEQ	December 19, 2016	Issued December 19, 2011. Required for compliance with Clean Air Interstate Rule requirements.
T. J. Labbé Plant			
Part 70 Operating Permit Number 1520-00128-V3(Title V Air Permit)	LDEQ	June 25, 2018	Issued June 25, 2013. Allows for the discharge of air pollutants from the turbine stacks and other emissions sources located at the site. Sets forth monitoring, recordkeeping, and reporting requirements.
Acid Rain Program Permit Number 1520-00128-IV2(Title IV Air Permit)	USEPA	June 25, 2018	Issued June 25, 2013. Allows for discharge of acid rain constituents from the turbine stacks and requires the owner to hold annual emissions allowances equal to applicable emissions.
Clean Air Interstate Rule Permit No. 1520-00128-IR1	LDEQ	June 25, 2018	Issued June 25, 2013. Required for compliance with Clean Air Interstate Rule requirements.
Hargis-Hébert Plant			
Part 70 Operating Permit Number 1520-00131-V2(Title V Air Permit)	LDEQ	June 25, 2018	Issued June 25, 2013. Allows for the discharge of air pollutants from the turbine stacks and other emissions sources located at the site. Sets forth monitoring, recordkeeping, and reporting requirements.

Table 5-13
List of Major Permits for LUS Electric Generating Stations

Permit	Responsible Agency	Expiration Date	Comments/Description
Acid Rain Program Permit Number 1520-00131-IV2(Title IV Air Permit)	USEPA	June 25, 2018	Allows for discharge of acid rain constituents from the turbine stacks and requires the owner to hold annual emissions allowances equal to applicable emissions.
Clean Air Interstate Rule Permit No. 1520-00131-IR1	LDEQ	June 25, 2018	Issued June 25, 2013. Required for compliance with Clean Air Interstate Rule requirements.

Source: LDEQ Permits

Doc Bonin Plant

The Doc Bonin Plant is comprised of three steam electric generating units capable of firing natural gas and No. 2 fuel oil. Permits issued to the Doc Bonin Plant generally include all activities of the Walker Road Complex, which encompasses the Doc Bonin Plant, LUS administrative offices, warehouses, an automobile service station, and a waste collection facility.

NPDES Permit

As indicated in Table 5-13, the Doc Bonin Plant continues to be subject to the requirements of an LPDES permit, which was renewed in 2009 and expired February 1, 2014. The renewal application was deemed complete by LDEQ on August 2, 2013, thus per the Louisiana regulations, the existing permit remains in effect until a new permit is issued. Discharge Monitoring Reports (DMR) for 2013 indicate there were several exceedances of the iron and zinc limits. LUS determined the cause and by the nature of these exceedances indicate they do not appear to be related to a re-occurring issue, and report there are no pending or anticipated enforcement actions.

A Stormwater Pollution Prevention Plan (SPPP) has been prepared and implemented pursuant to LPDES requirements.

Air Permit

A new Part 70 Operating Permit was received during December 2011 for the Doc Bonin Plant. The permit allows for Unit 1 and Unit 2 to fire either natural gas or No. 2 fuel oil with few restrictions on emissions levels. For Unit 3, the permit allows for unlimited use of natural gas and continued restricted use of No. 2 fuel oil for periods when the natural gas supply is interrupted (not to exceed 150 hours per year). Historically, the units at the Doc Bonin Plant have rarely operated on No. 2 fuel oil. The Operating Permit expires December 19, 2016.

Results of testing for carbon monoxide (CO) at Units 1 and 3 at the Doc Bonin Plant indicated these units were not in compliance with permit limitations. The LDEQ issued a Consolidated Compliance Order and Notice of Potential Penalty (CCONOPP) on January 14, 2010. Emissions testing required by the Order was completed and the new Part 70 Operating Permit was issued. According to the draft Settlement Agreement SA-AE-12-0014 issued by LDEQ on February 24, 2014, the resulting penalty is \$2,800..

Pursuant to the requirements of Acid Rain Program under the CAA, all three units at the Doc Bonin Plant were equipped with a Continuous Emissions Monitors (CEMs) prior to 1996. RATA testing of the CEMS was completed for Unit 2 in June 2013, and was not required in 2013 for Units 1 and 3 as they operated for fewer hours than the RATA test protocol threshold.

In accordance with state requirements, an annual emissions inventory (including CO₂) for the Doc Bonin Plant was submitted to LDEQ. Additionally, all necessary semi-annual and annual emissions compliance reports were submitted.

Oil Storage

The Doc Bonin Plant includes four large fuel storage tanks, which currently contain limited quantities of fuel oil sludge, as shown in Table 5-14 below.

**Table 5-14
Fuel Oil Storage Tanks**

Tank	Type	Capacity (Gallons)	Contents (Gallons)
Tank No. 1	No. 2 Fuel Oil	440,000	6,700 ⁽¹⁾
Tank No. 2	No. 2 Fuel Oil	<u>1,443,000</u>	<u>50,000</u> ⁽¹⁾
No. 2 Fuel Oil Total		1,883,000	0
Tank No. 3	No. 6 Fuel Oil	2,538,000	6,000 ⁽²⁾
Tank No. 4	No. 6 Fuel Oil	<u>2,538,000</u>	<u>85,000</u> ⁽²⁾
No. 6 Fuel Oil Total		5,076,000	188,000 ⁽²⁾

(1) No. 2 Fuel Oil Sludge.

(2) No. 6 Fuel Oil Sludge.

Due to the condition of the tanks and associated piping, the tanks must be cleaned, inspected, and likely retrofitted with new piping and other associated peripheral equipment prior to future use.

LUS has prepared and implemented a Spill Prevention Control and Countermeasure (SPCC) Plan and a Facility Response Plan for the Walker Road Complex and has indicated that no reportable spills occurred during 2013.

T. J. Labbé Plant

The T. J. Labbé Plant is comprised of two natural gas fired simple-cycle combustion turbines. Construction was completed during 2005.

Air Permit

As indicated in Table 5-13 above, the T. J. Labbé Plant must maintain compliance with the requirements of its Part 70 Operating Permit and Acid Rain Program Permit. Renewed permits were issued by LDEQ on June 25, 2013. The Operating Permit is now identical to the permit for the Hargis-Hébert Plant.

Compliance during operations is demonstrated by monitoring fuel usage and quality, operating time, and NO_x emissions with a certified CEMS. LUS personnel report that during 2013 the CEMS have complied with the applicable performance specifications, the required semi-annual CEMS reports were submitted to USEPA, and the applicable emissions allowance accounts were covered as necessary. RATA testing of the CEMS was completed in November 2013 for Unit 1 and June 2013 for Unit 2.

Pursuant to state requirements, an annual emissions inventory (including CO₂) for the T. J. Labbé Plant was submitted to LDEQ as were semi-annual and annual emissions compliance reports.

Wastewater Discharge

Process wastewater from the T. J. Labbé Plant, including cooling tower blowdown and sanitary wastes, is discharged to the City's sewer system. The facility is subject to the City's Pretreatment Wastewater Discharge Program. Turbine water-wash wastes are collected in the water-wash drain tank, sampled and evaluated, and pumped to the City sewer system or picked up and disposed of by an outside contractor.

Oil Storage

Pursuant to regulatory requirements, the site SPCC plan has recently been updated and implemented. LUS personnel indicated that no reportable spills occurred during 2013.

Hargis-Hébert Plant

The Hargis-Hébert Plant is comprised of two natural gas fired simple-cycle combustion turbines. Construction was completed during 2006.

Air Permit

As indicated in Table 5-13 above, the Hargis-Hébert Plant must maintain compliance with the requirements of its Part 70 Operating Permit and Acid Rain Program Permit, which were renewed June 25, 2013. The facility operates under an Operating Permit identical to that of the T. J. Labbé Plant. LUS personnel report that during 2013 the CEMS have complied with the applicable performance specifications for relative accuracy and quality assurance, the required semi-annual CEMS reports were submitted to USEPA, and the applicable emissions allowance accounts were covered as necessary. NSPS reports show high CEMS downtime for a unit in both semi-annual periods for 2013; neither LDEQ nor EPA has responded to the downtime as of the date of this report. RATA testing of the CEMS was completed in May 2013 for both units. Pursuant to state requirements, an annual emissions inventory (including

CO₂) for the Hargis-Hébert Plant was submitted to LDEQ. Semi-annual and annual emissions compliance reports were also submitted as required.

Wastewater Discharge

Process wastewater from the Hargis-Hébert Plant, including cooling tower blowdown and sanitary wastes, is discharged to the City's sewer system. The facility is subject to the requirements of the City's Pretreatment Wastewater Discharge Program. Turbine water-wash wastes are collected in the water-wash drain tank, sampled and evaluated, and pumped to the city sewer system or picked up and disposed of by an outside contractor.

Oil Storage

Pursuant to regulatory requirements, the site SPCC plan has recently been updated and implemented. LUS personnel indicated that no reportable spills occurred during 2013.

RPS2 in Boyce, LA

LUS has an interest in the coal-fired steam electric generating unit RPS2 through its interest in LPPA, which in turn has an ownership interest in RPS2. RPS2 is located at the Brame Energy Center (formerly known as the Rodemacher Power Station) near Boyce, Louisiana. Cleco Power is the majority owner of the energy center and is responsible for operation of the facility and for advising LUS and LPPA of current and future issues that may affect RPS2. The following is a discussion of newly enacted and anticipated environmental regulations that will affect RPS2.

Mercury and Air Toxics Standards

USEPA has adopted rules under Section 112 of the CAA governing the emissions of mercury and other hazardous air pollutants from certain electric generating units (EGUs). The USEPA established maximum achievable control technology (MACT) standards for coal-fired EGUs in late 2011, and signed a final rule setting forth national emissions standards for hazardous air pollutants (NESHAP) from coal- and oil-fired electric utility steam generating units on December 16, 2011. The final rule is now known as Mercury and Air Toxics Standards (MATS) and requires affected EGUs to meet specific numeric emission standards and work practice standards to address hazardous air pollutants.

MATS imposes strict emission limits on new and existing coal- and liquid oil-fired EGUs for mercury, acid gases (hydrochloric acid, or HCl, as a surrogate), and non-mercury metallic pollutants (filterable particulate matter (filterable PM) as a surrogate). Affected EGUs also have to comply with certain work practice standards to control the emission of organic air toxins.

MATS allows existing sources approximately three years to comply with the rule. The actual compliance deadline is April 16, 2015. A one-year compliance extension is available with approval from the relevant permitting authority, which in Cleco Power's case is the LDEQ, if that facility is actively installing control equipment to comply with the rule.

