

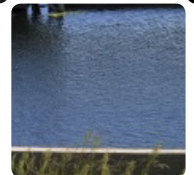
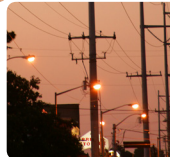
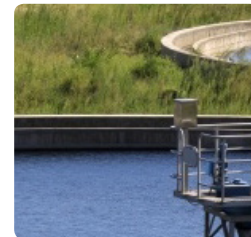


CONSULTING ENGINEER'S COMPREHENSIVE ANNUAL REPORT

Lafayette Utilities System
Lafayette, Louisiana



Lafayette
CONSOLIDATED GOVERNMENT



PREPARED BY:



NewGen Strategies & Solutions

NewGen Strategies & Solutions, LLC, (NewGen) role as Consulting Engineer, has prepared the attached comprehensive annual report on the Utilities and Communications Systems for fiscal year 2014. Copies of the report shall be placed on file with the Chief Operating Officer by LCG and shall be open to inspection by any Owners of any of the Utility or Communications System Bonds. NewGen was supported by subcontractors and specific subject matter experts in the preparation of and analysis included in the report.

Our partners in this effort included:



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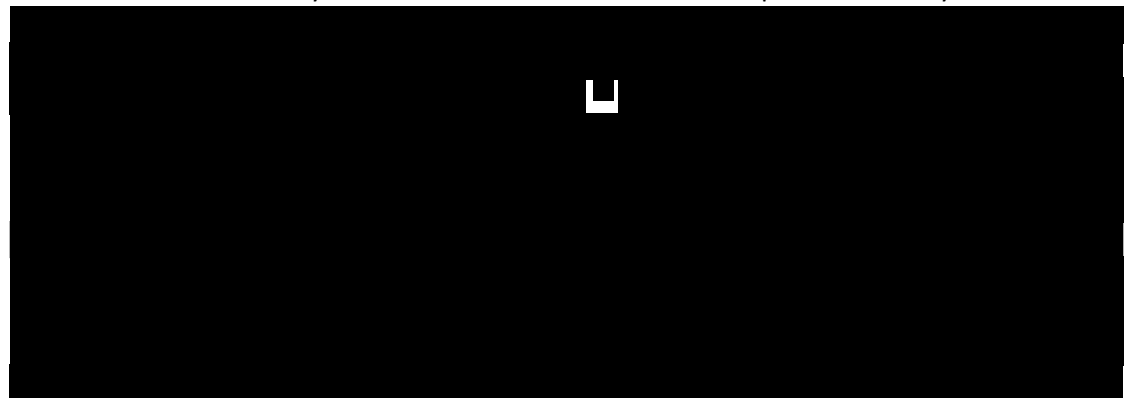
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EXECUTIVE SUMMARY

Introduction

Lafayette City-Parish Consolidated Government (Lafayette Consolidated Government or LCG) governs the City of Lafayette, Louisiana (City) and the Lafayette Parish (the Parish), collectively the City-Parish. LCG includes a President and nine City-Parish Council members (the Council), elected by the Parish to four-year terms of office. The Council is also the governing authority of the Lafayette Public Power Authority (LPPA). LPPA is a political subdivision specifically created to finance electric generating facilities in order to provide power to the City's Electric System. LPPA then provides the output of these generating facilities by way of wholesale power sales to the Utilities Department, also known as Lafayette Utilities System (collectively defined as LUS). LUS includes the Electric, Water, and Wastewater Systems (collectively the Utilities System), and the Communications Systems.

The City has issued and is currently servicing debt related to Utilities System, Communications System, and LPPA bonds—Utilities Revenue Bonds (Series 2010 and 2012), Communications Revenue Bonds (Series 2007 and 2012), and LPPA Bonds (Series 2007 and 2012). As required in the bond ordinances included with the Utilities System and Communications System Bonds (collectively the Bond Ordinances), a Consulting Engineering shall provide engineering council to LCG in connection with the operations of the Utilities and Communications Systems, advise on rate revisions, and prepare an annual comprehensive report (e.g. the Consulting Engineer's Comprehensive Annual Report or Report). The Report shall address a number of covenants and continuing disclosures included in the Bond Ordinances such as the condition and operations of the systems, general accounting, and financial compliance, as well as overall financial and operational performance of the Utilities and Communications Systems.

This Report was prepared by NewGen Strategies and Solutions, LLC (NewGen), and covers the fiscal year (FY) 2014 (November 1, 2013 to October 31, 2014). The contents of this Report are intended to provide engineering and management information to bond holders, LUS, LCG, and interested parties. It is our understanding that LCG places copies of this Report on file with the Chief Operating Officer, Bond Fund Trustee, LUS, and others. Appendices A, B, C, and D include a comprehensive list and summary of the continuing disclosures and updated financial and operational performance for the Utilities System, Communications System, and LPPA as required in the Bond Ordinances.

The information and analyses presented herein are representative of information made available to NewGen as of the date of this Report, observations of the systems, and interviews conducted with LUS and LCG staff in February 2015. NewGen's analyses, conclusions, and opinions relied on independent review of information provided to us by others in the form of audits, reports, budgets, projections, and interviews as disclosed in this Report. NewGen has not independently verified the accuracy of information provided and has assumed that information provided is accurate and representative of the financial and operating condition of the Utilities and Communications Systems.



Overall Performance

LUS served more than 65,000 electric customers, 55,000 water customers, and 43,000 wastewater customers in 2014 while the Communications System served 16,270 customers. Customer growth on the Utilities System is stable with observed customer growth between 0.6 percent and 1.3 percent per year since 2010. The Communications System continued to experience high customer growth rates in 2014 with an increase of 7.6 percent from 2013.

LUS generated a total of \$248 million of revenues in FY 2014, with the majority of the revenue (\$202 million) from the electric services. FY 2014 revenues were approximately 5.9 percent higher than 2013, with the electric revenues 7.3 percent higher and water revenues 1.3 percent higher than the previous year. Wastewater revenues declined by 0.5 percent from the previous year. The debt service coverage ratio (DSCR) for the Utilities System remains strong at greater than 3.0 for the combined Electric, Water, and Wastewater Systems. The minimum DSCR requirements for the Utilities System is 1.0.

The Communications System revenues increased to \$31.6 million in 2014, up 18 percent from 2013. The DSCR for the Communications System increased to 1.5 from 1.1 in 2013. The minimum DSCR requirements for the Communications System is 1.0.

In general, the Utilities System financial performance aligned with the 2014 budgeted projections. The Utilities System collected \$250 million in revenues compared to the budgeted \$242 million. The increase in revenues is primarily attributable to the higher purchased power costs, which are passed through and recovered in the Fuel Charge (FC). The Utilities System's actual expenses were less than budgeted primarily due to lower generator and equipment maintenance and labor related costs. Other Income (Expenses) were higher than budgeted amounts primarily due to an increase in normal capital expenses.

In general, the Communications System's financial performance was less than budgeted. The Communications System collected \$28 million in revenues in 2014, which was 10.8 percent less than the budgeted \$32 million. However, expenses were also lower than budgeted by 6 percent. Both the revenue and expenses were less than budgeted due to lower than projected customers in 2014. While the Communications System actual financial performance was under budget, it still exceeded DSRC requirements and continued to increase its net revenues.

Rates for the Electric, Water, and Wastewater Systems remain competitive for residential and commercial customers. In fact, LUS' residential electric rates and residential and commercial water rates are among the lowest in the state. The Communications System offers Internet service packages that are of significantly higher quality (e.g. higher speeds) at lower prices when compared to local competitors. The Communications System has a competitive advantage in Internet services within the City.

Findings and Recommendations

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

- Based on our visual observation and review of the Utilities and Communications Systems, we find the Utilities and Communications Systems to be in generally good

condition and maintained properly in accordance with prudent utility and industry practices.

- Historically, the Utilities System CIP has been sufficient to sustain and improve the integrity and reliability of the system. The current CIP reflects deferred projects totaling approximately 8 percent of the overall five-year plan. These deferred projects are not expected to have a material impact on the sufficiency of the CIP to maintain system reliability.
- Revenues from the Utilities System were sufficient to meet all financial obligations including operating expenses, LUS and LPPA debt service, capital improvements, in lieu of tax (ILOT) payments, and required reserves.
- The Electric System became a Midcontinent Independent System Operator (MISO) participant in December 2013. MISO has significantly benefited and improved LUS' power supply economics, operations, reliability, and eliminated prior transmission constraint issues. LUS has also realized greater flexibility in dispatching Rodemacher Unit 2 and its overall power supply mix.
- The Doc Bonin and the Curtis Rodemacher generating stations are currently economically obsolete. Curtis Rodemacher has been retired for several years and decommissioning efforts have been initiated in the past. Doc Bonin is currently not operating and has been designated as a power station in economic suspension within MISO. In anticipation of the cost associated with fully decommissioning both power stations, LUS should establish a decommissioning reserve to cover the future costs of dismantling these units. Reserve requirements and annual funding of such a reserve would be based on a decommission study. LUS should conduct a decommission study as the basis for funding such a reserve.
- Water sales to wholesale customers have remained steady to increasing over the past five years. As wholesale water sales continue and are projected to increase, it will place added pressure on the distribution system, which could accelerate capital upgrades. In addition to capital upgrades, additional wholesale customer sales volume management may be required to maintain adequate pressure in the system.
- Biosolids disposal from wastewater treatment is a near term issue LUS must address if the current lessors of the land used for disposal begin cancelling agreements, and/or additional outlying package treatment plants are integrated with the Wastewater System. LUS will continue evaluating alternative sludge treatment options and the potential purchase of land for disposal. Where possible, the existing year-to-year leases with 30-day notices for cancellation should be renegotiated to longer-term staggered leases with longer notice periods for cancellation.
- As wastewater collection and transmission infrastructure continues to age, infiltration/inflow (I&I) and system overflows will remain an important infrastructure issue. Efforts to address and control I&I and overflows should continue to be a priority.
- The Utilities System maintained a combined 3.0 DSCR while the Communications System achieved a 1.5 DSCR. Both the Utilities and Communications Systems minimum DSCR are 1.0.
- The Communications System operates in a highly competitive market, and faces significant business risks associated with pricing, customer turnover, market

penetration, and technological obsolescence. In this competitive environment, the Communications System has increased its customer base and market penetration, demonstrating its ability to operate successfully in a competitive industry.

- At the current customer level, the Communications System generates sufficient revenues to meet operations and maintenance (O&M) expense, annual debt service, capital improvements, inter-utility loan payments, imputed taxes, and all other financial obligations. Given that a majority of Communications System costs are fixed and do not vary when new customers are added to the system, revenues associated with customer growth above current levels will further improve the system's ability to meet future debt service obligations.
- The Communications System has utilized inter-utility loans from the Utilities System to fund a portion of its CIP. The Communications System has made all inter-utility-loan payments. Inter-utility loans represent a small component of Communications System total cost and do not have a material adverse effect on the Utilities System ability to meet debt service obligations.
- Utilities System Residual Balance available for Communications Debt Service was sufficient to meet Communications System debt service if a Credit Event had occurred in FY 2014. The 2014 Utilities System Residual Balance achieved a coverage ratio of 3.8 as compared to the Communications System debt obligations.
- Staffing and succession planning remains a material issue for LUS and all municipally-owned utilities across the United States (U.S.). LUS is also constrained by civil service policies and therefore lags the competition in salaries. Compared with the regional oil and gas industry, LUS' advantages come down to job stability, location, quality of life, and home time. A consistent approach and plan to replacing retirees and their knowledge base is key to the future success of the utility.
- Staffing issues are higher risk for the Communications System than other utility units due to the extremely competitive nature of the business and the potential for employees to make significantly greater salaries in the marketplace. Other human resources issues include: performance recognition, overtime, and personnel being at the highest applicable pay grade with no further advancement potential.

Additional and more detailed findings and recommendations are found within each Section of the Report.

Revenue Bond History and Ratings

LUS has a long and successful history of repaying bond holders. The following table lists the historical and outstanding Bonds since 1949.

Table ES-1
LUS Related Bonds Summary

Date Issued	Retired/ Outstanding	Authorized Amount	Application of Proceeds
Utilities System			
1949 – 1958	Retired	\$18,000,000	Steam-electric generating plant improvements and extensions to the Electric, Water, and Wastewater Systems
1962 – 1965	Retired	\$12,500,000	Improvements and extensions to the Electric, Water, and Wastewater Systems
1966 – 1969	Retired	\$19,800,000	Addition to electric generation, water, and wastewater treatment capacity, and extensions and improvements
1973 – 1976	Retired	\$39,000,000	Addition to electric generation capacity and extensions, additions and improvements to the Electric, Water, and Wastewater Systems
1978 – 1981	Retired	\$26,000,000	Additions to the electric transmission system and extensions and improvements to the electric, water distribution, and wastewater collection systems
1983 – 1996	Retired	\$40,400,000	Additions, extensions, and improvements to the Electric, Water, and Wastewater Systems and acquisition of electric distribution customers
2004	Retired during FY2014	\$183,990,000	Addition to electric generation capacity and extensions, and wastewater improvements
2010	Outstanding	\$86,080,000	Improvements to the Electric System to alleviate the Acadian Load Pocket, development of Advanced Metering Infrastructure (AMI) to benefit the Electric and Water Systems, and collection improvements for the Wastewater System
2012	Outstanding	\$153,960,000	Advanced refunding of a portion of 2004 Bonds, Reserve Fund
Lafayette Public Power Authority			
2007	Outstanding	\$34,045,000	Purchase of two aluminum rail car trains and other improvements to Rodemacher Unit 2
2012	Outstanding	\$65,100,000	Installation of MATS equipment, SNCR, and other improvements to Rodemacher Unit 2
Communications System			
2007	Outstanding	\$110,405,000	Creation of the Communications System to provide retail telephone, cable television (CATV), and Internet service to the residents of the City
2012	Outstanding	\$14,595,000	Improvements to the Communications System to provide retail telephone, CATV, and Internet service to the residents of the City

Source: Official Statements

EXECUTIVE SUMMARY

The most recent bond ratings for the LUS related debt issuances are included below. As the Communications System’s financial performance continues to improve, it may lead to improved ratings for current and future Communications System bonds. The rating agencies typically review LUS and the City’s credit rating with each debt issue. If the City or LUS has not recently issued debt (e.g. within a two-year period) the agencies will perform a review and surveillance of the City and LUS performance to update credit ratings.

**Table ES-2
Recent LUS Bond Ratings**

Bond Issue	S&P Rating ⁽¹⁾	Moody’s Rating ⁽²⁾
LUS Revenue Bonds 2012	A+	A1
LPPA Revenue Bonds 2012	A+	A1
Communications Revenue Bonds 2012	A+	A3

(1) Standard & Poor’s (S&P) ratings scale: highest: ‘AAA’, lowest ‘D’; ‘+’ and ‘-’ are used to rate relative standing within a rating category (e.g. AA+ or B-).
(2) Moody’s ratings scale: highest ‘Aaa’, lowest ‘C’; ‘1’, ‘2’, and ‘3’, 1 is high, 3 is low, are used to rate relative standing within a rating category (e.g. Aa1 or A3).

SECTION 1

SCOPE OF REVIEW

The Electric, Water, and Wastewater Systems (collectively the Utilities System), and Communications System Bonds (collectively, the Bond Ordinances) set forth specific duties and responsibilities of the Consulting Engineer, which include advising Lafayette Utilities System (LUS) on its appointment of Chief Operating Officer, providing continuous engineering counsel to the Lafayette City Parish Consolidated Government (Lafayette Consolidated Government or LCG) in connection with operations of the Utilities System and Communications System, advising on rate revisions, and preparing an annual comprehensive report (specifically, this Consulting Engineer's Comprehensive Annual Report or Report) on the operations of LUS after the close of each fiscal year (FY).

On February 16, 2015, LCG retained NewGen Strategies and Solutions, LLC (NewGen) as the LUS Consulting Engineer. This section of our Report, describes the responsibilities of the Consulting Engineer with respect to the development of an annual comprehensive report of for the Utilities and Communications Systems. Although the responsibilities of the Consulting Engineer have historically not changed, the analyses undertaken by NewGen in the performance of our due diligence review of LUS are different from prior reviews conducted by other firms. Therefore, the organization, content, conclusions, and recommendations contained within this Report may differ from those included in prior comprehensive reports.

1.1 Requirements of Bond Ordinance

Utilities System and Communications System outstanding bonds, shown in Table ES-1, are governed by nearly identical Bond Ordinances. The Utilities System is governed by Article VII-Covenants of the Issuer. The Communications System is governed by Article VIII-General Covenants of the Issuer. The Consulting Engineer is governed by Article VIII- Consulting Engineer of the Utilities System bond ordinance and Article IX-Consulting Engineer of the Communications System bond ordinance. These articles are pertinent to the content of this Report. A summary of each article is as follows:

Utilities System - Article VII-General Covenants of the Issuer

Article VII of the Utilities System bond ordinances list 12 covenants of the LUS (Issuer) as follows:

- Section 7.1 - Operation Covenant where, among other things, the Issuer agrees to operate the Utilities System in a businesslike manner.
- Section 7.2 – Maintenance of Utilities System, Disposition where, among other things, the Issuer agrees to maintain the Utilities System and all parts thereof in good condition and will operate the same in an efficient and economical manner.
- Section 7.3 – Maintenance of Utilities System, Disposition where, among other things, the Issuer agrees to maintain the Utilities System and all part thereof in good condition and will operate the same in an efficient and economical manner.



SECTION 1

- Section 7.4 – Obligation to Connect Sewerage Users where, among other things, the Issuer agrees to require every owner, tenant, or occupant of each lot or parcel of land to connect with the Utilities system and to cease to use any other method for the disposal of sewage, sewage water, or other polluting matter.
- Section 7.5 – No Free Service where, among other things, the Issuer will not permit free water, electricity, or sewage service to be supplied by the Utilities System.
- Section 7.6 – Operating Budget where, among other things, before the first day of each FY the Governing Body shall prepare, approve, and adopt in the manner prescribed by law....a detailed budget of the Revenues, Bond Service Requirement,...and Cost of Operation and Maintenance (O&M) for the next succeeding FY.
- Section 7.7 – Rate Covenant where, among other things, the Issuer will fix, charge, and collects such rates, rentals, fees, and charges for the use of and for the services and products provided by the Utilities System.
- Section 7.8 – Books and Records where, among other things, the Issuer shall keep separately identifiable financial books, records, accounts, and data concerning the operation of the Utilities System.
- Section 7.9– Reports and Annual Audits where, among other things, the Issuer shall require that an annual audit of the accounts and records with respect to the Utilities System be completed as soon as reasonably practicable at the end of the FY by a qualified independent certified public accountant.
- Section 7.10– Insurance and Condemnation Awards where, among other things, the Issuer shall carry adequate fire, windstorm, explosion, and other hazard insurance on the components of the Utilities System...The Issuer may, upon appropriate authorization by its Governing Body, self-insure against such risks on a sound actuarial basis.
- Section 7.11– Enforcement of Collections where, among other things, the Issuer will diligently enforce and collect the fees, rates, rentals, and other charges for the use of the products, services, and facilities of the Utilities System.
- Section 7.12– Additions to Utilities System where, among other things, the Issuer may add to the Utilities System any facilities or equipment purchased, acquired, or constructed for the purpose of improving or renovating any element of the then-existing Utilities System.

Utilities System - Article VIII-Consulting Engineer

Article VIII of the Utilities System bond ordinance lists three requirements of the Consulting Engineer as follows:

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

- Section 8.2 – Comprehensive Annual Report, where the Consulting Engineer shall prepare within 180 days after the close of each FY 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. Copies of such report shall be placed on file with the Chief Operating Officer and shall be open to inspection by any Owners of any of the Bonds. Such report shall also contain the Consulting Engineer’s recommendations as to personnel practices and policy and his analysis of the ability of the Utilities System to function in the present and forecasted environments.
- Section 8.3 – Recommendation as to Rate Revision, where it shall further be the duty of the Consulting Engineer to advise the Issuer as to any revision of rates and charges, and the Issuer agrees to make no downward revision in its rates and charges for services (except fuel adjustment charges), which are not approved by the Consulting Engineer.

Purpose of this Report

The purpose of the Report is to fulfill Article VIII – Section 8.2 as described above and to comply with Electronic Municipal Market Access (EMMA) reporting requirements. EMMA is a resource for investors and is operated by the Municipal Securities Rulemaking Board (MSRB). The MSRB is a primary regulator of municipal markets. The MSRB establishes rules that securities firms, banks, and municipal advisors must follow when engaging in municipal securities transactions and advising investors and state and local governments. Section 8 – Continuing Disclosures with Appendix A - Continuing Disclosures-Utilities System, Appendix B - Continuing Disclosures-Lafayette Public Power Authority (LPPA), Appendix C - Continuing Disclosures- Communications System, and Appendix D – Financial and Statistical Data meet the EMMA reporting requirement.

1.2 Report Organization

Outstanding LUS debt obligations are supported by two distinct revenue pledges. Utilities Systems revenues are pledged to meet debt service obligations associated with the Utilities System Series 2010 and 2012 revenue bonds. Communications System revenues are pledged to meet debt service obligations associated with the Communications System Series 2007 and 2012 revenue bonds. Given these two distinct pledges, we have organized our Report as follows:

- Section 1 – Scope of Review, as presented within this Section.
- Section 2 – Governance, Organization, Management, and Revenue Pledge describes the LUS organizational structure and management team, which oversees the operation of

SECTION 1

the Utilities and Communications Systems including the governance and shared services provided by LCG.

- Section 3 – Utilities System provides an overview of the combined electric, water, and wastewater operations that comprise the Utilities System including historical financial performance.
- Section 4 – Electric System provides an in-depth review of electric system operations, system condition, rate comparisons, performance benchmarking, and financial performance and contribution to the Utilities System revenue pledge.
- Section 5 – Water System provides an in-depth review of water system operations, system condition, rate comparisons, and financial performance and contribution to the Utilities System revenue pledge.
- Section 6 – Wastewater System provides an in-depth review of wastewater system operations, system condition, rate comparisons, and financial performance and contribution to the Utilities System revenue pledge.
- Section 7 – Communications System provides an in-depth review of the LUS Internet, telephone, and cables businesses including an assessment of market share, service offerings, price competitiveness, and financial performance in support of the Communications System revenue pledge.
- Section 8 – Continuing Disclosure provides an overview of EMMA and the required continuing disclosures, with Appendices A, B, and C providing updated financial information in a format similar to that presented in official statements of outstanding bond issues of the Utilities System, Communications System, and LPPA.

SECTION 2

GOVERNANCE, ORGANIZATION, MANAGEMENT, AND REVENUE PLEDGE

The Lafayette Parish (the Parish) electorate and the City of Lafayette, Louisiana (City) adopted the Home Rule Charter (Charter) to consolidate the City and Parish governmental functions. The Charter also defined the new LCG departmental structure. LCG manages and operates the Utilities and Communications Systems through its departmental structure. The Utilities Department is primarily responsible for the Utilities and Communications Systems management and operations; however, other LCG departments provide vital functions to LUS operations, including the Office of Finance and Management, the Department of Information Services and Technology, and the Legal Department. The City owns the Utilities and Communications Systems’ assets. LCG operates on a FY, beginning November 1 and ending on October 31 of the following year.

2.1 Governance

LCG includes a President and nine City-Parish Council members (Council), elected by the Parish to four-year terms of office. During FY 2014, Council members were as follows:

Table 2-1
LCG Parish-Council Members

Council Member	Term
Joey Durel - Parish President	2012–2015
Kevin Naquin – District 1	2012–2015
Jay Castille – District 2	2012–2015
Brandon Shelvin – District 3	2012–2015
Kenneth P. Boudreaux – District 4	2012–2015
Jared Bellard – District 5	2012–2015
Andy Naquin – District 6	2012–2015
Donald L. Bertrand – District 7	2012–2015
Keith Patin – District 8	2012–2015
William G. Theriot – District 9	2012–2015

Source: LCG website

In addition to being the governing authority for the City and Parish of Lafayette, the Council is also the governing authority of LPPA. LPPA is a political subdivision specifically created for the purpose of financing electric generating facilities to provide power to the City’s Electric System. LPPA then provides the output of these generating facilities by way of wholesale power sales to LUS.



SECTION 2

The City is the owner of the LUS Electric System (including generation, transmission, and distribution facilities), the Water System (including supply, treatment, transmission, distribution, and storage facilities), and the Wastewater System (including wastewater collection and treatment facilities) (collectively, the Utilities System), as well as the Communications System. Upon consolidation of the City and Parish governing authorities into LCG, it was specifically recognized that the Charter should accommodate for the governing of LUS, which is a City utility system. As a result, the Charter created the Lafayette Public Utilities Authority (LPUA) as the governing authority of the Utilities Department. The Charter further provides that Council members whose districts include 60 percent or more of citizens residing within City boundaries also serve as LPUA members. The LCG was created in the Charter as enabled by the electorate of 1992.

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

The Communications System offers an array of services in the competitive market including fiber leases, wholesale broadband, and retail customer services. In the retail market, the Communications System offers the “triple play” of services. The “triple play” is a common term in the industry that refers to cable television (CATV), telephone, and Internet data services. The system is comprised of a 125-mile fiber backbone system with direct connections to national, major Tier 1 broadband providers.

2.2 Operating and Capital Budgeting

The Council approves the LCG Operating and Capital Budget annually. Each spring, the budgeting process begins with LUS preparing and submitting their proposed operating and capital budget to LCG. The budget may then be adjusted or presented to the Council for approval. Per the Charter requirements, the budget must be presented to the Council at least 90 days prior to the beginning of each FY and adopted no later than the second to last regular meeting of the FY.

The operating portion of the budget contains projections of revenues and expenses. Each division within LUS estimates their expenses for the upcoming FY and submits their estimates to LUS management. LUS management then compiles each divisions’ projections and submits the document to LCG.

Each year, the Utilities System and Communications System develop a five-year capital improvement program (CIP), referred to by LUS as the five-year Capital Outlay Program. The CIP is reviewed, updated, and budgeted annually.

Organization

The LCG, LUS, LPPA, LPUA, Communications System, and Utilities System organizational structure is shown in Figure 2-1.

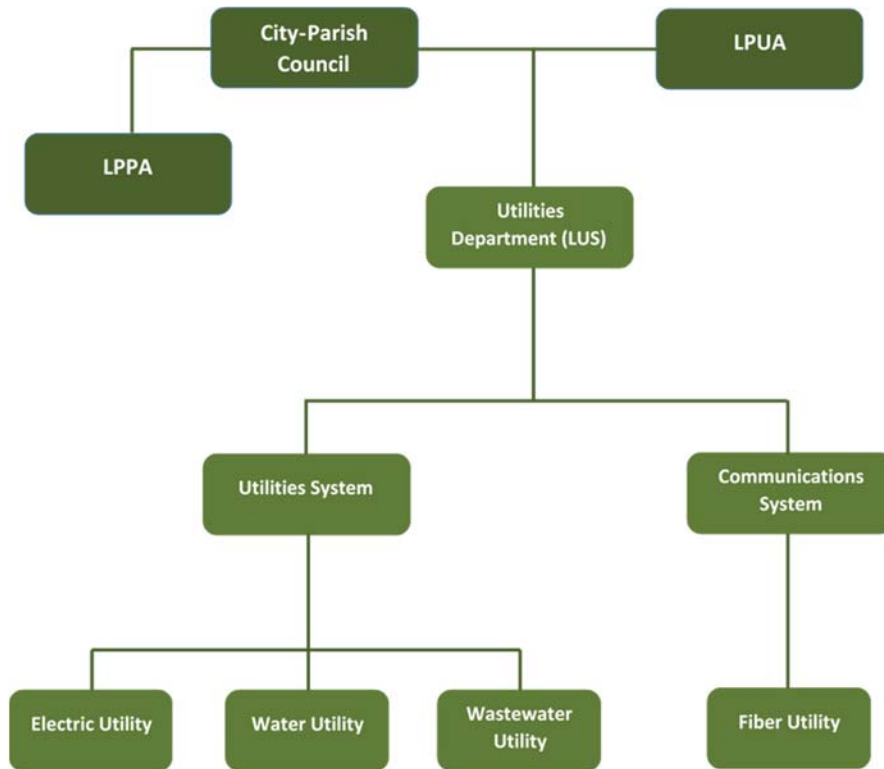


Figure 2-1: LCG and LUS Organizational Chart

2.3 Shared Services

LCG provides numerous services to various City-Parish departments including the Utilities Department. The cost of these services are shared by the various departments through an allocation process that is updated periodically. During FY 2014, the Utilities Department received services from LCG in the areas of accounting, payroll, budgeting, legal, printing, insurance, healthcare, information-technology (IT), human resources (HR), facility maintenance, vehicle maintenance, purchasing, and civil service activities.

2.4 Insurance

The Risk Management Division within the Department of Finance is the insurance company for LCG. The Risk Management Division's function is to protect City resources by minimizing risks and stabilizing insurance costs in an economical manner that preserves assets and protects against accidents or loss. The LCG Insurance Company provides coverage in the following areas: Group Health/Life, Property & Casualty Claims, Safety/Loss Control, and City-Parish-Nurse Wellness.

The Group Health/Life Section is self-insured and self-administered. LCG has a flex funded plan for life insurance. LCG also has Flexible Spending Accounts and retirement preparation.

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The Property & Casualty Claims section is self-insured and self-administered for all lines of coverage including workers' compensation, auto and general liability, error and omissions, and property.

The Safety/Loss Control section identifies potential risks to LCG employees and makes recommendations on eliminating or decreasing these risks. This section reviews all job-related injuries and vehicle accidents, facilitates safety meetings, conducts job site inspections, inspects LCG property, and oversees the Safety Award Program.

The City-Parish Nurse/Wellness section is responsible for the health and well-being of LCG employees including physicals, health screens, and vaccinations. This section also sees employees for job related injuries and oversees the Hazardous Materials and Lead Abatement medical surveillance program.

According to the LCG Risk and Insurance Manager, Ms. Suzanne Siner, LCG is in compliance with Governmental Accounting Standards Board 10, Reporting for Risk Financing and Related Issues for public entities. Table 2-2 shows five years of historical insurance related expenditures and recoveries from the Risk Management Fund for the Utilities System and Communications System. In the case that another party caused the accident or injury, the Recovery shown in Table 2-2 represents money received from the responsible party.

Table 2-2
Utilities and Communications Systems
Insurance Transactions

Transactions	2010	2011	2012	2013	2014
Utilities System					
Payments	\$842,417	\$1,347,212	\$1,261,558	\$1,372,906	\$462,400
Recovery	<u>105,997</u>	<u>623,378</u>	<u>490,557</u>	<u>193,031</u>	<u>233,032</u>
Net Transactions	\$736,420	\$723,834	\$771,001	\$1,179,875	\$229,368
Communications System					
Payments	NA	NA	\$36,810	\$25,712	\$2,217
Recovery	<u>NA</u>	<u>NA</u>	<u>5,910</u>	<u>0</u>	<u>1,555</u>
Net Transactions	NA	NA	\$30,900	\$25,712	\$662

Source: Suzanne Siner, LCG

2.5 Service Territory

The Utilities System serves electric, water, and wastewater customers primarily within the City limits. The Utilities System also serves certain electric, water, and wastewater customers residing in the Parish but outside the City limits. Currently, LUS serves approximately 65,000 electric accounts, 55,000 water accounts, and 43,000 wastewater accounts.

LUS has entered into an agreement with the local rural electric cooperative, Southeast Louisiana Electric Membership Cooperative (SLEMCO) defining an "area of influence" surrounding the City limits in which LUS may acquire SLEMCO customers and serve new

electric customers. The agreement defines the numbers of customers that can be acquired and specifies the payment for acquired customers.

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

LUS serves wastewater customer inside and outside the City limits. In addition, LUS serves localized (e.g. residential subdivision) packaged wastewater treatment systems.

Currently, Communications System services are offered only within the City limits. The Communications System serves approximately 38 wholesale accounts and 16,270 retail accounts with CATV, telephone, or Internet data, or some combination of the three.

2.6 Management and Organization

The Utilities Director is appointed by the City-Parish President, subject to approval by LPUA and the Consulting Engineer.

As a Department of LCG, LUS is managed and operated in accordance with conditions included in bond resolutions and covenants. Of critical importance is the “Flow of Funds” that specifies how operating margins resulting from LUS operations are to be treated. Margins from LUS operations are first required to meet debt service obligations, then a formulaic approach is applied to determine amounts for capital improvements and replacements funding, and the payment amount to the LCG General Fund as in lieu of taxes (ILOT). LPUA has the responsibility to determine rates, approve the LUS budget, and issue debt as approved by the President and Council.

Utilities System Organizational Structure

The Utilities Director is responsible for the management and operations of LUS, consistent with the provision of services to LUS from other LCG departments mentioned above. The Charter gives specific direction to duties of the Utilities Director to oversee and manage the following:

- 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; and
- Other such activities as may be directed by the President as necessary or incidental to the operation of the Utilities System.

The current Utilities Director is Mr. Terry Huval. Mr. Huval graduated from the University of Louisiana at Lafayette with a B.S. in Electrical Engineering, and was appointed as Utilities Director in December of 1994.

SECTION 2

The Utilities System LUS has eight functional areas reporting to the Utilities Director. These functional areas include Support Services, Customer Service, Environmental Compliance, Power Production, Electric Operations, Water Operations, Wastewater Operations, and Engineering as shown below.

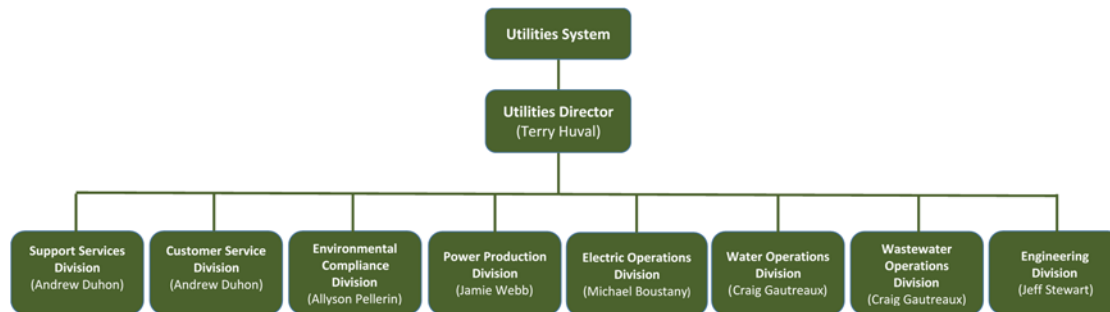


Figure 2-2: Utilities System Organizational Chart

Division managers reporting to the Utilities Director include:

- **Andrew Duhon** – *Customer & Support Services Manager*

Mr. Duhon has 35 years of experience in the accounting field (10 years with various private and government entities and 25 years with the Utilities System). He received a Bachelor of Arts degree from the University of Louisiana-Lafayette and is an inactive certified public accountant. Mr. Duhon is responsible for various support and customer service functions within the Utilities Department including financial monitoring and planning, rates, revenue assurance, employee development, meter services, utility conversation, customer service, business support services, and administration support services.