To comply with rule requirements, the addition of a stand-alone fabric filter and dry sorbent and carbon injection systems for control of acid gases and mercury is in progress on RPS2. Expectations are that the addition of these control systems will allow compliance with emission standards in the MATS as currently proposed. In addition, LUS has authorized the installation of a Selective Non-Catalytic Reduction (SNCR) system for the control of NO_x emissions. With the addition of this system in the 2013, LUS anticipates that its NO_x allowances under the CSAPR will be adequate to comply with the regulation. Note that while CSAPR has been vacated and the SNCR system is not required to meet current permit limits, Cleco obtained a variance from LDEQ on September 25, 2013 to not operate the system.

Expenditures for compliance with MATS are expected to be incurred over the next two years and LPPA's portion of the costs will be financed by the Electric Revenue Bonds, Series 2012, issued by LPPA in December 2012. Capital improvements for LPPA owned assets are not included in the LUS Five-Year Capital Outlay Program. To date, these costs have been funded within LPPA.

Coal Combustion Residuals

In June 2010, the USEPA published a proposed rule for regulating the disposal and management of Coal Combustion Residuals (CCRs) from coal-fired power plants. Rather than offering a single approach, the USEPA requested comments on two options for regulating CCRs. The first, known as the "Subtitle C" option, would regulate CCRs as a new special waste subject to many of the requirements for hazardous waste, while the second, known as the "Subtitle D" option, would regulate CCRs in a manner similar to industrial solid waste. Either of the USEPA proposed options represent a shift toward more comprehensive and costly requirements for CCR disposal and management, but the Subtitle C option contains significantly more stringent requirements and would require greater capital and operating costs to comply with that rule, if finalized. Both options seem to allow the continued use of ash for certain beneficial reuses.

On January 29, 2014, EPA and other parties filed a Joint Motion for Entry of Consent Decree with the D.C. District Court, under which EPA agrees to sign for publication by December 19, 2014 a notice taking final action on its 2010 proposal. In a related matter, on February 7, 2014, EPA issued a notice on its evaluation of the two largest beneficial uses of encapsulated CCRs: use in concrete as a substitute for Portland cement, and the use of flue gas desulfurization gypsum as a substitute for mined gypsum in wallboard. EPA's evaluation concluded that the beneficial use of encapsulated CCRs in concrete and wallboard is appropriate because they are comparable to virgin materials or below the agency's health and environmental benchmarks.

Depending upon the outcome of the final rule, this regulatory proposal could significantly impact the manner and cost in which Cleco Power manages its CCRs. Any stricter requirements imposed on coal ash and associated ash management units by the USEPA as a result of this new rule could significantly increase the cost of operating existing units or require them to be significantly upgraded. Until a final rule is promulgated, determination of the potential cost of compliance is not possible.

PCB Transformers

The electrical transmission and distribution system includes oil filled electrical equipment. Occasionally, replacements and repairs can require disposal of the oil filled contents. A portion of this equipment contains trace amounts of PCBs, which are regulated under the Toxic Substance Control Act. LUS manages their PCB-containing equipment as required by federal and state regulations. LUS indicated that there were no PCB transformers (transformers containing >500 ppm PCBs in the oil) in its inventory, and they have a program to systematically remove and replace transformers with PCB contamination (transformers with >51 ppm PCBs in the oil). As mentioned earlier, LUS manages the disposal of regulated and non-regulated wastes, including PCB contaminated wastes, from a facility at the Walker Road Complex.

LUS reports that 14 offsite incidents involving leaks or spills of transformer oil occurred in 2013, two of which were reportable. In each case, the spill was properly cleaned.

Groundwater and/or Soil Contaminated Sites

The following is a review of environmental compliance activities and known instances of soil and/or groundwater contamination at facilities owned by LUS. There were no changes to the sites or advances in the remediation/decommissioning programs in 2013.

Curtis Rodemacher Decommissioning

The Curtis Rodemacher Power Plant has been retired and most of the facility is in the process of decommissioning. LUS is continuing to perform air monitoring at the site. Remaining tasks for decommissioning include remediation of existing PCB contamination, asbestos, bio-hazards created from pigeons, and lead-based paint in the power plant building; demolition of the warehouse and power plant building; and removal of underground piping. Based on current knowledge of the environmental conditions at the site, the process of removing underground piping may identify contamination issues and trigger further remediation requirements. The decommissioning schedule and long-term plan for the site are still being evaluated and the future costs associated with remediation of the site could be significant.

Section 6

UTILITIES SYSTEM – WATER UTILITY

The Consulting Engineer interviewed LUS Water Utility staff in February 2014 and performed analyses of operating statistics that are indicative of the general operating condition of LUS's Water Utility facilities. The following discussion summarizes the findings of the Consulting Engineer with respect to the maintenance and management of the property based upon discussions with, and information supplied by, LUS personnel.

The Water Production Division is responsible for the supply of raw water and the production of potable water for distribution, including O&M responsibilities of its wells, pumps, and treatment facilities. The Water Distribution Division is responsible for the distribution of potable water to approximately 54,000 residential, retail, and industrial consumers, including O&M responsibilities of its distribution network infrastructure.

Water Utility Facilities

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

The Water Utility provided its customers with adequate and reliable utility service during the reporting period. In the past, during periods of high demand, low pressure complaints were received in isolated areas of the distribution system but system improvements and operational improvements have alleviated those issues.

Water Supply

The Chicot underground aquifer is the sole source of water supply for LUS. The United States Environmental Protection Agency (USEPA) has designated the Chicot aquifer as a sole source aquifer, thereby requiring special consideration for federal permitting of projects that could adversely affect it. Furthermore, the Water Utility has partnered with the Louisiana Department of Environmental Quality (LDEQ) to implement a wellhead protection program for the LUS water supply. Potential contamination sources within the wellhead protection areas have been identified by LUS and the LDEQ has authority to take appropriate action to assure contamination is prevented.

Construction of Well No. 26 is underway with an anticipated June 2014 completion date at which time it will add approximately 2.1 mgd treatment capacity to the system.

Water Treatment

The Water System includes two water treatment facilities, the North Water Plant and the South Water Plant, which provide for removal of iron and manganese by coagulation, sedimentation, and filtration; hardness reduction by a lime-softening process and chlorination.

Well Nos. 23 and 25 serve the southern portion of the distribution system while Well No. 24 serves the northern portion. Minimal water treatment is provided at Well No. 23/25 consisting of chlorination and phosphate addition. Well No. 24 utilizes four pressure filters onsite for treatment and plans exist for installation of pressure filters at Well No. 23/25. The present system treatment capacity (both plants and Well Nos. 23, 24, and 25) is approximately 50.6 mgd and is expected to be 2.1 mgd greater when Well No. 26 comes online in June 2014. Well No. 26 source water is anticipated to be treated for iron and manganese removal at the same facility that is currently treating source water from Well No. 24.

The treatment capacities of the North Water Plant, South Water Plant, and Well Nos. 23, 24, and 25 are shown in Table 6-1. Although the two plants alone are each capable of producing over 20 mgd of treated water, the total amount of water that can effectively be delivered to customers is constrained by the capability of the distribution system to deliver the water at an acceptable pressure. Currently, the preferred total production capability is estimated by LUS to be 30 mgd. While actual production capabilities may need to exceed this figure in the future years (2013 peak day production was 27 mgd), pressure and delivery within some portions of the system suffer at production levels over 30 mgd. Once completed, the distribution system projects included in the Five-Year Capital Outlay Program (COP) would increase the production capability to approximately 32 mgd. Several distribution system improvement projects have been completed to improve distribution capacity in 2013 which include the addition of ground storage and pumping capacity and several upsized water main replacements.

Table 6-1
Plant Treatment Capacity ⁽¹⁾

	(mgd)
North Water Plant	21.5
South Water Plant	24.0
Well No. 23	1.4
Well No. 24	1.5
Well No. 25	2.2
Total Plant Capacity	50.6
Total Effective Plant Capacity	31.1 ⁽²⁾

(1) Plant Treatment capacity is less than total well production capacity

(2) Highest recorded production. At this production some location-specific pressure issues exist within the distribution system.

Source: Water Production Division, 2/14

Water is disinfected with chlorine before it is introduced into the water distribution system. The chlorine used at each treatment plant is supplied in the gaseous form, and is stored onsite. LUS is also using sodium hypochlorite on a limited basis to chlorinate at certain wells.

The water production facilities have backup electric power generating facilities onsite that are adequate to sustain a basic level of water production. The South Water Plant has full back up generation and the North Water Plant has enough back up generation to produce approximately 60 percent of its normal output.

Water Storage

Treated water storage totals approximately 15.25 million gallons. This includes 4.3 million gallons of elevated storage and 10.95 million gallons of ground storage, including pumping station wet wells. This includes the addition of 750,000 gallons of ground storage at Well No. 24 which was completed in 2013.

In 2010, LUS constructed the Fabacher Field facilities comprised of 2.0 million gallon ground storage and booster pumping facilities to improve the pressure conditions. LUS should continue to investigate the use of these facilities along with other distribution system improvements to reduce the peak demand concerns throughout the system as wholesale customer demands continue to increase and low pressure complaints are still experienced at certain times of the year.

Water Distribution

The Water System distribution network consists of 1,078 miles of pipe, most of which is in the 6-inch to 12-inch diameter range. The distribution system includes 22,167 valves and 6,306 fire hydrants. Table 6-2 illustrates the historical trends in key water distribution system statistics. Generally, the increase in miles of line, valves, and hydrants has paralleled or slightly lagged the increase in customers, potentially exacerbating the condition of the distribution system as the limiting factor in the Water Utility’s system.

Table 6-2
Water Distribution System ⁽¹⁾

	2009	2010	2011	2012	2013
Miles of Main Lines	1,051	1,071	1,064	1,067	1,078
Number of Valves	20,909	21,412	21,512	21,638	22,167
Number of Hydrants	6,095	6,146	6,205	6,244	6,306

(1) Includes LUS contract service to Water District North
Source: Water Production Division, 2/14

A 12-inch line along LA Highway 93 was constructed in 2009 to increase the distribution system’s capacity but LUS recognizes its plant treatment and distribution pumping continues to be limited by restrictions of the water distribution network. The Five-Year COP addresses these ongoing issues with additional transmission and

distribution improvements including increasing the outflow capacity directly from North Plant.

Unbilled Water Volumes

Table 6-3 indicates that the annual percent of water volumes that are lost (not accounted for) declined significantly from 2009 to 2010 and 2011 and increased slightly in 2012. The slight decrease in 2011 maybe attributed to the discovery of unmetered volume of water being used by the City of Broussard. Lost water volumes increased substantial from 2012 to 2013. This increase is attributed to water main leaks, including a large leak that was identified on a 2-inch water line. It is unknown how long the leak had occurred as the water was leaking into an adjacent sewer main. This leak was identified during a sewer main inspection and fixed in June 2013. The Water Utility suspects there may be additional water leaks occurring that have not yet been detected. Identifying and fixing system leaks will be an on-going effort, especially as water system infrastructure ages.

Table 6-3
Not Accounted For Water Volumes

	2009	2010	2011	2012	2013
Not Accounted For (%)	12.10	6.69	6.53	7.49	11.03

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Contracts and Agreements

In addition to the facilities owned by LCG, LUS operates and maintains the water distribution facilities of certain water districts in accordance with contracts between LCG and the districts. Specifically, LCG has executed agreements with two water districts: Water District North and South. 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 construct their own additions and extensions according to standards set by LUS. Contractual arrangements between LCG and other entities (both water districts and municipalities) which own or operate water utility properties represent 20.4 percent of LUS's annual water revenues and features of these contracts are discussed herein. A summary of the contracts and agreements for the Water Utility is provided in Table 6-4 below.

**Table 6-4
Contracts and Agreements for Wholesale Water Sales**

Contracts and Agreements	Date Signed/Renewed	Termination Date
Water District North Consolidated Contract	October 17, 2002	October 17, 2032
Water District South	August 21, 1995	August 21, 2035
City of Scott	May 27, 1997	May 27, 2022
Town of Youngsville	December 24, 1998	December 24, 2038
City of Broussard	March 5, 1998	July 31, 2020
Milton Water System	April 28, 1997	April 28, 2037

Source: Craig Gautreaux, LUS, 2/14

Water District North

The Water District North generally serves the northern portion of Lafayette Parish, which is neither incorporated as a municipality nor included in another water district. LCG and Lafayette Parish Water District North amended their existing water agreements by entering into a new water agreement (the Water District North Agreement) in October 2002 with a 30-year term of agreement and provisions for automatic five-year extensions upon concurrence by both parties. Water sales to Water District North amounted to 8.9 percent of total water sales revenue and 8.9 percent of total water sales volume for 2013.

Water District South

The Water District South serves the southern portion of Lafayette Parish. The LUS water sales to the Water District South represent approximately 3.0 percent of the total LUS water revenues and 3.9 percent of the total water volume for 2013.

The wholesale service agreement with Water District South was signed in August 1995 and terminates in August 2035. The agreement provides for delivery of wholesale water to the Water District South’s distribution system. Revenues for water service are billed and collected by the Water District South. LUS provides operational assistance.

LUS currently provides Water District South with sufficient water volume to meet its customer demand and the District has expressed interest in purchasing more water but its distribution system is too small to accommodate an increase at this time. However, the District has identified possible alternatives to address this including converting its existing production facility into a booster station and distribution line improvements.

City of Scott

LCG sells water to the City of Scott, Louisiana, for distribution and resale under a 25-year contract, which terminates May 27, 2022. Water is delivered to the City of Scott at several interconnection points. Water sales to the City of Scott represent

approximately 3.2 percent of total LUS water sales revenues and 4.1 percent of water sales volume for 2013.

Town of Youngsville

Under the provisions of a contract effective on December 24, 1998 with a term of 40 years, LCG may sell water to the Town of Youngsville, Louisiana (Youngsville), for distribution and resale. Water sales to Youngsville represent 2.2 percent of LUS water sales revenues and 2.8 percent of water sales volume for 2013. Staff indicated that Youngsville is experiencing rapid residential growth and has expressed a desire to purchase more water, which LUS believes it can adequately supply.

City of Broussard

LCG and the City of Broussard, Louisiana, signed a 22-year water supply contract which expires on July 31, 2020. Water sales to the City of Broussard represent approximately 0.8 percent of the total LUS water sales revenues and 3.0 percent of water sales volume for 2013. The decline in revenue is due to the settlement agreement as discussed below.

During 2011 LUS discovered a main line delivering water to the City of Broussard was operating unmetered for approximately five years resulting in a significant amount of unbilled and unaccounted for water volume. LUS subsequently billed Broussard for \$825,000 for the water that by-passed the meter. The City of Broussard made full payment to LUS of that amount; however, it sued LCG for a partial refund of what it considered an over-billing of the amounts due to LUS for the water in question. In October 2013, a settlement agreement was reached under which terms of the wholesale water agreement between the parties were revised and LCG agreed to pay the City of Broussard \$275,587, while the City of Broussard agreed to pay LCG \$15,070.

Milton Water System

LCG serves the Milton Water System (Milton) under a 40-year contract signed April 28, 1997. Water sales to Milton represent approximately 2.3 percent of the total LUS water sales revenues and 2.9 percent of water sales volume for 2013. In addition to the water supplied by LUS, Milton operates a water treatment plant for additional supply. In 2009, Milton inquired about the potential for LUS to provide 100 percent of its supply (i.e., discontinue use of its treatment facility). Preliminary evaluations by LUS indicated fulfilling this request may pose an appreciable impact to the LUS system and may require additional capital improvements.

In 2010, Milton ceased operation of its treatment plant without permission from LUS. During a meeting held in late summer 2010, LUS instructed Milton to resume operations of its plant. Milton's plant was placed back online in 2011 with no lasting detriments to the LUS system or its relationship with Milton. More recently, Milton has indicated plans to improve its water treatment plant and may want to temporarily increase its water purchase until those improvements are completed.

Wholesale Water Sales Summary

During 2013, water delivered to wholesale customers amounted to 20.4 percent of the revenue and 25.6 percent of the water sold by LUS, as shown in Tables 6-5 and 6-6.

Table 6-5
Wholesale Water Sales Volumes (1,000 gallons)

Customer	2009	2010	2011	2012	2013
City of Scott	336,237	327,053	324,086	311,687	303,163
Water District North	359,916	452,802	462,651	434,875	447,185
City of Broussard	112,842	122,721	134,461	210,752	223,410
Water District South	315,653	322,702	332,830	320,711	286,076
Milton Water System	146,083	210,133	226,708	200,614	217,106
Town of Youngsville	146,472	186,898	183,976	175,531	206,380
Water District North – Wholesale	<u>186,150</u>	<u>211,725</u>	<u>181,378</u>	<u>204,309</u>	<u>210,055</u>
Total Wholesale Water Sales	<u>1,603,353</u>	<u>1,834,034</u>	<u>1,846,090</u>	<u>1,858,479</u>	<u>1,893,375</u>
Total Water Sales (Wholesale and Retail)	6,987,117	7,433,414	7,670,328	7,600,915	7,388,023
Percent of Total Water Sales from Wholesale Sales (%)	22.8	24.7	24.1	24.5	25.6

Source: LUS Financial and Operating Statements 2009 – 2013 audited

Table 6-6
Wholesale Water Sales Revenue

Customer	2009	2010	2011	2012	2013
City of Scott (\$)	470,734	489,468	544,014	549,046	541,993
Water District North (\$)	797,688	1,005,829	1,132,562	1,132,361	1,126,195
City of Broussard (\$)	153,463	178,253	1,045,442	358,508	134,284
Water District South (\$)	429,288	468,716	545,076	545,570	507,673
Milton Water System (\$)	198,675	307,658	371,598	376,443	379,217
Town of Youngsville (\$)	199,202	307,707	300,550	418,541	372,510
Water District North-Wholesale (\$)	253,163	272,507	302,351	310,367	363,542
Total Wholesale Water Sales (\$)	2,502,213	3,030,138	4,241,593	3,690,835	3,425,414
Total Water Sales (\$)	13,901,932	15,107,093	18,098,559	17,182,674	16,795,761
Percent of Total Water Sales from Wholesale Sales (%)	18.0	20.1	23.4	21.5	20.4

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Total retail water sales volume (represented as the difference between total sales and wholesale sales) has increased approximately 2 percent since 2009. Total annual water sales has increased approximately 6 percent during this time, however, wholesale sales have increased at a rate more than three times that of total production (approximately 18 percent). It is clear wholesale customers have required an increasing percentage of the total water produced and this trend is expected to continue. This will place continued pressure on the distribution system and could adversely affect LUS retail customers. Excluding 2011, over the past five years wholesale customers placed a disproportionate demand on the system as compared to their revenue generation. Therefore, coordination with wholesale customers and adequate planning for improvements to the LUS system and the wholesale customers' systems is necessary to protect the interests of retail customers.

Water Utility Operations

Financial

Operating Results

Table 6-7 summarizes the Water Utility revenues and expenses for the most recent five years. In 2013, the Water Utility total operating revenues decreased by approximately 1.8 percent from 2012. Retail water revenues decreased by 0.9 percent from the previous year. The wholesale revenues decreased by 7.2 percent due in part to the payment to the City of Broussard in 2013 per the settlement agreement. The Water Utility operating expenses decreased approximately 1.5 percent from 2012. The decrease in net margin of 7.9 percent is primarily driven by a decline in non-operating revenues.

**Table 6-7
Water Utility Operating Results**

	2009	2010	2011	2012	2013
Water Operating Revenues (\$)					
Retail	11,399,719	12,076,955	13,856,966	13,491,838	13,370,347
Wholesale	2,502,213	3,030,138	4,241,593	3,690,835	3,425,414
Other	<u>366,248</u>	<u>386,947</u>	<u>426,985</u>	<u>521,712</u>	<u>598,361</u>
Total Water Operating Revenues (\$)	14,268,180	15,494,040	18,525,544	17,704,385	17,394,122
Water Operating Expenses (\$)					
Operation Expenses	4,720,348	4,878,949	4,959,273	4,926,831	4,924,529
Maintenance Expenses	1,635,069	1,534,098	1,674,551	1,665,080	1,703,615
Other Expenses	<u>4,898,308</u>	<u>4,472,875</u>	<u>5,149,883</u>	<u>5,554,133</u>	<u>5,320,168</u>
Total Operating & Maintenance Expenses (\$)	11,253,724	10,885,922	11,783,706	12,136,044	11,948,312
Water Non-Operating Revenues (Expenses) (\$)					
Interest Revenues	234,438	171,668	137,108	99,038	165,632
Water Tapping Fees	112,000	97,800	47,900	86,100	105,100
LUS Fiber Start-up Reimbursement	0	0	0	0	0
Miscellaneous Non-Operating Revenues	33,512	(5,076)	133,656	689,911	399,238
FTTH Start Up Project ⁽¹⁾	0	0	0	0	0
Interest on Customer Deposits	(1,243)	(1,083)	0	0	(1,277)
Tax Collections/Non-Operating	15,114	17,533	(27,723)	(49,309)	(51,653)
Miscellaneous Non-Operating Expense	<u>0</u>	<u>0</u>	<u>(80,964)</u>	<u>(126,089)</u>	<u>(292,876)</u>
Total Non-Operating Revenues (Expenses) (\$)	393,821	280,842	209,977	699,651	324,164
Net Margin (\$) ⁽²⁾	3,418,276	4,888,961	6,951,815	6,267,992	5,769,973

(1) Water allocation of FTTH project startup cost. Allocation pursuant to LUS proposed Cost Allocation Manual

(2) Before Depreciation and Debt Service

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Statistical Data

The selected statistical data in this Section pertains to the number of customers, customer usage, and revenues by class. It was obtained or developed from the LUS Financial and Operating Statements for years 2009 through 2013.