- **Allyson Pellerin** – *Environmental Compliance Manager*

Ms. Pellerin has been in the environmental field with the Utilities System for 23 years, serving as the Environmental Compliance Manager for the past 15 years. Her education includes a Bachelor of Science in general studies/natural sciences with major course study in microbiology from the University of Louisiana-Lafayette. Ms. Pellerin is responsible for ensuring environmental compliance of all LUS business operations associated with the electric transmission and distribution, water, and wastewater operations.

- **Jamie Webb** – *Power Production Manager*

Ms. Webb has 27 years of experience in the electric utility industry. She received a Bachelor of Electrical Engineering degree from the University of Louisiana-Lafayette. Ms. Webb is responsible for the day-to-day management and operation of the Doc Bonin, T. J. Labbe, and Hargis Hebert power plants.

- **Michael Boustany** – *Electric Operations Manager*

Mr. Boustany has spent his 32-year career in the electric power industry with LUS, working in distribution, transmission, substation engineering, control systems, and communications. He is a registered Professional Engineer in Louisiana. Mr. Boustany is responsible for the day-to-day operation of the electric transmission and

distribution system including Transmission and Distribution Operations, Field Operations, Energy Control, Substations and Communication, Facilities Management, and Warehouse.

- **Craig Gautreaux** – *Water and Wastewater Operations Manager*

Mr. Gautreaux has 35 years of experience in the civil engineering and wastewater operations industry (5 years with University of Louisiana- Lafayette, 5 years with a private consulting firm, and 25 years with the Utilities System). He has a Masters Degree in civil engineering. Mr. Gautreaux is responsible for the day-to-day operation of the water and wastewater systems including Water Production, Water Distribution Operations, Wastewater Treatment, and Wastewater Collection.

- **Jeff Stewart** – *Engineering & Power Supply Manager*

Mr. Stewart has over 13 years of experience in the public utility industry. He is registered Professional Engineer in Louisiana. Mr. Stewart is responsible for the supervision all day-to-day engineering activities including Civil Engineering, Power Marketing, System Engineering and Substation Engineering, Network Engineering, and Environmental Compliance associated with power generation.

Utilities System Staffing

For the Utilities System, overall staffing levels are at budgeted levels. However, the Utilities System has 37 vacant positions that are authorized and available to the Utilities Director. As indicated in the manning table below, LUS is planning to reduce staff in the Power Production Division and Support Services. This planned Power Production Division reduction is due the continued reduction of operations of the Doc Bonin plant as described in Section 4. The adopted decrease in support services is associated with attrition in meter readers due to the Advanced Metering Infrastructure (AMI) system.

Table 2-3
Lafayette Consolidated Government
2013-14 Adopted Budget
Manning Table

Utilities System	Personnel		
	Current	Projected	Adopted
Director's Office	2	2	2
Support Services	32	32	24
Customer Service	43	43	44
Environmental Compliance	16	16	17
Power Production	50	50	47
Electric Operations	90	90	94
Water Operations	68	68	68
Wastewater Operations	98	98	98
Engineering	<u>73</u>	<u>73</u>	<u>76</u>

Table 2-3
Lafayette Consolidated Government
2013-14 Adopted Budget
Manning Table

Utilities System	Personnel		
	Current	Projected	Adopted
Total Utilities System	472	472	470

Source: 2014 Budget

Communications System Organization Structure

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

The Communications System includes approximately 60 employees, reporting to 5 functional areas: Administration and Support, Operations, Warehouse, Business Support Services, and Engineering as shown below.

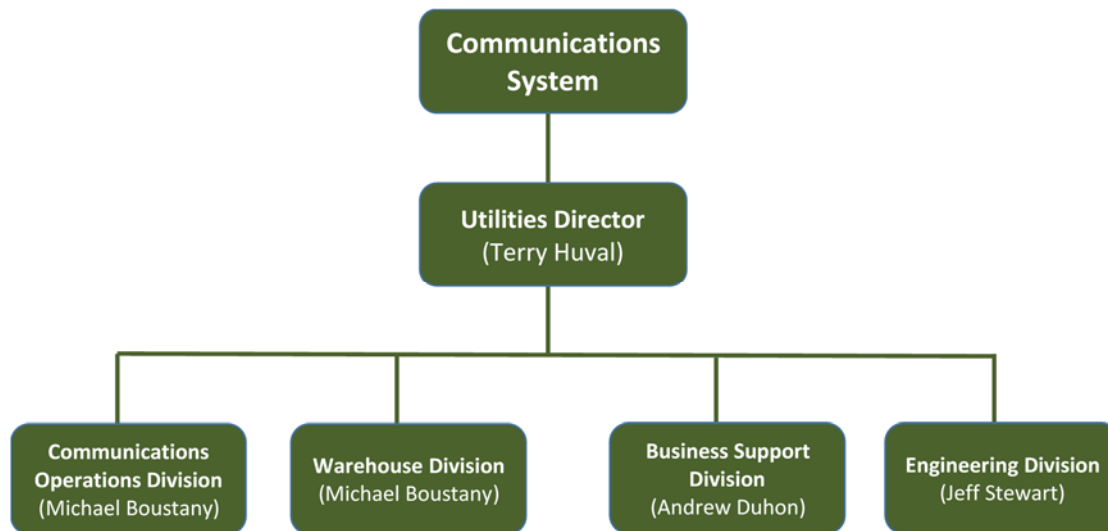


Figure 2-3: Communications System Organizational Chart

Division managers reporting to the Utilities Director include

- **Michael Boustany** – *Communications Operations and Warehouse Manager*
Mr. Boustany is responsible for Communications System fiber and warehouse operations.
- **Andrew Duhon** – *Administration & Support and Business Support Manager*

Mr. Duhon’s is responsible for various support and customer service functions within the Communications Department including financial monitoring and planning, rates, revenue assurance, sales and marketing, customer service, business support services, and administration support services.

- **Jeff Stewart** –*Engineering Manager*

Mr. Stewart is responsible for Communications Engineering.

- **Teles Fremin** – *Chief Communications Engineer*

Ms. Fremin has over 13 years of experience in the public utility industry. She is a Professional Engineer and has her Bachelor of Science in Electrical Engineering from the University of Louisiana at Lafayette. Ms. Fremin is responsible for all day to-day system component operation and reports to Mr. Stewart.

Communications System Staffing

For the Communications System, current staffing levels are near budgeted levels with six vacant positions. As indicated in the manning table below, LUS is planning to increase staff by six positions. This increase is in recognition of a growing customer base and needs in Operations and Engineering.

Table 2-4
Lafayette Consolidated Government
2014-15 Adopted Budget
Manning Table by Communications System Department

Communications System	Personnel		
	Current	Projected	Adopted
Administration and Support	3	3	4
Operations	30	30	32
Warehouse	3	3	3
Business Support Services	5	5	6
Engineering	<u>14</u>	<u>14</u>	<u>16</u>
Total Communications System Department	55	55	61

Source: 2014 Budget

Pay Scale Review

The Utilities Department annually administers employee performance reviews and salary planning. Salary adjustments take effect on November 1st of each year. Compensation parameters are associated with the job titles and job descriptions, which specify skill and responsibility levels of various employees. Both Utilities and Communications Systems’ employees are compensated under the same job description and pay scale matrix. To benchmark the Utilities Department compensation against readily available industry data, NewGen reviews compensation parameters pertaining to the job descriptions listed below.

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- Electric Utility
 - Chief Electrical Engineer
 - Electrical Engineer III
 - Lineman II
 - Power Plant Technician
- Water and Wastewater Utility
 - Water/Wastewater Operations Manager
 - Water Plant/Waste Plant Operator

Our review indicates that the competitiveness of LUS compensation for Electric System positions vary by position with some positions at market compensation levels and some below. For the two Water and Wastewater Utility positions reviewed, current compensation appears to be substantially below the market compensation values.

Our review did not take into consideration other benefits commonly included in a compensation comparison such as retirement plans, healthcare benefits, and paid vacation. Also, it is important to note that observed employee turnover has been low within the Utilities Department. The low turnover rate may illustrate qualitative and non-salary benefits associated with LUS positions that may hold a material value to many employees and/or applicants.

The Communications System Internet, telephone, and CATV service markets are competitive. National telecommunications firms such as Cox Communications, AT&T, Dish, and DirecTV each offer services within the City limits. As the Communications System continues to grow and mature, the marketability of key staff will increase accordingly, giving these employees alternative employment options with competitive service providers within the Parish. The Utilities Department compensation program must recognize this competitive reality with key Communications System positions and structure compensation packages that retain these key employees and expertise.

SECTION 3 UTILITIES SYSTEM

3.1 System Descriptions

The Utilities System operates Electric, Water, and Wastewater Systems. The Electric System operates power generation, transmission, distribution, and customer assets. The largest portion of LUS power generation capacity is provided by wholesale sales from LPPA. LPPA, thus LCG, is a 50 percent owner of Rodemacher Unit 2, which provides all of LPPA's wholesale power supply to LUS. The Water System includes raw water treatment plants, distribution system, and customer assets. The Wastewater System includes sewage treatment plants, collection piping, and customer assets.

Customers

LUS serves customers primarily within the City limits. Each utility provides services to certain customers outside of the City limits and wholesale customers. As of the end of FY 2014, LUS served 65,262 electric customers, 55,066 water customers, and 43,068 wastewater customers, respectively. Combined LUS customer growth since 2010 was stable at 0.6 percent to 1.3 percent per year. Table 3-1 includes the historical customers served by each utility.

Table 3-1
Utilities System
Historical Number of Customers

Year	Electric	Water	Wastewater
2010	62,746	51,960	41,522
2011	63,531	52,749	41,928
2012	63,911	53,088	42,049
2013	64,496	53,926	42,586
2014	65,262	54,637	43,068

Source: LUS Financial and Operating Statements, audited

Historical Revenues

LUS generated a total of \$248,410,288 of revenues in FY 2014 comprised of \$201,891,247 from electric services, \$17,783,466 from water services, and \$28,735,575 from wastewater services. FY 2014 revenues were approximately 5.9 percent higher than 2013, with the electric revenues 7.3 percent higher and water revenues 1.3 percent higher than the previous year. Wastewater revenues declined by 0.5 percent from the previous year.

SECTION 3

Table 3-2 includes historical revenues for each utility service.

**Table 3-2
Utilities System
Historical Revenues**

Year	Electric Operating Revenues ⁽¹⁾	Water Operating Revenues ⁽²⁾	Wastewater Operating Revenues ⁽³⁾	Total Operating Revenue
2010	\$174,395,446	\$15,665,708	\$24,499,460	\$214,560,614
2011	\$190,901,871	\$18,662,652	\$29,878,197	\$239,442,720
2012	\$174,890,121	\$17,803,423	\$29,313,577	\$222,007,121
2013	\$188,071,217	\$17,559,754	\$28,893,980	\$234,524,951
2014	\$201,891,247	\$17,783,466	\$28,735,575	\$248,410,288

Source: LUS Financial and Operating Statements, audited

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

(2) Water Total Operating Revenues include revenue from rates, interest income, and other miscellaneous revenues.

(3) Wastewater Total Operating Revenues include revenue from rates, interest income, and other miscellaneous revenues.

Historical Utilities Debt Service Coverage Ratio

Utilities System current debt service includes the Series 2010 Bonds and Series 2012 Bonds. The Operating Revenues increased in 2011 as a result of the Electric, Water, and Wastewater Systems rate increases that took effect in 2010. The 2011 Debt Service increased as a result of the issuance of the Series 2010 Bonds. The Debt Service increased again in 2013 as a result of the Series 2004 principal payments increasing and the issuance of the Series 2012 Bonds. Table 3-3 shows historical debt service and the associated debt service coverage ratio (DSCR). The DSCR exceeds the minimum requirement of 1.0.

Table 3-3
Utilities System
Historical Debt Service Coverage

Year	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Balance Available for Debt Service	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2010	\$214,560,614	\$173,002,757	\$41,557,857	\$10,722,038	3.9
2011	\$239,442,720	\$180,840,724	\$58,601,996	\$14,245,228	4.1
2012	\$222,007,121	\$166,165,173	\$55,841,948	\$15,311,868	3.6
2013	\$234,524,951	\$168,415,411	\$66,109,540	\$22,917,286	2.9
2014	\$248,410,288	\$177,466,560	\$70,943,728	\$23,333,915	3.0

Source: LUS Financial and Operating Statements, audited

(1) Includes interest income and other miscellaneous income.

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

(3) Debt service includes the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds.

3.2 Rate Adjustments

LPUA regulates the rates and charges for the Utilities System. Current rates are described in the LCG Code of Ordinances, Article III – Rates and Charges, Division 1 – Generally. The Electric System rate structure includes base rates (customer charge and commodity charge) and a monthly fuel charge (FC) (Schedule FC). The Utilities Director regulates the FC on a month-to-month basis until the Utilities Director determines that eligible costs warrant an adjustment to the FC rate. The Utilities Director may adjust the FC rate monthly to ensure that the charge adequately recovers eligible costs as closely as possible.

Table 3-4 below provides the historical rate increases approved by the LPUA. LUS conducted a rate study in 2009, which showed that the rates for the Electric, Water, and Wastewater Systems were insufficiently recovering all costs. As a result, rates were increased in 2010 and 2011. The Utilities System has not adjusted base rates since FY 2011, as these adjusted rates were anticipated to adequately recover LUS costs for a period of five additional years. The rates were designed to collect sufficient revenues to meet all operating costs, debt service coverage requirements, ILOT requirements, maintain reserves, and fund capital expenses.

**Table 3-4
Utilities System
Rate Adjustments**

	2010	2011	2012	2013	2014
Electric Retail	11%	10%	0%	0%	0%
Water Retail	9%	9%	0%	0%	0%
Water Wholesale	9%	9%	0%	0%	0%
Wastewater Retail	18%	18%	0%	0%	0%
Effective Date	2/1/2010	11/1/2010	NA	NA	NA

3.3 Operating and Capital Budget

As explained in Section 2.2, the Utilities System prepares and submits their proposed operating and capital budget to LCG. The operating portion of the budget contains projections of revenues and expenses for the upcoming FY.

The CIP, as contained in the Budget, is shown below in Table 3-4 and totals \$102,730,000 over the five-year period. The Electric System five-year CIP totals \$41.8 million.

The Water System five-year CIP totals \$14.04 million of which the largest capital projects include the installation of pressure filters and building rehabilitation at water treatment facilities. These projects represent approximately \$3.95 million of the five-year total.

The Wastewater System five-year CIP is a significant amount of the Utilities System CIP and represents 41 percent of the \$102.7 million total. The Wastewater System five-year CIP totals \$46.9 million. The largest capital projects are the South Sewage Treatment Plant (SSTP) expansion, and SSTP odor control and sludge handling improvements, which represent approximately \$22.6 million of the Wastewater total CIP.

The current five-year CIP includes deferred projects totaling \$3.1 million of Electric System, \$0.5 million of Water System, and \$5.38 million of Wastewater System Projects. The total deferred project amount of approximately \$9 million of a total five-year \$112 million CIP is a result of near term available cash projections developed by LCG during the most recent budgeting process. Historically, the Utilities System CIP has been sufficient to sustain and improve the integrity and reliability of the system. The current CIP reflects deferred projects totaling approximately 8 percent of the overall five-year plan. These deferred projects are not expected to have a material impact on the sufficiency of the CIP to maintain system reliability.

Table 3-5
Utilities System
Projected CIP ⁽¹⁾

	2015	2016	2017	2018	2019	Total
Electric System						
Acquisitions	\$0	\$0	\$3,000,000	\$0	\$0	\$3,000,000
Production	1,460,000	610,000	310,000	10,000	10,000	2,400,000
Distribution	1,110,000	435,000	905,000	210,000	110,000	2,770,000
Substation	2,990,000	460,000	2,460,000	9,810,000	7,360,000	23,080,000
Transmission	1,960,000	485,000	1,995,000	1,010,000	3,070,000	8,520,000
General Plant	<u>610,000</u>	<u>160,000</u>	<u>935,000</u>	<u>310,000</u>	<u>10,000</u>	<u>2,025,000</u>
Total Electric	\$8,130,000	\$2,150,000	\$9,605,000	\$11,350,000	\$10,560,000	\$41,795,000
Water System						
Production	\$260,000	\$60,000	\$1,625,000	\$4,710,000	\$60,000	\$6,715,000
Distribution	<u>1,525,000</u>	<u>2,405,000</u>	<u>1,750,000</u>	<u>1,385,000</u>	<u>260,000</u>	<u>7,325,000</u>
Total Water	\$1,785,000	\$2,465,000	\$3,375,000	\$6,095,000	\$320,000	\$14,040,000
Wastewater System						
Treatment	\$1,810,000	\$910,000	\$19,685,000	\$7,635,000	\$1,710,000	\$31,750,000
Collection	<u>2,745,000</u>	<u>4,440,000</u>	<u>3,040,000</u>	<u>1,450,000</u>	<u>3,470,000</u>	<u>15,145,000</u>
Total Wastewater	<u>\$4,555,000</u>	<u>\$5,350,000</u>	<u>\$22,725,000</u>	<u>\$9,085,000</u>	<u>\$5,180,000</u>	<u>\$46,895,000</u>
Total Capital Program	\$14,470,000	\$9,965,000	\$35,705,000	\$26,530,000	\$16,060,000	\$102,730,000

Source: LCG Operating and Capital Budget 2014-2015

(1) Amounts are in 2015 dollars.

SECTION 3

Utilities System's Budget to Actual Performance

In general, the Utilities System actual 2014 financial performance aligned with the 2014 budget. Table 3-6 summarizes the key Utilities System budget and actual accounts for FY 2014.

Table 3-6
Utilities System
Comparison of Budget to Actual Results

	Budget	Actual	Difference	Difference
Operating Revenues				
Electric Retail Sales	\$92,205,000	\$91,749,309	(\$455,691)	(0.5%)
Electric Retail Fuel Adj.	96,692,310	105,375,603	8,683,293	9.0%
Electric Wholesale Sales	765,840	160,062	(605,778)	(79.1%)
Water Sales	18,039,180	17,746,637	(292,543)	(1.6%)
Wastewater Sales	28,949,807	28,579,881	(369,926)	(1.3%)
Interest Income	677,500	388,235	(289,265)	(42.7%)
Miscellaneous Other	4,500,000	4,956,955	456,955	10.2%
Billing for Services	<u>150,000</u>	<u>1,184,876</u>	<u>1,034,876</u>	<u>689.9%</u>
Total Operating Revenue	\$241,979,637	\$250,141,559	\$8,161,922	3.4%
Operating Expenses				
Purchased Power LPPA	\$61,421,236	\$58,881,514	(\$2,539,722)	(4.1%)
Purchased Power Other	7,381,649	4,721,273	(2,660,376)	(36.0%)
Purchased Power MISO	0	79,392,491	79,392,491	NA
Purchased Power MISO Sales	0	(39,221,191)	(39,221,191)	NA
Production Fuel	33,899,128	2,201,115	(31,698,013)	(93.5%)
Other O&M	81,026,010	71,758,241	(9,267,769)	(11.4%)
ILOT	22,250,000	22,073,834	(176,166)	(0.8%)
Interest on Long-Term Debt	<u>11,978,915</u>	<u>9,180,021</u>	<u>(2,798,894)</u>	<u>(23.4%)</u>
Total Operating Expenses	\$217,956,938	\$208,987,299	(\$8,969,639)	(4.1%)
Other Income (Expenses)				
Normal Capital	(\$5,640,300)	(\$7,200,406)	(\$1,560,106)	27.7%
Special Equipment	(1,066,177)	(1,310,888)	(244,711)	23.0%
Principal from Internal Loans	691,559	691,559	0	0.0%
Interest from Internal Loans	1,319,396	910,864	(408,532)	(31.0%)
Grants	808,000	185,890	(622,110)	(77.0%)
Principal on Long-Term Debt	<u>(11,355,000)</u>	<u>(11,355,000)</u>	<u>0</u>	<u>0.0%</u>
Total Other	(\$15,242,522)	(\$18,077,982)	(\$2,835,460)	18.6%
Cash Available for Capital	\$8,780,177	\$32,523,183	\$23,743,006	270.4%

Source: LCG

The Utilities System FY 2014 actual revenues were higher than budgeted while the operating expenses were lower. The Utilities System collected \$250 million in revenues compared to the budgeted \$242 million. This difference in revenues is primarily attributable to joining MISO, the related treatment of purchased power accounts, and the higher purchased power costs passed through the FC. Billing for services represent reimbursements for work orders. In 2015, LCG budgets \$150,000 as a placeholder as this expense is not under their control and is difficult to predict.

The purchased power and fuel expenses reflect the higher costs related to energy expenses passed through the FC. LUS is somewhat insulated and protected from the often changing and volatile fuel and purchased power expenses, as these expenses are passed through to customers on a periodic and 'one-to-one' basis. Other O&M expenses were significantly lower than budget due to lower generator and equipment maintenance, contract labor expenses, personnel salary expenses as well as multiple other adjustments. Other Income (Expenses) were higher than budgeted primarily due to an increase in normal capital.

3.4 Utilities System Shared Services

Utilities System shared services are provided by the Customer Service & Support Service divisions. Among other things, these divisions offer financial planning, rates, meter services, customer service, and administration and business support services. The cost of these services are assigned and shared across the Electric, Water, and Wastewater Systems in the establishment of rates and charges.

The Utilities System has two customer service centers, one of which is located at City Hall. Customers may pay their bill by mail, phone, online, drop box, or in person. LUS also accepts automatic bank or credit card payments. LUS also offers budget billing in which customers may make the same monthly payments with a true up at the end of the 12-month period.

Depending on the services each customer receives, their bill may include the following services: electric, water, wastewater, recycling, or garbage collection. In addition to their utilities billing, LUS also performs the City's recycling and garbage collection billing and is reimbursed for the costs.

LUS has implemented cross training of the Utilities System and Communications System staff to make the customer service function more efficient.

3.5 In Lieu of Tax

The Utilities System ILOT calculation provides for an ILOT payment up to 12 percent of non-fuel revenue. The non-fuel revenues are the gross receipts less fuel costs and other miscellaneous items. To be eligible to make the ILOT payment, the Utilities System must first pass an ILOT Test. The purpose of the test is to ensure that the Utilities System has sufficient cash to meet capital obligations. If cash available after debt service, less 7.5 percent of the non-fuel revenues is greater than 12 percent of the non-fuel revenues, the Utilities System passes the test and makes the ILOT payment to the City. Should the Utilities System fail the ILOT test, the Utilities System pays the cash available after debt service, less 7.5 percent of the non-fuel revenues.

SECTION 3

ILOT payments by municipally owned utilities are commonly used by local governments across the country to collect taxes and/or franchise fees that would be collected if an investor-owned utility were operating the utility franchises within the city. The American Public Power Association (APPA) publishes the *Payments and Contributions by Public Power Distribution Systems to State and Local Governments* biannually. The most recently available report was published in 2014 utilizing 2012 data from 210 public power systems across the country. The report states that the median ILOT paid to local governments, as a percent of electric operating revenues, was 5.5 percent. For utilities in the West South Central region, as defined by APPA and including LUS, the median ILOT as a percent of electric operating revenues was 6.5 percent. LUS pays, on average, 9 percent of the operating revenues to LCG, which is higher than the national and regional ILOT reported by APPA. Table 3-7 summarizes LUS' historical ILOT payments to LCG.

Table 3-7
Utilities System
Historical ILOT Payments

	2010	2011	2012	2013	2014
ILOT Paid	\$19,462,860	\$19,199,649	\$21,596,096	\$22,131,617	\$22,073,833
Total Operating Revenues	\$214,560,614	\$239,442,720	\$222,007,121	\$234,524,951	\$248,410,288
ILOT as a percent of Revenues	9.1%	8.0%	9.7%	9.4%	8.9%

Source: LUS Financial and Operating Statements, audited

3.6 Accounting and Financial Statements

The accounting responsibilities for the Utilities System is managed and performed by LCG, including the selection of accounting software and related financial reporting. LCG prepares monthly Financial and Operating Statements for the Utilities System. These monthly statements include a balance sheet, income statement, and detailed revenues and expenses by utility. As part of LCG, the Utilities System follows the same FY with an ending date of October 31. The audit for each FY is generally not available until April of the following year.

Balance Sheet

A historical balance sheet summary is shown below in Table 3-8. LUS' Total Assets have increased over the last five years primarily due to the assets constructed with the issuance of the Series 2010 Bonds. In 2011, the bond money is shown in the Bond and Special Funds. As the capital projects were completed, the Bond and Special Fund decreased while the Utility Plant increased. Additionally, in 2011 the Notes Receivable increased due to internal loans to the Communications System. The Deferred Debits increased significantly in 2013 as a result of the Series 2012 Bonds issue. The Series 2012 Refunding Bonds included a large premium, which was amortized in the Deferred Debits.

The long-term debt increased significantly in 2010 due to the issuance of the Series 2010 Bonds. Corresponding to the Deferred Debit associated with the bond premiums, the

long-term liabilities increased as well. Overall, the Retained Earnings has steadily increased over the last five years.

**Table 3-8
Utilities System
Comparative Balance Sheet**

	2010	2011	2012	2013	2014
Total Assets					
Utility Plant	\$516,584,626	\$523,031,003	\$555,261,378	\$570,516,066	\$573,113,520
Bond and Special Funds	85,942,969	171,137,559	139,512,264	127,452,475	130,777,798
Current Assets	9,107,514	8,807,061	8,576,845	8,678,870	9,711,223
Accounts Receivable	24,936,934	28,381,036	29,803,271	31,604,074	28,913,398
Reserve for Uncollectible Accounts	(932,074)	(1,027,796)	(1,149,296)	(1,282,193)	(1,184,446)
Notes Receivable	19,275,872	29,521,491	31,431,044	27,848,160	27,798,160
Inventories	8,300,598	7,619,240	7,525,614	7,634,029	7,959,322
Deferred Debits	<u>5,451,637</u>	<u>2,998,510</u>	<u>3,577,670</u>	<u>16,648,414</u>	<u>13,478,290</u>
Total Assets	\$668,668,075	\$770,468,102	\$774,538,789	\$789,099,896	\$790,567,265
Total Liabilities & Equity					
Long Term Debt	\$191,400,000	\$276,510,000	\$274,935,000	\$249,220,000	\$237,865,000
Current Liabilities	24,649,783	27,869,816	23,506,566	26,345,595	25,708,228
Long Term Liabilities	4,155,313	7,552,699	7,049,228	31,528,007	28,498,808
Retained Earnings	<u>448,462,979</u>	<u>458,535,588</u>	<u>469,047,995</u>	<u>482,006,295</u>	<u>498,495,230</u>
Total Liabilities & Fund Equity	\$668,668,075	\$770,468,102	\$774,538,789	\$789,099,896	\$790,567,265

Source: LUS Financial and Operating Statements, audited

Fund Balances

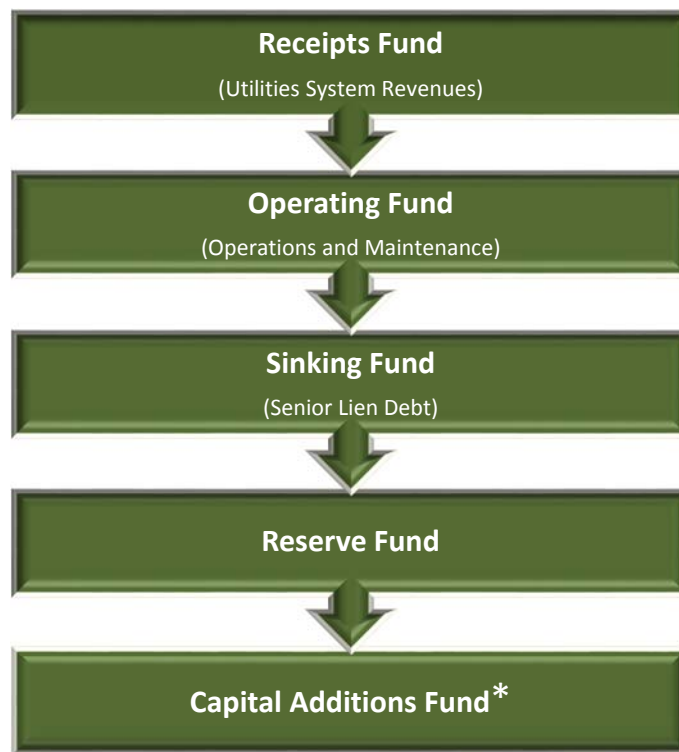
Article V of the Bond Ordinances dictates LUS' funds and accounts and defines the 'Flow of Funds'. Article V creates the following funds: Receipts Fund, Operating Fund, Sinking Fund, Reserve Fund, and Capital Additions Fund. In addition, funds may be created as new bonds are issued. Table 3-9 below summarized the beginning balance, receipts, disbursements, and ending balances of the required funds. As seen in Table 3-9, the Capital Additions Fund increased by \$6.5 million or 7.6 percent in 2014. Figure 3-1 illustrates the LUS Flow of Funds.

**Table 3-9
Utilities System
Fund Balances as of October 31, 2014 (\$000s)**

	Receipts & Operating Fund	Sinking Fund	Reserve Fund	2010 Construction Fund	Capital Additions Fund	Total
Beginning Balance	\$8,665	\$0	\$23,640	\$10,891	\$85,264	\$128,460
Receipts	258,355	23,334	0	856	48,300	330,845
Disbursements	<u>257,329</u>	<u>23,334</u>	<u>0</u>	<u>4,353</u>	<u>41,795</u>	<u>326,812</u>
Ending Balance	\$9,692	\$0	\$23,640	\$7,394	\$91,768	\$132,494

Source: LCG

Utilities System Flow of Funds



*First, 7½ percent of Non-Fuel Revenues transferred to pay Capital Costs of the Utilities System,

Second, 12 percent of total deposits in the Receipts Fund transferred to the General Fund of the Issuer,

Third, amounts due on Subordinated Indebtedness, and

Fourth, any other purpose under the General Ordinance.

Figure 3-1: LUS Flow of Funds

Income Statement

Table 3-10 shows the comparative income statement. The Operating Revenues increased in 2011 as a result of Council approved rate increases. Since 2011, the revenues and expenses have varied primarily due to the varying fuel and purchased power costs. The Net Operating Revenues have generally increased over the last five years.

Other Income has varied over the years as fund balances and interest rates changed. The Net Income was negative in 2010 but has remained positive since the rate changes were instituted.

**Table 3-10
Utilities System
Comparative Income Statement**

	2010	2011	2012	2013	2014
Operating Revenues	\$212,212,606	\$237,552,264	\$220,734,370	\$232,281,011	\$247,097,098
Operating Expenses	<u>173,002,757</u>	<u>180,840,724</u>	<u>166,165,173</u>	<u>168,415,411</u>	<u>177,466,560</u>
Net Operating Revenues	\$39,209,849	\$56,711,540	\$54,569,197	\$63,865,600	\$69,630,538
Depreciation	<u>\$18,847,770</u>	<u>\$17,716,330</u>	<u>\$19,376,753</u>	<u>\$20,978,328</u>	<u>\$22,130,030</u>
Net Operating Revenues after Depreciation	\$20,362,079	\$38,995,210	\$35,192,444	\$42,887,272	\$47,500,508
Other Income					
Interest Income	\$2,351,230	\$1,890,648	\$1,273,167	\$2,243,940	\$1,313,230
Unrealized Gain/Loss on Inv.	(767,043)	0	0	0	30,750
Amortization of Debt Premium	276,515	290,521	503,471	2,608,147	3,029,199
Water Tapping Fees	97,800	47,900	86,100	105,100	104,100
Communications Lease Income	0	0	0	0	97,073
Contributions in Aid of Construction	208,276	(8,361)	0	7,135	0
Misc. Non-Operating Revenue	<u>(69,518)</u>	<u>1,843,038</u>	<u>8,869,047</u>	<u>5,408,764</u>	<u>2,877,693</u>
Total Other Income	\$2,097,260	\$4,063,747	\$10,731,784	\$10,373,086	\$7,452,045
Other Expenses					
Loss on Disposition of Property	\$0	\$15,621	\$0	\$0	\$250,980
Interest Expense	9,782,038	11,227,182	11,042,341	9,438,459	9,180,021
Amortizations	1,892,516	1,940,080	1,957,407	3,030,662	2,916,327
Interest on Customer Deposits	9,213	0	0	13,831	11,746
Tax Collections/Non-Operating	(97,405)	154,016	308,182	322,829	0
Misc. Non-Operating Expense	<u>0</u>	<u>449,800</u>	<u>788,059</u>	<u>1,830,478</u>	<u>1,921,605</u>
Total Other Expenses	\$11,586,362	\$13,786,699	\$14,095,989	\$14,636,258	\$14,280,680
Net Income Before ILOT	\$10,872,978	\$29,272,258	\$31,828,239	\$38,624,100	\$40,671,873
ILOT	<u>\$19,462,860</u>	<u>\$19,199,649</u>	<u>\$21,596,096</u>	<u>\$22,131,617</u>	<u>\$22,073,833</u>
Net Income	(\$8,589,882)	\$10,072,609	\$10,232,143	\$16,492,483	\$18,598,040

Source: LUS Financial and Operating Statements, audited

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Cash Flow

Cash flow is an important indicator of municipal utility financial health. Municipal utilities typically operate on a Cash Basis, which excludes non-cash expenses, such as depreciation, but includes other cash expenses, such as principal payments associated with debt service and capital improvements. Since municipally owned utilities are primarily concerned with accumulating sufficient cash balances to meet operating expenses, debt service, capital improvements, and other obligations, the financial results are presented on a Cash Basis.

Table 3-11 shows the change in cash due to operations and ILOT for the Utilities System over the period 2010–2014. These numbers indicate that current Utilities System rates are adequate in meeting operating expenses, debt service, normal capital and special equipment, and ILOT payment obligations of the Utilities System. The remaining five-year cumulative net margin of approximately \$63.3 million was available for capital additions or reserves.

Table 3-11
Utilities System
Comparative Cash Flow

	2010	2011	2012	2013	2014	Five-Year Total
Operating Revenues	\$212,212,606	\$237,552,264	\$220,734,370	\$232,281,011	\$247,097,098	\$1,149,877,349
Operating Expenses	<u>173,002,757</u>	<u>180,840,724</u>	<u>166,165,173</u>	<u>168,415,411</u>	<u>177,466,560</u>	<u>865,890,625</u>
Net Operating Revenues	\$39,209,849	\$56,711,540	\$54,569,197	\$63,865,600	\$69,630,538	\$283,986,724
Debt Service	<u>10,722,038</u>	<u>14,245,228</u>	<u>15,311,868</u>	<u>22,917,286</u>	<u>23,333,915</u>	<u>86,530,334</u>
Balance After Debt Service	\$28,487,812	\$42,466,312	\$39,257,329	\$40,948,314	\$46,296,623	\$197,456,390
Less Normal Capital & Special Equipment	5,581,263	4,870,753	3,375,806	7,926,987	7,975,639	29,730,448
Less ILOT	<u>19,462,860</u>	<u>19,199,649</u>	<u>21,596,096</u>	<u>22,131,617</u>	<u>22,073,833</u>	<u>104,464,055</u>
Change in Cash due to Operations & ILOT	\$3,443,688	\$18,395,911	\$14,285,427	\$10,889,710	\$16,247,151	\$63,261,887

Source: LUS Financial and Operating Statements, audited

Descriptions of the Electric, Water, and Wastewater Systems are included in the following sections. Each section includes details regarding customer sales or consumption, facilities, operations, regulatory impacts, and competitive benchmarking of services.

SECTION 4 ELECTRIC SYSTEM

The City owns and operates an Electric System providing reliable power to more than 65,000 customers. LUS operates power generation, transmission, substation, distribution, and customer facilities within and outside its service territory. The Electric System retail sales for 2014 were 2,027 megawatt-hours (MWh), 2.4 percent higher than 2013. Table 4-1 shows the historical Electric System sales.

**Table 4-1
Electric System
Historical Retail and Wholesale Sales**

	Retail Sales (MWh)	Wholesale Sales (MWh) ⁽¹⁾	Total Sales (MWh)
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
2012	1,970,448	132,272	2,102,720
2013	1,979,136	37,151	2,016,287
2014	2,027,115	1,014,675	3,041,789

Source: LUS Financial and Operating Statements, audited
(1) Wholesale sales lower system purchases from MISO.

In June 2013, LUS joined Midcontinent Independent System Operator (MISO), initially receiving Reliability Coordinator services. In December 2013, LUS became a full market participant as a Local Balancing Authority with The Energy Authority (TEA) designated to handle day-ahead schedules. MISO membership has required LUS to modify the methods and processes the utility uses to purchase and sell power. Joining MISO contributed to the significant change in Wholesale Sales shown in Table 4-1.

As shown in Table 4-2, retail sales by customer class as of October 31, 2014 indicates that residential and commercial customers represent approximately 91 percent of Electric System sales. LUS commercial customer base is diverse, as no single customer represents more than 3 percent of LUS retail revenues.

Table 4-2
Electric System
Customer Class Statistics as of October 31, 2014

	Number of Customers	Percent of Total	Sales (kWh)	Percent of Total
Residential	53,017	81.2%	825,112,483	40.7%
Residential - Outside the City	867	1.3%	15,428,425	0.8%
Commercial with Demand - Small	7,545	11.6%	200,174,063	9.9%
Commercial Small and Large - Outside of City	176	0.3%	16,876,910	0.8%
Commercial with Demand - Large	1,252	1.9%	792,813,917	39.1%
Private Security Lighting	1,725	2.6%	6,783,880	0.3%
Street Lighting	1	0.0%	17,459,091	0.9%
Schools and Churches	416	0.6%	54,991,894	2.7%
Schools and Churches - Outside the City	2	0.0%	883,200	0.0%
Municipal	4	0.0%	2,981	0.0%
University of Louisiana - Lafayette	89	0.1%	62,550,950	3.1%
Interdepartmental	<u>170</u>	<u>0.3%</u>	<u>34,036,871</u>	<u>1.7%</u>
Total Meters In Service	65,262	100%	2,027,114,665	100%

Source: LUS October 2014 Financial and Operating Statements

4.1 Production

The Electric System peak demand occurs in the summer and was 460 megawatts (MW) in 2014. LUS operates three power generation plants, while LPPA represents LUS' interest in a fourth power generation plant.

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

LUS is fully integrated into the MISO market through which it purchases additional electricity requirements and sells excess generation. LUS is party to a Resource Management Agreement (RMA) with TEA to market LUS' excess electric energy and capacity and to purchase power to meet the requirements of its customers, as required.

The following table and figure show the contribution of each of the generation stations to the Electric System over the past five years.

Table 4-3
Electric System
Electric Generation by Plant (kWh)

	2010	2011	2012	2013	2014
Doc Bonin	395,518	525,506	484,016	139,796	(3,158)
T. J. Labbe	102,745	177,384	41,139	63,519	13,417
Hargis Hebert	168,074	153,259	27,787	47,016	12,540
Rodemacher Unit 2	1,387,669	1,304,363	1,251,331	1,299,249	1,185,928
Total Generation	2,054,006	2,160,512	1,804,273	1,549,580	1,208,727

Source: LUS Financial and Operating Statements, audited

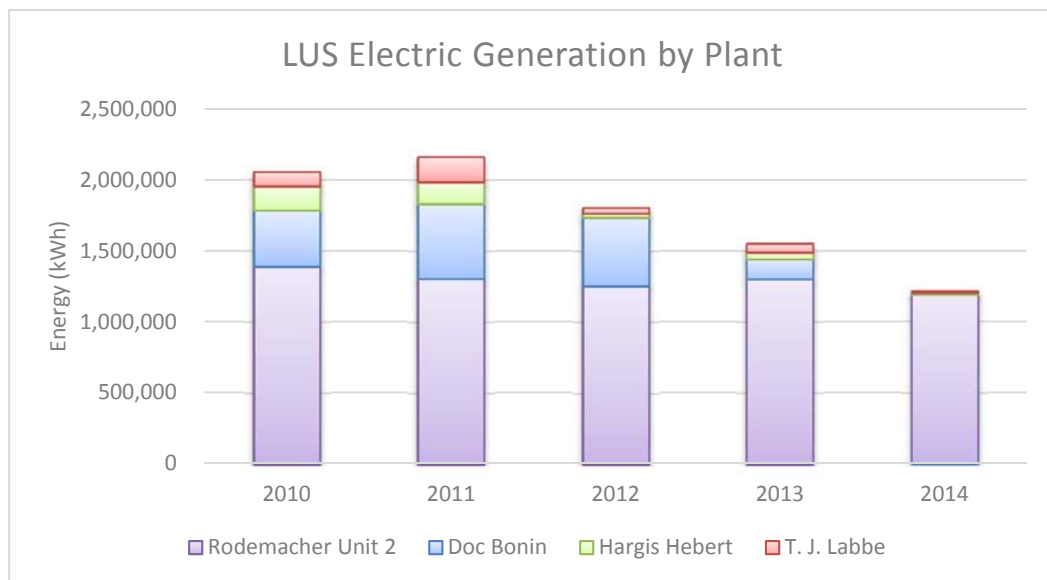


Figure 4-1: Electric Generation by Plant

SECTION 4

Table 4-4 shows the LUS electric generating capacity by plant. All plants with the exception of Rodemacher Unit 2 are directly owned and operated by LCG. LPPA owns Rodemacher Unit 2, which is operated by Cleco.

Table 4-4
Electric System
LUS Generating Capacity by Plant

Total Unit	Gross Capacity (MW) ⁽¹⁾	Available Capacity (MW)	Fuel
Doc Bonin Plant Total ⁽¹⁾	285	0	Gas/Oil ⁽²⁾
T. J. Labbe Plant Total	100	100	Gas
Hargis-Hebert Plant Total	100	100	Gas
Rodemacher Unit 2 (LPPA)	<u>261</u>	<u>261</u>	Coal
Total of All Units	746	461	

(1) All of the Doc Bonin Plant units are unavailable and not offered into the MISO market through June 29, 2017 under the terms of a Suspended Operations Agreement, which began on June 29, 2014. These units are economically suspended and could be available for emergency power generation after approximately two months of preparation.

Doc Bonin Plant

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

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

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

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

All of the Doc Bonin Plant units are currently unavailable and not offered into the MISO market through June 29, 2017 under the terms of a Suspended Operations Agreement, which began on June 29, 2014. These units are economically suspended and could be available for emergency power generation after approximately two months of preparation.

As economic conditions change in MISO, LUS will reevaluate the utilization of the Doc Bonin Plant in the utility’s overall power supply portfolio.

The Doc Bonin and the Curtis Rodemacher generating plants were deemed economically obsolete. Curtis Rodemacher has been retired for several years and decommissioning efforts have been initiated in the past. In anticipation of the cost associated with fully decommissioning both power stations, LUS should establish a decommissioning reserve to cover the future costs of dismantling these units. Reserve requirements and annual funding of such a reserve would be based on a decommission study.

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

As of the date of this report, LUS has engaged a consultant to review and evaluate Doc Bonin and assess a range of options for decommissioning and/or retirement of the facility. The consultant will identify options and align recommendations with capacity needs and strategy for LUS operations within MISO. The current economic suspension status for Doc Bonin will likely continue in addition to the contracts for MISO capacity requirements to allow for the decommissioning evaluation beyond the current contract ending in 2017. The results of the study should inform the development of the decommissioning reserve requirements.

Doc Bonin Plant - Environmental Permits and Compliance

Table 4-5
Electric System
Doc Bonin Plant Key Permits

Permit	Regulatory Agency	Status
Title V Permit	LDEQ	Permit No. 1520-00002-V2
Part 70 Operating Permit		Expiration date: December 19, 2016
Title IV Permit	LDEQ	Permit No. 1520-00002-IV2
Acid Rain Program Permit		Expiration date: December 16, 2016
LPDES Permit	LDEQ	Permit No. LA0005711
		Expiration date: August 1, 2019
Clean Air Interstate Rule CAIR Permit	LDEQ	Permit No. 1520-00002-IR0
		Expiration date: December 19, 2016

Air Permit

The Doc Bonin Plant’s Title IV and Title V Permit renewals were approved in 2011 and are set to expire on December 19, 2016. The permits allow for the burning of natural gas and No. 2 fuel oil in all three Doc Bonin units with a limitation of 150 hours per year of oil firing in Unit 2. However, plant staff indicated that oil firing capability has been disabled and oil burning is not anticipated in the near future.

SECTION 4

All three units have a Continuous Emissions Monitoring (CEM) System installed. Annual CEM Relative Accuracy Test Audit (RATA) testing is not required since the units are out of service and are in suspended operation mode through June 29, 2017.

Clean Air Interstate Rule and Cross State Air Pollution Rule – CSPAR NO_x Allocations

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

Under CSAPR, each facility is assigned an allocation of nitrogen oxide (NO_x) (tons), which may be emitted during the Ozone Season (May – September). In the event that the facility exceeds the limit during the Ozone Season, additional allowances may be withdrawn from the Plant owner's banked allowances or allowances may be purchased. The 2015 CSAPR NO_x Allocations for the Doc Bonin Plant units are as follows:

Table 4-6
Electric System
Doc Bonin NO_x Emission Allocations

Unit	NO _x Allocation (tons)
Doc Bonin Unit 1	9
Doc Bonin Unit 2	84
Doc Bonin Unit 3	93

Compliance

Doc Bonin Plant has not had any exceedances or Notice of Violations (NOVs) in the past year.

In 2010 a Compliance Order and Notice of Potential Penalty was received due to failed stack tests dated October 18, 2007 on Unit 1 and October 15, 2009 on Unit 3. Test results indicated that the units exceeded their carbon monoxide (CO) permit limits. A Settlement Agreement was issued on February 25, 2014 with a monetary penalty in the amount of \$2,800. The penalty was paid and the issue was finalized and closed on November 25, 2014.

Table 4-7 summarizes the key operating statistics for the Doc Bonin Plant over the past five years. The 2014 generation statics reflect its suspended status.

Table 4-7
Electric System
Doc Bonin Plant Operating Statistics

Item	2010	2011	2012	2013	2014	Five-Year Average
Units 1 through 3						
Gross Capacity (MW)	285	285	285	285	285	285
Total Gross Generation (MWh)	431,097	572,835	523,854	156,856	0	336,928
Total Net Generation (MWh)	395,518	526,993	484,016	85,793	0	298,464
Total Gas Usage (MMBtu)	4,359,661	6,114,318	5,340,044	1,735,707	0	3,509,946
Net Heat Rate (Btu/kWh)	11,023	11,602	11,033	20,231	NA	13,472
Gross Capacity Factor (%)	17.3%	22.9%	21.0%	6.3%	0.0%	0.0%
Availability Factor (%)	63.5%	58.6%	64.8%	55.8%	0.0%	0.0%
Forced Outage Rate (%)	12.7%	7.7%	36.9%	40.2%	0.0%	0.0%
Number of Starts	13	11	4	3	0	8

Source: Jamie Webb, LUS

T. J. Labbe Plant

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

The LM6000 CTG is an aero-derivative natural gas turbine that is commonly used in the power generation industry. The first LM6000 CTG was introduced in 1991 and began commercial operations in 1992. The two LM6000 CTGs are equipped with supplemental inlet air cooling and compressor intercooling using a proprietary GE SPRay INTERcooled system called “SPRINT.”

The SPRINT system injects atomized water at two locations in the turbine. This lowers the compressor discharge temperature, allowing power enhancement in part by increasing the mass airflow by cooling the air during the compression process. This system allows the CTGs to optimize output over a wide range of ambient conditions.

SECTION 4

GE has significant experience with the LM6000 gas turbines, with over 21 million operating hours on over 1,000 units.

Each CTG system includes a chilled water system for inlet air cooling. The power output of all CTGs is sensitive to ambient temperatures. As ambient temperatures increase, the gross power output decreases with the decrease in ambient air density. Inlet cooling systems are commonly used to reduce temperatures in order to maintain power output at high ambient temperatures. The chilled water systems include a chiller skid, which is capable of providing sufficient inlet air chilling to maintain optimum inlet air conditions (50 degrees Fahrenheit (°F)) up to an ambient temperature of 90 °F.

Each combustion turbine package includes a gas turbine generator, unit enclosures, support structures, an air inlet system, an exhaust outlet, lube oil systems, a fire protection system, a control system, a water wash system, drawings, data and manuals, and a training package. In addition, each combustion turbine also includes a water injection system for emissions control; the SPRINT power augmentation package; inlet air chilling; air filtration; fin fan lube oil coolers; electro-hydraulic start system; and inlet heating system. These are the standard GE supplied LM6000PC packages.

Each of the CTGs is capable of producing approximately 48 MW. The following table lists typical performance of LM6000PC Sprint engines at typical winter and summer conditions. The output and heat rate number are inclusive of typical auxiliary loads. Table 4-8 shows the typical performance of the LM6000 units installed at the T. J. Labbe Plant.

Table 4-8
Electric System
Typical LM6000 PC Sprint Performance

Parameter	Natural Gas
Net Output, kW (summer 90 °F)	48,500
Net Heat Rate, Btu/kWh, HHV (summer)	10,140
Net Output, kW (winter 20 °F)	49,300
Net Heat Rate, Btu/kWh, HHV (winter)	9,770
NOx water flow (lbs/hr)	19,973
SPRINT water flow (lbs/hr)	10,505
NOx Emissions, ppmvd @ 15% O2	25

Table 4-9 summarizes the historical operating statistics for the T. J. Labbe Plant. Both units at T. J. Labbe were operated less in 2014 than in 2013.

**Table 4-9
Electric System
T. J. Labbe Plant Historical Operating Statistics**

Generation Statistics	2010	2011	2012	2013	2014	Five-Year Average
Unit 1						
Gross Generation (MWh)	67,016	151,490	22,314	28,598	10,378	55,959
Net Generation (MWh)	66,326	149,500	21,711	25,154	9,714	54,481
Unit Capacity Factor (%)	15.94%	36.03%	5.31%	6.80%	2.31%	13.28%
Unit Service Factor (%)	36.00%	72.00%	7.00%	9.00%	4.64%	25.73%
Unit Starts	34	35	63	49	35	43
Availability Factor (%)	99.00%	94.00%	84.00%	95.00%	95.01%	93.40%
Forced Outage Rate (%)	0.00%	2.70%	39.80%	1.80%	4.33%	9.73%
Unit 2						
Gross Generation (MWh)	37,537	35,373	21,269	39,163	4,844	27,637
Net Generation (MWh)	36,420	62,741	19,428	38,793	3,707	32,218
Unit Capacity Factor (%)	8.93%	8.41%	5.06%	9.31%	0.88%	6.52%
Unit Service Factor (%)	20.00%	17.00%	7.00%	12.00%	2.50%	11.70%
Unit Starts	49	50	64	79	32	55
Availability Factor (%)	98.00%	99.00%	87.00%	99.00%	92.99%	95.20%
Forced Outage Rate (%)	3.00%	1.80%	2.70%	1.50%	44.40%	10.68%
Plant Total						
Net Generation (MWh)	102,745	177,384	41,139	63,925	13,421	79,723
Fuel Consumed (MMBtu)	1,370,659	2,201,988	655,900	706,006	169,181	1,020,747
Avg. Net Heat Rate (Btu/kWh)	13,340	12,414	15,944	11,044	12,605	13,069

Source: Jamie Webb, LUS

T. J. Labbe Plant - Environmental Permits and Compliance

Table 4-10 summarizes the key environmental permits for the T. J. Labbe Plant.

Table 4-10
Electric System
T. J. Labbe Plant Key Permits

Permit	Regulatory Agency	Status
Title V Permit	LDEQ	Permit No. 1520-00128-V2
Part 70 Operating Permit		Expiration date: June 25, 2018
Title IV Permit	LDEQ	Permit No. 1520-00128-IV2
Acid Rain Program		Expiration date: June 25, 2018

Air Permit

The T. J. Labbe Plant’s Title IV and Title V Permit renewals were approved in 2013 and are set to expire on June 25, 2018. The permits allow for the burning of natural gas only. Each of the CTGs has a CEM System installed to monitor unit emissions. Annual CEM RATA testing required.

CSAPR NO_x Allocations (Ozone Season only)

The 2015 CSAPR NO_x Allocations for the T. J. Labbe units are as follows:

Table 4-11
Electric System
T. J. Labbe Plant NO_x Emission Allocations

Unit	NO _x Allocation (Tons)
T. J. Labbe Unit 1	27
T. J. Labbe Unit 2	15

Compliance

LUS staff has indicated that the T. J. Labbe Plant has not had any exceedances or NOVs in the past year and all required semi-annual and annual compliance reports have been submitted to the Louisiana Department of Environmental Quality (LDEQ).

Hargis-Hebert Plant

The Hargis-Hebert Plant began commercial operation in 2006 and is nearly identical to the T. J. Labbe Plant with two natural gas-fired 48 MW General Electric model LM6000PC SPRINT CTGs (see LM6000PC SPRINT details above). Natural gas compressors are not installed at Hargis-Hebert Plant because the incoming natural gas delivery pressure is greater than the than CTG’s design inlet pressure. The Hargis-Hebert Plant CTGs have the additional capability of providing voltage support to the transmission grid through a specially designed clutch

system, which was originally installed on each of the CTGs allowing the gas turbine to be shut down and uncoupled from the generator while the generator remains synchronized to the grid to supply or absorb reactive power. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. As with the T. J. Labbe Plant, the Hargis-Hebert Plant is staffed full-time, but is capable of remote startup and monitoring from the Doc Bonin Plant. The Hargis-Hebert Plant is connected to the LUS transmission system at 69 kV. The plant has a 600 kW emergency generator for black start capability. The Hargis-Hebert Plant began commercial operation in 2006.

Table 4-12 summarizes the historical operating statistics for the Hargis-Hebert Plant. Similar to T. J. Labbe Plant, Hargis-Hebert Plant operated less in 2014 than in 2013 due to joining MISO.

**Table 4-12
Electric System
Hargis-Hebert Plant Operating Statistics**

Generation Statistics	2010	2011	2012	2013	2014	Five-Year Average
Unit 1						
Gross Generation (MWh)	89,566	87,168	22,728	29,312	7,338	47,222
Net Generation (MWh)	87,783	86,027	22,162	29,006	6,803	46,356
Unit Capacity Factor (%)	21.30%	20.73%	5.41%	6.97%	1.62%	11.21%
Unit Service Factor (%)	24.00%	29.00%	6.00%	8.00%	3.81%	14.16%
Unit Starts	89	166	56	39	41	78
Availability Factor (%)	87.00%	95.00%	89.00%	96.00%	90.24%	91.45%
Forced Outage Rate (%)	4.00%	1.00%	54.80%	13.80%	11.02%	16.92%
Unit 2						
Gross Generation (MWh)	81,757	70,334	7,174	19,330	6,988	37,117
Net Generation (MWh)	79,291	65,716	5,624	17,583	5,744	34,792
Unit Capacity Factor (%)	19.44%	16.73%	1.71%	4.60%	1.37%	8.77%
Unit Service Factor (%)	24.00%	20.00%	2.00%	6.00%	3.80%	11.16%
Unit Starts	101	110	19	37	40	61
Availability Factor (%)	94.00%	96.00%	66.00%	97.00%	93.64%	89.33%
Forced Outage Rate (%)	3.00%	4.50%	8.90%	7.10%	1.96%	5.09%
Plant Total						
Net Generation (MWh)	168,074	151,742	27,786	42,227	12,546	80,475
Fuel Consumed (MMBtu)	1,740,821	1,602,632	297,321	509,688	169,544	864,003
Avg. Net Heat Rate (Btu/kWh)	10,358	10,562	10,700	12,070	13,514	11,441

Source: Jamie Webb, LUS

Hargis-Hebert Plant- Environmental Permits and Compliance

Table 4-13 summarizes the key environmental permits for the Hargis-Hebert Plant.

Table 4-13
Electric System
Hargis-Hebert Plant Key Permits

Permit	Regulatory Agency	Status
Title V Permit	LDEQ	Permit No. 1520-00031-V2
Part 70 Operating Permit		Expiration date: June 25, 2018
Title IV Permit	LDEQ	Permit No. 1520-00131-IV2
Acid Rain Program		Expiration date: June 25, 2018

Air Permit

The Hargis-Hebert Plant’s Title IV and Title V Permit renewals were approved in 2013 and are set to expire on June 25, 2018. The permits allow for the burning of natural gas only. Each of the Hargis-Hebert CTGs has a CEM System installed to monitor unit emissions. Annual CEM RATA testing required.

CSAPR NOx Allocations (Ozone Season only)

The 2015 CSAPR NOx Allocations for the Hargis-Hebert units are as follows:

Table 4-14
Electric System
Hargis-Hebert Plant NOx Emission Allocations

Unit	NO _x Allocation (Tons)
Hargis-Hebert Unit 1	22
Hargis-Hebert Unit 2	17

Compliance

LUS staff has indicated that the Hargis-Hebert Plant has not had any exceedances or NOVs in the past year and all required semi-annual and annual compliance reports have been submitted to LDEQ.

Rodemacher Unit 2

Rodemacher Unit 2 is a 523 MW coal-fired generating station located at the Brame Energy Center near Boyce, Louisiana. The unit is operated by Cleco and is jointly owned by LPPA (50 percent), Cleco (30 percent), and Louisiana Energy and Power Authority (LEPA) (20 percent). The unit began commercial operation in 1982.

Major equipment includes a Foster Wheeler conventional pulverized coal steam boiler, with a steam rating of 3,800,000 pounds per hour at 2,500 pounds per square inch gauge (psig) and

a main steam and reheat temperature of 1,005 °F, and a General Electric reheat steam turbine generator with bottom exhaust. Cooling water for the steam turbine condenser and plant auxiliaries are supplied from Lake Rodemacher. Lake Rodemacher is a man-made lake located within the boundaries of the 6,000-acre Brame Energy Center site. An electrostatic precipitator, with a 99.5 percent efficiency rating when burning coal, is utilized for flyash removal. A Selective Non-Catalytic Reduction (SNCR) System with urea injection was added for improved NOx control in 2013.

Table 4-15 summarizes the historical operating statistics for Rodemacher Unit 2.

Table 4-15
LPPA
Historical Rodemacher Unit 2 Operating Statistics

Generation Statistics	2010	2011	2012	2013	2014	Five-Year Average
Gross Generation (MWh)	3,455,279	3,433,091	2,858,332	3,047,012	2,568,621	3,072,467
Station Service (MWh)	239,105	237,591	225,368	222,149	170,853	219,013
Net Generation (MWh)	3,216,174	3,195,500	2,632,964	2,824,863	2,397,768	2,853,454
Station Service (%)	6.9%	6.9%	7.9%	7.3%	6.7%	7.1%
Net Capacity Factor (%) ⁽¹⁾	70.2%	69.8%	61.7%	66.4%	55.8%	64.8%
Hours Available	7,945	7,934	7,933	7,515	5,626	7,391
Net Unit Heat Rate (Btu/kWh)	10,975	10,754	11,077	10,975	11,040	10,964
Availability Factor (%) ⁽²⁾	90.7%	90.7%	90.3%	85.8%	64.2%	84.3%
Forced Outage Factor (%) ⁽³⁾	4.9%	1.7%	2.5%	5.8%	1.3%	3.2%
Scheduled Outage Factor (%)	4.4%	7.6%	7.2%	8.4%	34.5%	12.4%

Source: LPPA Monthly Managers Reports for years 2010–2014.

(1) Net Capacity Factor is the net energy produced over the year as a fraction of the maximum generation for the year.

(2) Availability Factor reflects the fraction of the year in which Rodemacher Unit 2 was available without any outages.

(3) Forced Outage Factor reflects the fraction of the year in which Rodemacher Unit 2 was not available due to forced outages.

In general, Rodemacher Unit 2's operations have remained steady for the past five years, as expected for a base load type of generating facility. However, in 2014, there was a significant increase in the unit's schedule outage time associated with the emissions upgrades.

On February 16, 2012, the U.S. EPA issued the final ruling titled National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units, commonly referred to as Mercury and Air Toxic Standards (MATS). To comply with the MATS requirements, Rodemacher Unit 2 has completed the installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and ID Booster Fans. As of the date of this Report, all of the new equipment and systems are functioning properly. The results of contract guarantee testing indicates that the equipment is operating as per design to meet the MATS requirements. The compliance deadline was April 16, 2015.

SECTION 4

Coal is supplied by Arch Coal Sales Inc. and primarily sourced from the Powder River Basin in Wyoming. LPPA owns two unit trains that deliver the coal to the plant from Wyoming. Cleco coordinates the deliveries in conjunction with their unit trains.

Coal combustion residue (e.g. flyash and bottom ash) from the Rodemacher Unit 2 is currently removed from the site by truck and sold for beneficial reuse on a regular basis. On December 8, 2014, U.S. EPA finalized the Coal Combustion Residue Rule. The final rule classifies coal ash as solid waste rather than hazardous waste. Classifying coal residue as solid waste eliminates potential increased disposal costs associated with special handling, transportation, and disposal requirements for hazardous waste. As a result of the latest U.S. EPA ruling, Rodemacher Unit 2 will continue marketing and selling their coal ash for beneficial use. Additional information regarding the Coal Combustion Residue Rule is discussed in Rodemacher Environmental Compliance section below.

U.S. EPA Clean Air Act Greenhouse Gas Regulations

As of June 2, 2014, the U.S. EPA, through the Clean Air Act, proposed the Clean Power Plan that will regulate greenhouse gas emissions associated with Electric System generation. The implementation and financial impacts of the Clean Power Plan are evolving and currently unknown. Currently, all operating expenses associated with environmental compliance are included in the Electric System FC and passed through to customers. Historically, major capital expenditures associated with environmental compliance have been funded with bonds.

New Source Performance Standards

On January 8, 2014, U.S. EPA proposed a New Source Performance Standard (NSPS) designed to reduce carbon pollution from new power plants. These regulations, which only apply to new facilities, would limit coal fired power plant carbon dioxide (CO₂) emissions to 1,100 lb/MWh (gross). Traditional coal fired power plants cannot meet this limit without some form of CO₂ abatement, such as carbon capture and sequestration. Existing plants that commenced construction per the definition at 40 Code of Federal Regulations (CFR) Subpart 60 prior to January 8, 2014 are not subject to the rule. Rodemacher Unit 2 commenced construction prior to January 8, 2014, and as such, is not subject to the rule.

Clean Power Plan Emission Guidelines

On June 2, 2014, U.S. EPA proposed the Clean Power Plan: CO₂ emission guidelines for existing power plants. Those regulations are expected to be finalized by June 2015 and each state would work with U.S. EPA to submit an implementation plan by June 2016 to incorporate the CO₂ guidelines for existing power plants. States would also have the option for a one or two year extension to submit their state plans. Clean Air Act Section 111(d) is the basis for the regulation of carbon emissions from existing power generation facilities. Under Section 111(d), state standards for existing sources must reflect the level of emissions performance achievable through the application of the best system of emission reduction (BSER), but states have significant flexibility in the design of their plans.

The June 2014 proposal has two main elements: (1) state-specific emission rate-based CO₂ goals and (2) guidelines for the development, submission, and implementation of state plans. U.S. EPA suggests four “Building Blocks” that states may utilize to achieve their state-specific emission targets:

1. Efficiency improvements at coal fired power plants

2. Increased generation from natural gas combined cycle plants along with decreased generation from coal and oil fired facilities
3. Increased generation from renewable and other low- or zero-carbon sources
4. Increased demand-side energy efficiency

States may choose to develop plans using all four approaches or none of U.S. EPA’s suggestions. The proposed rule does suggest that existing coal-fired units can achieve an average 6 percent heat rate improvement to reduce greenhouse gas emissions as part of the first building block. Ultimately, the proposal does not prescribe how a state should meet its goal. The proposal provides up to 2 or 3 years for submission of final plans and up to 15-years for full implementation of all emission reduction measures after the proposal is finalized to achieve the final targets by 2030. State programs may include heat rate targets, trading programs, maintenance requirements, or other measures.

Rodemacher Unit 2- Environmental Permits and Compliance

Table 4-16 summarizes the key environmental permits for Rodemacher Unit 2.

**Table 4-16
LPPA
Rodemacher Unit 2 Key Permits**

Permit	Regulatory Agency	Status
Title V Permit Part 70 Operating Permit	LDEQ	Permit No. 2360-00030-V2 Expiration date: October 14, 2018
Title IV Permit Acid Rain Program Permit	U.S. EPA	Permit No. 2360-00030-IV4 Expiration date: October 14, 2018
Clean Air Interstate Rule CAIR Permit	LDEQ	Permit No, 2360-00030-IR0 Expiration date: October 14, 2018
LPDES Permit	LDEQ	Permit No. LA0008036 Expiration date: October 1, 2019
Solid Waste Standard Type I Permit For metal cleaning waste pond, bottom ash pond and flyash pond	LDEQ	Permit No, P005R1 Expiration date: May 22, 2017
Solid Waste Standard Type I Permit For coal sedimentation pond	LDEQ	Permit No. P-0062 Expiration date: May 22, 2017
Radioactive Material License	LDEQ	License No. LA-3719-L01 Expiration Date: May 31, 2018
Spill Prevention Control and Countermeasure Plan (SPCC)	U.S. EPA	Latest revision: December 2013
Facility Response Plan	U.S. EPA	Latest revision: December 2013
Hazardous Waste Generator	U.S. EPA	Permit No. LAD071941611

National Ambient Air Quality Standards

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

In addition to implementing the NAAQS, U.S. EPA must also periodically update the standards to keep pace with new developments in health and science. Standards for NO_x (1-hour), particulate matter with particles less than 2.5 micrometers in diameter (PM_{2.5}), sulfur dioxide (SO₂) (1-hour), and ozone have all been updated within the past five years, and Rapides Parish continues to meet the standards. If future updates to the NAAQS result in a nonattainment area designation, LDEQ would evaluate emission sources in the region and emissions reductions at Rodemacher Unit 2 could be required.

Air Permit

The Rodemacher Unit 2 Title IV and Title V Permit renewals were approved in 2013 and are set to expire on October 14, 2018. The permits allow for the burning of coal, natural gas, and No. 2 fuel oil in Unit 2. However, coal is the predominant fuel.

The unit has a CEM System installed; annual CEM RATA testing is required.

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

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

Table 4-17
LPPA
Rodemacher Unit 2 SO₂ Emissions

Year	Annual Average (lb/MMBtu)	Permit Limit (lb/MMBtu)	Total Annual (tons/yr)	Annual Allocation (tons/yr)
2012	0.62	1.2	9,098	18,212
2013	0.56	1.2	9,127	18,212
2014	0.58	1.2	6,456	18,212

Rodemacher Unit 2’s historical SO₂ emissions have been below permitted levels. The operation of Rodemacher Unit 2 will not be restricted due to the SO₂ emission limits of the air permit due to the fact that the plant currently burns, and is expected to continue to burn, 0.7 percent sulfur coal. Total SO₂ emissions are directly related to the sulfur content of the coal. The average annual SO₂ emission rate over the past six years has been approximately 50 percent less than the permit limit of 1.2 pounds per million British thermal units (lb/MMBtu).

NO_x emissions under the Rodemacher Unit 2 Title IV Permit are limited to 0.46 lb/MMBtu. In addition, Rodemacher Unit 2 is allocated NO_x allowances under the CSAPR, which limits the NO_x emissions during the ozone season.

Table 4-18
LPPA
Rodemacher Unit 2 NO_x Emissions

Year	Annual Average (lb/MMBtu)	Permit Limit (lb/MMBtu)	Total Annual (tons/yr)
2012	0.17	0.46	2,463
2013	0.18	0.46	2,636
2014	0.19	0.46	2,212

CSAPR NO_x Allocations (Ozone Season only)

As of December 31, 2014, the quantity of banked CAIR allowances was 722 of which 483 are allocated to LPPA. Table 4-19 summarizes the NO_x emissions for Rodemacher Unit No. 2 during the ozone season.

Table 4-19
LPPA
Rodemacher Unit 2 NO_x Emission Allocations

Unit	NO _x Allocation (Tons)
Rodemacher Unit 2	1,102

Compliance

Rodemacher Unit 2 reports compliance with the opacity requirements 99.95 percent of the time in the past year. Problems complying with the opacity limits that had been experienced prior to 2010 apparently have been addressed satisfactorily. LUS staff indicates that there are no outstanding NO_vs for non-compliance with opacity limits.