Revenues

Table 6-8 shows the Water Utility retail statistics for the most recent five years. During 2013, the total revenues decreased 1.8 percent, the total volume sales decreased by 2.8 percent, and the number of accounts increased by 1.6 percent.

Section 6

Compared to the prior year, the average water usage per retail account decreased by 5.7 percent from 122,000 gallons to 115,000 gallons. Over the past five years average water usage per retail account has decreased by 1.7 percent from 2009 levels.

Retail water sales decreased in total volume by 4.3 percent in 2013 compared to 2012, with average water revenue per retail account declining by 2.4 percent in 2013. The retail water revenue per thousand gallons increased by 3.4 percent in 2013.

Compared to the prior year, the average water usage per wholesale account increased by 0.3 percent from 316,000 gallons to 317,000 gallons. Wholesale water sales increased in total volume by 1.9 percent during 2013. The water revenue per thousand gallons decreased by 9.1 percent during 2013. Over the five year period from 2009 to 2013, wholesale water sales volumes have increased by 18.1 percent, wholesale revenues have increased by 36.9 percent, and the revenue per thousand gallons has increased 16.0 percent.

Table 6-8
Water Sales Revenue and Statistics

	2009	2010	2011	2012	2013
Water Sales Revenues (\$)					
Retail	11,399,719	12,076,955	13,856,966	13,491,838	13,370,347
Wholesale	2,502,213	3,030,138	4,241,593	3,690,835	3,425,414
Other	<u>366,248</u>	<u>386,947</u>	<u>426,985</u>	<u>521,712</u>	<u>598,361</u>
Total Water Sales Revenues (\$)	14,268,180	15,494,040	18,525,544	17,704,385	17,394,122
Water Sales (1,000 gallons)					
Retail	5,383,764	5,599,380	5,826,291	5,742,436	5,494,648
Wholesale	<u>1,603,353</u>	<u>1,834,034</u>	<u>1,846,090</u>	<u>1,858,479</u>	<u>1,893,375</u>
Total Sales (1,000 gallons)	6,987,117	7,433,414	7,672,381	7,600,915	7,388,023
Water Number of Accounts					
Retail	45,994	46,387	46,954	47,199	47,945
Wholesale	<u>5,281</u>	<u>5,573</u>	<u>5,795</u>	<u>5,890</u>	<u>5,981</u>
Total Accounts	51,276	51,960	52,749	53,088	53,926
Water Statistics – Retail					
Usage per Account (1,000 gallons)	117	121	124	122	115
Revenue per Account (\$)	248	260	295	286	279
Revenue per 1,000 gallons (\$)	2.12	2.16	2.38	2.35	2.43
Water Statistics – Wholesale					
Usage per Account (1,000 gallons)	304	329	319	316	317
Revenue per Account (\$)	474	544	732	627	573
Revenue per 1,000 gallons (\$)	1.56	1.65	2.30	1.99	1.81

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Rate Revisions

As shown in Table 6-9, the Water Utility average residential revenues per thousand gallons increased by 0.5 percent from 2012 to 2013, while during that time period commercial revenues per thousand gallons increased by 6.9 percent. Since 2009, the average residential revenues per thousand gallons have increased 12.6 percent, while commercial revenues per thousand gallons have increased 27.0 percent. No retail rate revisions were implemented for the Water Utility during 2013.

Table 6-9
Water Retail Rates (Revenue/1,000 gallons)

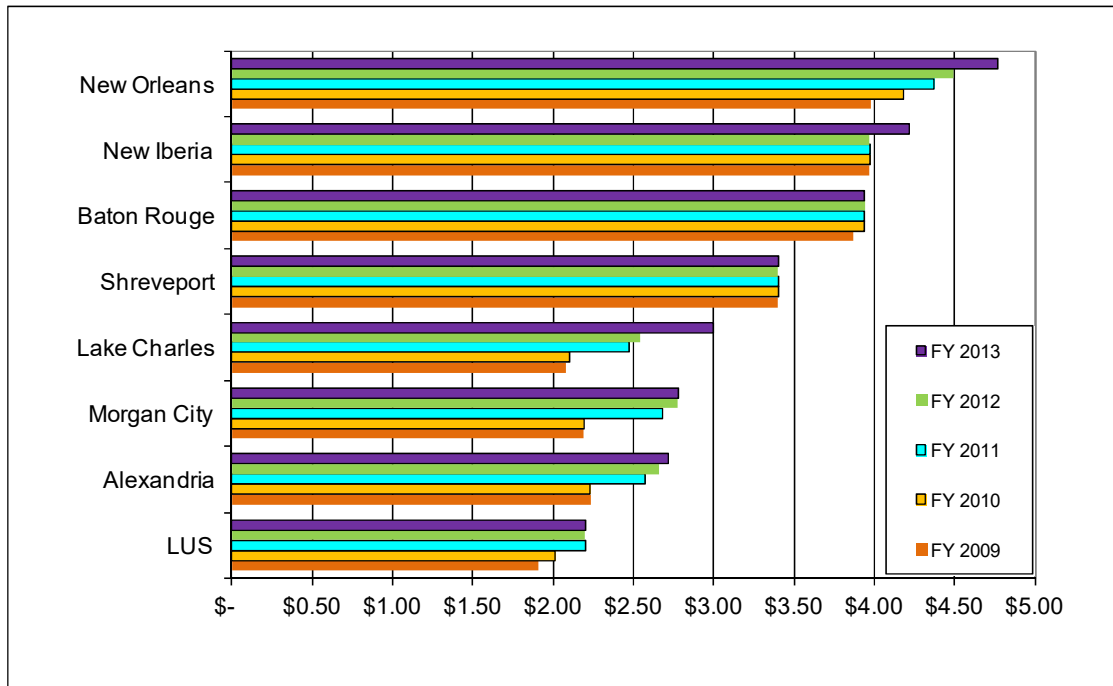
Class	2009	2010 ⁽¹⁾	2011 ⁽²⁾	2012	2013
Residential (\$)	2.26	2.25	2.51	2.53	2.54
Commercial (\$)	1.70	1.76	2.08	2.02	2.16

(1) Water retail customers experienced a rate increase of 9 percent on February 1, 2010

(2) Water retail customers experienced a rate increase of 9 percent on November 1, 2011 (FY2011)

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Figure 6-1 displays the rate benefit LUS water customers experience compared to surrounding utilities in Louisiana. In 2013, LUS’s water rates continue to be the lowest compared to the other area utilities reviewed.



Source: LUS, Based on a monthly bill with 7,000 gallons consumption. Includes customer charge, if applicable.

Figure 6-1: Water Rates for LUS & Selected Louisiana Utilities (\$/1,000 gallons)

Environmental Issues

The LUS Water Utility is subject to various environmental permits, approvals, laws, rules, and regulations. This section provides a discussion of the current status of major environmental permits and potentially significant environmental liabilities for the Water Utility, is not meant to provide a comprehensive environmental compliance assessment of the system. The intent is to provide a description of our understanding of the status of the Water Utility with respect to requirements set forth in its permits and approvals, and applicable environmental laws and regulations. The information provided is based on review of documents provided by, and discussions with, persons providing information on behalf of the Water Utility and primarily addresses the major requirements that affect the water systems including the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Requirements of the CWA are administered through a permit process whereby any discharge into surface waters necessitates a National Pollutant Discharge Elimination System (NPDES) permit (administered by the LDEQ under the Louisiana Pollutant Discharge Elimination System (LPDES) permit program). The SDWA establishes standards for public water systems, whereby tap water must meet certain quality standards for different chemicals as established by the USEPA.

Water Production and Distribution System

LUS reports that the North, South, and Gloria Switch Water Treatment Plants are currently complying with their operating permits and meeting all applicable drinking water standards of the SDWA. The South Water Treatment Plant is permitted to discharge wastewater from the treatment of potable water, stormwater and sanitary wastewater under LPDES Permit LA0079278 with an effective date of November 1, 2009 and a term of five years. A new application for this permit is scheduled to be submitted to the LDEQ in May of 2014. The North Water Treatment Plant is permitted to discharge wastewater associated with the treatment of potable water under General LPDES permit LAG380000 (facility permit No: LAG380057) modified and effective July 1, 2010 with a term of five years. The Gloria Switch Water Treatment Plant also discharges wastewater associated with the treatment of potable water under General LPDES permit LAG380000 (facility permit No: LAG380096) modified and effective July 1, 2010 with a term of five years.

Drinking Water Quality

In response to the requirements of the SDWA, LUS must prepare and distribute an annual water quality report to its customers. The 2013 Water Quality Report (which will be published in June 2014) includes results of periodic monitoring of the quality of water distributed to LUS customers. Past annual monitoring reports show LUS water quality to be within the regulatory limits. Biological water quality is also monitored throughout the system, although it is not required to be reported in the annual report. LUS reports that monitoring results for 2013 show compliance with water quality standards.

Section 7

UTILITIES SYSTEM – WASTEWATER UTILITY

The Consulting Engineer interviewed LUS Wastewater Utility staff in February 2014 regarding wastewater operations and performed analyses of operating statistics that are indicative of the general operating condition of LUS's Wastewater Utility facilities. The following discussion summarizes the findings of the Consulting Engineer with respect to the maintenance and management of the property based upon discussions with and information supplied by LUS personnel.

Wastewater Utility Facilities

The Wastewater System includes four treatment plants and a collection system consisting of nearly 629.7 miles of pipe (excluding service lines), 11,813 manholes and 157 lift stations. This system reliably serves 42,891 retail connections with a total permitted treatment capacity of 18.5 mgd.

Wastewater Treatment

The four wastewater treatment plants are the SSTP, the East Plant, the ACTP, and the Northeast Plant. The total permitted capacity for these plants is 18.5 mgd. The SSTP is an activated sludge facility with a permitted capacity of 7.0 mgd. The East Plant and Northeast Plant are oxidation ditch facilities with permitted capacities of 4.0 and 1.5 mgd, respectively. The ACTP treatment system formerly included a rotating biological contactor (RBC) and oxidation ditch but has undergone improvements to replace the RBC with sequencing batch reactors (SBR). Although the treatment capacity has been significantly increased, the permitted capacity remains at 6.0 mgd.

The LUS wastewater facilities have met customer demands for service and provided customers with adequate and reliable utility services during the period reported herein.

Each year, LUS must prepare an annual municipal water pollution prevention audit report for each wastewater plant and submit these reports to the Council and the LDEQ. These reports, among other things, compare the design hydraulic and biological treatment capacity of each plant with the actual conditions and use point value systems to assess status of the plants. Included in these reports are design capacity exceedences. Table 7-1 outlines the number of months during which the design capacity of each plant was exceeded over the past five years.