NO_x emissions under the Rodemacher Unit 2 Title IV Permit are limited to 0.46 lb/MMBtu. In addition, Rodemacher Unit 2 is allocated NO_x allowances under the CSAPR, which limits the NO_x emissions during the Ozone Season.

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Rodemacher Unit 2's historical NO_x emissions have been below permitted levels. The operation of Rodemacher Unit 2 will not be restricted due to the NO_x emission limits of the Title IV Permit. The NO_x permit limit is 0.46 lb/MMBtu, while the average annual NO_x emission rate has been less than 0.20 lb/MMBtu in each of the past six years. However, during the Ozone Season Rodemacher Unit 2 NO_x emissions are limited by CSPAR to 1,102 tons as discussed earlier in this section.

Cooling Water Supply and 316(b) Regulation

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

Wastewater

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

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

Based on our discussions with plant staff we are not aware of any outstanding NOVs or any material compliance issues with the LPDEQ.

Mercury Regulations

To comply with the requirements of the U.S. EPA MATS, the plant has recently completed the installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and ID Booster Fans. As mentioned previously, at the time of Consultant's site visit on February 8, 2015, the new equipment was in the process of being tested and commissioned. The compliance deadline is April 16, 2015.

Coal Combustion Residue

The U.S. EPA recently finalized revisions to the Resource Conservation and Recovery Act (RCRA) regulations on coal combustion residuals (CCR), also referred to as coal ash, from coal-fired power plants. The "Disposal of Coal Combustion Residuals from Electric Utilities" final rule was signed on December 19, 2014, and was published on April 17, 2015 in the Federal Register (FR). The rule will become effective 180 days after publication in the FR. The rule establishes technical requirements for CCR landfills and surface impoundments, and adds a new definition of beneficial use, while clarifying that 'uses' that do not meet the new

definition, are, in fact, disposal. Note that the rule does not affect beneficial use applications started before the effective date of the rule.

Beneficial use applications started after the effective date of the new rule will need to be evaluated according to new definitions of beneficial use and disposal. The rule defines beneficial use as needing to meet the following criteria:

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

The new criteria for “beneficial use” will exclude the use of CCR in large-scale placement or fill, such as mine fills, as a beneficial use.

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

Oil Storage and Spill Prevention

The Spill Prevention and Control (SPC) / Spill Prevention Control and Countermeasures (SPCC) plan for the Brame Energy Center was prepared in accordance with the requirements of the SPC regulations of the LDEQ and the SPCC regulations of the U.S. EPA. The SPC regulations are codified under Title 33, Part IX Chapter 9 of the Louisiana Administrative Code (LAC 33:IX.Chapter 9). The SPCC regulations are contained in Title 40, Part 112 of the Code of Federal Regulations (40 CFR Part 112). The purpose and scope of the SPC regulation is to establish requirements for contingency planning and implementation of operating procedures and best management practices to prevent and control the discharge of pollutants resulting from spill events. The regulation defines a “spill event” as the accidental or unauthorized leaking or releasing of a substance from its intended container or conveyance structure that has the potential to be discharged or results in a discharge to the waters of the State of Louisiana. The purpose of the SPCC regulation is to establish procedures, methods and equipment, and other requirements for equipment to prevent the discharge of oil from non-transportation-related onshore and offshore facilities. The purpose of SPCC Plan is to complement existing laws, regulations, rules, standards, policies, and procedures pertaining to safety standards, fire prevention, and pollution prevention rules, so as to form a

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comprehensive balanced federal/state spill prevention program to minimize the potential for oil discharges.

The facility response plan (FRP) regulation (40 CFR Section 112.20) requires the owners or operators of facilities that may reasonably be expected to cause substantial harm to the environment by discharging oil to prepare a FRP.

Brame Energy Center's FRP addresses the concerns of 40 CFR 112.20.f.1.ii; the facility's total oil storage capacity is greater than or equal to 1 million gallons. LPPA has no ownership interest in, or liability for, the fuel oil storage tanks located on the Brame Energy Center site.

Rodemacher Transmission

Cleco owns five 230 kV transmission lines that transmit power out of the Rodemacher Unit 2 switching station and interconnect to the transmission grid. Four lines extend to the towns of Clarence, Leesville, Rapides, and St. Landry. The fifth line extends from the Brame Energy Center to Sherwood. Two 230 kV lines extend from Sherwood to the Pineville-Rapides 230 kV line. LUS is interconnected with the area's transmission grid through its 138 and 230 kV lines to Cleco and Energy Gulf States Louisiana, LLC.

The Joint Ownership Agreement Exhibit V-A dated November 15, 1982 originally provided for transmission service from Rodemacher Unit 2. A new Transmission Service Agreement (TSA) in January 1991 between LPPA, the City, and Cleco terminated and replaced the original agreement with the Electric System Interconnection Agreement (ESIA), Service Schedule FTS. Per the TSA, Cleco is to provide firm transmission service to the City's interconnection points with Cleco.

Fuel Supply

Natural Gas

Natural gas for the Doc Bonin, T. J. Labbe, and Hargis-Hebert Plants is provided under a base contract between Atmos Energy Marketing, LLC and The Energy Authority ("TEA"), acting on the behalf of LUS. The agreement was signed in February 2004 and automatically extends for 12-months following the end of the Delivery Period, unless terminated by either party. The latest Transaction Confirmation, #6, for a Firm Supply of up to 20,000 MMBtu per day, establishes monthly and daily rates based on Henry Hub indices, plus six cents (\$0.06 per MMBtu), plus Gulf South Pipelines current transmission tariff, plus taxes or assessments.

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

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

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

Coal for Rodemacher Unit 2

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

An annual physical observation of the coal inventory is performed based on an aerial photographic survey and density measurements. Adjustments to the inventory book values are made based on the results of the survey.

4.2 Transmission and Distribution

The Electric System has 45 miles of transmission lines and 945 miles of distribution lines. Transmission facilities operate at 69kV, 138kV, and 230kV interconnecting with the Entergy (at 230kV and 138kV) and Cleco (at 230kV and 69kV) systems. LPPA, the City, and Cleco have a TSA signed in January 1991 to provide firm transmission service from Rodemacher Unit 2 to the City's interconnection points with Cleco.

Transmission substation facilities are at 230 kV, 138 kV, and 69 kV. The 230 kV transmission system includes 16 miles of line with interconnections to Cleco and Entergy. The 138 kV system equipment at the Doc Bonin Plant Substation connects to Entergy, as well as autotransformers to the 230 kV and 69 kV busses. The 69 kV transmission system consists of 28 miles of line. Fourteen distribution substations serve the 80 feeders on the LUS 13.8 kV distribution system, with more than 900 miles of primary distribution line split nearly evenly between overhead and underground lines.

Existing transmission circuits are on a range of structure types including wood poles and steel towers. Typical new transmission circuits will use galvanized steel poles.

The 954 miles of distribution include overhead and underground lines (13.8 kV). Overhead distribution poles are primarily creosote-treated southern yellow pine, with light-duty steel poles for corners or areas where guying is not possible.

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

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

4.3 Advanced Metering Infrastructure

LUS has completed the implementation of an AMI for its electric customers. It is also piloting a new project utilizing the existing Elster AMI to determine how customers may interact in real time with the Electric System. This pilot includes the ability to monitor electricity consumption and possibly controlling loads at peak system periods (e.g. summer afternoons).

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The top ten commercial customer meters are tested annually. New meters are spot checked upon receipt.

4.4 Historical Capital Improvement Program

LUS uses a capital work order system to track capital expenses. The historical capital shown in Table 4-20 reflects investment in infrastructure funded by the Series 2004 Bonds, Series 2010 Bonds, and retained earnings. The Series 2004 Bonds were issued primarily to build Hargis Hebert and T. J. Labbe Plants. The Series 2010 Bonds were issued for multiple projects including the Acadiana Load Pocket transmission project and AMI projects.

Table 4-20
Electric System
Historical CIP

	2010	2011	2012	2013	2014
Normal Capital & Special Equipment	\$3,960,148	\$3,514,410	\$1,538,740	\$5,613,028	\$5,115,415
Series 2004 Bonds	4,578,830	0	0	0	0
Series 2010 Bonds	0	12,631,493	20,351,646	11,129,481	4,138,917
Retained Earnings	<u>3,648,828</u>	<u>3,091,059</u>	<u>2,656,008</u>	<u>2,680,489</u>	<u>7,928,337</u>
Total Electric Capital	\$12,187,806	\$19,236,961	\$24,546,394	\$19,422,998	\$17,182,668

Source: LUS, Status of Construction Work Order Reports

4.5 Operations and Related Performance

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

Transmission congestion issues negatively affected LUS operations in past years, including requirements to run a portion of the T. J. Labbe and Hargis-Hebert Plant's combustion turbines without market-competitive reimbursement. The completion of a significant transmission project with Cleco and Entergy in 2012, as well as the transition to MISO control and scheduling in 2013, have effectively eliminated transmission congestion issues to date, including curtailments and reduced requirements to run local generation.

TEA is registered as LUS' Market Participant in MISO and was instrumental in smoothing the transition to MISO and successful integration. TEA develops strategies for energy market participation to be evaluated and approved by LUS, as well as provides feedback on how the selected strategies worked compared to alternative strategies.

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

Although we have examined less than a full year of operating data since LUS joined MISO, the wholesale power market has impacted the dispatch of the Doc Bonin, T. J. Labbe, and Hargis Hebert Plants. As mentioned earlier in this Section, the Doc Bonin Plant is currently unavailable and not offered into the MISO market through June 29, 2017 under the terms of a Suspended Operations Agreement, which began on June 29, 2014. Both the T. J. Labbe and Hargis Hebert Plants are gas-fired combustion turbine plants. The dispatch of both plants are less than that historically observed before LUS entered MISO. Absent scheduled outages, the dispatch of Rodemacher Unit 2 has not materially changed in the MISO market.

The following graphs show historical plant output before and after LUS joined MISO. The vertical black lines marks the transition date.

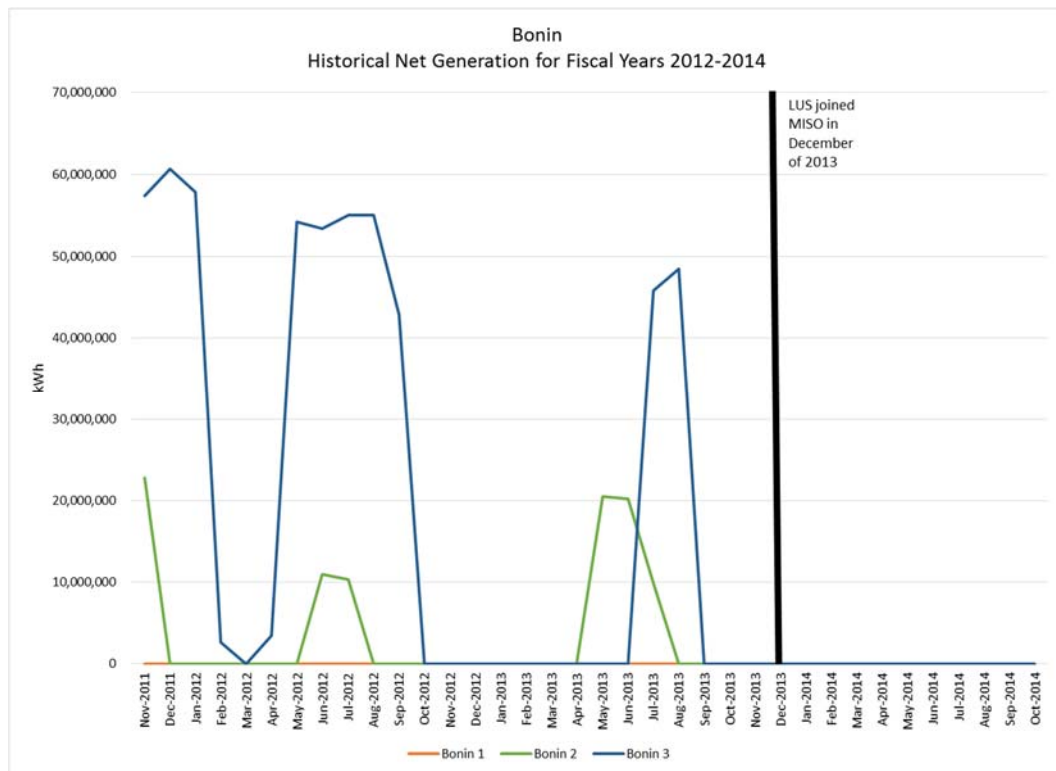


Figure 4-2: Doc Bonin Plant Historical Net Generation for FY 2012–2014

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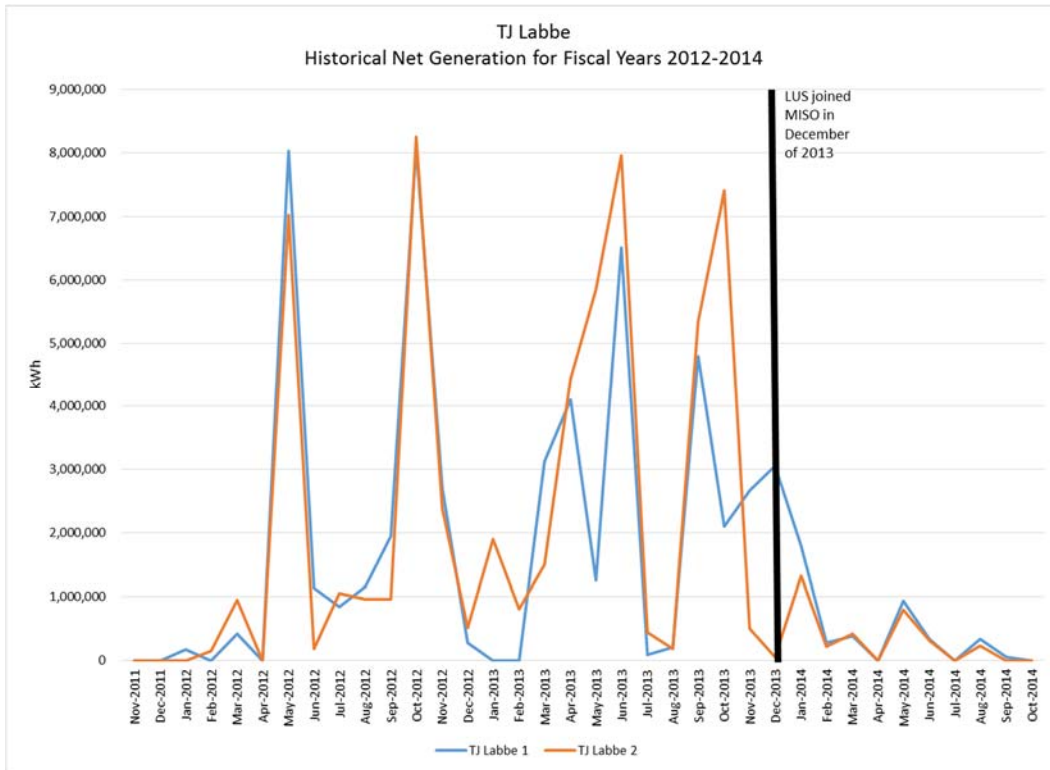


Figure 4-3: T. J. Labbe Plant Historical Net Generation for FY 2012–2014

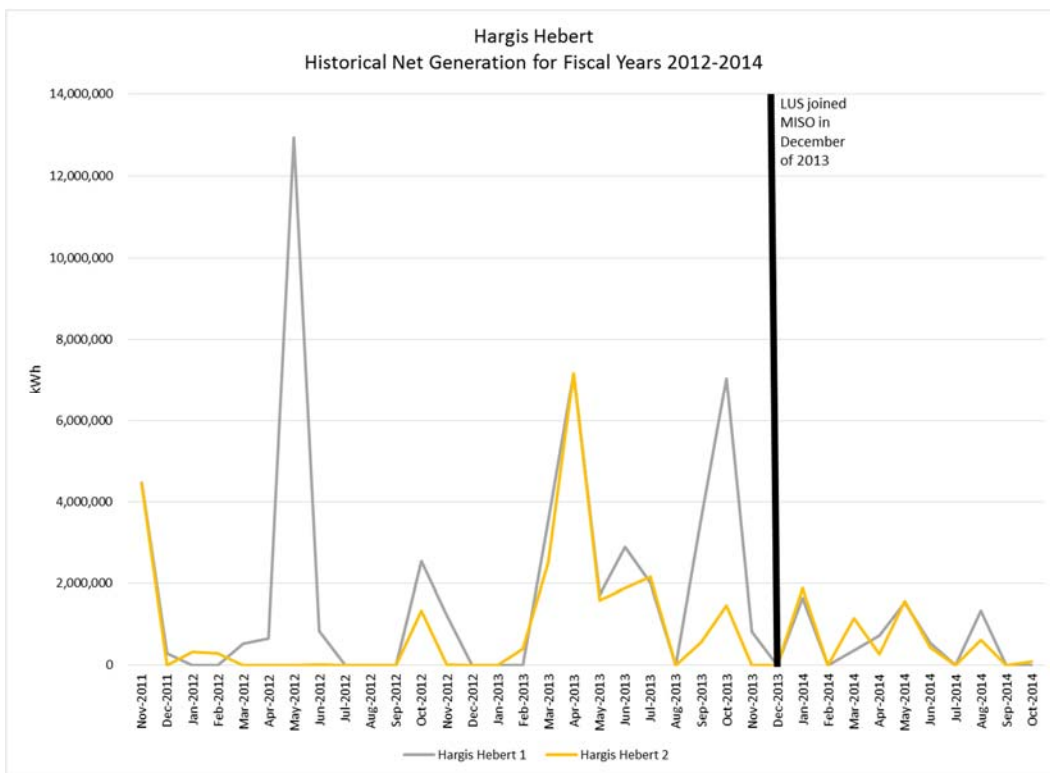


Figure 4-4: Hargis Hebert Plant Historical Net Generation for FY 2012–2014

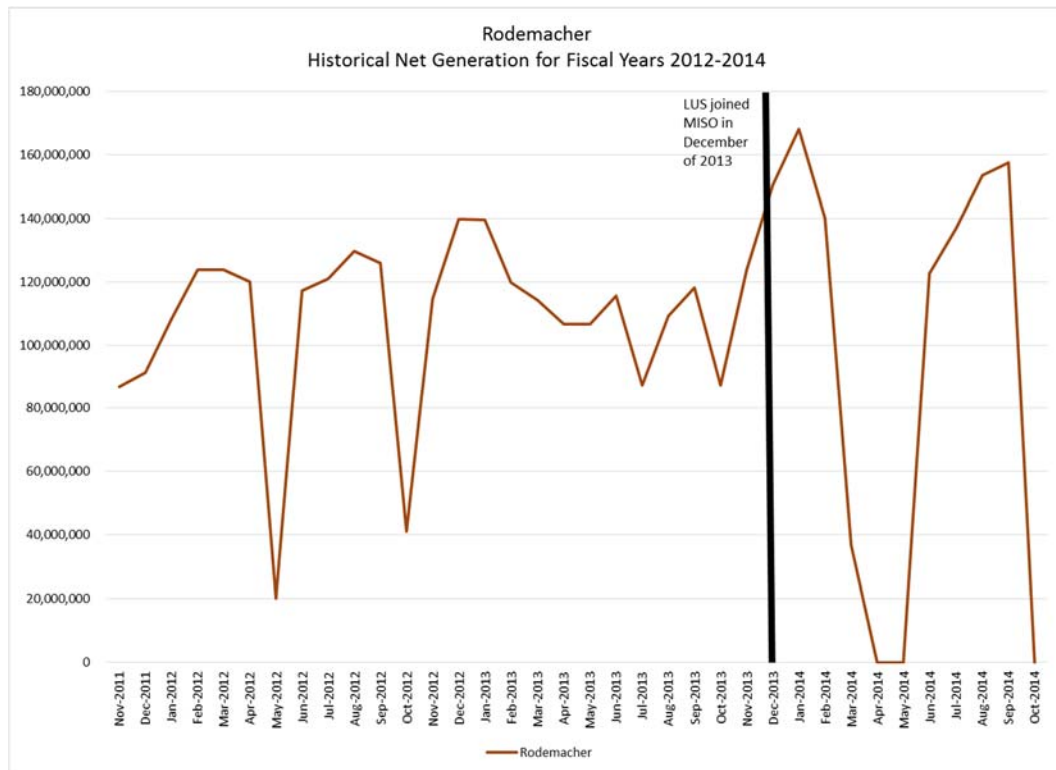


Figure 4-5: Rodemacher Unit 2 Historical Net Generation for FY 2012–2014

Please note that the reduction in net generation for Rodemacher Unit 2 in spring of 2014 was related to the scheduled maintenance outage for the MATS upgrade. Most LUS plants have been impacted by the MISO market as LUS now has access to lower cost market power. This economic benefit is realized by LUS customers through lower fuel clause charges.

Reliability

System Operations staff and policies regarding system reliability and asset maintenance and replacement are proactive and consistent.

Reliability metrics (Institute of Electrical and Electronics Engineers (IEEE) Standard 1366-2012 – IEEE Guide for Electric Power Distribution Reliability Indices) are calculated for the entire distribution system as well as individual substations and feeders, including:

- System Average Interruption Duration Index (SAIDI) – indicates the total duration of interruption for the average customer during a predefined period of time.
- System Average Interruption Frequency Index (SAIFI) – indicates how often the average customer experiences a sustained interruption over a predefined period of time.
- Customer Average Interruption Duration Index (CAIDI) – represents the average time required to restore service over a predefined period of time.
- Momentary Average Interruption Frequency Index (MAIFI) – indicates the average frequency of momentary interruptions over a predefined period of time. Momentary interruptions are defined by industry standards as being less than five minutes in duration.

Table 4-21
Electric System
LUS Reliability Indices – Calendar Year

Year	SAIDI ⁽¹⁾	SAIFI	CAIDI ⁽¹⁾	MAIFI
2010	33.3	0.79	50.8	0.93
2011	44.5	1.02	43.5	0.84
2012	43.9	0.87	50.3	1.05
2013	30.5	0.66	46.0	0.96
2014	61.4 ⁽³⁾	0.97 ⁽³⁾	63.2 ⁽³⁾	0.93 ⁽³⁾
National Median ⁽²⁾	120-130	1.2	100-108	NA

(1) Minutes per year.

(2) Approximate, as reported from 2000-2009 in LBNL-5268E, Ernest Orlando Lawrence Berkeley National Laboratory, "An Examination of Temporal Trends in Electricity Reliability Based on Reports from U.S. Electric Utilities", Eto, J. H., LaCommare, K. H., Larsen, P., Todd, A., Fisher, E., January 2012.

(3) Vehicle Accidents (57), 1.3M customer minutes (34% overall of customer-minutes).

LUS performance on all four reported indices is consistent and significantly better than the typical median performance reported by utilities across the nation from 2000–2009. As indicated in the comments for 2014, although LUS makes a significant effort to maintain/improve reliability, an increase in externally caused outages by events such as vehicle crashes is not within the utility’s control. By way of comparison, vehicle accidents for 2013 were only 12 percent of customer-minutes (237,540 customer-minutes). Without the increase in vehicle accidents in 2014, indices would have been close to those in 2013.

LUS has adopted a direct and prescriptive approach to improving reliability performance: each year the distribution operations group addresses the five worst performing feeders as determined by these reliability indices. Performance issues are pinpointed and addressed, including equipment, tree trimming, covered equipment jumpers, and protection coordination. These feeders are then tracked for the next two years to assess the effectiveness of the improvements.

Customers are more sensitive to “blinks” on feeders as their reliance on the Electric System has evolved. LUS utilizes a fuse burning philosophy to isolate faulted feeder segments and reduce blinks to upstream customers, improving SAIFI performance. Automatic reclosers are applied at large taps and in heavily treed areas to provide sectionalizing capability and automatically restore service in the event of a temporary fault, improving SAIDI values. Transmission line reclosing is applied on some of the 69 kV lines and has been an effective tool for rapid restoration.

LUS contracts with Osmose to inspect and treat wood poles as well as checking ground impedances to ensure reliable operation of the distribution system. All poles holding LUS wires or fiber, including those owned by other entities, are inspected on an eight-year cycle. LUS owned poles are treated or replaced as necessary; other entities owning poles found deficient

are notified of those specific issues. Ground impedance is maintained at 5 ohms or less to ensure protective device operation and safe grounding conditions.

Regular, detailed inspection and infrared thermal imaging of underground distribution facilities has been improved with a defined process that was updated in 2014. Main 600 amps switchgear is inspected annually; pad-mount transformers throughout the system and underground distribution feeder cables exiting substations are covered on an eight-year cycle. Distribution substations, including transformers and transmission equipment, are visually inspected monthly. Substation transformers are assessed by Doble Engineering (Doble) on a periodic basis. Doble provides recommendations for determining and extending useful life or replacing units. Streetlights are presently being relamped on a four-year program.

Maintenance work is performed by in-house crews, ensuring consistency and detailed knowledge of the system. Pole climbing is taught and required of line crewmembers. O&M rolling stock and equipment on average are replaced after 10 years in service.

New construction is typically performed by contractors, providing an efficient, project-centered approach that allows LUS to maintain consistent in-house staffing levels. Contractors are approved for a two-year period, then go through a refresher training program to be eligible for the next two-year period.

Lafayette is divided into zones for vehicle assignments for greater efficiency in normal work management. A work management system creates service tickets for changing out, adding, or removing physical equipment during normal conditions.

The Distribution System Dispatch Center (Dispatch Center) is responsible for addressing customer calls and dispatching and tracking crews. The Dispatch Center utilizes an Elster AMI system as the primary means for detecting and tracking outages, supplemented with customer call tracking. LUS' Outage Management System (OMS) is overlaid on the City's Geographic Information System (GIS) and creates outage tickets for crew assignments. Crew locations are tracked with truck-mounted GPS, enabling the dispatchers to adjust quickly to changing conditions with real time information. The OMS tracks outage locations over time to prioritize maintenance/replacement work and determine system reliability indices.

Overhead and underground rights-of-way are managed by a full-time arborist. This individual is responsible for managing all live oaks as well as general tree-trimming and right-of-way clearing. Distribution system tree-trimming is on a four-year cycle, covering approximately 100 line miles per year. The 230 kV transmission system is completely covered on an annual basis; the 69 kV system is reviewed and addressed on an "as best as possible" basis.

Safety

Each division within the Electric System has a safety representative and full support from upper management. A separate group evaluates all incidents to report on causes and measures to improve safety. LUS has adopted the APPA Safety Manual. A new fall arrest safety program commenced in March 2015.

Operations' analysis indicates that evacuation of LUS facilities and yards may be necessary in the event of a serious train incident adjacent to the main office. LUS is working to establish a remote site in Lafayette for alternate system operations, equipment staging, and material storage to address this contingency.

SCADA System

The Dispatch Center is responsible for addressing customer calls, dispatching, and tracking crews. The Dispatch Center utilizes an Elster AMI system as the primary means for detecting and tracking outages, supplemented with customer call tracking. The outage management system (OMS) tracks outage locations over time to prioritize maintenance/replacement work and determine system reliability indices.

The Energy Control System (ECS) monitors assets from each of the Utilities' services including: 14 electric substations, two water wells, five water towers and approximately 30 sewer lift stations. LUS is planning to fully integrate all lift stations with the SCADA system as approximately 90 stations are near or have fiber run to the equipment.

The fully redundant SCADA system relies on the original fiber network LUS installed and used to provide communications services to customers in the City. The SCADA system utilizes a dedicated, isolated, and secure network on the fiber ring including dedicated hardware and software. Additional security measures on the SCADA system include periodic maintenance based on North American Electric Reliability Corporation (NERC) requirements and constant monitoring. External connections are made through dedicated switches including firewalls with all computers connected to the network monitored for intrusion. The Back-up Control Center (BCC) includes all EMS, SCADA, and associated equipment required for emergency operation or loss of the main ECS. The BCC is served by back-up, emergency power systems including an engine generator and uninterruptible power supplies (UPS) which are exercised and tested monthly to ensure reliability.

System Security

In addition to cyber security discussed below, LUS physical security includes the use of security cameras, card swipes, and key pads at critical facilities.

4.6 Regulatory and Environmental Compliance and Issues

The Electric System's most recent NERC audit in the fall of 2014 was successful and did not indicate any violations of applicable NERC standards. Southwest Power Pool (SPP) is LUS' compliance enforcement authority.

The LUS compliance division was created within the last three years. Individual personnel are assigned to: 1) NERC compliance; 2) Spills, spill prevention control and countermeasure plans, and remediation; and 3) air quality. Compliance staff are provided education and training as standards are updated/created; and the staff participates in NERC reliability conferences.

Specific NERC Protection and Control (PRC) compliance is scheduled and tracked by LUS maintenance software. An outside consultant assists LUS with verification of the applicability of the various standards, while LUS maintains in-house Subject Matter Experts (SME). All compliance processes and procedures are prepared by the SMEs.

LUS has established PRC testing intervals for substation and transmission line equipment including: microprocessor relays every five years; electromechanical relays every two years; high voltage circuit breakers every five years; power transformers every five years; and station battery systems every week, month, quarter, year, with a five-year load test.

Permits and Approvals

All environmental permits and related regulatory impacts for the LUS and LPPA owned power generation plants were discussed previously within this section.

4.7 Contracts

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

Table 4-22
Utilities System
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 15, 1982	June 30, 2032 or end of useful life	Joint ownership of Rodemacher Unit 2
LCG	LPPA	May 1, 1997	August 31, 2047 or when Bonds 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, 2021 ⁽¹⁾	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
LUS	SWEPCO	May 1, 1994	Terminated on August 10, 2013 due to joining MISO	Interchange agreement for electric transmission.
LUS	SPP	August 9, 2013	Upon mutual agreement	Firm point-to-point transmission service
LUS	Cloud Peak Energy	December 11, 2002	Upon 180 days' notice	Purchase of coal for Rodemacher Unit 2
LUS	Peabody Coalsales, LLC	November 7, 2007	60 days written notice	Purchase of coal for Rodemacher Unit 2

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**Table 4-22
Utilities System
Contracts and Agreements**

Contracts & Agreements Between		Date Signed/Renewed	Termination Date	Provisions
TEA	Crosstex	January 1, 2010	Month to month	Supply of natural gas for LUS generating facilities
TEA	ATMOS	August 6, 2009	October 31, 2014 ⁽²⁾	Supply of natural gas for Doc Bonin Plant and T. J. Labbé Plant
TEA	ATMOS	July 1, 2012	June 30, 2014 ⁽³⁾	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 Rodemacher Unit 2
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 Independent System Operator (ISO) services and functions
LCG	Other Transmission Facilities Owners	February 4, 2013	30 years from the earliest Effective Date for any signatory, thereafter 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
LUS	Other Transmission Facilities Owners	December 10, 2013	5 years from Effective Date, thereafter 1 year term	Settlement Agreement between Transmission Owners and MISO on Filing Rights

(1) Notice of termination was not given within 3 years of initial expiration. Therefore, term was automatically extended for five years.

(2) Evergreen/Rollover provision.

(3) Automatic 1 year extension.

4.8 Competition/Benchmarking

LUS’ residential electric rates have historically been among the lowest in the state and surrounding region. The following tables and figures compare the average residential and commercial rates for the majority electric providers in the region.

Table 4-23
Electric System
Residential Rate Comparison

Utility	Average \$/kWh ⁽¹⁾
Shreveport ⁽²⁾	\$0.0962
LUS	\$0.0982
Lake Charles ⁽³⁾	\$0.0985
Baton Rouge ⁽³⁾	\$0.0985
Morgan City	\$0.1020
New Orleans ⁽⁴⁾	\$0.1047
Alexandria	\$0.1068
New Iberia ⁽⁵⁾	\$0.1217

Source: LUS

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

(2) Served by SWEPCO.

(3) Served by Entergy Gulf States.

(4) Served by Entergy New Orleans.

(5) Served by Cleco.

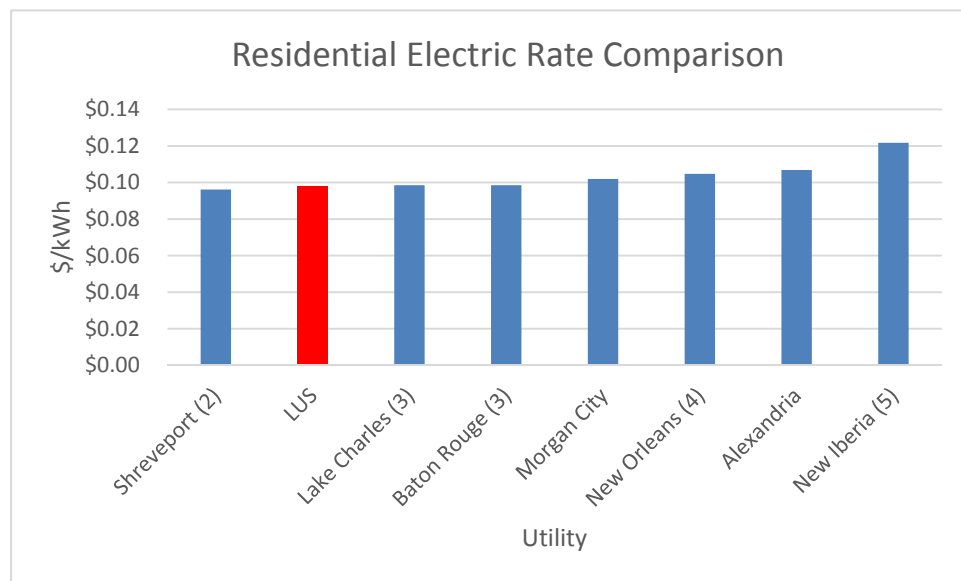


Figure 4-6: Electric System – Residential Rate Comparison

Table 4-24
Electric System
Commercial Rate Comparison

Utility	Average \$/kWh ⁽¹⁾
Baton Rouge ⁽³⁾	\$0.0766
Lake Charles ⁽³⁾	\$0.0766
Morgan City	\$0.0776
Shreveport ⁽²⁾	\$0.0798
LUS	\$0.0930
New Orleans ⁽⁴⁾	\$0.0942
New Iberia ⁽⁵⁾	\$0.0962
Baton Rouge ⁽³⁾	\$0.0766

Source: NewGen

- (1) Based upon an average customer of 131 kW demand and 48,144 kWh per month.
- (2) Served by SWEPCO.
- (3) Served by Entergy Gulf States.
- (4) Served by Entergy New Orleans.
- (5) Served by Cleco.