Table 7-1
Wastewater Number of Months During Which
Design Capacity was Exceeded

	2009	2010	2011	2012	2013
Flow					
South Plant	0	1	0	0	1
East Plant	1	2	0	0	1
Ambassador Caffery Plant	3	3	5	9 ⁽¹⁾	4 ⁽¹⁾
Northeast Plant	0	0	0	0	0
Biological Loading					
South Plant	0	0	0	0	0
East Plant	0	0	0	0	0
Ambassador Caffery Plant	0	0	0	0	0
Northeast Plant	0	0	0	0	0

(1) Increase in flow exceedances due in part to 1.5 mgd redirected flow from SSTP to ACTP via the new Verot School Rd. lift station; however, Old Maurice improvements anticipated to redirect 2.0 mgd from ACTP to SSTP when complete
Source: Craig Gautreaux, LUS, 2/14

Engineering design plans to expand the South Plant from 7 mgd to 12 mgd were completed in 2011 and construction of Phase I commenced in 2012. Phase I was completed in 2013, with subsequent phases to be completed in each successive year through 2018. A portion of force main that connects to the South Plant is currently being designed so that it can be constructed with a City park project. The City park project is anticipated to be complete by the end of 2014. Treatment plant improvements included in the expansion are the construction of SBR, additional aerobic digestion capacity, sludge thickening and dewatering, and a new headworks facility to treat a portion of the incoming flow. The sludge thickening and dewatering design plans are complete and the project will be put out for bid when funding is approved. It is anticipated that construction on this project will begin in 2014. Future expansion phases are contingent upon bond issuance in order to provide financing. It is expected that upon completion in 2018, these improvements will provide sufficient capacity for the foreseeable future.

A long-term plan for sludge stabilization and disposal is still needed and an investigation of this issue is included in the recently completed wastewater master plan. Basic concepts to consider as part of developing a long-term approach should include evaluation of economics, potential regulatory constraints, and central versus distributed treatment facilities. The preliminary evaluation includes land acquisition and treating to Class A standards as options in the long-term, for example, but it would be worthwhile for LUS to also consider short-term scenarios in which its largest land application site(s) becomes unavailable. This risk assessment/mitigation effort should include planning for the abrupt loss of a significant land application site, how the treatment/disposal process would be restructured permanently, and how biosolids would be handled in the interim. Reinforcing the need for this effort is the recent loss

of two disposal sites. While the loss of these particular sites is not anticipated to cause significant disruption to the program, it does illustrate the vulnerability of available land application properties.

In addition to the existing wastewater treatment plants, LUS acquired responsibility for two additional localized package wastewater treatment plants in fiscal year 2013. These package treatment plants are designed to serve small communities / subdivisions, are not interconnected with the LUS system and several do not meet LUS design requirements for wastewater treatment. LUS has assumed responsibility of a total of four of these type of treatment facilities and one pond as a result of a 2011 LCG Sewer Ordinance and previous mandates. These package plants represent increased operational and maintenance responsibilities for existing LUS management and personnel. Additionally, these system represent a financial challenge in terms of billing for services.

Wastewater Collection

The wastewater collection system consists of gravity sewers, interceptors, manholes, pumping stations, and force mains, as tabulated in Table 7-2.

**Table 7-2
Wastewater Collection System**

	2009	2010	2011	2012 ⁽³⁾	2013
Number of Connections	41,185	41,522	41,928	42,476	42,891
Miles of Pipe ⁽¹⁾	563	564	571	621	630
Number of Manholes	11,252	11,276	11,431	11,635	11,813
Number of Lift Stations ⁽²⁾	149	146	145	152	157

(1) Not including service lines

(2) Includes two lift stations from Holiday Utilities bankruptcy

(3) Pipe estimate based on new GIS estimate

Source: Craig Gautreaux, LUS, 2/14

The above statistics indicate that in 2012 the total pipe in the wastewater collection system increased at a much higher rate than the number of customers or other system features (from 571 in 2011 to 621). This discrepancy is likely attributable to the implementation of a new database used to estimate pipe lengths resulting in a skewed point of reference. It is believed the pipeline estimate in 2012 represents a new baseline for future comparison and not necessarily actual pipeline construction during that year. Approximately 9 miles of pipeline was added to the system in 2013 due to the addition of new subdivisions to the wastewater collection system. The flat topography of the service area means that additional lift stations will be needed as the system expands unless major interceptors are constructed. LUS is making efforts to slow the increase in the number of lift stations and the wastewater master plan (and associated hydraulic modeling) includes consideration of alternatives for eliminating existing lift stations. To date, the Wastewater Utility has successfully eliminated several lift stations and is working with developers on alternatives to adding lift stations as development occurs, in order to further limit the number of new lift

stations. LUS should continue efforts to eliminate facilities as is practical. In 2013, five additional lift stations were added to the collection system to pump wastewater from several new subdivisions to main collection system pipelines.

LUS has also taken over several pond/lift station systems previously operated by Holiday Utilities and other private entities, and is constructing improvements to eliminate most of those facilities and to tie those systems into the Wastewater Utility System. In 2012, significant progress was made with only one of the originally inherited facilities remaining and LUS is investigating alternatives to eliminate it. One alternative that is in the planning stages is a roadway and associated gravity sewer main project along Ambassador Caffery Parkway, which would reduce the infrastructure improvements necessary to eliminate the final lift station.

Contracts and Agreements

In August 1995, LUS entered into a wastewater operation and maintenance agreement with the Grossie Avenue Area via a U.S. Department of Housing and Urban Development grant. This area is served by a separately-owned collection system serving a very small number of customers (approximately 50) and flows are treated at the East Treatment Plant. The 40-year agreement expires in August 2035.

Financial

Operating Results

Table 7-3 summarizes the Wastewater Utility revenues and expenses for the most recent five years. The Wastewater Utility operating revenues decreased in 2013 by approximately 1.8 percent, or approximately \$0.5 million. Wastewater Utility operating expenses increased approximately 1.0 percent from 2012. Overall, the Wastewater Utility operating margin decreased by approximately 9.4 percent from 2012 to 2013 primarily due to a decrease in non-operating revenues.

**Table 7-3
Wastewater Utility Operating Results**

	2009	2010	2011	2012	2013
Wastewater Operating Revenues (\$)					
Retail Service	21,320,392	23,982,152	29,326,976	28,861,669	28,382,562
Other	<u>215,893</u>	<u>252,026</u>	<u>313,914</u>	<u>283,361</u>	<u>234,643</u>
Total Wastewater Operating Revenues (\$)	21,536,286	24,234,178	29,640,890	29,145,030	28,617,205
Wastewater Operating Expenses (\$)					
Operation	6,787,270	6,766,795	7,063,843	7,093,991	7,553,469
Maintenance	2,442,184	2,304,508	2,174,272	2,212,708	2,283,019
Other	<u>6,212,916</u>	<u>5,761,126</u>	<u>6,047,206</u>	<u>6,837,500</u>	<u>6,468,756</u>
Total Operating Expenses (\$)	15,442,369	14,832,429	15,285,321	16,144,199	16,305,244
Wastewater Non-Operating Revenues (Expenses) (\$)					
Interest Revenues	357,408	268,505	237,307	168,547	276,775
LUS Fiber Start-up Reimbursement	0	0	0	0	0
Miscellaneous Non-Operating Revenues	78,921	(7,939)	231,331	1,174,120	667,135
FTTH Start Up Project ⁽¹⁾	0	0	0	0	0
Interest on Customer Deposits	(2,784)	(2,221)	0	0	(2,646)
Tax Collections/Non-Operating	20,922	24,351	(38,504)	(67,800)	(71,022)
Miscellaneous Non-Operating Expense	<u>0</u>	<u>0</u>	<u>(112,450)</u>	<u>(173,373)</u>	<u>(402,705)</u>
Total Non-Operating Revenues (Expenses) (\$)	454,467	282,696	317,684	1,101,494	467,537
Net Margin (\$) ⁽²⁾	6,548,383	9,735,501	14,673,253	14,102,325	12,779,498

(1) Wastewater allocation of FTTH project start-up cost. Allocation pursuant to LUS Cost Allocation Manual

(2) Before Depreciation and Debt Service

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Statistical Data

The selected statistical data in this Section pertaining to the number of customers, customer usage, and revenues by class was obtained or developed from the LUS Financial and Operating Statements for years 2009 through 2013.

Revenues

Table 7-4 shows the Wastewater Utility statistics for the most recent five years. Compared to the prior year, the average wastewater intake per account in 2013 increased by approximately 3.8 percent, from 130,000 gallons to 135,000 gallons. Over the five-year period, estimated wastewater intake per account did not vary. From 2012 to 2013, the average wastewater revenue per customer decreased 3.1 percent.

**Table 7-4
Wastewater Sales Revenue and Statistics**

	2009	2010	2011	2012	2013
Wastewater Sales Revenues (\$)					
Retail Service	21,320,392	23,982,152	29,326,976	28,861,669	28,382,562
Other	<u>215,893</u>	<u>252,026</u>	<u>313,914</u>	<u>283,361</u>	<u>234,643</u>
Total Wastewater Sales Revenues (\$)	21,536,286	24,234,178	29,640,890	29,145,030	28,617,205
Wastewater Intake (1,000 gallons)					
Wastewater Intake (1,000 gallons)	5,570,825	5,715,794	5,190,182	5,448,397	5,730,473
Wastewater Number of Accounts					
Wastewater Number of Accounts	41,185	41,522	41,928	42,049	42,586
Wastewater Statistics					
Intake per Account (1,000 gallons)	135	138	124	130	135
Revenue per Account (\$)	522.92	583.65	706.95	693.12	671.98
Revenue per 1,000 gallons (\$)	3.87	4.24	5.71	5.35	4.99

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Rate Revisions

LUS implemented rate increases in 2010 and 2011. Despite the decline in residential revenue per account from 2011 to 2013, over the past five years the average revenue per account for residential customers has increased by 23.2 percent. No retail rate revisions were implemented for the Wastewater Utility during 2013.

**Table 7-5
Wastewater Retail Rates (Revenue/Account)**

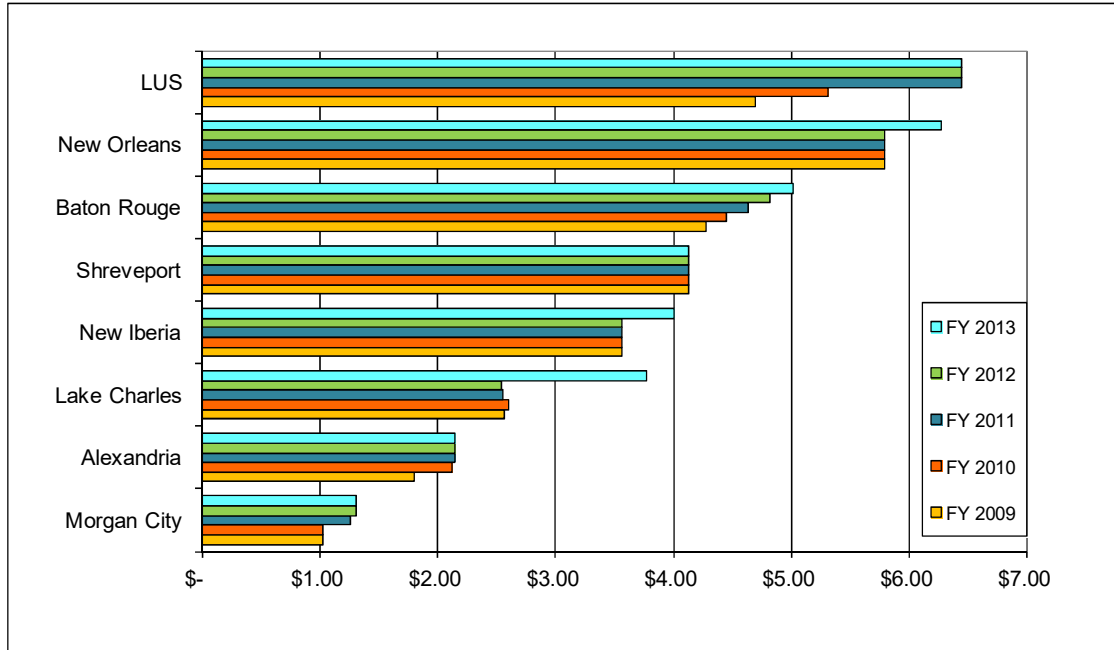
Class	2009	2010 ⁽¹⁾	2011 ⁽²⁾	2012	2013
Residential (\$)	330.51	363.96	434.26	417.69	407.33
Commercial (\$)	1,702.95	1,887.20	2,310.08	2,324.26	2,276.61

(1) The Wastewater Utility customers experienced a rate increase of 18 percent on February 1, 2010

(2) The Wastewater Utility customers experienced a rate increase of 18 percent on November 1, 2010 (FY 2011)

Source: LUS Financial and Operating Statements 2009 - 2013 audited

Figure 7-1 displays the wastewater rates for LUS and surrounding utilities in Louisiana. Wastewater rates are difficult to compare because many cities and towns subsidize wastewater systems with local taxes. The extent to which other cities and towns have subsidized their systems is unknown. Figure 7-1 shows that LUS wastewater rates are the highest of the utilities reviewed in 2013.



Source: LUS, Based on a monthly bill with 7,000 gallons consumption. Includes customer charge, if applicable

Figure 7-1: Wastewater Rates for LUS and Selected Louisiana Utilities (\$/1000 gallons)

Environmental Issues

The LUS Wastewater Utility is subject to various environmental permits, approvals, laws, rules, and regulations. This section provides a discussion of the current status of major environmental permits and potentially significant environmental liabilities for the Wastewater Utility, it is not meant to provide a comprehensive environmental compliance assessment of the system. The intent is to provide a description of our understanding of the status of the Wastewater Utility with respect to requirements set forth in its permits and approvals, and applicable environmental laws and regulations. The information provided is based on review of documents provided by, and discussions with, persons providing information on behalf of the Wastewater Utility and primarily addresses the major requirements that affect the wastewater system including: the Clean Water Act (CWA). Requirements of the CWA are administered through a permit process whereby any discharge into surface waters necessitates a National Pollutant Discharge Elimination System (NPDES) permit (administered by the LDEQ under the Louisiana Pollutant Discharge Elimination System (LPDES) permit program).

Wastewater Collection and Treatment

The Federal Water Pollution Control Act Amendments of 1972 and 1977, commonly known as the Clean Water Act, established the basic structure for regulating discharges of pollutants into the waters of the United States. It gives the USEPA the authority to implement pollution control programs such as setting wastewater discharge standards and water quality standards for all contaminants in surface waters.

In many instances, the USEPA has delegated program administration to the states; in the case of the State of Louisiana, LDEQ has assumed responsibility for administering the NPDES program.

Vermilion River Water Quality Standards

Section 303(d) of the 1972 CWA requires all states to develop a list of their state's impaired water bodies that do not meet state regulatory water quality standards. The CWA requires all states to develop Total Maximum Daily Loads (TMDLs) for these waters based on priority ranking. If pollution is at unacceptable levels at the end of a reasonable time period, LDEQ must revise the TMDLs and implement additional control measures.

The current discharge permits for LUS wastewater plants reflect the TMDLs that were established for the Vermilion watershed in 2003. At the time of this Report, mercury monitoring is complete and no further action has been taken or is anticipated.

Because the Vermilion River is considered oxygen deficient, limitations have been established for the release of carbonaceous biological oxygen demand and ammonia nitrogen into the river. Due to these regulations it is highly unlikely LUS will receive any increase in its present waste load allocations; therefore, more efficient wastewater treatment facilities may be required as the service area grows. It is also a possibility that nutrient limits for nitrate and phosphorus could be added to the LUS wastewater permits within the next 10 years.

LUS staff is monitoring these regulatory developments and will incorporate the requirements into planning and capital requirements as they become more definite. Compliance with the regulations is not anticipated to require major capital expenditures at this time.

Wastewater Collection and Treatment Permits

The wastewater discharge permits for each of the four LUS wastewater treatment plants (Ambassador Caffery, East, South, and Northeast) require LUS to regularly test for compliance with permit conditions and report any violations or exceedances of permit limits, including bypass or overflow of wastewater.

The wastewater discharge permit renewals for all four plants were begun in August 2013 and renewal application completeness determinations for all four plants were received on August 19, 2013, thus the existing permits will remain in effect until new permits are issued. The Ambassador Caffery, South and Northeast Plants' permits were re-issued beginning in April 2009 and East Plant's beginning in June 2009. All renewed permits contain identical effluent limits for biological oxygen demand, total suspended solids, ammonia-nitrogen, dissolved oxygen, total residual chlorine and pH. Each plant must, among other things:

- Conduct quarterly whole effluent toxicity testing using bioassay methods
- Perform an annual Environmental Audit Report including a resolution from the governing body

- Operate an industrial pretreatment program
- Submit monthly reports to LDEQ
- Periodically update Storm Water Pollution Prevention Plan (SWPPP) for each wastewater plant.

The 2013 DMRs for the treatment plants showed that the wastewater plants were in compliance with the effluent limits in the LPDES permits. LUS reports that no notices of violation of effluent limits were received for the wastewater treatment facilities in 2013 and the treatment plants are current with all fees and report submittals and there were no public complaints received in 2013.

In November of 2011, LDEQ conducted a file review of the East Wastewater Treatment Plant and found that the Risk Management Plan was deficient regarding certain operating procedures and training. LDEQ issued a compliance order requiring LUS to submit a compliance plan to correct the deficiencies. LUS, after meeting with LDEQ, prepared a compliance plan, submitted it to LDEQ and implemented the plan in 2012. LUS has received no subsequent communication from LDEQ regarding the issue.

Storm water discharges from the treatment plants are covered under the LPDES Multi-sector General Permit, most recently re-issued May 4, 2011. The SWPPPs for LUS' treatment plants are outdated as of the date of this report. LUS has indicated that they recently hired personnel to perform plan compliance and are in the process of updating the plans. LUS confirmed that they are compliant with the required quarterly visual inspections of their treatment plants.

Industrial Pretreatment

The Industrial Pretreatment Program (Pretreatment Program) was implemented in 1984 and is mandated by LDEQ through the LPDES permits issued to the wastewater treatment plants. LUS manages and enforces the Pretreatment Program to protect the integrity of the wastewater treatment plants and fulfill the following objectives:

- Prevention of the introduction of pollutants into the Publicly Owned Treatment Works (POTW) which will interfere with the operation of the plants, including interference with its use or disposal of municipal sludge
- Prevention of the introduction of pollutants into the POTW, which will pass through the treatment works and enter waters of the state
- Reduction of the risk of exposure of workers to chemical hazards
- Improving opportunities to recycle and reclaim municipal and industrial wastewaters and sludge

The Pretreatment Program regulates significant industrial users with a Wastewater Discharge Permit program. Less significant users are regulated under a Best Management Practices program. There are potential requirements of a mercury minimization program under Wastewater Treatment Plant LPDES permits; if adopted, the Pretreatment Program would need to assume these requirements.

As required by the conditions of the LPDES permits, the 2012 Annual Pretreatment Report was submitted in early 2013. The 2013 Annual Pretreatment Report was submitted to LDEQ on January 6, 2014.

Biosolids Beneficial Reuse Land Application Program

LUS participates in a land farming program using biosolids that are a byproduct of its water and wastewater treatment plant operations. This program is operated under a Biosolids/Sewage Sludge Landfarming/Beneficial Reuse Permit (number LASS021025) issued by the LDEQ with effective dates from February 1, 2009 through January 31, 2014. A renewal application was received by LDEQ on July 25, 2013. LUS reports that the necessary quarterly, semiannual and annual application, soil, and sludge testing reports were submitted to LDEQ during 2013. As indicated previously, LUS should continue to investigate sludge stabilization and disposal solutions.

Spill Prevention Control and Countermeasure Plans

Electric generation facilities, electric substations, and water and wastewater treatment facilities that are located where oil (or fuel) from a spill could reach navigable waters, and have a storage capacity of more than 1,320 gallons at a single facility, must have a SPCC plan prepared in accordance with federal regulations. SPCC plans must also be consistent with the Spill Prevention and Control (SPC) Planning regulations of the state. SPCC plans for each of the waste water facilities have been implemented in accordance with regulatory requirements.

- Customer Premise Equipment Service – offers the necessary equipment to connect customers to the Internet and the LUS Fiber network along with monitoring and maintenance services for these routers, switches, and transceivers

In 2013, LUS Fiber provided wholesale fiber service to 14 governmental and 22 wholesale customers.

LUS Fiber contracts with wholesale customers under a comprehensive standard service agreement for periods of 12 to 60 months. The agreements are flexible and allow customers to add or modify services within the broader terms and conditions set forth in the agreement.

Wholesale pricing is market based and designed to attract new customers. LUS Fiber routinely monitors competitor service offerings and prices to ensure cost competitiveness and strives to offer competitive pricing for equivalent services. Wholesale customers may receive discounts based on the volume of fiber services and the length of the contract term. These incentives enhance the attractiveness of LUS Fiber's wholesale products and services.

Retail Services

Upon the issuance of the 2007 Communications System Revenue Bonds, LUS Fiber launched a retail communications utility, which provides telephone, video (analog and advanced IP television), and Internet service. Provisioning retail services commenced during 2008 on a test basis to a small number of customers. Network expansion occurred during 2009 and includes extending new fiber and distribution equipment off of the existing network to reach every customer within the LUS Fiber service area. In 2012, LUS Fiber issued the Series 2012 Communications System Bonds to expand the system and support the growth in its retail operations. Additionally, as each new serviceable customer requests service, a fiber service drop is constructed from the backbone fiber network to the residence or business. LUS Fiber continues to install inside wiring as necessary to fulfill customer requests. Insurance covering in-premise work is provided by the individual contractor. LUS Fiber is on target to offer Hosted PBX Voice Services in early 2014.