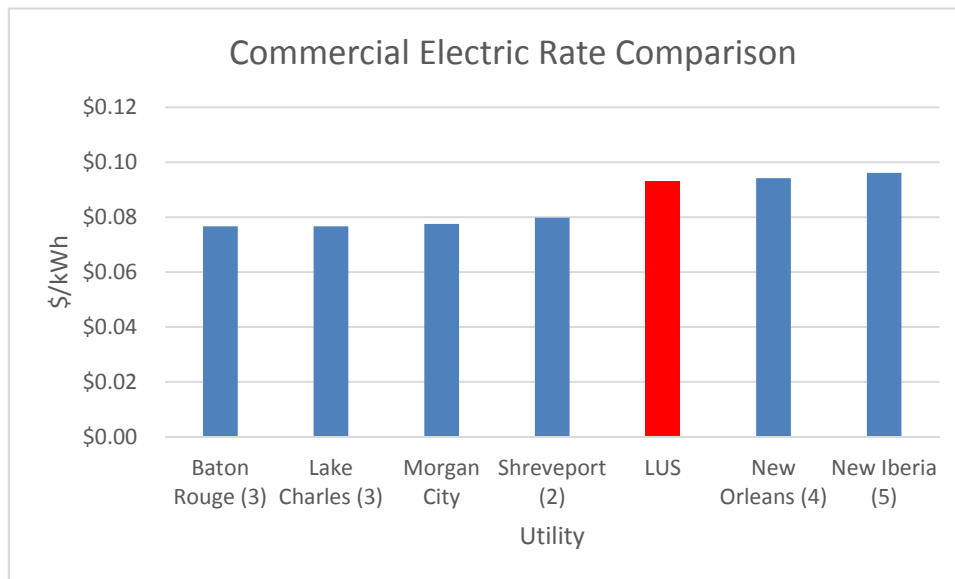


Figure 4-7: Electric System – Commercial Rate Comparison

Benchmarking Financial and Operating Statistics

Table 4-25 benchmarks selected financial and operating ratios for LUS with other large municipal electric utilities nationwide. The data was provided by the *APPA Selected Financial and Operation Ratios of Public Power Systems, 2013 Data* published February of 2015. The APPA report contains data based on region of the U.S. and based on the number of electric customers served by the utility. For the purposes of our analysis, we used the Southwest

region, which includes Louisiana and hereafter referred to as “Regional.” For the customer range, we used the APPA range of 50,000 to 100,000 customers, hereafter referred to as “National.” The results are shown below in Table 4-25. If possible, the comparisons were made based on the Electric System only. However, for some balance sheet items, the comparison was made based on the utility as a whole, including the Water and Wastewater Systems.

For the purposes of comparing results, the 2012 and 2013 data was averaged together for National, Regional, and LUS. LUS’ average Electric Revenue per kWh and average Debt to Total Assets were lower than the National average and higher than the Regional Average. LUS’ total O&M Expenses per kWh sold were lower than the National average and slightly higher than the Regional average. Combined, these metrics help illustrate LUS as a financially stable utility with prudent levels of debt, operating efficiently with competitive and often lower retail rates.

LUS’ Debt Service Coverage was almost equal to the National average and higher than the Regional average. LUS’ Net Income per Revenue Dollar was significantly higher than the National average and slightly lower than the Regional average. The DSCR and net income metrics further illustrate LUS’s financial stability and health.

Table 4-25
Electric System
Benchmarked Electric Utility Operating Ratios

Statistic	Basis	National		Regional		LUS		
		2012	2013	2012	2013	2012	2013	2014
Revenue per kWh – All Retail Customers	Electric	\$0.113	\$0.109	\$0.086	\$0.086	\$0.084	\$0.092	\$0.097
Debt to Total Assets	Total Utilities System	0.5080	0.4320	0.3810	0.3350	0.3944	0.3892	0.3694
Operating Ratio	Electric	0.7510	0.8200	0.8160	0.8460	0.7884	0.7453	0.7286
Current Ratio	Total Utilities System	3.6	2.9	3.6	3.0	3.0	2.6	2.6
Times Interest Earned	Electric	1.8	2.0	3.1	3.3	4.9	7.0	8.0
Debt Service Coverage	Electric	3.0	3.6	2.9	2.3	3.4	2.9	3.3
Net Income per Revenue Dollar (\$)	Electric	\$0.0290	\$0.0250	\$0.0800	\$0.0630	\$0.0249	\$0.0704	\$0.0972
Uncollectible Accounts per Revenue Dollar (\$)	Total Utilities System	\$0.0043	\$0.0028	\$0.0024	\$0.0022	\$0.0052	\$0.0055	\$0.0048
Total O&M Expense per kWh Sold	Electric	\$0.0710	\$0.0850	\$0.0700	\$0.0680	\$0.0700	\$0.0708	\$0.0726
System Load Factor	Electric	56%	57%	55%	58%	51%	52%	52%

4.9 Historical Financial Performance

Electric System debt service includes the Series 2010 Bonds, and Series 2012 Bonds. Table 4-26 shows historical debt service and the associated DSCR. The DSCR exceeds the minimum requirement of 1.0.

Table 4-26
Electric System
Historical Debt Service Coverage

Year	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Balance Available for Debt Service	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2010	\$174,395,446	\$147,335,463	\$27,059,983	\$8,102,527	3.3
2011	\$190,901,871	\$153,771,698	\$37,130,173	\$9,985,087	3.7
2012	\$174,890,121	\$137,884,929	\$37,005,192	\$10,740,043	3.4
2013	\$188,071,217	\$140,161,855	\$47,909,362	\$16,497,762	2.9
2014	\$201,891,247	\$147,087,876	\$54,803,370	\$16,852,621	3.3

Source: LUS Financial and Operating Statements, audited

(1) Includes interest income and other miscellaneous income.

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

(3) Debt service includes the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds.

Rate Structure

The Electric System rate structure includes base rates (customer, demand, and energy charges) and a pass through rate, the FC. The Electric System services customers inside the City limits and outside of the City limits.

Base Rates

The Electric System customer classes include residential, commercial, industrial, schools and churches, street lights, and special contract customers. All customers are charged a monthly Customer or Service Charge, Energy Charge, and the FC. Large customers are also charged a demand charge.

Fuel Charge

The monthly FC (Schedule FC) continues on a month-to-month basis until which time the Utilities Director determines that eligible costs warrant an adjustment to the current charge.

Schedule FC passes fuel, purchased power, and other eligible costs directly to customers. This mechanism protects LUS from the financial risk associated with unforeseen and potentially detrimental volatility in power costs that may be associated with the MISO market.

Currently, all operating expenses associated with environmental compliance, fuel, and purchased power are included in the FC and passed through to customers. The FC includes

the following items: MISO market purchases less market sales, transmission associated with purchased power, LPPA fuel and fuel handling costs, LPPA rail car debt service, LPPA MATS debt service, LPPA MATS O&M, LPPA reagents, LUS fuel costs, hydro purchased power contract, and TEA costs.

As of the end of FY 2014, LUS has collected revenues through the FC in excess of eligible costs by approximately \$10.3 million. Recently LCG, in Ordinance No. O-078-2015 has directed LUS to return approximately \$4.0 million of the excess revenue.

**Table 4-27
Electric System
Rate Schedules**

Rate Class	Serves	Effective Date	Customer Charge (\$/month)	Demand Charge (\$/kW)	Non Fuel Energy Charge (\$/kWh)
R-1	Residential	Nov 2010	\$6.00	\$0.00	\$0.04010
R-1-O	Residential Non-City	Nov 2010	\$6.60	\$0.00	\$0.04411
C-1	Small Commercial	Nov 2010	\$10.00	\$0.00	\$0.05710
C-2	Large Commercial	Nov 2010	\$50.00	\$8.50	\$0.01892

Source: LUS Rate Schedules

Revenue Analysis

Table 4-28 shows the historical revenue collected from base rates and the FC. The electric base rates were adjusted in 2010 as approved by the Council. The FC is adjusted as needed to recover the fuel and purchased power costs. As shown below, the base rate revenue is relatively stable on a per kWh basis, while the FC revenue fluctuates. Figure 4-8 shows the historical revenues on a per kWh basis.

**Table 4-28
Electric System
Historical Base Rate and Fuel Charge Revenue Detail**

	2010	2011	2012	2013	2014
Revenues					
Retail Sales- Base Rate	\$80,680,077	\$90,791,982	\$88,556,974	\$88,860,207	\$91,749,309
Retail Sales- Fuel Charge	<u>83,750,043</u>	<u>87,783,625</u>	<u>76,824,304</u>	<u>93,158,373</u>	<u>105,375,603</u>
Total	\$164,430,120	\$178,575,608	\$165,381,279	\$182,018,580	\$197,124,912
Energy Sales					
Retail Sales (MWh)	2,020,173	2,024,762	1,970,448	1,979,136	2,027,115
Revenue per kWh					
Retail Sales- Base Rate	\$0.0399	\$0.0448	\$0.0449	\$0.0449	\$0.0453
Retail Sales- Fuel Clause	<u>0.0415</u>	<u>0.0434</u>	<u>0.0390</u>	<u>0.0471</u>	<u>0.0520</u>
Total	\$0.0814	\$0.0882	\$0.0839	\$0.0920	\$0.0972

Source: LUS Financial and Operating Statements, audited

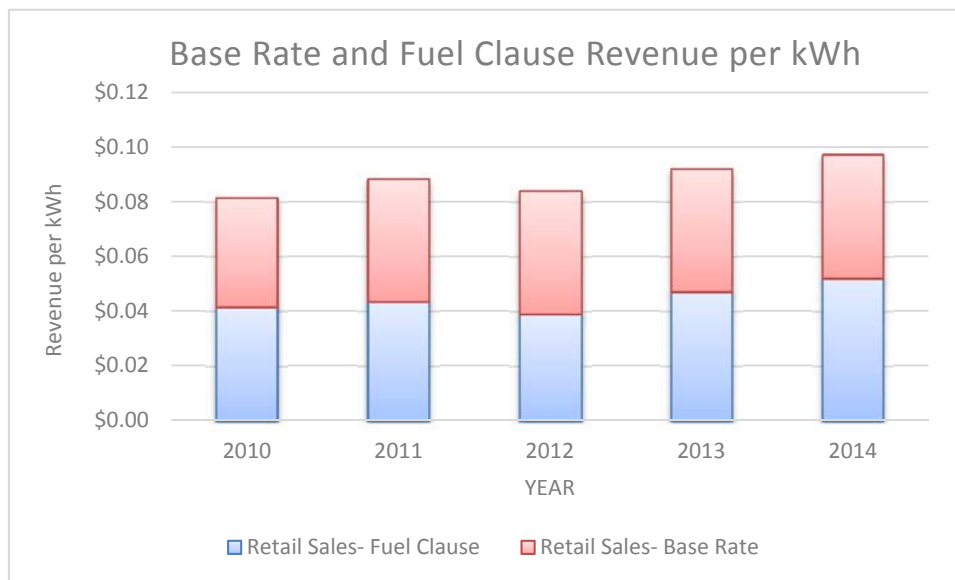


Figure 4-8: Electric Base Rates and FC Revenues per kWh of Sales

Electric Revenue Statistics

Table 4-29 shows the Electric System base rate revenues. The increase in revenues from year 2010 to year 2011 was a result of the electric rate increases approved by the Council. Since 2011, the increase in total retail base rate revenues has been stable at 1.8 percent.

The number of customers has consistently increased at approximately 1.0 percent per year with the highest customer growth in the schools and churches customer class. The revenue per customer since 2011 has also steadily increased at 0.7 percent.

The total retail energy sales has remained relatively flat with 0.1 percent average annual growth. The energy sales per customer has slightly decreased overall. The residential class has decreased their usage per customer on average by 1.6 percent per year. Increases in appliance efficiency and energy conservation measures contribute to this decrease and reflect broader energy and electric utility trends in the U.S.

The revenue per kWh has increased from 2010 to 2011 by 12.3 percent as a result of the Electric System rate increases. Since 2011, the revenue per kWh has remained relatively flat at 0.4 percent per year.

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Table 4-29
Electric System
Base Rate Revenue Statistics

	2010	2011	2012	2013	2014
Revenues					
Residential	\$34,109,646	\$37,969,742	\$36,284,670	\$36,401,598	\$37,712,108
Commercial	39,861,881	45,510,019	44,985,738	45,049,339	46,520,135
Schools & Churches	4,253,530	4,449,242	4,499,240	4,609,317	4,669,261
Other	<u>2,455,020</u>	<u>2,862,980</u>	<u>2,787,327</u>	<u>2,799,952</u>	<u>2,847,805</u>
Total (\$)	\$80,680,077	\$90,791,982	\$88,556,974	\$88,860,207	\$91,749,309
Number of Customers					
Residential	51,783	52,481	52,788	53,309	53,884
Commercial	8,660	8,684	8,734	8,799	8,972
Schools & Churches	477	477	498	506	507
Other	<u>1,826</u>	<u>1,889</u>	<u>1,891</u>	<u>1,881</u>	<u>1,900</u>
Total	62,746	63,531	63,911	64,496	65,262
Revenue per Customer					
Residential	\$659	\$724	\$687	\$683	\$700
Commercial	4,603	5,240	5,151	5,120	5,185
Schools & Churches	8,911	9,321	9,033	9,111	9,217
Other	<u>1,345</u>	<u>1,515</u>	<u>1,474</u>	<u>1,488</u>	<u>1,499</u>
Total (\$/Customer)	\$1,286	\$1,429	\$1,386	\$1,378	\$1,406
Sales (kWh)					
Residential	859,921,682	851,273,220	806,919,488	813,690,008	840,540,908
Commercial	989,798,459	1,003,009,524	991,742,866	987,001,925	1,009,864,890
Schools & Churches	114,617,465	112,504,779	115,467,953	122,095,405	118,426,044
Other	<u>55,835,693</u>	<u>57,974,454</u>	<u>56,317,996</u>	<u>56,348,166</u>	<u>58,282,823</u>
Total	2,020,173,299	2,024,761,977	1,970,448,303	1,979,135,504	2,027,114,665
Sales (kWh) per Customer					
Residential	16,606	16,221	15,286	15,264	15,599
Commercial	114,294	115,495	113,551	112,170	112,556
Schools & Churches	240,120	235,694	231,825	241,335	233,774
Other	<u>30,587</u>	<u>30,688</u>	<u>29,776</u>	<u>29,950</u>	<u>30,681</u>
Total	32,196	31,870	30,831	30,686	31,061
Revenue per kWh					
Residential	\$0.0397	\$0.0446	\$0.0450	\$0.0447	\$0.0449
Commercial	0.0403	0.0454	0.0454	0.0456	0.0461
Schools & Churches	0.0371	0.0395	0.0390	0.0378	0.0394
Other	<u>0.0440</u>	<u>0.0494</u>	<u>0.0495</u>	<u>0.0497</u>	<u>0.0489</u>
Total (\$/kWh)	\$0.0399	\$0.0448	\$0.0449	\$0.0449	\$0.0453

Source: LUS Financial and Operating Statements, audited

Expense Analysis

Table 4-30 below shows the historical electric operating expenses separated between fixed and variable expense. Variable operating expenses include fuel cost, LPPA fuel cost, and purchased power. Fixed operating expenses include fixed production expenses, transmission, distribution, customer, and administrative and general expenses. Historically, the variable expenses have averaged 58 percent of the total expenses. Figure 4-9 shows the historical breakdown graphically.

Table 4-30
Electric System
Historical Fixed and Variable Expense Summary

	2010	2011	2012	2013	2014
Variable Expenses					
Fuel Cost - LUS	\$35,770,504	\$43,803,924	\$18,535,522	\$11,562,524	\$1,906,092
Purchased Power Other	12,114,427	9,415,304	16,705,045	24,477,797	4,720,733
Purchased Power LPPA Fuel	42,364,565	40,968,583	42,059,893	42,482,048	37,201,705
Purchased Power MISO	0	0	0	0	79,392,491
Purchased Power MISO Sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(39,221,191)</u>
Total Variable - Production	\$90,249,496	\$94,187,811	\$77,300,461	\$78,522,369	\$83,999,830
Fixed Expenses					
Production - Fixed	\$32,348,995	\$32,917,284	\$30,896,771	\$30,789,894	\$29,573,186
Transmission	5,481,398	5,794,629	5,791,094	6,601,198	7,543,561
Distribution	7,654,100	8,173,816	9,431,893	10,118,173	11,042,653
Customer	2,710,313	2,794,579	3,237,859	2,889,502	2,807,800
A&G	<u>8,891,160</u>	<u>9,903,580</u>	<u>11,226,852</u>	<u>11,240,720</u>	<u>12,120,845</u>
Total Fixed	\$57,085,967	\$59,583,887	\$60,584,469	\$61,639,487	\$63,088,046
Total Fixed & Variable	\$147,335,463	\$153,771,698	\$137,884,929	\$140,161,855	\$147,087,876
Percent Variable	61%	61%	56%	56%	57%
Percent Fixed	39%	39%	44%	44%	43%

Source: LUS Financial and Operating Statements, audited

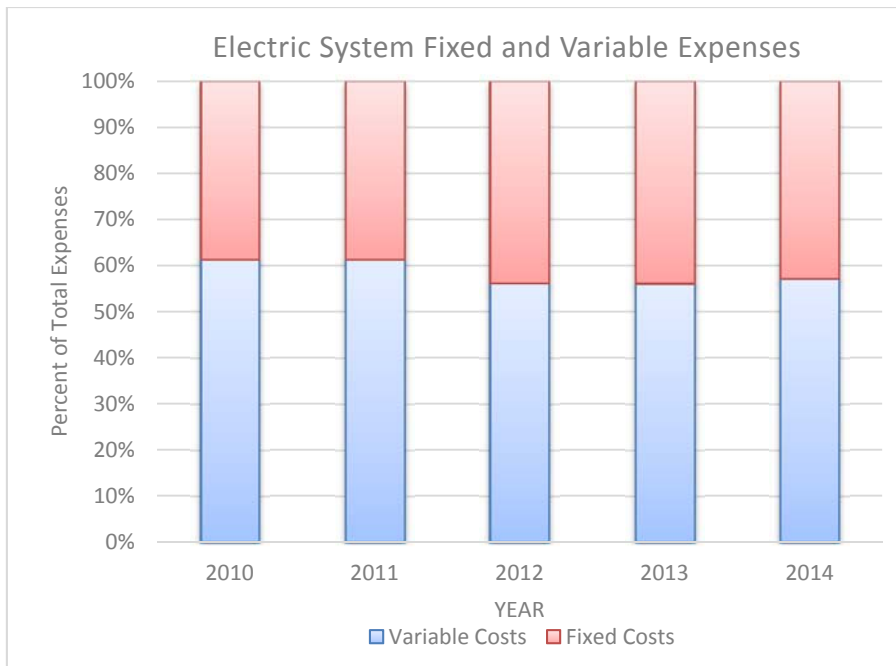


Figure 4-9: Fixed and Variable Breakdown of LUS Expenses

Recovery of Costs

Fixed and variable costs are recovered through the rates charged to customers. Customers are charged fixed base rates including a customer charge and demand charge. Customers are also charged variable rates including the energy rate and the FC pass through rate.

Based on the 2014 billing data provided by LUS, the customer, demand, energy, and FC collected approximately \$6 million, \$18 million, \$68 million, and \$105 million, respectively. Although approximately 42 percent of LUS' costs are fixed, only 12 percent of revenues are collected through fixed charges. Approximately 88 percent of retail revenues are recovered through variable rates.

4.10 Findings and Recommendations

- The Doc Bonin and the Curtis Rodemacher plants are currently economically obsolete. Curtis Rodemacher Plant has been retired for several years and decommissioning efforts have been initiated in the past. Doc Bonin Plant is currently not operating and has been designated as a power station in economic suspension within MISO. In anticipation of the cost associated with fully decommissioning both power stations, LUS should establish a decommissioning reserve to cover the future costs of dismantling these units. Reserve requirements and annual funding of such a reserve would be based on a decommission study. LUS should conduct a decommission study as the basis for funding the reserve.
- LUS' Electric System is highly reliable with reliability indices (i.e. SAIDI/SAIFI) significantly lower than the national average for electric utilities.

- Historically, the Utilities System CIP has been sufficient to sustain and improve the integrity and reliability of the system. The current CIP reflects deferred projects totaling approximately 8 percent of the overall five-year plan. These deferred projects are not expected to have a material impact on the sufficiency of the CIP to maintain system reliability.
- The Electric System became a Midcontinent Independent System Operator (MISO) participant in December 2013. MISO has significantly benefited and improved LUS' power supply economics, operations, reliability, and eliminated prior transmission constraint issues. LUS has also realized greater flexibility in dispatching Rodemacher Unit 2 and its overall power supply mix.
- Since June 2014, organizational changes and the designation of new managers in the Electric System engineering and operations areas have facilitated staff empowerment, offered employees additional responsibilities, and have encouraged career growth.
- A consistent approach to addressing the issue of replacing retirees and their knowledge base is key to the future success of the utility. Unfortunately, the problem is widespread for utilities across the country, further reducing the pool of available, qualified personnel. LUS is also constrained by civil service policies and therefore lags the competition in salaries. Compared with the regional oil and gas industry, LUS' advantages come down to job stability, location, quality of life, and home time.
- In terms of eliminating or re-allocating vacant positions, a personnel "slot" can move laterally or be down-graded within a utility division without Council approval. However, any reorganization (reducing plant manning, for example) requires civil service and Council approval. As a result, LUS may be limited and less flexible in hiring staff as needed in response to market changes or customer needs.
- Important needs for staffing at this point include: high voltage linemen, with five apprentice positions presently open; an ECS/NERC training coordinator position that will be critical to keeping staff up to date on compliance issues; a dedicated safety trainer for Electric Operations to perform weekly safety meetings, contractor training, apprentice, and journeyman training.
- Even with the deferral of capital projects in the 2015 Budget, operations personnel are confident that they can prioritize and address all critical capital items in that period.
- LUS management assigns a high priority to environmental and regulatory compliance and is very approachable by compliance staff.
- Due to LUS joining MISO, historical budgeting and planning tools are no longer useful. The Power Marketing group has a current need for new more sophisticated tools that will support the development of long-term forecasts and plans that project the dispatch of LUS power resources and LUS power costs. This need could be addressed by support from outside consultants on a periodic basis
- LUS' Electric System operating, expense, debt, revenue, and related ratios reflect a financially stable and healthy utility that is currently offering competitive, lower than market average rates.
- Electric System revenue collection mechanisms are misaligned with the cost structure. While approximately 42 percent of LUS' costs are fixed, only 12 percent of revenues are

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collected through fixed charges. Approximately 88 percent of retail revenues are recovered through variable rates. Although this misalignment has been historically common in the industry, many utilities are pursuing strategies that improve the collection of fixed cost through rates. These strategies reflect market trends where end-users become increasingly interested in renewable energy alternatives and energy conservation. Historically LUS customers interest in renewable energy alternatives and energy conservation has been limited, but this could change over time. Therefore, we recommend that in future rate proceeding, LUS improve fixed cost recovery mechanisms in it electric system rate structure.

SECTION 5 WATER SYSTEM

LUS provides potable water to approximately 55,066 residential, commercial, industrial, and wholesale customer accounts. LUS responsibilities include raw water supply, water treatment, transmission and distribution of finished potable water, metering, and sales. LUS obtains all of its raw water supply needs from the Chicot aquifer. The Water System includes two water treatment facilities, 20 wells, elevated and ground treated water storage, and 1,087 miles of distribution piping.

Water System total sales in 2014 were 0.6 percent higher than 2013, primarily driven by an increase in wholesale water sales. Historical Water System volume sales are show in Table 5-1.

Table 5-1
Water System
Historical Retail and Wholesale Sales

Year	Retail Sales (1,000 gallons)	Wholesale Sales (1,000 gallons)	Total Sales (1,000 gallons)
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
2012	5,743,099	1,858,479	7,601,578
2013	5,494,648	1,893,375	7,388,023
2014	5,426,408	2,004,355	7,430,763

Source: LUS Financial and Operating Statements, audited

5.1 Water Supply

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

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

5.2 Water Treatment and Production

The Water System includes 2 water treatment facilities (the South and North Water Treatment Plants), and a total of 20 ground water wells to provide raw water for treatment, as well as supplemental volume and pressure to the system. The South Water Plant (SWP) has a capacity of 24 million gallons per day (MGD) and the North Water Plant (NWP) has a capacity of 21.5 MGD. Both the NWP and SWP use coagulation, sedimentation, and filtration to remove iron and manganese with lime-softening for hardness reduction and hypochlorite for finished water disinfection. Table 5-2 shows the Water Treatment Capacity by facility.

Table 5-2
Water System
Treatment Facilities⁽¹⁾

Facility	Capacity (MGD) ⁽¹⁾
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
Well No. 26	<u>2.1</u>
Total Plant Capacity	52.7
Total Effective Plant Capacity	31.1 ⁽²⁾

Source: LUS

(1) Plant treatment capacity is less than total well production capacity.

(2) Highest recorded production.

Sixteen deep well pumps located at the SWP and NWP provide the raw water supply for treatment at both facilities. The remaining four pumps are located remote from the treatment plants and provide additional volume and pressure to the system. Each well has a surface-mount motor and is tested and inspected for pumping capacity and drawdown once per year. Each well is also dismantled and inspected for the operational condition of the pumps, motors, line shafts, line bearings, and condition of the casing. These tests are conducted by an independent private contractor.

Water Well Nos. 24 and 26, located at the Gloria Switch remote site, provide supplemental volume and pressure to the northern end of the distribution system. Treatment at this site consists of application of potassium permanganate followed by six pressure filters, and hypochlorite is added for disinfection. Finished water is stored in a ground storage tank and delivered to the system with high-service pumps.

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

limits of the distribution system. Treatment at the Commission Boulevard site is currently limited to the addition of a polymer to serve as a sequestering agent, and hypochlorite generation facilities to provide disinfection. Water Well Nos. 23 and 25 have a high amount of naturally occurring ammonia, and LUS has purchased approximately eight acres adjacent to this site for the construction of ammonia removal facilities. Design and construction of these additional facilities is included in the LUS five-year CIP.

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

5.3 Water Distribution and Storage

Treated water storage totals approximately 15.25 MG. This includes 4.3 MG of elevated storage and 10.95 MG of ground storage, including finished water and booster pumping station clear wells. LUS is currently evaluating the need for additional water storage facilities on the north end of the distribution system to provide operational flexibility and support growth. When considering the construction of additional treated water storage capacity, LUS prefers ground storage with high-service pumps over elevated water storage due to increased operational flexibility, and the ability to maintain a more stable chlorine residual. As with other operating components of the Water System, consideration of providing additional capacity components is weighed against such factors as budget constraints, capital outlay funding mechanisms, and population growth trends.

The water distribution system consists of 1,087 miles of pipe. As the geographical service area and customer base have increased over the past several years, there has not been a corresponding increase in the amount and size of transmission and distribution lines. Current capacity and water pressure in the system is adequate. However, the past lack of distribution piping investment may become a limiting factor in the ability of LUS to provide sufficient water volume and pressure to meet the demands from future residential and commercial development. LUS has plans to address these future limitations and meet future capacity and pressure needs by constructing additional transmission improvements outlined in the CIP. These distribution improvements range from \$260,000 to \$2,405,000 per year beginning in FY 2015. The following table summarizes the growth in water distribution infrastructure over the past five years.

Table 5-3
Water System
Water Distribution System Assets⁽¹⁾

	2010	2011	2012	2013	2014
Miles of Main Lines	1,071	1,064	1,067	1,078	1,087
Number of Valves	21,412	21,512	21,638	22,167	22,493
Number of Hydrants	6,146	6,205	6,244	6,306	6,413

Source: LUS

(1) Includes LUS contract service to Water District North

5.4 Advanced Metering Infrastructure

LUS completed the implementation of an AMI for its water customers. Compared to the Electric System AMI deployment, which has been highly successful, the similar deployment for the Water System has experienced a relatively high level of malfunctions and meter failures. Currently Elster (the meter manufacturer) is paying for manual meter reads to ensure uninterrupted water billing for LUS. Elster is actively replacing malfunctioning meter modules in an effort to resolve performance problems.

5.5 Historical Capital Improvement Program

LUS uses a capital work order system to track capital expenses. Historical capital improvements program expenditures shown in Table 5-4 reflect investments in infrastructure funded by the Series 2004 Bonds, Series 2010 Bonds, and retained earnings. The Series 2004 Bonds were used for treatment plant projects. The Series 2010 Bonds were used for the Water System AMI projects and improvements to the water production system.

Table 5-4
Water System
Historical CIP

	2010	2011	2012	2013	2014
Normal Capital & Special Equipment	\$1,027,836	\$662,983	\$704,254	\$1,426,612	\$1,980,021
Series 2004 Bonds	2,753,100	0	0	0	0
Series 2010 Bonds	0	783,054	13,519,806	4,573,547	1,295,471
Retained Earnings	<u>446,044</u>	<u>169,002</u>	<u>36,838</u>	<u>1,234,893</u>	<u>2,199,043</u>
Total Capital	\$4,226,979	\$1,615,039	\$14,260,898	\$7,235,051	\$5,474,535

Source: LUS, Status of Construction Work Order Reports.

5.6 Operations and Related Performance

Although the two water plants are each capable of producing over 20 MGD of treated water, the total amount of water delivered to customers is constrained by the distribution system limitations of maintaining acceptable pressure and sustained chlorine residual. LUS operates the two treatment plants for base load water treatment capacity with each plant producing an average of 10 to 12 MGD. The remote wells located at the Gloria Switch and the Commission Boulevard sites are used to supplement the flow at the extremities of the system to improve the pressure and capacity limitations on the distribution system. In 2014, the system average-day demand was 20.0 MGD, with a peak-day demand of 26.6 MGD. As peak-day demand reaches 30 MGD, additional water storage and distribution infrastructure improvements will be required to maintain adequate pressure throughout the distribution system.

The lost and not accounted for water in 2014 increased from 7.49 percent of total treated water in 2013 to 8.96 percent in 2014. Table 5-5 shows the recent lost and not accounted for water volumes.

Table 5-5
Water System
Water Lost and Not Accounted for Volumes

	2010	2011	2012	2013	2014
Not Accounted For	6.69%	6.57%	7.48%	11.03%	8.96%

Source: LUS Financial and Operating Statements, audited

The amount of lost and no accounted for water is within the range of acceptable industry standards. The recent increase in unaccounted-for water is primarily due to the increase in line flushing. Responding to insurance requirements, the Fire Department has increased line flushing for hydrants from once to twice per year. Fire hydrants are required to be tested by Property Insurance Association of Louisiana (PIAL) in order to obtain or retain a higher fire insurance rating for the City. In addition, the recent LA DHH Emergency Rule to protect Water Systems from the effects of the deadly amoeba *Naegleria fowleri*, has resulted in significant increases in flushing to maintain 0.5 milligram/liter (mg/l) of free or total chlorine to all extremities of the distribution system.

5.7 Regulatory and Environmental Compliance and Issues

LUS reports that the water treatment plants and supplemental wells are currently in compliance with all operating permits, and meet all applicable drinking water standards of the Safe Drinking Water Act. The NWP permit to discharge wastewater associated with the treatment of potable water is current and effective through July 1, 2015, at which point it is automatically renewed. The SWP permit to discharge wastewater from the treatment of potable water, stormwater, and sanitary wastewater is current and effective through November 1, 2019.

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In November 2013, a new LA DHH Emergency Rule for distribution systems went in to effect requiring all publicly owned water systems to maintain a minimum 0.5 mg/l chlorine residual throughout the piping distribution system. This requirement is based solely on the presence of the deadly *Naegleria fowleri* amoeba, which was detected in two water systems within the state of Louisiana. LA DHH had previously reduced the minimum chlorine residual from 0.2 mg/l. to a trace amount, meaning any amount is acceptable, due to the potential of generating cancer-causing agents as a by-product of chlorination. Finally, the Water System is in the process of implementing the management and enforcement of LA DHH regulations for backflow prevention for individual users.

The tables below include excerpts from the 2013 Water Quality Report for LUS.

Table 5-6
Water System
Violations of Drinking Water Regulations.

Type	Category	Analyte	Compliance Period
No Violations Occurred in the Calendar Year of 2013			

Table 5-7
Water System
Monitored at Customer's Tap

Substance	Major Source in Drinking Water	U.S. EPA Designated Action Level (requires treatment) at 80 th Percentile	LUS Results at 80 th Percentile Testing
Lead	Corrosion of household plumbing systems; Erosion of natural deposits	15 ppb	1 ppb or less ⁽¹⁾

(1) No individual sample exceeded the Action Level.