The Communications System has several initiatives underway or in the planning phase that will serve to increase market share over the next several years. The Communications System has improved 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 Lafayette marketplace. Marketing promotions have proven to be successful in the past and will continue to be employed to stimulate sales and referrals.

Retail communications currently consist of the following residential and business services:

- Video Services - basic, expanded basic, digital basic, digital plus, digital Hispanic, digital music, Whole Home Digital Video Recording (DVR), video on demand, pay per view, premium movie suites, set top box rentals, and applications (apps)

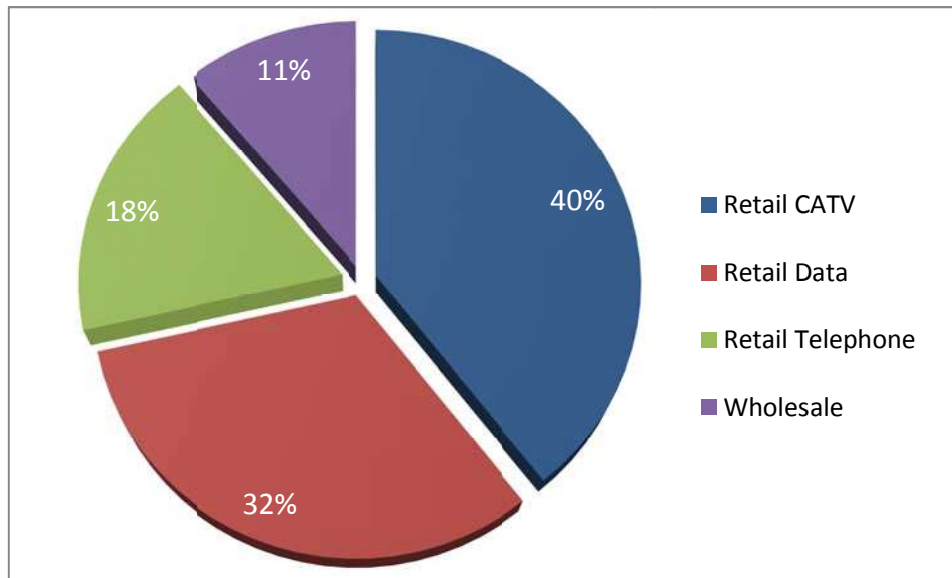


Figure 8-1: Revenue Summary

During 2013, LUS Fiber and LCG continued its prior efforts to achieve the capability to access accounting data in a timely manner. Accounting reports appear to be accurate and available in a timelier manner, thereby improving LUS Fiber’s ability to react quickly to changes in the business environment.

Overhead Cost Allocation

A&G costs are allocated based on each utility’s share of O&M expenses (less fuel and purchased power for the Electric Utility). LCG employs an Allocation Manual, recommended by MGT of America, Inc. (formerly Maximus Financial Services, Inc.). Application of the methods used in this manual indicates LCG’s and LUS Fiber’s intent to be in compliance with the Local Government Fair Competition Act, No. 736 (effective July 6, 2004).

Operating Budget

The Communications System budget for the fiscal year ending October 31, 2013 as adopted by the LCG is summarized in Table 8-6.

APPENDIX A FINANCIAL & STATISTICAL DATA

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

Population of 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
2007	112,199
2008	111,088
2009	112,640
2010	120,623
2013	122,510

Sources: U.S. Census Bureau and Lafayette Economic Development Authority

Assessed Value of Taxable Property of the City

(All dollars in thousands)

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Fiscal Year</u>	<u>Assessed Value</u>
1995	\$370,153	2005	785,937
1996	388,979	2006	826,075
1997	471,750	2007	864,797
1998	503,704	2008	905,005
1999	542,680	2009	1,129,670
2000	552,896	2010	1,167,335
2001	584,023	2011	1,178,154
2002	673,318	2012	1,220,334
2003	692,626	2013	1,306,098
2004	716,544	2014	1,354,370

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

<u>Classification of Property</u>	2013 Assessed Valuation
Real Estate	\$973,357,915
Personal Property	349,601,970
Public Service Property	28,950,527
Total	<u><u>\$1,351,910,412</u></u>

Source: Lafayette Parish Assessor's Office

Millage Rates

	2009	2010	2011	2012	2013
<u>Parishwide Taxes:</u>					
Schools	4.59	4.59	4.59	4.59	4.59
School District No. 1					
Special	7.27	7.27	7.27	7.27	7.27
Special School Improvements	5.00	5.00	5.00	5.00	5.00
School 1985 Operation	16.70	16.70	16.70	16.70	16.70
Courthouse & Jail Maintenance	2.34	2.34	2.34	2.34	2.34
Library(1987-1996) (1997-2006) (2007-2016)	2.91	2.91	2.91	2.91	2.91
Library(1979-1998) (1999-2008) (2009-2018)	1.61	1.61	1.61	1.61	1.61
Library (2003-2012)	2.00	2.00	2.00	2.00	2.00
Health Unit Maintenance	0.99	0.99	0.99	0.94	
Juvenile Detention Maintenance	1.17	1.17	1.17	1.17	1.17
Lafayette Economic Development Authority	1.92	1.92	1.92	1.82	1.82
Assessment District	1.56	1.56	1.56	1.56	1.56
Law Enforcement	16.79	16.79	16.79	16.79	16.79
Airport Maintenance	1.71	1.71	1.71	1.71	1.71
Minimum Security Maintenance	2.06	2.06	2.06	2.06	2.06
Bridges and Maintenance	4.17	4.17	4.17	4.17	4.17
Lafayette Parish Bayou Vermillion -					
Bond & Interest	0.20	0.20	0.10	0.10	0.10
Maintenance	0.75	0.75	0.75	0.71	0.75
Drainage Maintenance	3.34	3.34	3.34	3.34	3.34
Public Improvement Bonds	3.40	3.00	3.00	3.00	3.00
Teche-Vermillion Water District	1.26	1.26	1.50	1.45	1.45
Mosquito Abatement & Control	1.50	1.50	1.50	1.50	0.50
<u>Other Parish and Municipal Taxes:</u>					
Parish Tax (Inside Municipalities)	1.52	1.52	1.52	1.52	1.52
Parish Tax (Outside Municipalities)	3.05	3.05	3.05	3.05	3.05
Lafayette Centre Development District	10.91	10.91	10.91	9.60	10.91
City of Lafayette	17.84	17.94	17.94	17.94	17.94

Sources: Lafayette Parish Assessor and Lafayette Consolidated Government

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

Leading Taxpayers

The ten largest property taxpayers of the City and their 2013 assessed valuations follow:

	<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2013 Assessed Valuation</u>
1.	Frank's Casing Crew & Rental Tools	Oilfield Service	\$31,456,678
2.	PHI Inc	Oilfield Service	20,550,805
3.	Stuller	Manufacturing	17,873,808
4.	AT&T/ Bellsouth	Telecommunications	15,292,409
5.	Iberia Bank	Commercial Banking	11,932,542
6.	Walmart/Sam's	Retail Services	11,307,541
7.	HCA Regional Health System	Healthcare	10,813,714
8.	Schlumberger	Oilfield Service	10,150,363
9.	J P Morgan Chase	Commercial Banking	9,711,898
10.	Halliburtn	Oilfield Service	6,461,575
			<u>\$145,551,333 *</u>

* Approximately 9.3% of the 2013 assessed valuation of the City.

Source: Lafayette Consolidated Government

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2013**

**CASH AND
INVESTMENTS**

General Operating Funds:

101	General Fund-City	\$	25,229,555
102	Property Tax Escrow Fund		24,577
105	General Fund-Parish		3,446,149
126	Grants-Federal		(313,408)
127	Grants-State		(242,508)
140	LA Supreme Court Drug Grant		(52,582)
160	DHH-Acadiana Recovery Inpatient Grant		25,604
161	ARC US Probation Outpatient		4,436
162	Community Development		(272,413)
163	Home Programs		(70,075)
164	Urban Infill Home Program		1,059,779
165	Emergency Shelter Grant		(18,381)
167	HUD-ARRA Fund		2,358
170	WIA Grants		(112,450)
171	HUD Housing Loan Prog		518,031
173	LPTFA 1st time Homebuyers		6
180	FTA Planning Grants		(19,261)
181	FHWA Plan Grants		(137,288)
185	FHWA I-49 Grant		(58,725)
187	FTA Capital		261,374
189	DOTD Travel Management		(70,880)
201	Recreation & Parks		(526,739)
202	Natural History Museum		(117,311)
203	Municipal Transit System		61,471
204 & 205	Heymann Performing Arts Center		(27,154)
206	Animal Control Shelter		995,411
207	Traffic Safety		1,076,925
208	Acadiana Recovery Center Non-Grant		275,240
209	Combined Golf Courses		191,317
240	Urban Development Action		39
252	State Seized/Forfeited Property		12,121
253	Fed Narc Seized /Forfeited Property		12,948
255	Criminal Non-support		(133,939)
260	Road & Bridge Maintenance		9,130,243
261	Drainage Maintenance		14,146,090

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2013**

**CASH AND
INVESTMENTS**

262	Correctional Center	(629,109)
263	Library Fund	36,306,500
264	Courthouse Complex	6,547,539
265	Juvenile Detention Facility	3,549,099
266	Public Health Unit	8,252,825
267	War Memorial building	(34,655)
268	Criminal Court	(300,334)
270	Coroner	(22,823)
271	Mosquito Abatement	4,048,868
272	Justice Department Federal Equitable Sharing Fund	158,143
277	Court Services Fund	54,360
297	Parking Program	244,086
299	Codes & Permits	1,937,826
550	Environmental Services	(2,167,839)
551	CNG Service Station	66,293
601	Payroll	1,122,608
605	Unemployment Compensation	(40,423)
606	Metro Code Retirement Account	2,942
607	Group Hospitalization	6,055,140
640	Hurricane Katrina	115,676
641	Hurricane Rita	331,383
643	Hurricane Gustav	(1,404,219)
644	Hurricane Isaac	(196,711)
701	Central Printing	(27,385)
702	Central Vehicle Maintenance	1,675,624
	Total General Operating Funds	\$ 119,945,976

Debt Service Funds:

215	1961 City Sales Tax Trust Fund	\$ 19
222	1985 City Sales Tax Trust Fund	0
290	TIF City Sales Tax Trust Fund-MM101	635,071
291	TIF City Sales Tax Trust Fund-MM103	118
302	1961 Sales Tax Bond Sinking Fund	7,223,790
303	1961 Sales Tax Bond Reserve Fund	17,244,437
304	1985 Sales Tax Bond Sinking Fund	4,276,765
305	1985 Sales Tax Reserve Fund	14,090,062
356	Contingency Sinking-Parish	3,667,764
357	2011 Certificates of Indebt	160,869
358	2012 Limited Tax Refund	7,364
801	Consolidated Sewerage Sinking Fund	334,496
821	Consolidated Paving Districts Sinking Fund	411,924
	Total Debt Service Funds	\$ 48,052,679