**Table 5-8
Water System
Contaminants Monitored in the Water Distribution System**

DBP Contaminants	Typical Source	Maximum Contaminant Level	Maximum Contaminant Level Goal	LRAA	Range	Location
Haloacetic Acids (HAA5)	By-product of drinking water chlorination	60 ppb	0	10 ppb	0 – 17.6 ppb	Ambassador Caffery & W. Congress
Haloacetic Acids (HAA5)	By-product of drinking water chlorination	60 ppb	0	12 ppb	6.4 – 16.6 ppb	Gloria Switch Rd. & Arbor
Haloacetic Acids (HAA5)	By-product of drinking water chlorination	60 ppb	0	9 ppb	0 – 14.7 ppb	Kaliste Saloom & E. Broussard
Haloacetic Acids (HAA5)	By-product of drinking water chlorination	60 ppb	0	8 ppb	0 – 15 ppb	Thomas Nolans & Brigante
Haloacetic Acids (HAA5)	By-product of drinking water chlorination	60 ppb	0	7 ppb	1 – 14.3 ppb	Vennard & Valley View
Haloacetic Acids (HAA5)	By-product of drinking water chlorination	60 ppb	0	8 ppb	1.2 – 13.3 ppb	Walker & Doc Bonin
Total Trihalomethanes (TTHM)	By-product of drinking water chlorination	80 ppb	0	13 ppb	9.1 – 13 ppb	Ambassador Caffery & W. Congress
Total Trihalomethanes (TTHM)	By-product of drinking water chlorination	80 ppb	0	13 ppb	9.7 – 13.3 ppb	Gloria Switch Rd. & Arbor
Total Trihalomethanes (TTHM)	By-product of drinking water chlorination	80 ppb	0	12 ppb	8.9 – 12.5 ppb	Kaliste Saloom & E. Broussard
Total Trihalomethanes (TTHM)	By-product of drinking water chlorination	80 ppb	0	5 ppb	1.9 – 6.6 ppb	Thomas Nolans & Brigante

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**Table 5-8
Water System
Contaminants Monitored in the Water Distribution System**

DBP Contaminants	Typical Source	Maximum Contaminant Level	Maximum Contaminant Level Goal	LRAA	Range	Location
Total Trihalomethanes (TTHM)	By-product of drinking water chlorination	80 ppb	0	10 ppb	8.1 – 11.6 ppb	Vennard & Valley View
Total Trihalomethanes (TTHM)	By-product of drinking water chlorination	80 ppb	0	9 ppb	8.1 – 10.1 ppb	Walker & Doc Bonin

**Table 5-9
Water System
Microbiologicals Monitored in the Water System**

Microbiologicals	Typical Source	Maximum Contaminant Level	Maximum Contaminant Level Goal	Result
Coliform	Naturally present in the environment	MCL: Systems that collect 40 or more samples per month – no more than 5% positive monthly samples	0	In the month of December, 0.81% of samples returned as positive

Table 5-10
Water System
Substances Monitored Before Any Treatment

Substance	Major Source in Drinking Water	U.S. EPA Designated Contaminant Level	U.S. EPA Designated Max Contaminant Level Goal	LUS Range	LUS Max
Arsenic	Erosion of natural deposits; Runoff from orchards; Runoff from glass and electronics production wastes	10 ppb	0 ppb	1 ppb	1 ppb
Fluoride	Erosion of natural deposits; Discharge from fertilizer and aluminum factories	4 ppm	4 ppm	0.2 ppm	0.2 ppm
2-ethylhexyl Phthalate	Discharge from rubber and chemical factories	6 ppb	0 ppb	0.52 – 1.1 ppb	1.1 ppb

5.8 Contracts

In addition to the Water System within the City limits, LUS operates and maintains water distribution facilities outside the City limits as a wholesale provider. Wholesale services are provided in accordance with contracts between LCG and the district customers. LCG has six wholesale contracts including two water districts and five neighboring Water Systems or cities. These six wholesale contracts serving seven specific customers, including Water District North, Water District South, the City of Scott, the City of Broussard, Milton Water System, and the Town of Youngsville. Water service to Water District North customers is billed by LCG in the name of the Water District North consistent with the applicable rate schedules. Both the North and South Water Districts construct their own additions and extensions according to standards set by LUS. Tables 5-11 and 5-12 summarize the historical wholesale water volume sales and revenues by customer.

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Table 5-11
Water System
Wholesale Water Sales by Customer (1,000 gallons)

Wholesale Customer	2010	2011	2012	2013	2014
City of Scott	327,053	324,086	311,687	303,163	317,223
Water District North	452,802	462,651	434,875	447,185	454,474
City of Broussard	122,721	134,461	210,752	223,410	236,643
Water District South	322,702	332,830	320,711	286,076	301,352
Milton Water System	210,133	226,708	200,614	217,106	221,717
Town of Youngsville	186,898	183,976	175,531	206,380	252,036
Water District North – Wholesale	<u>211,725</u>	<u>181,378</u>	<u>204,309</u>	<u>210,055</u>	<u>220,900</u>
Total Wholesale Water Sales	<u>1,834,034</u>	<u>1,846,090</u>	<u>1,858,479</u>	<u>1,893,375</u>	<u>2,004,345</u>
Total Water Sales (Wholesale and Retail)	7,433,414	7,672,381	7,600,915	7,388,023	7,430,763
Percent of Total Sales from Wholesale	24.7%	24.1%	24.5%	25.6%	27.0%

Source: LUS Financial and Operating Statements, audited

Table 5-12
Water System
Wholesale Water Revenues by Customer (\$)

Customer	2010	2011	2012	2013	2014
City of Scott	\$489,468	\$544,014	\$549,046	\$541,993	\$615,448
Water District North	1,005,829	1,132,562	1,132,361	1,126,195	1,188,663
City of Broussard	178,253	1,045,442	358,508	134,284	448,489
Water District South	468,716	545,076	545,570	507,673	572,712
Milton Water System	307,658	371,598	376,443	379,217	425,974
Town of Youngsville	272,507	302,351	310,367	363,542	490,485
Water District North-Wholesale	<u>307,707</u>	<u>300,550</u>	<u>418,541</u>	<u>372,510</u>	<u>422,504</u>
Total Wholesale Water Revenues	\$3,030,138	\$4,241,593	\$3,690,835	\$3,425,414	\$4,164,274
Total Water Revenues (Wholesale and Retail)	\$15,494,040	\$18,525,544	\$17,704,385	\$17,394,122	\$17,746,170
Percent of Total Revenues from Wholesale	19.6%	22.9%	20.8%	19.7%	23.5%

Source: LUS Financial and Operating Statements, audited

These wholesale customers represented 27 percent of the total water volume and 24 percent of the retail and wholesale water sales in 2014. Each of the contracts is a long-term contract between 25 and 40 years in length. The earliest contract to expire is in 2022, with none of the remaining five contracts set to expire before 2032. Table 5-13 summarizes the terms of each wholesale customer agreement.

**Table 5-13
Water System
Wholesale Water Contract Terms**

Customer	Contract Date	Term (Yrs.)	Termination
Water District North – Full Service – Phase 1, 2, 3, 4 (NE area, NW area, Scott area)	October 17, 2002	30	October 17, 2032
Water District North - Wholesale	October 17, 2002	30	October 17, 2032
City of Scott	May 28, 1997	25	May 28, 2022
City of Broussard	March 5, 1998	40	March 5, 2038
Milton Water System	April 28, 1997	40	April 28, 2037
City of Carencro ⁽¹⁾	March 28, 1980		
Town of Youngsville	December 24, 1998	40	December 24, 2038
Water District South	August 21, 1997	40	August 21, 2037

Source: LUS

(1) Letter Agreement with the City of Carencro to provide them with water on an emergency back-up basis. The rate charged will be the same as the current City of Scott rate. As per information received from LUS Water System, LUS has supplied water to the City of Carencro under this letter agreement fewer than five times.

5.9 Competition/Benchmarking

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

Table 5-14
Water System
Residential Rate Comparison

Utility	Average \$/1,000 gallon ⁽¹⁾
LUS	\$2.20
Alexandria	\$2.73
Morgan City	\$2.78
Lake Charles	\$3.25
Shreveport	\$3.84
Baton Rouge	\$3.94
New Iberia	\$4.27
New Orleans	\$5.44

Source: LUS

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

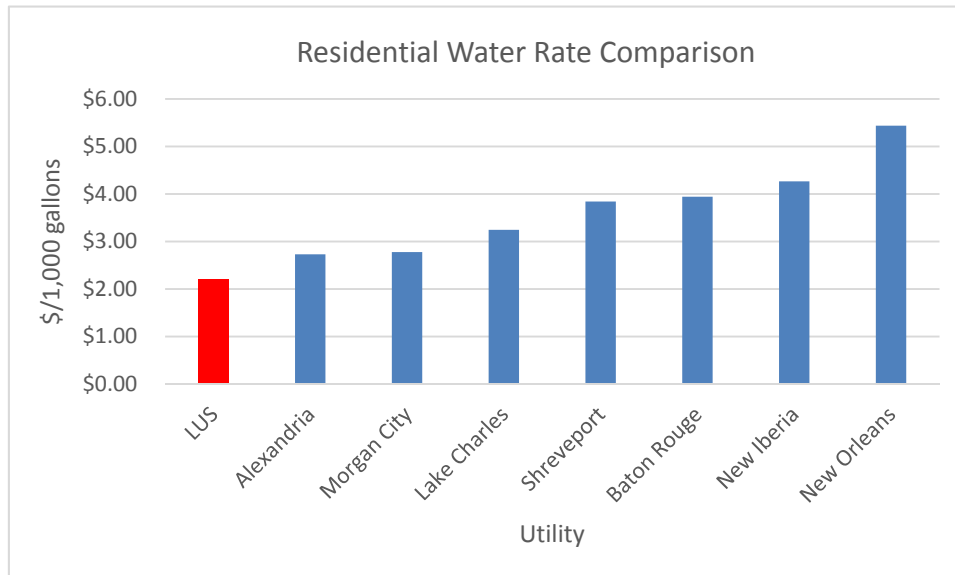


Figure 5-1: Water System – Residential Rate Comparison

Table 5-15
Water System
Commercial Rate Comparison

Utility	Average \$/1,000 gallons ⁽¹⁾
LUS	\$2.50
Morgan City	\$2.61
Alexandria	\$3.07
Shreveport	\$3.52
New Iberia	\$3.57
Baton Rouge	\$3.87
Lake Charles	\$4.15
New Orleans	\$6.05

Source: LUS

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

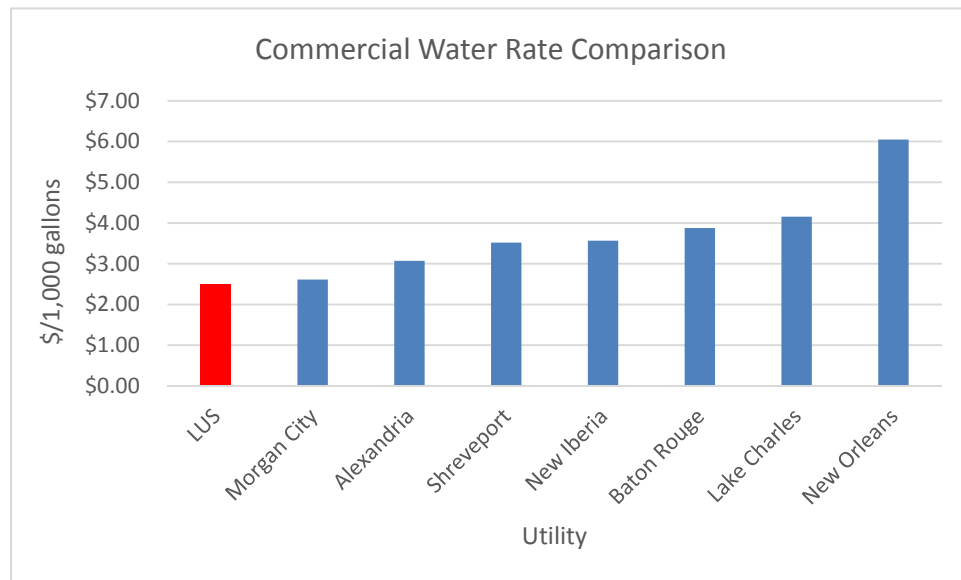


Figure 5-2: Water System – Commercial Rate Comparison

Benchmarking Financial and Operating Statistics

Table 5-16 benchmarks selected financial and operating ratios for LUS with other large municipal water utilities nationwide. The data was provided by the *AWWA Benchmarking Performance Indicators for Water and Wastewater, 2013 Data published 2015*. The AWWA report contains data based on region of the U.S. and based on the number of water customers served by the utility. For the purposes of our analysis, we used the U.S. South region, which includes Louisiana and hereafter referred to as “Regional.” In addition, the AWWA report contains an aggregate of Water utilities in the U.S. and Canada and hereafter referred to as “National.” The results are shown below in Table 5-16. If possible, the comparisons were

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made based on the Water System only. However, for some balance sheet items, the LUS data was available for the combined Electric, Water, and Wastewater Utilities System and hereafter referred to as "Combined." The AWWA benchmark data for "Combined" includes only water and wastewater utilities.

As shown in Table 5-16, LUS has a healthy Debt to Total Equity compared to the National and Regional averages. LUS' current and historical DSCR is significantly above that of the National and Regional average for water utilities. LUS' operating costs on a MGD basis are considerable lower than the regional average.

**Table 5-16
Water System
Benchmarked Water Utility Operating Ratios**

Statistic	Basis	National	Regional	LUS		
		2013	2013	2012	2013	2014
Operational Costs per MGD	Water	\$2,176	\$2,259	\$1,633	\$1,557	\$1,704
Debt to Equity (Total Assets)	Combined	0.36	0.41	0.39	0.39	0.37
Operating Ratio (O&M cost/ Operating revenue)	Water	0.69	0.55	0.69	0.69	0.73
Operating Ratio (O&M cost/ Operating revenue)	Combined	0.61	0.55	0.77	0.74	0.73
Cash Reserve Days	Combined	259	236	19	19	20
Debt Service Coverage	Water	1.45	2.18	4.90	3.10	2.70
Debt Service Coverage	Combined	1.42	1.43	3.65	2.88	3.04

5.10 Historical Financial Performance

Current Water System debt service includes the Series 2010 Bonds and Series 2012 Bonds. Table 5-17 shows historical debt service and the associated debt service coverage ratio. The DSCR exceeds the minimum requirement of 1.0.

Table 5-17
Water System
Historical Financial Performance

Year	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Balance Available for Debt Service	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2010	\$15,665,708	\$10,885,922	\$4,779,786	\$171,896	27.8
2011	\$18,662,652	\$11,783,706	\$6,878,946	\$1,030,394	6.7
2012	\$17,803,423	\$12,136,044	\$5,667,379	\$1,160,387	4.9
2013	\$17,559,754	\$11,948,312	\$5,611,442	\$1,802,140	3.1
2014	\$17,783,466	\$12,950,303	\$4,833,163	\$1,809,191	2.7

Source: LUS Financial and Operating Statements, audited

(1) Includes interest income and other miscellaneous income.

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

(3) Debt service includes the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds.

Rate Structure

The Water System services retail and wholesale customers. Wholesale customers accounted for 24 percent of the water revenues in 2014.

Retail

The Water System serves customers inside the City limits and outside of the City limits. The Water System customer classes include residential, commercial, schools and churches, and special contract customers for bulk water. The Water System rate structure for retail customers include a customer charge based on the meter size and commodity charges based on usage. The Residential customers have seasonal rates with an inclining block rate structure during the summer months of April through November.

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Wholesale

The Water System serves wholesale customers outside of the City limits on a contract basis.

Table 5-18
Water System
Retail Rate Schedules

Rate Class	Serves	Effective Date	Meter Size (inches)	Customer Charge (\$/month)	Winter Commodity Rate (\$/1,000 gallons)	Summer Commodity Rate Tier 1 (\$/1,000 gallons)	Summer Commodity Rate Tier 2 (\$/1,000 gallons)	Monthly Commodity Rate (\$/1,000 gallons)			
W-1	Residential	Nov 2010	3/4	4.25	1.59	1.59	2.54	NA			
			1	7.25	1.59	1.59	2.54	NA			
			1 1/2	14.00	1.59	1.59	2.54	NA			
			2	22.50	1.59	1.59	2.54	NA			
			3	42.50	1.59	1.59	2.54	NA			
			4	71.00	1.59	1.59	2.54	NA			
			6	141.50	1.59	1.59	2.54	NA			
W-1-O	Residential Non-City	Nov 2010	3/4	8.50	3.18	3.18	5.08	NA			
			1	14.50	3.18	3.18	5.08	NA			
			1 1/2	28.00	3.18	3.18	5.08	NA			
			2	45.00	3.18	3.18	5.08	NA			
			W-2	Commercial	Nov 2010	3/4	4.25	NA	NA	NA	1.75
						1	7.25	NA	NA	NA	1.75
						1 1/2	14.00	NA	NA	NA	1.75
2	22.50	NA				NA	NA	1.75			
3	42.50	NA				NA	NA	1.75			
4	71.00	NA				NA	NA	1.75			
6	141.50	NA				NA	NA	1.75			
W-2-O	Commercial Non-City	Nov 2010	3/4	8.50	NA	NA	NA	3.50			
			1	14.50	NA	NA	NA	3.50			
			1 1/2	28.00	NA	NA	NA	3.50			
			2	45.00	NA	NA	NA	3.50			

Source: LUS Rate Schedules

Water Revenue Statistics

Table 5-19 shows the Water System revenues. The increase in revenues from year 2010 to year 2011 was a result of the water rate increases approved by the Council. Since 2011, the total retail revenues have decreased by an average annual rate of 1.4 percent.

The number of customers has consistently increased at approximately 1.1 percent per year with the highest customer growth in the commercial customer class. The revenue per customer since 2011 has also steadily decreased at 2.7 percent.

The total retail gallon sales has decreased by average of 0.8 percent annually. The gallon sales per customer has also decreased overall by 1.9 percent. The residential class has decreased their usage per customer on average by 2.8 percent per year. Increases in plumbing fixture efficiency and conservation measures are likely contributing to this decrease.

The revenue per gallon has increased from 2010 to 2011 by 10.3 percent as a result of the Water System rate increases. Since 2011, the revenue per gallon has slightly increased at 1.4 percent per year.

**Table 5-19
Water System
Retail Revenues by Class**

	2010	2011	2012	2013	2014
Revenues					
Residential	\$7,056,701	\$7,871,680	\$7,435,833	\$7,401,378	\$7,295,912
Commercial	4,438,996	5,273,552	5,421,822	5,360,595	5,211,797
Schools & Churches	367,912	458,702	475,915	445,175	443,622
Other	<u>213,346</u>	<u>253,032</u>	<u>158,269</u>	<u>163,199</u>	<u>167,679</u>
Total	\$12,076,955	\$13,856,966	\$13,491,838	\$13,370,347	\$13,119,010
Number of Customers					
Residential	39,654	40,095	40,300	40,979	41,463
Commercial	6,148	6,275	6,316	6,386	6,448
Schools & Churches	297	294	302	298	299
Other	<u>288</u>	<u>290</u>	<u>281</u>	<u>282</u>	<u>284</u>
Total	46,387	46,954	47,199	47,945	48,495
Revenue per Customer					
Residential	\$178	\$196	\$185	\$181	\$176
Commercial	722	840	858	839	808
Schools & Churches	1,239	1,563	1,577	1,492	1,483
Other	<u>741</u>	<u>873</u>	<u>563</u>	<u>579</u>	<u>590</u>
Total (\$/Customer)	\$260	\$295	\$286	\$279	\$271
Sales (1,000 gallons)					
Residential	2,944,636	3,043,430	2,861,325	2,824,456	2,744,325
Commercial	2,340,917	2,438,967	2,571,372	2,383,034	2,388,538

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Table 5-19
Water System
Retail Revenues by Class

	2010	2011	2012	2013	2014
Schools & Churches	198,651	217,345	236,972	213,571	216,425
Other	<u>115,176</u>	<u>126,549</u>	<u>73,430</u>	<u>73,587</u>	<u>77,120</u>
Total	5,599,380	5,826,291	5,743,099	5,494,648	5,426,408
Sales (1,000 gallons) per Customer					
Residential	74	76	71	69	66
Commercial	381	389	407	373	370
Schools & Churches	669	741	785	716	724
Other	<u>400</u>	<u>437</u>	<u>261</u>	<u>261</u>	<u>271</u>
Total	121	124	122	115	112
Revenue per 1,000 gallons					
Residential	\$2.3965	\$2.5865	\$2.5987	\$2.6205	\$2.6585
Commercial	1.8963	2.1622	2.1085	2.2495	2.1820
Schools & Churches	1.8521	2.1105	2.0083	2.0844	2.0498
Other	<u>1.8524</u>	<u>1.9995</u>	<u>2.1554</u>	<u>2.2178</u>	<u>2.1743</u>
Total (\$/1,000 Gallons)	\$2.1568	\$2.3784	\$2.3492	\$2.4333	\$2.4176

Source: LUS Financial and Operating Statements, audited

Expense Analysis

Table 5-20 below shows the historical water operating expenses separated between fixed and variable expense. Variable operating expenses include purchased power costs embedded in the Power and Pumping expense account and chemical costs embedded in the Purification expense account. Fixed operating expenses include source of supply, fixed costs embedded in both the Power and Pumping and Purification expense accounts, Transmission, Distribution, Customer, and Administrative and General expenses. Historically, the variable expenses averaged 20 percent of the total expenses.

The Water System retail sales are affected by weather. Seasonal water sales increase during hot or dry summers and decrease during cool or wet summers. The volatility in the weather combined with a seasonal rate structure may affect the volatility in the revenues. However, as shown in Table 5-19, the expenses are largely fixed and do not vary with the weather. As a result, there is pressure on the water rates to adequately recover revenues during years with cool or wet summers.

Table 5-20
Water System
Historical Fixed and Variable Expense Summary

	2010	2011	2012	2013	2014
Variable Expenses					
Power & Pumping	\$498,923	\$483,356	\$521,379	\$567,455	\$593,307
Purification	<u>1,927,962</u>	<u>1,934,914</u>	<u>1,918,190</u>	<u>1,828,790</u>	<u>2,308,416</u>
Total Variable Expenses	\$2,426,885	\$2,418,270	\$2,439,569	\$2,396,245	\$2,901,723
Fixed Expenses					
Source of Supply	\$31,542	\$173,612	\$169,170	\$188,329	\$186,174
Power & Pumping	272,312	272,614	305,082	430,958	323,339
Purification	1,596,663	1,394,498	1,384,245	1,387,306	1,579,886
Transmission	2,085,644	2,374,829	2,283,844	2,225,306	2,312,791
Distribution	1,189,155	1,216,414	1,304,443	1,161,549	1,084,155
Customer	3,283,720	3,933,468	4,249,690	4,158,620	4,562,251
A&G	<u>8,459,037</u>	<u>9,365,436</u>	<u>9,696,475</u>	<u>9,552,067</u>	<u>10,048,596</u>
Total Fixed	\$31,542	\$173,612	\$169,170	\$188,329	\$186,174
Total Fixed & Variable	\$10,885,922	\$11,783,706	\$12,136,044	\$11,948,312	\$12,950,319
Percent Variable	22%	21%	20%	20%	22%
Percent Fixed	78%	79%	80%	80%	78%

Source: LUS Financial and Operating Statements, audited

5.11 Findings and Recommendations

- Water sales to wholesale customers have remained steady to increasing over the past five years. As wholesale water sales continue and are projected to increase, it will place added pressure on the distribution system, which could accelerate capital upgrades. In addition to capital upgrades, additional wholesale customer sales volume management may be required to maintain adequate pressure in the system.
- Wholesale water sales have increased at a rate about four times that of total production. 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. 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.
- Wholesale water sales represent approximately 25.6 percent of total water sales volume, yet only 20.4 percent of total water sales revenue. LUS should evaluate the cost of service for all levels of customers to determine the appropriate rate structure to ensure that the revenue requirements for each customer base is in place.

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- Although staffing levels were not reported to be an issue, a succession plan should be implemented to ensure knowledgeable operators and maintenance personnel are developed. Several key management personnel and certified operators can or will retire within the next five years. LUS should develop a succession plan to ensure the continued operation of the water/wastewater operations with as much operational continuity as possible, and with as little loss of institutional knowledge as possible. LUS reports that staffing levels are reviewed annually, and that a program of screening and cross-training to identify individuals that exhibit technical proficiency and leadership skills is in place.
- Integration of supervisory control and data acquisition (SCADA) and plant controls will streamline operational efficiency, and will allow for maximum utilization of operations personnel. LUS should continue to pursue implementation of updated controls and control software.
- Compliance with the state-mandated backflow prevention program will require additional personnel and resources to implement, but it will also increase system integrity regarding possible contamination of the system from the effects of cross-connections and back siphons.
- Compared to the Electric System AMI deployment, which has been highly successful, the similar deployment for the Water System has experienced a relatively high level of malfunctions and meter failures. LUS should continue to work with Elster to resolve this issue.

SECTION 6 WASTEWATER SYSTEM

LUS provides wastewater services to 48,837 customers. The Wastewater System is comprised of a wastewater collection system, four wastewater treatment plants at various locations throughout the City, and waste sludge management and disposal facilities. The total combined permitted treatment capacity for the four plants is 18.5 MGD. In addition to the LUS Wastewater System, LUS is responsible for integrating small, community-type package wastewater treatment plants into the LUS Wastewater System. These package plants serve subdivisions and rural areas that are not currently in the LUS service area.

Wastewater System collection volumes declined in 2014 by 4.4 percent from 2013 collection volumes. Collection volumes in 2014 are consistent with observed collection volumes over the 2010–2013 historical period. Historical Wastewater System collection volumes are shown in Table 6-1.

Table 6-1
Wastewater System
Historical Retail Collection

	Retail Collection (1,000 gallons)	Total Collection (1,000 gallons)
2010	5,715,794	5,715,794
2011	5,190,182	5,190,182
2012	5,448,397	5,448,397
2013	5,730,473	5,730,473
2014	5,476,065	5,476,065

Source: LUS Financial and Operating Statements, audited

6.1 Wastewater Treatment

The four main wastewater treatment plants include the South Sewage Treatment Plant (SSTP), the East Sewage Treatment Plant (ESTP), the Ambassador Caffery Treatment Plant (ACTP), and the Northeast Treatment Plant (NETP). Table 6-2 summarizes the Wastewater System treatment capacity.

**Table 6-2
Wastewater System
Wastewater Treatment Average Day Treatment Loads**

	Reported 2014 ⁽¹⁾	Permitted Capacity
South Plant	4.9	7.0
East Plant	3.0	4.0
Ambassador Caffery Plant	6.0	6.0 ⁽²⁾
Northeast Plant	<u>1.1</u>	<u>1.5</u>
Totals	15.0	18.5

Source: LUS

(1) Average day hydraulic loads are not adjusted to dry weather conditions and therefore include infiltration.

(2) Permitted capacity remains at 6.0 MGD but plant treatment capacity is 9.25 MGD.

South Sewage Treatment Plant

The SSTP is an activated sludge facility with a permitted capacity of 7.0 MGD, but is currently operating at an average flow of 5.0 MGD. There is approximately 5 MG of on-site wet-weather retention capacity. Sludge is treated through aerobic digesters and transported off-site for disposal at the LUS sludge disposal land farm.

The SSTP is the LUS’s least efficient WWTP, but following the recent purchase of additional land surrounding the existing site, it is also the only treatment facility with sufficient acreage available for construction of additional retention and treatment facilities. LUS plans to expand the existing SSTP in order to be able to serve growth in the system, and to assimilate the potential addition of packaged plants in the area. The planned expansion will increase the capacity of the SSTP from 7.0 MGD to a total capacity of 12.0 MGD.

Design plans have been prepared for construction of the expansion project, and design and construction of other projects to address such issues as expansion of influent head-works capacity, odor control, wet-weather flow retention or side-stream storage requirements, and increased sludge treatment capacity, all of which are included in the five-year CIP. Other considerations for maximizing the treatment capacity at the SSTP include reconfiguration of existing treatment from extended aeration to Sequencing Batch Reactors (SBRs), and blending retained flow with treated discharge in accordance with U.S. EPA rules and guidelines.

East Sewage Treatment Plant

The ESTP has a permitted capacity of 4.0 MGD, and uses an extended aeration oxidation ditch treatment process, with a 3.0 MG wet-weather retention buffer tank. Sludge is treated using

anaerobic digesters that operate on time and temperature, and achieve up to 27 percent solids. LUS staff reports that the boiler used for heating the digester is in disrepair, mainly due to age and component failure. LUS has a series of projects planned to rebuild the existing sludge digestion facilities, and to recover sludge digestion facilities that were previously abandoned. Fortunately, the abandoned tankage and structure remain intact and are capable of being refitted and restored to full operation.

Ambassador Caffery Boulevard Treatment Plant

The ACTP is a 6.5 MGD treatment plant originally constructed with rotating biological contactors (RBCs) and an oxidation ditch. However, the RBC process has since been refitted and replaced with SBR’s. LUS staff finds the SBR system to be extremely efficient, easily processing varying flow ranges. Although the permit for ACTP will remain at 6.5 MGD, the SBR system installed will treat up to 9 MGD as a peak or max flow. The volatile solids coming out of the SBR process are near a Class B waste level. The system uses screw presses instead of belt presses to prepare the sludge for transport to the sludge disposal land farm.

Northeast Treatment Plant

The NETP is an oxidation ditch treatment facility with 1.5 MGD permitted capacity. The plant is connected to a 25 MG wet-weather retention basin used as buffer during wet weather events due to high inflow/infiltration (I&I) of the collection system.

6.2 Wastewater Collection

The collection system consists of 556 miles of gravity sewer collector pipes and interceptors, 11,937 sanitary sewer manholes, 164 sanitary sewer lift stations, and 81 miles of sewer force mains. Due to the flat terrain and relatively shallow ground water conditions of the area, the collection system consists of gravity sewer and pump stations with force mains. Table 6-3 summarizes the Wastewater System collection system infrastructure.

Table 6-3
Wastewater System
Wastewater Collection System Infrastructure

	2010	2011	2012	2013	2014
Number of Connections	41,522	41,928	42,476	42,891	43,068
Miles of Pipe ⁽¹⁾	564	571	621	630	637
Number of Manholes	11,276	11,431	11,635	11,813	11,937
Number of Lift Stations	146	145	152	157	164

Source: LUS

(1) Combined length of gravity collection lines and sewer force mains. Does not include service laterals.

As the Lafayette area is relatively flat, with little to no elevation relief, the Wastewater System requires a significant number of lift stations to pump and re-pump wastewater to the four

treatment plants. The 164 sanitary sewer lift stations consist of approximately 30 percent Gorman Rupp style suction lift stations, and 60 percent submersible stations of various make and description. As new development requests for inclusion into the Wastewater System, which include sewer lift station facilities, are submitted to LUS, LUS Engineering evaluates the opportunities to connect the development to existing collection basins, or to upgrade existing facilities to consolidate existing lift stations.

LUS attempts to standardize their control panel requirements for lift stations, but developers criticize the higher cost of the equipment LUS requests. LUS attempts to balance the support of development with optimizing Wastewater System efficiency. A portion of the lift stations include the ability to communicate with the operations center, via SCADA, for reporting outages, operating conditions, and flow data to the operators. Fiber optic cables have been run to approximately 90 lift station sites, but only 30 sites are fitted with SCADA. Another 36 are connected via Mission dialers, and the remaining sites require field verification by operators. LUS plans to continue installing fiber optic/SCADA communication capabilities in the future to improve operational efficiency and service.

LUS is also charged with the responsibility of assimilating small, community-type package wastewater treatment plants into the Wastewater System. These package plants are increasingly utilized to serve subdivisions and rural areas that are not currently in the LUS service area. To date, five package wastewater treatment plants are now operated and maintained as LUS' Wastewater System infrastructure, with two additional packaged plants likely to be added by the end of 2015 and three expected in 2016. LUS anticipates that the capacity of the existing Wastewater System is sufficient to integrate up to approximately 15 package plants. Additional packaged plant integration capacity will be provided by the future SSTP and Wastewater System expansions.

6.3 Historical Capital Improvement Program

LUS uses a capital work order system to track capital expenses. The historical capital shown in Table 6-4 reflects investment in infrastructure funded by the Series 2004 Bonds, Series 2010 Bonds, and retained earnings. The Series 2004 Bonds were used for improvements and extensions to the wastewater collection system. The 2010 Bonds were issued for wastewater-collection system improvements (lift stations/interceptors).

Table 6-4
Wastewater System
Historical CIP

	2010	2011	2012	2013	2014
Normal Cap & Spec Equipment	\$946,649	\$716,078	\$141,677	\$1,408,042	\$1,416,765
Series 2004 Bonds	2,395,148	0	0	0	0
Series 2010 Bonds	0	3,524,831	7,023,329	5,982,907	933,223
Retained Earnings	<u>3,329,800</u>	<u>873,555</u>	<u>175,978</u>	<u>2,490,121</u>	<u>1,554,647</u>
Total Capital	\$6,671,597	\$5,114,465	\$7,340,984	\$9,881,071	\$3,904,635

Source: LUS, Status of Construction Work Order Reports.

6.4 Operations and Related Performance

In 2014, the average daily wastewater volume treated by the four plants was 15.0 MGD. The average operating volumes treated by the four plants is less than each plant’s permitted capacity except ACTP. ACTP’s average wastewater flow is at its permitted level of 6.0 MGD. While the flows are at the permitted level, the SBR system at ACTP is capable of treating up to 9 MGD as a peak or maximum flow. At times, the ACTP treats wastewater flows above its permitted levels in times of emergency operations or diversions to replace or repair other plant or collection system infrastructure. This situation occurred six times in 2014.

These infrequent periods of flows exceeding ACTP’s permitted levels are within the plant’s treatment capacity limits and does not inhibit or negatively impact the Wastewater System’s operations. It is not uncommon for wastewater utilities to occasionally exceed permitted discharge limits for brief periods of time during such events as emergency operations, accommodating repairs and replacements in the system, or during excessive precipitation events.

The Wastewater System must manage significant I&I issues with the wastewater collection system and thus the treatment plants. This is a common issue for wastewater utilities in the southeast and across the U.S., especially in aging systems such as LUS’. LUS periodically addresses I&I issues at the most problematic areas through its renewal and replacement system. In the past LUS has used remote cameras to inspect pipes for replacement.

Biosolids Beneficial Reuse Land Application Program

LUS disposes of biosolids, the sludge byproduct of water and wastewater treatment plant operation, to privately owned farmland disposal sites leased by LUS. LUS biosolids operations are permitted under LDEQ Biosolids/Sewage Sludge Landfarming/Beneficial Reuse Permit No. LASS021025. Waste sludge generated at each of the wastewater treatment units is treated to Class B biosolids standards prior to transport to the disposal site. LUS reports that all required quarterly, semiannual, and annual reports were submitted to LDEQ during 2014.

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

LUS has evaluated purchasing and owning land to dispose of the biosolids to eliminate the reliance on the multiple active farm leases, which could be cancelled with 30-day notice. As LUS currently treats biosolids to Class B sludge, disposal requires approximately 300 acres of land. While potential land has been identified, LUS has not yet pursued the purchase of a 300-acre site. If the land purchase is not feasible, LUS would be driven to generate Class A biosolids, and then find properties suitable for sludge application as a soil amendment rather than as a fertilizer component. Class A sludge treatment relegates the biosolids useless as a fertilizer, thus would be disposed of as a soil amendment.

6.5 Regulatory and Environmental Compliance and Issues

LUS has environmental compliance and testing staff to provide direct environmental compliance support for the Water and Wastewater Systems. The Environmental Department is an independent operating unit providing regulatory compliance, industrial pretreatment program administration, and analytical services relative to the analysis of drinking water quality, wastewater discharge quality analysis, and biosolids disposal and reuse.

The testing lab is certified by the State of Louisiana to run the majority of the tests necessary for potable water quality reports and wastewater discharge monitoring reports (DMR). Some exceptions to this include specialty testing such as Whole Effluent Toxicity, TCLPs, HAA5, and TTHM. Environmental staff reports that current staffing levels are adequate to provide all required testing and reporting, but acknowledge that future changes in regulations, operations, and/or service area may require additional personnel. In the near term, environmental staff has implemented in-house training, cross-training, and knowledge-based management programs to address succession planning for retiring employees and possible staff constraints.

All wastewater systems in Louisiana are required to file an annual Municipal Water Pollution Prevention (MWPP) audit report for each operating facility. These reports, among other things, compare the design hydraulic and biological treatment capacity of each plant with the actual conditions to identify plant design capacity exceedances. In 2014, LUS exceeded the design flow capacity at ACTP six times and exceeded the biological loading at the SSTP once. A portion of the six flow exceedances at ACTP were due to temporary diversion of wastewater from the SSTP to ACTP to facilitate construction improvements to the collection system. Once completed, the diversion will cease and all flows will return to SSTP. Each of the exceedances are reported to LDEQ when they occur, and when LUS knows that there will be an excursion due to repairs or replacement, the utility coordinates with LDEQ, as required in their NPDES discharge permit. Table 6-5 shows the number of months during which the design capacity of each plant was exceeded over the past five years.

Table 6-5
Wastewater System
Number of Months Design Capacity was Exceeded

Plant	2010	2011	2012	2013	2014
Flow					
South Plant	1	0	0	1	0
East Plant	2	0	0	1	0
Ambassador Caffery Plant	3	5	9 ⁽¹⁾	4 ⁽¹⁾	6 ⁽¹⁾
Northeast Plant	0	0	0	0	0
Biological Loading					
South Plant	0	0	0	0	1
East Plant	0	0	0	0	0
Ambassador Caffery Plant	0	0	0	0	0
Northeast Plant	0	0	0	0	0

Source: LUS

(1) Flow exceedances are due in part to 1.5 MGD rerouted from SSTP to ACTP via the Verot School Rd. lift station to facilitate construction of improvements to the Old Maurice L.S. and the 24-inch F.M. Once complete, 2.0 MGD will be rerouted from ACTP back to SSTP.

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

All LUS wastewater treatment plants were re-permitted in November 2014 at 10 mg/l CBOD, 15 mg/l TSS, and 5 mg/l NH₃. The quality of various discharge parameters of each treatment unit are recorded on DMRs and submitted monthly to LDEQ. The 2014 DMRs for the various treatment plants and operating units indicate all operating units were in compliance with NPDES discharge limits, no notices of violation of effluent limits were received, LUS is current with all fees and report submittals, and there were no public complaints received in 2014.

Spill Prevention and Control Countermeasure Plans

Water and wastewater treatment facilities that are proximate to waters of the U.S., and subject to spills of oils, fuel, or other controlled substances, and having a storage capacity of more than 1,320 gallons at a single facility must have an SPCC plan prepared in accordance with state and federal regulations. SPCC plans have been prepared and implemented in accordance with state and federal requirements for each water and wastewater treatment site.

Several potential future environmental regulatory issues may affect LUS wastewater operations. The U.S. EPA is currently evaluating whether dental amalgam from dentist offices

should be considered a categorical discharge or remain managed by best management practices (BMP). If dentist office discharges are classified as categorical then LUS will likely require one or two additional environmental compliance staff to work exclusively in the area of testing and reporting on the many dental offices within its service territory. Changes to pretreatment regulations regarding metal finishing businesses may also require additional personnel and resources.

6.6 Contracts

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

6.7 Competition/Benchmarking

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

Table 6-6
Wastewater System
Residential Rate Comparison

Utility	Average \$/1,000 gallon ⁽¹⁾
Alexandria	\$2.20
Morgan City	\$2.78
Lake Charles	\$4.33
New Iberia	\$4.70
Baton Rouge	\$5.24
Shreveport	\$6.34
LUS	\$6.45
New Orleans	\$7.00

Source: LUS

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

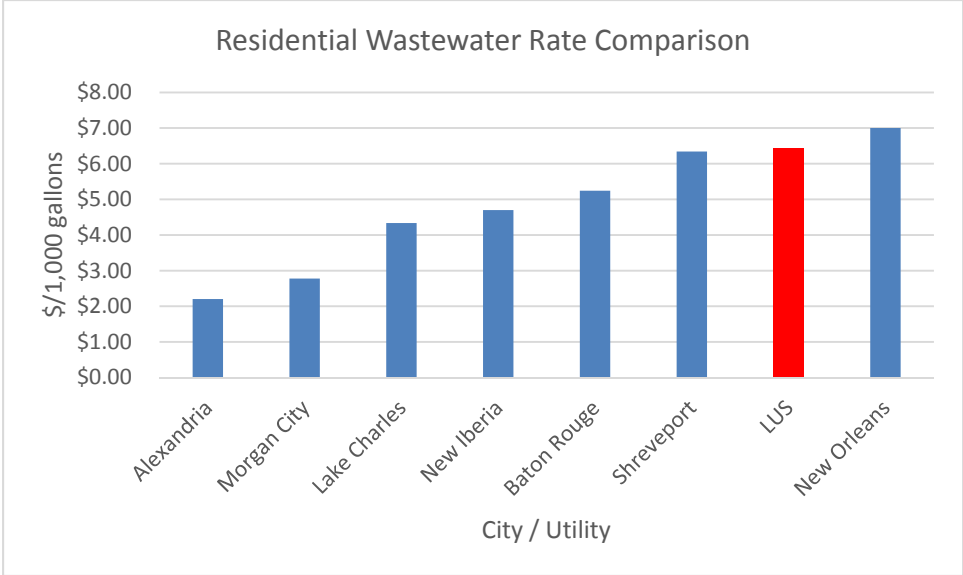


Figure 6-1: Wastewater System – Residential Rate Comparison

Table 6-7
Wastewater System
Commercial Rate Comparison

Utility	Average \$/1,000 gallon ⁽¹⁾
Alexandria	\$22.02
Morgan City	\$33.36
Lake Charles	\$46.51
LUS	\$74.38
Shreveport	\$78.49
New Orleans	\$98.12
Alexandria	\$22.02
Morgan City	\$33.36

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

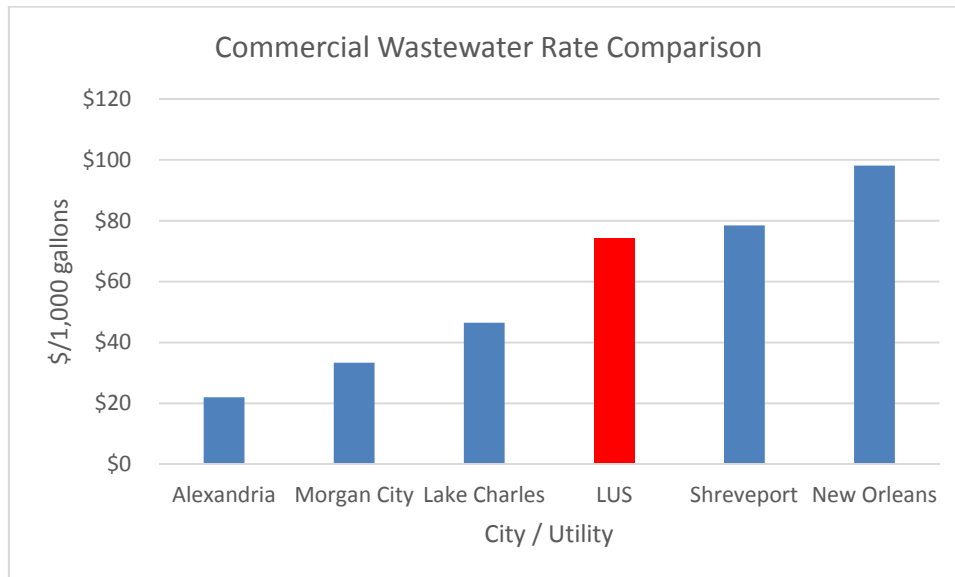


Figure 6-2: Wastewater System – Commercial Rate Comparison

Benchmarking Financial and Operating Statistics

Table 6-7 benchmarks selected financial and operating ratios for LUS with other large municipal wastewater utilities nationwide. The data was provided by the AWWA Benchmarking Performance Indicators for Water and Wastewater, 2013 Data published 2015. The AWWA report contains data based on region of the U.S. and based on the number of wastewater customers served by the utility. For the purposes of our analysis, we used the U.S. South region, which includes Louisiana and hereafter referred to as “Regional.” In addition, the AWWA report contains an aggregate of Wastewater utilities in the U.S. and Canada and hereafter referred to as “National.” The results are shown below in Table 5-16. If possible, the comparisons were made based on the Wastewater System only. However, for some balance sheet items, the LUS data was available for the combined Electric, Water, and Wastewater Utilities and hereafter referred to as “Combined.” The AWWA benchmark data for Combined includes only water and wastewater utilities.

As shown in Table 6-7, LUS has a healthy Debt to Total Equity compared to the National and Regional averages. LUS' current and historical DSCR is significantly above that of the National and Regional average for wastewater utilities.

**Table 6-7
Wastewater System
Benchmarked Wastewater Utility Operating Ratios**

Statistic	Basis	National	Regional	LUS		
		2013	2013	2012	2013	2014
Operational Costs per MGD	Wastewater	\$1,945	\$2,405	\$2,963	\$2,845	\$3,183
Debt to Equity (Total Assets)	Combined	0.36	0.41	0.39	0.39	0.37
Operating Ratio (O&M cost/ Operating revenue)	Wastewater	0.51	0.56	0.56	0.57	0.62
Operating Ratio (O&M cost/ Operating revenue)	Combined	0.61	0.55	0.77	0.74	0.73
Cash Reserve Days	Combined	259	236	19	19	20
Debt Service Coverage	Wastewater	1.43	1.32	3.90	2.70	2.40
Debt Service Coverage	Combined	1.42	1.43	3.65	2.88	3.04

6.8 Historical Financial Performance

Current Wastewater System debt service includes the Series 1996 LDEQ debt, Series 2010 Bonds, and Series 2012 Bonds. Table 6-8 shows historical debt service and the associated debt service coverage ratio. The DSCR exceeds the minimum requirement of 1.0.

Table 6-8
Wastewater System
Historical Financial Performance

Year	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Balance Available for Debt Service	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2010	\$24,499,460	\$14,781,373	\$9,718,088	\$2,447,615	4.0
2011	\$29,878,197	\$15,285,320	\$14,592,877	\$3,229,747	4.5
2012	\$29,313,577	\$16,144,199	\$13,169,378	\$3,411,437	3.9
2013	\$28,893,980	\$16,305,244	\$12,588,736	\$4,617,384	2.7
2014	\$28,735,575	\$17,428,365	\$11,307,211	\$4,672,103	2.4

Source: LUS Financial and Operating Statements, audited

(1) Includes interest income and other miscellaneous income.

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

(3) Debt service includes the 1996 LDEQ debt, the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds.

Rate Structure

The Wastewater System services retail customers inside the City limits and outside of the City limits. The Wastewater System customer classes include residential and commercial.

The Wastewater System rate structure includes a customer charge and volumetric charges. The volumetric charges are based on the season and on the customers' water consumption. Customers are charged for their actual usage during the months of December through March. For the summer months, generally the usage is calculated on the average of the four preceding winter months (December – March) usage. However, the usage may not be less than 75 percent of the actual water consumption for the current month. Adjustments may be made by LUS as needed.

**Table 6-9
Wastewater System
Rate Schedules**

Rate Class	Serves	Effective Date	Customer Charge (\$/month)	Monthly Volumetric Charge (\$/1,000 gallons)
S-1	Residential	Nov 2010	\$6.49	\$5.52
S-1-O	Residential Non-City	Nov 2010	\$6.72	\$6.79
S-2	Commercial	Nov 2010	\$16.14	\$5.66
S-2-O	Commercial Non-City	Nov 2010	\$24.31	\$6.51

Source: LUS Rate Schedules

Wastewater Revenue Statistics

Table 6-10 shows the Wastewater System revenues. The increase in revenues from year 2010 to year 2011 was a result of the wastewater rate increases approved by the Council. Since 2011, the total retail revenues have decreased by an average annual rate of 0.9 percent.

The number of customers has consistently increased at approximately 0.9 percent per year with the highest customer growth in the residential customer class. The revenue per customer since 2011 has also steadily decreased at 2.1 percent.

The total retail gallon intake has decreased by average of 1.1 percent annually. The gallon intake per customer has also decreased overall by 2.0 percent aligning with water consumption decreases per customer.

The revenue per gallon intake has increased from 2010 to 2011 by 34.7 percent as a result of the Wastewater System rate increases. Since 2011, the revenue per gallon has slightly decreased at 1.2 percent per year.

SECTION 6

Table 6-10
Wastewater System
Retail Revenues by Class

	2010	2011	2012	2013	2014
Revenues					
Residential	\$13,229,460	\$15,947,740	\$15,407,570	\$15,248,092	\$15,239,932
Commercial	9,732,847	12,099,756	12,214,595	11,899,444	11,829,389
Schools & Churches	829,255	1,034,691	1,110,237	1,067,615	1,074,254
Other	<u>190,590</u>	<u>244,789</u>	<u>129,268</u>	<u>167,412</u>	<u>172,821</u>
Total	\$23,982,152	\$29,326,976	\$28,861,669	\$28,382,562	\$28,316,395
Number of Customers					
Residential	36,077	36,416	36,539	37,060	37,494
Commercial	5,074	5,140	5,135	5,154	5,201
Schools & Churches	253	252	259	258	259
Other	<u>118</u>	<u>121</u>	<u>116</u>	<u>115</u>	<u>115</u>
Total	41,522	41,928	42,049	42,586	43,068
Revenue per Customer					
Residential	367	438	422	411	406
Commercial	1,918	2,354	2,379	2,309	2,275
Schools & Churches	3,280	4,114	4,292	4,146	4,154
Other	<u>1,609</u>	<u>2,031</u>	<u>1,115</u>	<u>1,453</u>	<u>1,502</u>
Total	578	699	686	666	657
Intake (1000 gallons)	5,715,794	5,190,182	5,448,397	5,730,473	5,476,065
Intake (1000 gallons) per Customer	138	124	130	135	127
Revenue per (1000 gallons) Intake	\$4.20	\$5.65	\$5.30	\$4.95	\$5.17

Source: LUS Financial and Operating Statements, audited

Expense Analysis

Table 6-11 below shows the historical wastewater operating expenses separated between fixed and variable expense. Variable operating expenses include purchased power costs embedded in the Collection expense account and chemicals embedded in the Treatment expense account. Fixed operating expenses include fixed costs embedded in Collection, Treatment, Customer, and Administrative and General expense accounts. Historically, the variable expenses have averaged 11 percent of the total expenses while fixed expenses average 89 percent.

As the Water System retail sales are affected by weather, so are the Wastewater System sales. The volatility in the weather may affect the volatility in the revenues. However, as shown in Table 6-11, the expenses are largely fixed and do not vary with the weather. As a result, there is pressure on the wastewater rates to adequately recover revenues during any type of weather.

Table 6-11
Wastewater System
Historical Fixed and Variable Expense Summary

	2010	2011	2012	2013	2014
Variable Expenses					
Collection	\$291,111	\$307,891	\$296,710	\$360,500	\$382,017
Treatment	<u>1,261,873</u>	<u>1,380,800</u>	<u>1,377,004</u>	<u>1,331,869</u>	<u>1,466,968</u>
Total Variable Expenses	\$1,552,984	\$1,688,691	\$1,673,714	\$1,692,369	\$1,848,984
Fixed Expenses					
Collection	\$3,352,245	\$3,233,055	\$3,147,379	\$3,575,038	\$3,498,088
Treatment	4,166,113	4,316,369	4,485,606	4,569,081	5,346,618
Customer	1,206,639	899,558	1,279,553	1,260,125	1,161,544
A&G	<u>4,503,392</u>	<u>5,147,647</u>	<u>5,557,947</u>	<u>5,208,631</u>	<u>5,573,130</u>
Total Fixed Expenses	\$13,228,389	\$13,596,629	\$14,470,485	\$14,612,875	\$15,579,380
Total Fixed & Variable	\$14,781,373	\$15,285,320	\$16,144,199	\$16,305,244	\$17,428,365
Percent Variable	11%	11%	10%	10%	11%
Percent Fixed	89%	89%	90%	90%	89%

Source: LUS Financial and Operating Statements, audited

6.9 Findings and Recommendations

- As wastewater collection and transmission infrastructure continues to age, infiltration/inflow (I&I) and system overflows will remain an important infrastructure issue. Efforts to address and control I&I and overflows should continue to be a priority.
- Certain environmental reports, including DMRs, MWPPs, biosolids reports, overflow, and spill reports, are initiated, signed, and submitted by a single individual. In order to insure that a separation of duties is clearly defined for current and future operations, a protocol for reporting procedures should be established.
- LUS staff reports that water meter flow data required to assess water and wastewater billing rates to customers within a wholesale customer's service area is not provided to LUS by the wholesale customer in certain instances. LUS should pursue agreements with wholesale customers that will require delivery of all flow data necessary for LUS to perform accurate billing to customers within the service area of the wholesale customer.
- SCADA control and feedback from the operating units, especially lift stations, has not been fully implemented. Although SCADA is not critical to the actual function of the operating units, O&M efforts, data collection used in developing reports, and maximization of personnel time and performance can be greatly enhanced by completing SCADA installations.

SECTION 6

- Biosolids disposal is a near term issue LUS must address if the lessors of the land begin cancelling agreements and as additional outlying package treatment plants are integrated with the Wastewater System. LUS should continue to evaluate sludge treatment and disposal options such as:
 - Continuing to treat sludge to Class B standards versus Class A standards
 - Continuing sludge disposal on leased land versus purchased land; third-party sales as a disposal option; or a combination of all three
- Until such time as sludge treatment and sludge disposal options can be clarified, the current lease agreements for lands necessary for sludge disposal land application should be reviewed and updated to reflect long-term leases that will ensure that sufficient surface acreage is available to meet long-term sludge disposal requirements. Since the existing land leases are not favorable towards LUS regarding a long-term option for land application of biosolids, LUS advises that the following factors should be taken into consideration:
 - The lead time required to convert from generating Class B sludge to Class A sludge would probably take three to four years. This includes planning, permitting, design, procurement of equipment, and construction.
 - The cost for equipment necessary to generate Class A sludge would be in the \$4.0 million range.
 - The cost for lime required in the Class A process will be in the \$1.0 million/year range.
 - The process to purchase property will take anywhere from one to two years, depending if LUS can find suitable properties available within a reasonable proximity, and if the property can be purchased without having to go through the condemnation process.
 - If a significant number of existing leases are cancelled before suitable arrangements can be made for alternate application sites, LUS may be forced to dispose of the biosolids in a landfill certified to handle Class B biosolids.
- Existing collection and transmission infrastructure necessary to assimilate outlying wastewater package plants into the Wastewater System, and to accommodate the flow from expected population growth is currently insufficient to properly handle such growth. LUS should consider an update to the Wastewater Master Plan that will identify collection system capacity improvements projects, wastewater treatment system capacity improvements and regulatory compliance projects, and system O&M projects for a minimum 20-year planning period. Such planning will enable LUS to update and supplement the existing CIP.
- Although staffing levels were not reported to be an issue, several key management personnel and certified operators can or will retire within the next five years. LUS should develop a succession plan to ensure the continued operation of the water/wastewater operations with as much operational continuity as possible, and with as little loss of institutional knowledge as possible. LUS reports that staffing levels are

reviewed annually, and that a program of screening and cross-training to identify individuals that exhibit technical proficiency and leadership skills is in place.

SECTION 8 CONTINUING DISCLOSURES

Any governmental entity that issues bonds must enter into a continuing disclosure agreement to be in compliance with the Securities and Exchange Commission (SEC) Rule 15c2-12. As part of the continuing disclosure agreement, the Issuer promises to provide certain annual financial information and material even notices to the public. These filings must be made electronically at the EMMA portal (www.emma.msrb.org). Please refer to Appendix A for the Utilities System Continuing Disclosures, Appendix B for the LPPA Continuing Disclosures, and Appendix C for The Communications System Continuing Disclosures.

Appendix A

CONTINUING DISCLOSURES – UTILITIES SYSTEM

Introduction

Any governmental entity that issues bonds must enter into a continuing disclosure agreement to be in compliance with the Securities and Exchange Commission (SEC) Rule 15c2-12. As part of the continuing disclosure agreement, the issuer promises to provide certain annual financial information and material even notices to the public. These filings must be made electronically at the Electronic Municipal Market Access (EMMA) portal (www.emma.msrb.org).

The Utilities System has the following outstanding debt as of April 2015:

- Utilities Revenue Bonds, Series 2010
- Utilities Revenue Bonds, Series 2012

The continuing disclosure agreement for the outstanding bonds requires that specific tables contained in the Official Statements must be updated annually. This section contains the required tables. This section contains forward looking financial statements based on NewGen current expectations and projections about future events and financial trends regarding the Utilities Systems. Projections as contained herein reflect estimates of what might occur in the future based on the information available to us as of the date of this Report. NewGen cannot predict the future or guarantee future financial performance of the Utilities Systems. To the extent that assumptions used in these projections vary from those actually observed, financial performance as presented herein will vary from actual performance. NewGen prepared a 10-year projection of financial and operating data for each of the Electric, Water, and Wastewater Systems. Projections are based on NewGen’s review of historical operating results, the approved 2015 Budget, visual observations of the Utilities System assets, and other assumptions and considerations as listed in the Report. The projections prepared by NewGen are for the Projected Period of November 1, 2014 through October 31, 2024. LUS provided actual historical data for the fiscal year (FY) 2010 through FY 2014.

Information and Assumptions Relied Upon

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

1. NewGen assumed LUS will operate and maintain the Utilities System following prudent utility practices. Prudent utility practices means practices, methods, and acts that would be expected to accomplish the desired results in a workmanlike manner consistent with applicable laws and other government requirements and reliability, safety, and environmental protection.
2. NewGen assumed LUS will hire and maintain competent personnel. If needed, LUS will provide training to personnel to ensure the safety and reliability of the utility.



3. NewGen assumed LUS will maintain and renew any required permits or approvals related to the utility including power, water, and wastewater treatment plants and sites.
4. NewGen assumed there will not be further regulation of LUS facilities that require major capital expenditures for LUS to be in compliance.
5. NewGen assumed the Rodemacher Unit 2, Hargis Hebert Plant, and T. J. Labbe Plant will be maintained and operated in good condition throughout the Projected Period.
6. NewGen assumed the water treatment plants, wells, and system will be maintained and operated in good condition throughout the Projected Period.
7. NewGen assumed the wastewater treatment plants and system will be maintained and operated in good condition throughout the Projected Period.
8. NewGen assumed that all existing contracts will be honored.
9. NewGen assumed standard operating procedure for LUS and did not include the effects of any event outside of LUS' control including force majeure.
10. NewGen assumed LUS will have adequate coal, natural gas, and water supply for operation of the power plants.
11. NewGen assumed LUS will have adequate water supply from the Chicot aquifer to meet the customers' needs.
12. NewGen assumed that LUS will be a market participant in MISO including providing capacity and meeting all other operational and financial requirements.
13. NewGen assumed adequate transmission access in MISO to buy and sell power as needed.
14. Utilities System financial and operating data was provided by LUS, LCG, LPPA, interviews with LUS, LCG, and Cleco staff, and visual observations of the Utilities System facilities. Data provided by LUS, LCG, LPPA, and Cleco includes historical financial and operating data for years 2010–2014, 2015 Budget, and an LPPA Operating and Capital Budget. Raymond James & Associates, Inc. provided the bond market analysis.
15. For MISO market purchases and sales, NewGen relied upon a MISO hourly price forecast developed by Ventyx in the fall of 2014. Using this forecast, assumptions pertaining to the dispatch of LUS' generating units were developed. These assumptions were the basis for projecting LUS fuel costs associated with Rodemacher Unit 2, T. J. Labbe, and Hargis Hebert generating plants. The structure of LUS electric rates enables the direct pass through of MISO power supply costs to customers.
16. Future costs associated with emissions or potential environmental compliance have not been included in the projected operating results. The implementation and financial impacts of the Clean Power Plan are evolving and currently unknown. All operating expenses associated with environmental compliance are included in the Electric System FC rate and passed through to customers.

17. The Projected Period does not include any capital or debt associated with compliance with the Clean Power Plan.
18. NewGen relied upon the most recent semi-annual Blue Chip Economic Indicator projection of GDP, dated March 2015. The GDP was used to escalate O&M expenses and capital. Per the Blue Chip forecast, the GDP is projected to be 2.1 percent over the Projected Period.
19. NewGen relied upon LCG's projected interest rates for short-term and long-term investments.
20. Projected coupon rates associated with future Utilities System bonds were based on the Bloomberg Municipal Bond Index and adjusted using the Blue Chip forecast of the 10-year U.S. Treasury Department Bond. NewGen assumed that future bond terms are 30 years with levelized annual debt service.

Projected Operating Results Assumptions

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

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

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

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

Revenue Projection

Historically, electric and water sales have shown steady growth as described earlier in this Report. Projected operating results assume that electric sales will grow at an average annual rate of approximate 1.9 percent over the Projected Period. Water retail sales project growth at an average annual rate of approximate 1.1 percent, and wholesale sales project growth at an average annual rate of approximate 2.5 percent over the Projected Period. Wastewater sales are a function of water sales.

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

Expense Projection

The Utilities System's single largest expense is related to electric purchased power and the power generation function. The projection of purchased power expenses is based on a MISO power market forecast developed by Ventyx. Using this forecast, assumptions pertaining to the dispatch of LUS' generating units were developed. These assumptions were the basis for projecting LUS fuel costs associated with the Rodemacher Unit 2, T. J. Labbe, and Hargis Hebert Plants. Electric System production expenses include LPPA costs.

The structure of LUS electric rates and Schedule FC enables the direct pass through of MISO power supply costs, eligible LPPA costs, and other eligible costs and credits to customers. The Utilities Director may adjust Schedule FC monthly to ensure that the charge adequately recovers eligible costs as closely as possible. LPPA fuel, O&M expenses, debt service associated with MATS upgrades, and debt service associated with rail cars are included in the FC calculation. Over the Projected Period, approximately 85 percent of LPPA debt service is passed through Schedule FC. LUS Electric System base rates recover the remaining LPPA debt service obligation.

Other Electric System operating expenses include transmission, distribution, customer, and A&G expenses.

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

Debt Service

Utilities System debt service includes the Series 1996 LDEQ debt, Series 2010 Bonds, and Series 2012 Bonds. New debt service includes bond issues in years 2019, 2021, 2023, and 2025. Projected operating results assume future bond issues to meet Utilities System capital requirements. The projected debt service coverage ratio exceeds the minimum requirement of 1.0x.

Other Expenses

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

In Lieu of Tax

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

the Utilities System fail the ILOT test, the Utilities System pays the cash available after debt service less 7.5 percent of the Non-fuel Revenues.

Capital Improvement Program

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

Bond Reserve Fund and Cash Available

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

Utilities Revenue Bonds, Series 2010

Utilities System LUS Income Statements Page 33

	2010	2011	2012	2013	2014
Operating Revenues					
Electric	\$88,734,345	\$101,602,013	\$97,060,235	\$93,111,312	\$95,395,327
Electric Retail Fuel Adjustment	83,750,043	87,783,625	76,824,304	93,158,373	105,375,603
Water	15,494,040	18,525,544	17,704,385	17,394,122	17,746,170
Wastewater	24,234,178	29,640,890	29,145,030	28,617,205	28,579,957
Fiber	<u>0</u>	<u>192</u>	<u>415</u>	<u>0</u>	<u>40</u>
Total Operating Revenues	\$212,212,606	\$237,552,264	\$220,734,370	\$232,281,011	\$247,097,098
Operating Expenses					
Electric Fuel & Purch Power	\$112,538,709	\$117,267,093	\$93,334,902	\$96,443,791	\$105,679,639
Electric Other Production	10,059,782	9,838,002	14,862,330	12,868,472	7,893,377
Other Electric	24,736,972	26,666,603	29,687,697	30,849,592	33,514,860
Water	10,885,922	11,783,706	12,136,044	11,948,312	12,950,319
Wastewater	14,781,373	15,285,320	16,144,199	16,305,244	17,428,365
Fiber	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	\$173,002,757	\$180,840,724	\$166,165,173	\$168,415,411	\$177,466,560
Net Operating Revenues	\$39,209,849	\$56,711,540	\$54,569,197	\$63,865,600	\$69,630,538

Utilities System LUS Income Statements
Page 33

	2010	2011	2012	2013	2014
Depreciation	\$18,847,770	\$17,716,330	\$19,376,753	\$20,978,328	\$22,130,030
Other Income					
Interest Income	\$2,351,230	\$1,890,648	\$1,273,167	\$2,243,940	\$1,313,230
Unrealized Gain/Loss on Invs	(767,043)	0	0	0	30,750
Amortization of Debt Premium	276,515	290,521	503,471	2,608,147	3,029,199
Water Tapping Fees	97,800	47,900	86,100	105,100	104,100
Communications Lease Income	0	0	0	0	97,073
Contributions in Aid of Construction	208,276	(8,361)	0	7,135	0
Misc. Non-Operating Revenue	<u>(69,518)</u>	<u>1,843,038</u>	<u>8,869,047</u>	<u>5,408,764</u>	<u>2,877,693</u>
Total Other Income	\$2,097,260	\$4,063,747	\$10,731,784	\$10,373,086	\$7,452,045
Other Expenses					
Loss on Disposition of Property	\$0	\$15,621	\$0	\$0	\$250,980
Interest Expense	9,782,038	11,227,182	11,042,341	9,438,459	9,180,021
Amortization on Plant	1,735,578	1,735,578	1,735,578	1,735,581	1,646,801
Amortization - Other	156,938	204,502	221,828	1,295,081	1,269,526
Interest on Customer Deposits	9,213	0	0	13,831	11,746
Tax Collections/Non-Operating	(97,405)	154,016	308,182	322,829	0
Misc. Non-Operating Expense	<u>0</u>	<u>449,800</u>	<u>788,059</u>	<u>1,830,478</u>	<u>1,921,605</u>
Total Other Expenses	\$11,586,362	\$13,786,699	\$14,095,989	\$14,636,258	\$14,280,680
Net Income Before in Lieu of Tax	\$10,872,978	\$29,272,258	\$31,828,239	\$38,624,100	\$40,671,873
ILOT	<u>19,462,860</u>	<u>19,199,649</u>	<u>21,596,096</u>	<u>22,131,617</u>	<u>22,073,833</u>
Net Income	(\$8,589,882)	\$10,072,609	\$10,232,143	\$16,492,483	\$18,598,040

Utilities System Historical Debt Service Coverage Calculation
Page 35

	2010	2011	2012	2013	2014
Total System Revenues	\$214,560,614	\$239,442,720	\$222,007,121	\$234,524,951	\$248,410,288
Total Operating Expenses	<u>173,002,757</u>	<u>180,840,724</u>	<u>166,165,173</u>	<u>168,415,411</u>	<u>177,466,560</u>
Balance Available for Debt Service	\$41,557,857	\$58,601,996	\$55,841,948	\$66,109,540	\$70,943,728
Net Debt Service	\$10,722,038	\$14,245,228	\$15,311,868	\$22,917,286	\$23,333,915
Debt Service Coverage	3.9	4.1	3.6	2.9	3.0

Summary of Debt Statement as of February 2, 2015

Page C-3 ⁽¹⁾

Debt / Type of Obligation	Principal Outstanding
A. <u>Debt of the City of Lafayette</u>	
Type of Obligation	
Sales Tax Bonds	\$281,255,000
Utilities Revenue Bonds	\$237,865,000
Communications System Revenue Bonds	\$111,450,000
Taxable Revenue Bonds	\$37,575,000
Certificates of Indebtedness	\$5,080,000
B. <u>Debt of the Parish of Lafayette</u>	
Type of Obligation	
Unlimited Ad Valorem Tax Bonds	\$61,820,000
C. <u>Debt of the Lafayette Parish School Board</u> ⁽²⁾	
Type of Obligation	
Sales Tax Bonds	\$84,485,775
Certificates of Indebtedness	\$4,764,000
D. <u>District Bond Debt</u>	
Type of Obligation	
<i>Unlimited Ad Valorem Tax Bonds</i>	
1. Lafayette Parish Bayou Vermilion District	\$100,000
2. Lafayette Parish Law Enforcement District	\$19,610,000
E. <u>Debt of the Lafayette Public Power Authority</u>	
Type of Obligation	
Electric Revenue Bonds	\$90,580,000
F. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District North</u>	
Type of Obligation	
Water Revenue Bonds	\$4,385,000
G. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District South</u>	
Type of Obligation	
Water Revenue Bonds	\$3,937,000

- (1) The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, certain Industrial Development Revenue Bonds of the Lafayette Economic Development Authority (formerly the Lafayette Harbor, Terminal and Industrial Development District), the Lafayette Public Trust Financing Authority, Lafayette Industrial Board, Lafayette I-10 Corridor District at Mile Marker 103, and any annual appropriation lease of any entity.
- (2) Excludes LCDA QZAB loan in the original principal amount of \$3,001,060, with a final maturity date of November 15, 2015, payable from available funds of the Lafayette Parish School Board.