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2013**

**CASH AND
INVESTMENTS**

Construction Funds:

401	Sales Tax Capital Improvement Fund	\$	28,351,193
402	2003 Parish Library GOB Construction Fund		117,133
403	1999 Parish Certificates of Indebted Sinking		20,782
404	2001 Parish General Obligation Bonds		(177,858)
405	2003 Parish General Obligation Bonds		82,081
406	2005 Parish General Obligation Bonds		4,420,165
407	2010 Parish General Obligation Bonds		9,891,377
417	1993 Sales Tax Bond Construction		21,539
419	1997A Sales Tax Bond Construction		5
420	1997B Sales Tax Bond Construction		179,922
421	1998 Sales Tax Bond Construction		1,748
422	1999B Sales Tax Bond Construction		315,350
423	1999A Sales Tax Bond Construction		2
424	2000B Sales Tax Bond Construction		33,784
425	2000A Sales Tax Bond Construction		50,617
426	2001A Sales Tax Bond Construction		7,404
427	2001B Sales Tax Bond Construction		30,693
428	2002A Sales Tax Bond Construction		4,863
429	2003B Sales Tax Bond Construction		30
430	2003C Sales Tax Bond Construction		1
431	2003D Sales Tax Bond Construction		75,221
432	2005B Sales Tax Bond Construction		723,250
433	2005C Sales Tax Bond Construction		16,862
434	2007A Sales Tax Bond Construction		5,819,204
435	2007B Sales Tax Bond Construction		849,474
436	2009A Sales Tax Bond Construction		12,905,490
437	2009B Sales Tax Bond Construction		15,276,104
438	2010 Sales Tax Bond Construction		22,638,077
440	2013 Sales Tax Bond Construction		15,676,578

Total Construction Funds	\$	117,331,091
---------------------------------	-----------	--------------------

Other:

602	Firemen Pension & Relief	\$	385,874
603	Police Pension & Relief		(22,825)
614	Risk Management		(89,451)

Total Other	\$	273,598
--------------------	-----------	----------------

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2013**

**CASH AND
INVESTMENTS**

Utility System Funds:

501	Receipts Fund	\$	175,665
502	Operation and Maintenance		6,022,729
503	Bond & Interest		0
504	Capital Additions Fund		85,168,282
505	Security Deposit Fund		7,902,913
506	Bond Reserve Fund		23,635,570
530	2010 Bond Construction Fund		10,891,081
	Total Utilities System Funds	\$	133,796,241

LPPA Funds:

520	LPPA Revenue Fund	\$	498,515
521	LPPA Operating Fund		7,509,140
522	LPPA Fuel Cost Stability Fund		4,500,000
523	LPPA Bond Reserve Fund		9,678,529
524	LPPA Reserve & Contingency Fund		5,283,318
525	LPPA Bond Interest & Principal Fund		0
526	LPPA 2007 Bond Construction Fund		691,551
527	LPPA 2012 Bond Construction Fund		57,528,261
	Total LPPA Funds	\$	85,689,314

Communications System Funds:

531	Receipts Account	\$	68,863
532	Operating Account		2,138,342
533	Debt Service Account		0
535	2012A Bond Account		1,817,286
536	2012B Bond Account		3,539,233
537	Capital Additions Account		618,641
538	Security Deposits Account		91,359
539	Bond Construction Account		651,996
	Total Communications System Funds	\$	8,925,720

TOTAL ALL FUNDS		\$	514,014,619
------------------------	--	-----------	--------------------

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE
ECONOMIC INDICATORS**

Per Capita Personal Income

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Lafayette Parish	\$ 42,200	\$ 45,896	\$ 42,539	\$ 44,796	\$ 47,060	N/A	N/A
Louisiana	35,802	37,799	36,378	37,217	38,623	40,057	40,689
United States	39,804	40,873	39,357	40,163	42,298	43,735	44,543

Employment

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
2000	97,296	93,576	3,720	3.8	5.0
2001	99,779	95,858	3,921	3.9	5.4
2002	98,393	94,021	4,372	4.4	5.9
2003	98,015	93,388	4,627	4.7	6.2
2004	98,729	94,633	4,096	4.1	5.5
2005	104,531	99,393	5,138	4.9	6.7
2006	107,321	104,331	2,990	2.8	3.9
2007	109,628	106,741	2,887	2.6	3.8
2008	112,272	108,865	3,407	3.0	4.4
2009	111,806	106,286	5,520	4.9	6.6
2010	113,352	106,781	6,571	5.8	7.5
2011	114,282	107,967	6,315	5.5	7.3
2012	117,262	111,949	5,313	4.5	6.4
2013	119,526	113,992	5,534	4.6	6.4

Source: Louisiana Department of Labor

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

The preliminary figures for the Parish for December 2013 were reported as follows:

Year	Labor Force	Employment	Unemployment	Parish Rate	State Rate
December 2013	120,781	116,856	3,925	3.2	*4.7

* The seasonally adjusted rate was 5.7

Source: Louisiana Department of Labor

The following table show the composition of the employed work force in the Lafayette MSA.

**Non-Farm Wage and Salary Employment by Major Industry
(Employees in Thousands)**

	January 2012	January 2013	January 2014
Mining	17.3	16.8	17.6
Construction	6.5	6.7	7.0
Manufacturing	10.8	11.9	12.5
Trade, Transportation, & Utilities	29.5	29.5	30.4
Information	2.6	2.6	2.4
Financial Activities	8.6	8.7	8.9
Professional And Business Services	17.3	18.9	19.1
Educational and health Services	22.9	22.8	24.0
Leisure and Hospitality	15.1	15.8	17.0
Other Services	4.5	4.7	4.8
Government	16.8	16.8	16.1
Total	151.9	155.2	159.8

Source: U.S. Bureau of Labor Statistics

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE
ANNUAL AVERAGE LAFAYETTE PARISH CONCURRENT ECONOMIC
INDICATORS 2009, 2010, 2011, 2012, AND SECOND QUARTER 2013**
(All data not seasonally adjusted)

	2009	2010	2011	2012	2013:2
EMPLOYMENT					
Total	130,901	131,027	133,634	137,564	140,629
Agriculture, Forestry, Fishing, and Hunting	97	88	84	90	94
Mining	14,577	14,680	15,069	16,392	16,010
Utilities	495	499	506	500	493
Construction	6,575	5,981	6,061	6,407	6,729
Manufacturing	8,209	8,095	9,053	9,110	9,838
Wholesale Trade	6,836	7,030	7,302	7,352	6,823
Retail Trade	15,703	15,685	16,115	16,267	16,507
Transportation & Warehousing	3,849	3,556	3,486	3,772	4,030
Information	2,876	2,736	2,667	2,557	2,649
Finance & Insurance	3,054	3,075	3,065	3,093	3,123
Real Estate and Rental and Leasing	3,893	4,005	4,272	4,477	4,375
Professional & Technical Services	7,582	7,657	7,744	8,649	8,844
Management of Companies and Enterprises	2,917	2,783	2,760	2,926	2,993
Administrative and Waste Services	5,602	6,142	5,948	5,566	6,444
Educational Services	7,883	7,893	7,894	7,924	8,031
Health Care and Social Services	19,486	19,998	20,501	20,683	20,909
Arts, Entertainment, and Recreation	2,089	2,071	2,098	2,154	2,231
Accommodation and Food Services	12,200	12,148	12,293	12,816	13,672
Other Services, except Public Administration	3,216	3,112	3,097	3,215	3,184
Public Administration	3,604	3,711	3,543	3,559	3,552
	Annual	Annual	Annual	Annual	Quarterly
EARNINGS (\$ in Thousands)					
Total	\$5,632,038	\$5,847,951	\$6,179,069	\$6,588,106	\$1,645,837
Agriculture, Forestry, Fishing, and Hunting	3,597	2,652	2,619	3,327	862
Mining	1,130,318	1,234,362	1,305,546	1,451,170	348,966
Utilities	24,589	24,389	26,709	26,591	6,926
Construction	320,679	285,038	296,947	314,765	79,216
Manufacturing	385,781	400,999	504,273	508,459	125,984
Wholesale Trade	353,103	377,296	401,572	429,333	98,364
Retail Trade	397,554	396,914	423,154	460,014	112,075
Transportation & Warehousing	158,174	159,272	157,785	175,701	48,644
Information	111,313	111,780	111,399	115,670	29,521
Finance & Insurance	164,253	172,507	178,139	190,872	48,742
Real Estate and Rental and Leasing	211,235	225,556	280,074	290,430	70,755
Professional & Technical Services	431,640	452,200	472,445	543,361	131,850
Management of Companies and Enterprises	173,040	170,878	171,747	201,693	58,663
Administrative and Waste Services	191,644	207,512	205,143	187,917	56,623
Educational Services	317,154	315,302	319,168	320,637	80,698
Health Care and Social Services	765,100	812,810	815,086	842,580	207,964
Arts, Entertainment, and Recreation	31,948	33,232	33,075	32,334	8,628
Accommodation and Food Services	189,805	194,691	201,022	214,474	60,241
Other Services, except Public Administration	99,056	98,278	101,681	111,314	27,686
Public Administration	165,286	169,441	168,000	165,719	42,960

Source: Louisiana Department of Labor

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

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

	<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate No. of Employees</u>
1.	Lafayette Parish School System	Education	4,556
2.	Lafayette Consolidated Government	Public Administration	2,237
3.	Lafayette General Medical Ctr	Health Care	1,998
4.	Schlumberger	Oil and Gas	1,988
5.	Wood Group Production Services	Oil and Gas	1,900
6.	Wal-Mart Stores, Inc.	Retail Trade	1,709
7.	University of Louisiana-Lafayette	Education	1,677
8.	Baker Hughes	Oil and Gas	1,478
9.	WHC Inc	Oil and Gas	1,440
10.	Our Lady of Lourdes Reg Med Ctr	Health Care	1,428

Source: Lafayette Economic Development Authority

Banking Facilities

The Lafayette Parish are is served by the following banks:

Banks

American Bank & Trust Company	JPMorgan Chase Bank, National Association
BancorpSouth Bank	Lenco Finance
Bank of Sunset & Trust Company	M C Bank & Trust Co.
Business First Bank	MidSouht Bank, N.A.
Capital One, National Association	Palm Desert National Bank
Community First Bank	Patterson State Bank
Farmers-Merchants Bank & Trust Company	Rayne State Bank & Trust Company
Farmers State Bank & Trust Company	Regions Bank
First Bank and Trust	St. Landry Bank & Trust Company
First National Bank of Louisiana	St. Martin Bank & Trust Company
Gulf Coat Bank	Teche Federal Bank
Home Bank	Wells Fargo Bank
IBERIABANK	Whitney Bank
Investar Bank	Woodforest Bank, fsb