Utilities Revenue Bonds, Series 2012 (LUS)

Utilities System LUS Income Statements
Page 33

	2010	2011	2012	2013	2014
Operating Revenues					
Electric	\$88,734,345	\$101,602,013	\$97,060,235	\$93,111,312	\$95,395,327
Electric Retail Fuel Adjustment	83,750,043	87,783,625	76,824,304	93,158,373	105,375,603
Water	15,494,040	18,525,544	17,704,385	17,394,122	17,746,170
Wastewater	24,234,178	29,640,890	29,145,030	28,617,205	28,579,957
Fiber	<u>0</u>	<u>192</u>	<u>415</u>	<u>0</u>	<u>40</u>
Total Operating Revenues	\$212,212,606	\$237,552,264	\$220,734,370	\$232,281,011	\$247,097,098
Operating Expenses					
Electric Fuel & Purch Power	\$112,538,709	\$117,267,093	\$93,334,902	\$96,443,791	\$105,679,639
Electric Other Production	10,059,782	9,838,002	14,862,330	12,868,472	7,893,377
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Wastewater	14,781,373	15,285,320	16,144,199	16,305,244	17,428,365
Fiber	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	\$173,002,757	\$180,840,724	\$166,165,173	\$168,415,411	\$177,466,560
Net Operating Revenues	\$39,209,849	\$56,711,540	\$54,569,197	\$63,865,600	\$69,630,538
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Other Income					
Interest Income	\$2,351,230	\$1,890,648	\$1,273,167	\$2,243,940	\$1,313,230
Unrealized Gain/Loss on Invs	(767,043)	0	0	0	30,750
Amortization of Debt Premium	276,515	290,521	503,471	2,608,147	3,029,199
Water Tapping Fees	97,800	47,900	86,100	105,100	104,100
Communications Lease Income	0	0	0	0	97,073
Contributions in Aid of Construction	208,276	(8,361)	0	7,135	0
Misc. Non-Operating Revenue	<u>(69,518)</u>	<u>1,843,038</u>	<u>8,869,047</u>	<u>5,408,764</u>	<u>2,877,693</u>
Total Other Income	\$2,097,260	\$4,063,747	\$10,731,784	\$10,373,086	\$7,452,045
Other Expenses					
Loss on Disposition of Property	\$0	\$15,621	\$0	\$0	\$250,980
Interest Expense	9,782,038	11,227,182	11,042,341	9,438,459	9,180,021
Amortizations	1,735,578	1,735,578	1,735,578	1,735,581	1,646,801
Interest on Customer Deposits	9,213	0	0	13,831	11,746
Tax Collections/Non-Operating	(97,405)	154,016	308,182	322,829	0

CONTINUING DISCLOSURES – UTILITIES SYSTEM

**Utilities System LUS Income Statements
Page 33**

	2010	2011	2012	2013	2014
Misc Non-Operating Expense	<u>0</u>	<u>449,800</u>	<u>788,059</u>	<u>1,830,478</u>	<u>1,921,605</u>
Total Other Expenses	\$11,429,424	\$13,582,197	\$13,874,161	\$13,341,177	\$13,011,154
Net Income Before in Lieu of Tax	\$11,029,916	\$29,476,760	\$32,050,068	\$39,919,181	\$41,941,399
ILOT	\$19,462,860	\$19,199,649	\$21,596,096	\$22,131,617	\$22,073,833
Net Income	(\$8,432,944)	\$10,277,111	\$10,453,971	\$17,787,564	\$19,867,566

**Utilities System Historical Debt Service Coverage Calculation
Page 35**

	2010	2011	2012	2013	2014
Total System Revenues	\$214,560,614	\$239,442,720	\$222,007,121	\$234,524,951	\$248,410,288
Total Operating Expenses	<u>173,002,757</u>	<u>180,840,724</u>	<u>166,165,173</u>	<u>168,415,411</u>	<u>177,466,560</u>
Balance Available for Debt Service	\$41,557,857	\$58,601,996	\$55,841,948	\$66,109,540	\$70,943,728
Net Debt Service	\$10,722,038	\$14,245,228	\$15,311,868	\$22,917,286	\$23,333,915
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Summary of Debt Statement as of February 2, 2015
Page C-3 ⁽¹⁾

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Communications System Revenue Bonds	\$111,450,000
Taxable Revenue Bonds	\$37,575,000
Certificates of Indebtedness	\$5,080,000
B. <u>Debt of the Parish of Lafayette</u>	
Type of Obligation	
Unlimited Ad Valorem Tax Bonds	\$61,820,000
C. <u>Debt of the Lafayette Parish School Board</u> ⁽²⁾	
Type of Obligation	
Sales Tax Bonds	\$84,485,775
Certificates of Indebtedness	\$4,764,000
D. <u>District Bond Debt</u>	
Type of Obligation	
<i>Unlimited Ad Valorem Tax Bonds</i>	
3. Lafayette Parish Bayou Vermilion District	\$100,000
4. Lafayette Parish Law Enforcement District	\$19,610,000
E. <u>Debt of the Lafayette Public Power Authority</u>	
Type of Obligation	
Electric Revenue Bonds	\$90,580,000
F. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District North</u>	
Type of Obligation	
Water Revenue Bonds	\$4,385,000
G. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District South</u>	
Type of Obligation	
Water Revenue Bonds	\$3,937,000

(1) The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, certain Industrial Development Revenue Bonds of the Lafayette Economic Development Authority (formerly the Lafayette Harbor, Terminal and Industrial Development District), the Lafayette Public Trust Financing Authority, Lafayette Industrial Board, Lafayette I-10 Corridor District at Mile Marker 103, and any annual appropriation lease of any entity.

(2) Excludes LCDA QZAB loan in the original principal amount of \$3,001,060, with a final maturity date of November 15, 2015, payable from available funds of the Lafayette Parish School Board.

Appendix B

CONTINUING DISCLOSURES - LPPA

Introduction

Any governmental entity that issues bonds must enter into a continuing disclosure agreement to be in compliance with the Securities and Exchange Commission (SEC) Rule 15c2-12. As part of the continuing disclosure agreement, the issuer promises to provide certain annual financial information and material even notices to the public. These filings must be made electronically at the Electronic Municipal Market Access (EMMA) portal (www.emma.msrb.org).

LPPA has the following outstanding debt as of April 2015:

- Electric Revenue Bonds, Series 2007
- Electric Revenue Bonds, Series 2012

The continuing disclosure agreement for the outstanding bonds requires that specific tables contained in the Official Statements must be updated annually. This section contains the required tables. This section contains forward looking financial statements based on our current expectations and projections about future events and financial trends regarding LPPA. Projections as contained herein reflect estimates of what may occur in the future based on the information available to us as of the date of this Report. NewGen cannot predict the future or guarantee future financial performance of LPPA. To the extent that assumptions used in these projections vary from those actually observed, financial performance as presented herein will vary from actual performance. NewGen prepared a 10-year projection of financial and operating data for LPPA. Projections are based on our review of historical operating results, Cleco's budget, visual observations of LPPA assets, and other assumptions and considerations as listed in the Report. The projections prepared by NewGen are for the Projected Period of November 1, 2014 through October 31, 2024 (the "Projected Period"). LPPA provided actual historical data for fiscal year (FY) 2010 through FY 2014.

Information and Assumptions Relied Upon

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

- LUS electric sales growth
- Electric System rate structure
- Capital additions and improvements associated with LPPA

The Electric System growth is expected to remain steady with an annual increase in energy sales of approximately 1.6 to 1.9 percent through the Projected Period. Growth and related rate revenues maintain LUS' ability to meet debt service requirements.



All LPPA costs are paid by LUS. The LPPA costs are treated as purchased power costs to LUS. The Electric System rate structure includes an FC that passes certain costs directly to customers. The rate structure allows a significant portion of the LPPA costs to be recovered through the FC. The FC passes through any fuel or environmental related costs to the customers without the need for a formal rate increase and Council approval. The following LPPA costs are passed through the LUS FC: fuel cost, MATS O&M costs, debt service associated with the rail cars and debt service associated with the MATS project. The remainder of the LPPA expenses are recovered through the electric base rates (customer charge, demand charge, energy charge). Over the Projected Period, there are no base rate increases associated with the Electric System.

Upon completion of the MATS upgrade, Cleco is not projecting further significant capital improvement projects. However, capital improvement plans are reviewed periodically and are subject to change based on evolving operational and federal regulatory requirements.

Revenue Projection

LPPA projected revenues reflect the full cost recovery per the PCA. Therefore, revenues are equivalent to debt service, capital, and meeting reserve requirements.

Expense Projection

LPPA's single largest expense is fuel. Rodemacher Unit 2 is projected to have a capacity factor between 65 to 80 percent over the Projected Period. The capacity factor varies based on schedule outages and forecast Midcontinent Independent System Operator (MISO) market prices. In December 2013, LUS became a full MISO market participant as a Local Balancing Authority, with The Energy Authority (TEA) designated to handle day-ahead schedules. Since becoming a MISO participant, LUS now generates power for and purchases power from the MISO market. LUS has the ability to schedule Rodemacher Unit 2 operation at certain levels to meet LUS load or other contractual obligations. Available capacity above the scheduled amount may be economically dispatched into the MISO market. A further discussion on MISO can be found under Utilities System-Electric System description within this Report.

The 2014 Rodemacher Unit 2 actual annual average coal price was escalated based on the 2015 Energy Information Administration (EIA) Short-term Energy Outlook coal price forecast. These assumptions were the basis for projecting LPPA fuel costs associated with the Rodemacher Unit 2. For Rodemacher Unit 2, NewGen relied upon a MISO hourly price forecast developed by Ventyx in the fall of 2014. All other Operating Expenses were escalated at inflation.

Debt Service

An important LPPA non-fuel cost is related to debt service. Over the Projected Period, approximately 85 percent of LPPA debt service is passed through the LUS FC. LPPA fuel, O&M expenses, and debt service associated with MATS upgrades, and debt service associated with rail cars are included in the LUS FC calculation. LUS Electric System base rates recover the remaining LPPA debt service obligation.

LPPA debt service includes the Series 2012 Bonds and Series 2015 Bonds. Projected operating results assume no future bond issues to meet LPPA capital requirements. The debt service

coverage ratio meets the minimum requirement of 1.0. Because LUS pays 100 percent of LPPA costs, Operating Revenues, provided exclusively from LUS, generally equal Operating Costs. The extent that debt service coverage is greater than 1.0, any available cash is applied to capital improvement projects.

Bond monies associated with Series 2007 Bonds and Series 2012 Bonds have been used to purchase aluminum rail cars, install environmental controls to comply with MATS, NO_x, and SO₂ requirements, and other capital improvements required to maintain the operation and availability of Rodemacher Unit 2.

Capital Improvement Program

During the Projected Period, the LPPA CIP reflects capital projects designed to maintain the assets for reliability. The largest capital expenditures occur in years 2015 and 2016. The capital projects include a performance optimization system, primary and secondary air heater cold end baskets, ductwork expansions, upgrades in switchgear breakers, and other projects related to reliability or improving performance.

Bond Reserve Fund and Cash Available

LPPA's current Bond Reserve Fund Balance is approximately \$9.7 million as required by the Series 2007 and 2012 Bond Ordinance. With the refunding of the Series 2007 Bonds, the new Bond Reserve Fund requirement will be approximately \$9.4 million for Series 2012 and 2015 Bonds as shown below. LPPA also maintains a Reserved and Contingency Fund of approximately \$5.3 million and a Fuel Cost Stability Fund of approximately \$4.5 million.

LPPA, Electric Revenue Bonds, Series 2007

Debt Service Requirements
Page 5

Due Date	Series 2007 Bonds	Series 2012 Bonds	Total Debt Service Requirement
5/1/2015	\$724,978	\$1,329,150	\$2,054,128
11/1/2015	1,354,978	3,654,150	5,009,128
5/1/2016	710,091	1,282,650	1,992,741
11/1/2016	1,370,091	3,697,650	5,067,741
5/1/2017	696,891	1,234,350	1,931,241
11/1/2017	1,381,891	3,744,350	5,126,241
5/1/2018	683,191	1,184,150	1,867,341
11/1/2018	1,398,191	3,794,150	5,192,341
5/1/2019	668,891	1,131,950	1,800,841
11/1/2019	1,408,891	3,846,950	5,255,841
5/1/2020	653,166	1,104,800	1,757,966
11/1/2020	1,428,166	3,874,800	5,302,966
5/1/2021	636,213	1,049,400	1,685,613
11/1/2021	1,441,213	3,929,400	5,370,613
5/1/2022	618,100	991,800	1,609,900
11/1/2022	1,463,100	3,986,800	5,449,900
5/1/2023	599,088	916,925	1,516,013
11/1/2023	1,479,088	4,061,925	5,541,013
5/1/2024	579,288	854,025	1,433,313
11/1/2024	1,499,288	4,129,025	5,628,313
5/1/2025	558,588	772,150	1,330,738
11/1/2025	1,518,588	4,207,150	5,725,738
5/1/2026	536,988	686,275	1,223,263
11/1/2026	1,541,988	4,296,275	5,838,263
5/1/2027	514,375	596,025	1,110,400
11/1/2027	1,564,375	4,386,025	5,950,400
5/1/2028	490,750	501,275	992,025
11/1/2028	1,590,750	4,481,275	6,072,025
5/1/2029	463,250	401,775	865,025
11/1/2029	4,758,250	4,576,775	9,335,025
5/1/2030	355,875	297,400	653,275
11/1/2030	4,870,875	4,682,400	9,553,275
5/1/2031	243,000	231,625	474,625
11/1/2031	4,983,000	4,751,625	9,734,625
5/1/2032	124,500	118,625	243,125

**Debt Service Requirements
Page 5**

Due Date	Series 2007 Bonds	Series 2012 Bonds	Total Debt Service Requirement
11/1/2032	<u>5,104,500</u>	<u>4,863,625</u>	<u>9,968,125</u>
Total	\$50,014,438	\$89,648,700	\$139,663,138

**Unit No. 2 Operating Statistics
Page 31**

	2010	2011	2012	2013	2014	Five-Year Average
Gross Generation (MWh)	3,455,279	3,433,091	2,858,332	3,047,012	2,568,621	3,072,467
Station Service (MWh)	239,105	237,591	225,368	222,149	170,853	219,013
Net Generation (MWh)	3,216,174	3,195,500	2,632,964	2,824,863	2,397,768	2,853,454
Station Service (%)	6.9%	6.9%	7.9%	7.3%	6.7%	7.1%
Net Capacity Factor (%)	70.2%	69.8%	61.7%	66.4%	55.8%	64.8%
Hours Available	7,945	7,934	7,933	7,515	5,626	7,391
Net Unit Heat Rate (Btu/kWh)	10,975	10,754	11,077	10,975	11,040	10,964
Availability Factor (%)	90.7%	90.7%	90.3%	85.8%	64.2%	84.3%
Forced Outage Factor (%)	4.9%	1.7%	2.5%	5.8%	1.3%	3.2%
Scheduled Outage Factor (%)	4.4%	7.6%	7.2%	8.4%	34.5%	12.4%

**Annual Operating Expenses - LPPA's Share of Unit No. 2
Page 32**

	2010	2011	2012	2013	2014
LPPA Share (MWh)	1,387,669	1,304,363	1,251,331	1,299,249	1,185,928
Fuel	\$42,364,565	\$40,968,583	\$42,059,893	\$42,482,048	\$37,201,705
Operations	2,255,482	2,417,592	2,372,222	2,457,540	2,311,923
Maintenance	4,284,372	4,661,790	4,124,193	5,723,382	9,767,676
Administrative & General	<u>2,239,278</u>	<u>2,497,759</u>	<u>2,280,771</u>	<u>2,744,974</u>	<u>2,649,166</u>
Total Operating Expenses	\$51,143,696	\$50,545,723	\$50,837,080	\$53,407,944	\$51,930,471
Total Operating Expenses \$/MWh	36.86	38.75	40.63	41.11	43.79
Total Operating Expenses Less Fuel \$/MWh	6.33	7.34	7.01	8.41	12.42

**LPPA
Page 32**

	2010	2011	2012	2013	2014
Total Operating Revenues	\$64,653,777	\$64,047,865	\$58,094,335	\$60,403,471	\$58,881,514
Total Operating Expenses	<u>51,143,696</u>	<u>50,545,723</u>	<u>50,837,080</u>	<u>53,407,944</u>	<u>51,930,471</u>
Net Operating Revenues	\$13,510,081	\$13,502,142	\$7,257,255	\$6,995,527	\$6,951,044
Other Income	\$271,413	\$190,783	\$277,343	\$105,502	\$79,783
Balance Available for Debt Service	\$13,781,494	\$13,692,925	\$7,534,598	\$7,101,030	\$7,030,826
Debt Service	\$13,146,659	\$13,211,961	\$6,786,640	\$7,057,640	\$7,060,106
Balance After Debt Service	\$634,836	\$480,964	\$747,959	\$43,390	(\$29,280)

**Summary Statements of Revenues, Expenses, and Changes in Fund Net Assets
Page 34**

	2010	2011	2012	2013	2014
Operating Revenues:					
Sales of Electric Energy					
City of Lafayette (LUS)	\$64,653,777	\$64,047,865	\$58,094,335	\$60,403,471	\$58,881,514
Operating Expenses					
Production	\$48,904,419	\$48,047,964	\$47,491,737	\$50,662,970	\$49,281,305
Administrative & General	2,239,278	2,497,759	2,280,771	2,744,974	2,649,166
Depreciation	<u>3,855,656</u>	<u>669,941</u>	<u>1,730,705</u>	<u>2,154,909</u>	<u>1,799,880</u>
Total Operating Expenses	\$54,999,352	\$51,215,664	\$51,503,213	\$55,562,852	\$53,730,351
Non Operating Revenues (Expenses)					
Other	(\$5,046)	\$0	\$0	\$0	(\$0)
Investment Earnings	216,377	344,574	122,934	149,361	69,455
Interest on Long Term Debt	(2,590,795)	(2,113,051)	(1,096,865)	(3,490,847)	(3,667,746)
Gain (Loss) on Disposition of Property	<u>(1,001,548)</u>	<u>(117,212)</u>	<u>(158,389)</u>	<u>(2,694)</u>	<u>(89,914)</u>
Total	(\$3,381,012)	(\$1,885,689)	(\$1,132,320)	(\$3,344,180)	(\$3,688,205)
Net Income (Loss) for the Period	\$6,273,413	\$10,946,512	\$5,458,801	\$1,496,503	\$1,462,958
Fund Net Assets Beginning	\$45,010,131	\$51,283,544	\$62,230,056	\$67,688,857	\$67,842,718
Fund Net Assets, End of Year	\$51,283,544	\$62,230,056	\$67,688,857	\$69,185,360	\$69,305,676

Summary Statements of Cash Flows
Page 35

	2010	2011	2012	2013	2014
Cash Flows from Operating Activities					
Receipts from customers	\$64,912,391	\$63,911,254	\$63,164,113	\$55,157,891	\$58,881,514
Payments to suppliers for goods & services	(48,870,367)	(46,152,344)	(54,137,875)	(56,755,015)	(41,029,452)
Payments to employees and for employee related costs	<u>(402,499)</u>	<u>(390,851)</u>	<u>(409,130)</u>	<u>(420,225)</u>	<u>(413,944)</u>
Net cash provided (used) by operating activities	\$15,639,525	\$17,368,059	\$8,617,108	(\$2,017,349)	\$17,438,118
Cash Flows from Capital and Related Financing Activities					
Proceeds from Issuance of Bonds	\$0	\$0	\$0	\$65,100,000	\$0
Premium on issuance on bonds	0	0	0	10,327,627	0
Principal payments on bonds	(11,730,000)	(12,365,000)	(13,030,000)	(7,235,000)	(6,005,000)
Interest Paid	(3,347,526)	(2,769,071)	(2,157,076)	(2,683,187)	(6,351,072)
Debt issuance costs	0	0	(52,917)	(738,231)	0
Preliminary survey investigation costs paid	(28,158)	(485,954)	(1,528,517)	0	0
Proceeds from redesignation of capital assets	222,670	0	0	0	0
Purchase and construction of capital assets	<u>(1,260,767)</u>	<u>(880,603)</u>	<u>(3,793,865)</u>	<u>(18,567,243)</u>	<u>(41,841,533)</u>
Net cash provided (used) by capital and related financing activity	(\$16,143,781)	(\$16,500,628)	(\$20,562,375)	\$46,203,966	(\$54,197,605)
Cash Flows from Investing Activities					
Sales (purchases) of investments - net	(\$150,000)	\$31,122	\$6,473,528	(\$717,384)	\$0
Interest Earnings	398,810	175,299	301,224	136,376	76,041
Other	<u>(5,046)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash provided by investing activities	\$243,764	\$206,421	\$6,774,752	(\$581,008)	\$76,041
Net increase (decrease) in cash and cash equivalents	(\$260,492)	\$1,073,852	(\$5,170,515)	\$43,605,609	(\$36,683,446)
Cash and cash equivalents, beginning of year	\$42,075,094	\$41,814,602	\$42,888,454	\$37,717,939	\$81,323,548
Cash and cash equivalents, end of year	\$41,814,602	\$42,888,454	\$37,717,939	\$81,323,548	\$44,640,102

**Utilities System Historical Electric Retail and
Wholesale Sales (MWh)
Page 41**

Year	Retail	Wholesale	Total Sales
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
2012	1,970,448	132,272	2,102,720
2013	1,979,136	37,151	2,016,287
2014	2,027,115	1,014,675	3,041,789
Average Growth	0.1%	60.9%	8.8%

**Utilities System Historical Electric System Net
Requirements
Page 41**

Year	Energy	Peak	Load Factor
2010	2,168,772	468	53%
2011	2,173,831	486	51%
2012	2,111,517	474	51%
2013	2,071,816	450	53%
2014	2,099,005	460	52%
Average Growth	(0.8%)		

**Utilities System Proposed Electric System
Facilities (2015-2019)
Page 43**

Project Description	Amount
Acquisitions	\$3,000,000
Production	2,400,000
Distribution	2,770,000
Substation	23,080,000
Transmission	8,520,000
General Plant	<u>2,025,000</u>
Total Electric	\$41,795,000

**Utilities System Historical Water Retail and Wholesale
Sales (1,000 Gallons)**

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Year	Retail	Wholesale	Total Sales
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
2012	5,743,099	1,858,479	7,601,578
2013	5,494,648	1,893,375	7,388,023
2014	5,426,408	2,004,355	7,430,763
Average Growth	(0.8%)	2.2%	0.0%

**Utilities System Proposed Water System
Facilities (2015-2019)**

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Project Description	Amount
Production	\$6,715,000
Distribution	<u>7,325,000</u>
Total Water	\$14,040,000

**Utilities System Historical Wastewater
System Flows (1,000 Gallons)**

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Year	Retail
2010	5,715,794
2011	5,190,182
2012	5,448,397
2013	5,730,473
2014	5,476,065
Average Growth	(1.1%)

**Utilities System Proposed Wastewater System
Facilities (2015-2019)
Page 49**

Project Description	Amount
Treatment	\$31,750,000
Collection	<u>15,145,000</u>
Total Wastewater	\$46,895,000

**Utilities System Historical Number of Customers by System
Page 49**

Year	Electric System	Water System	Wastewater System
2010	62,746	51,960	41,522
2011	63,531	52,749	41,928
2012	63,911	53,088	42,049
2013	64,496	53,926	42,586
2014	65,262	54,637	43,068

**Largest Customers (Electric)
Page 50**

Customer	Type of Business	2014 Revenues
University of Louisiana	Higher Education	\$4,242,161
Lafayette General Hospital	Health Care	2,899,655
Our Lady of Lourdes Hospital	Health Care	2,136,032
Laf. Consolidated Gov't - StreetLights	Government	1,780,758
Stuller Settings, Inc	Jewelry Manufacturing	1,078,426
Acadiana Mall	Shopping Center	939,779
International Paper	Paper Products	824,313
University Hospital & Clinics	Health Care	718,370
Laf. Consolidated Gov't - Sewer Plant	Government	703,741
Regional Medical Center of Acadiana	Health Care	\$680,396

Largest Customers (Water)
Page 50

Customer	Type of Business	2014 Revenues
University of Louisiana	Higher Education	\$481,290
Lafayette General Hospital	Health Care	262,073
Our Lady of Lourdes Hospital	Health Care	109,993
Borden Company	Dairy Products	76,845
Lafayette Parish Correction Center	Correction Facility	61,513
Regional Medical Center of Acadiana	Health Care	48,073
Advanced Polymer Systems	Telecommunications	47,574
Bayou Shadow Apartments	Housing	37,572
South Point Apartments	Housing	35,169
Single Source Supply, LLC	Distributor	\$63,619

Largest Customers (Wastewater)
Page 50

Customer	Type of Business	2014 Revenues
University of Louisiana	Higher Education	\$1,302,968
Lafayette General Hospital	Health Care	486,822
Borden Company	Dairy Products	335,328
Our Lady of Lourdes Hospital	Health Care	155,367
Lafayette Parish Correctional Center	Correction Facility	147,324
Bayou Shadows Apartments	Housing	115,308
South Point Apartments	Housing	109,159
Single Source Supply, LLC	Distributor	115,771
Bayou Oaks Apartments	Housing	89,568
Grand Pointe Apartments	Housing	\$87,471

LUS Electric Retail Rate Summary
Page 53

Rate Class	Serves	Effective Date	Customer Charge (\$/month)	Demand Charge (\$/kW)	Non Fuel Energy Charge (\$/kWh)
R-1	Residential	Nov 2010	6.00	0.00	0.04010
R-1-O	Residential Non-City	Nov 2010	6.60	0.00	0.04411
C-1	Small Commercial	Nov 2010	10.00	0.00	0.05710
C-2	Large Commercial	Nov 2010	50.00	8.50	0.01892

LUS Water Retail Rate Summary
Page 51

Rate Class	Serves	Effective Date	Meter Size (inches)	Customer Charge (\$/month)	Winter Commodity Rate (\$/1,000 gallons)	Summer Commodity Rate Tier 1 (\$/1,000 gallons)	Summer Commodity Rate Tier 2 (\$/1,000 gallons)	Monthly Commodity Rate (\$/1,000 gallons)
W-1	Residential	Nov 2010	3/4	4.25	1.59	1.59	2.54	NA
			1	7.25	1.59	1.59	2.54	NA
			1 1/2	14.00	1.59	1.59	2.54	NA
			2	22.50	1.59	1.59	2.54	NA
			3	42.50	1.59	1.59	2.54	NA
			4	71.00	1.59	1.59	2.54	NA
			6	141.50	1.59	1.59	2.54	NA
			8	226.50	1.59	1.59	2.54	NA
W-1-O	Residential Non-City	Nov 2010	3/4	8.50	3.18	3.18	5.08	NA
			1	14.50	3.18	3.18	5.08	NA
			1 1/2	28.00	3.18	3.18	5.08	NA
			2	45.00	3.18	3.18	5.08	NA
W-2	Commercial	Nov 2010	3/4	4.25	NA	NA	NA	1.75
			1	7.25	NA	NA	NA	1.75
			1 1/2	14.00	NA	NA	NA	1.75
			2	22.50	NA	NA	NA	1.75
			3	42.50	NA	NA	NA	1.75
			4	71.00	NA	NA	NA	1.75
			6	141.50	NA	NA	NA	1.75
			8	226.50	NA	NA	NA	1.75
W-2-O	Residential Non-City	Nov 2010	3/4	8.50	NA	NA	NA	3.50
			1	14.50	NA	NA	NA	3.50
			1 1/2	28.00	NA	NA	NA	3.50
			2	45.00	NA	NA	NA	3.50

**LUS Wastewater Retail Rate Summary
Page 51**

Rate Class	Serves	Effective Date	Customer Charge (\$/month)	Monthly Volumetric Charge (\$/1,000 gallons)
S-1	Residential	Nov 2010	6.49	5.52
S-1-O	Residential Non-City	Nov 2010	6.72	6.79
S-2	Commercial	Nov 2010	16.14	5.66
S-2-O	Commercial	Nov 2010	24.31	6.51

**Utilities System Schedule of Revenues, Expenses, and Retained Earnings
Page 55**

	2010	2011	2012	2013	2014
Operating Revenues					
Electric	\$88,734,345	\$101,602,013	\$97,060,235	\$93,111,312	\$95,395,327
Electric Retail Fuel Adjustment	83,750,043	87,783,625	76,824,304	93,158,373	105,375,603
Water	15,494,040	18,525,544	17,704,385	17,394,122	17,746,170
Wastewater	24,234,178	29,640,890	29,145,030	28,617,205	28,579,957
Fiber	0	192	415	0	40
Total Operating Revenues	\$212,212,606	\$237,552,264	\$220,734,370	\$232,281,011	\$247,097,098
Operating Expenses					
Electric Fuel & Purch Power	\$112,538,709	\$117,267,093	\$93,334,902	\$96,443,791	\$105,679,639
Electric Other Production	10,059,782	9,838,002	14,862,330	12,868,472	7,893,377
Other Electric	24,736,972	26,666,603	29,687,697	30,849,592	33,514,860
Water	10,885,922	11,783,706	12,136,044	11,948,312	12,950,319
Wastewater	14,781,373	15,285,320	16,144,199	16,305,244	17,428,365
Fiber	0	0	0	0	0
Total Operating Expenses	\$173,002,757	\$180,840,724	\$166,165,173	\$168,415,411	\$177,466,560
Net Operating Revenues	\$39,209,849	\$56,711,540	\$54,569,197	\$63,865,600	\$69,630,538
Depreciation	\$18,847,770	\$17,716,330	\$19,376,753	\$20,978,328	\$22,130,030
Other Income					
Interest Income	\$2,351,230	\$1,890,648	\$1,273,167	\$2,243,940	\$1,313,230
Unrealized Gain/Loss on Invs	(767,043)	0	0	0	30,750
Amortization of Debt Premium	276,515	290,521	503,471	2,608,147	3,029,199
Water Tapping Fees	97,800	47,900	86,100	105,100	104,100
Communications Lease Income	0	0	0	0	97,073
Contributions in Aid of Construction	208,276	(8,361)	0	7,135	0

Appendix B

Utilities System Schedule of Revenues, Expenses, and Retained Earnings
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	2010	2011	2012	2013	2014
Misc. Non-Operating Revenue	<u>(69,518)</u>	<u>1,843,038</u>	<u>8,869,047</u>	<u>5,408,764</u>	<u>2,877,693</u>
Total Other Income	\$2,097,260	\$4,063,747	\$10,731,784	\$10,373,086	\$7,452,045
Other Expenses					
Loss on Disposition of Property	\$0	\$15,621	\$0	\$0	\$250,980
Interest Expense	9,782,038	11,227,182	11,042,341	9,438,459	9,180,021
Amortization on Plant	1,735,578	1,735,578	1,735,578	1,735,581	1,646,801
Amortization - Other	156,938	204,502	221,828	1,295,081	1,269,526
Interest on Customer Deposits	9,213	0	0	13,831	11,746
Tax Collections/Non-Operating	(97,405)	154,016	308,182	322,829	0
Misc. Non-Operating Expense	<u>0</u>	<u>449,800</u>	<u>788,059</u>	<u>1,830,478</u>	<u>1,921,605</u>
Total Other Expenses	\$11,586,362	\$13,786,699	\$14,095,989	\$14,636,258	\$14,280,680
Net Income Before in Lieu of Tax	\$10,872,978	\$29,272,258	\$31,828,239	\$38,624,100	\$40,671,873
ILOT	<u>\$19,462,860</u>	<u>\$19,199,649</u>	<u>\$21,596,096</u>	<u>\$22,131,617</u>	<u>\$22,073,833</u>
Net Income	(\$8,589,882)	\$10,072,609	\$10,232,143	\$16,492,483	\$18,598,040

Summary Statement of Revenue, Expenses, and Changes in Fund Net Assets, City of Lafayette
Utilities System, Five Years Ending October 31
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	2010	2011	2012	2013	2014
Operating Revenues					
Charges for Services	\$207,471,546	\$232,146,148	\$215,887,924	\$228,128,999	\$242,884,655
Miscellaneous	<u>4,835,638</u>	<u>5,889,913</u>	<u>5,286,648</u>	<u>5,140,741</u>	<u>4,796,423</u>
Total Operating Revenues	\$212,307,184	\$238,036,061	\$221,174,572	\$233,269,740	\$247,681,078
Operating Expenses					
Production, Collection, & Cost of Services	\$130,569,249	\$134,905,036	\$115,939,388	\$117,650,679	\$122,444,242
Transmission, Distribution & Treatment	20,649,127	22,066,378	23,341,508	24,853,589	27,674,617
Administrative & General & Customer	21,784,381	23,869,752	26,852,309	25,911,143	27,347,702
ILOT	19,462,860	19,199,649	21,596,096	22,131,617	22,073,834
Depreciation & Amortization on Plant	<u>20,583,348</u>	<u>19,451,908</u>	<u>21,112,330</u>	<u>22,713,909</u>	<u>23,776,831</u>
Total Operating Expenses	\$213,048,965	\$219,492,723	\$208,841,631	\$213,260,937	\$223,317,226
Operating Income	(\$741,781)	\$18,543,338	\$12,332,941	\$20,008,803	\$24,363,852

**Summary Statement of Revenue, Expenses, and Changes in Fund Net Assets, City of Lafayette
Utilities System, Five Years Ending October 31**

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	2010	2011	2012	2013	2014
Non-Operating Revenues (Expenses)					
Investment Earnings	\$1,584,187	\$1,936,842	\$1,184,124	\$1,843,960	\$1,343,980
Interest Expense	(9,671,673)	(10,989,023)	(10,770,301)	(8,139,223)	(7,432,094)
Gain (Loss) on sale/disposal of assets	0	(216,119)	(93,772)	(192,820)	(250,980)
Federal Grant Revenue	0	0	7,119,896	2,730,634	656,112
Hurricane	0	0	(253,536)		
Other	<u>27,887</u>	<u>575,440</u>	<u>221,252</u>	<u>233,994</u>	<u>(82,830)</u>
Total Non-Operating Revenues (Expenses)	(\$8,059,599)	(\$8,692,860)	(\$2,592,337)	(\$3,523,455)	(\$5,765,812)
Income Before Contributions	(\$8,801,380)	\$9,850,478	\$9,740,604	\$16,485,348	\$18,598,040
Capital Contributions	\$211,498	\$222,130	\$491,540	\$7,135	\$0
Change in Net Assets	(\$8,589,882)	\$10,072,608	\$10,232,144	\$16,492,483	\$18,598,040
Net Assets, Beginning	\$457,052,862	\$448,462,980	\$458,815,851	\$465,513,812	\$479,897,190
Net Assets, Ending	\$448,462,980	\$458,535,588	\$469,047,995	\$482,006,295	\$498,495,230

Summary of Debt Statement as of February 2, 2015
Page B-2 ⁽¹⁾

Debt / Type of Obligation	Principal Outstanding
A. <u>Debt of the City of Lafayette</u>	
Type of Obligation	
Sales Tax Bonds	\$281,255,000
Utilities Revenue Bonds	\$237,865,000
Communications System Revenue Bonds	\$111,450,000
Taxable Revenue Bonds	\$37,575,000
Certificates of Indebtedness	\$5,080,000
B. <u>Debt of the Parish of Lafayette</u>	
Type of Obligation	
Unlimited Ad Valorem Tax Bonds	\$61,820,000
C. <u>Debt of the Lafayette Parish School Board ⁽²⁾</u>	
Type of Obligation	
Sales Tax Bonds	\$84,485,775
Certificates of Indebtedness	\$4,764,000
D. <u>District Bond Debt</u>	
Type of Obligation	
<i>Unlimited Ad Valorem Tax Bonds</i>	
5. Lafayette Parish Bayou Vermillion District	\$100,000
6. Lafayette Parish Law Enforcement District	\$19,610,000
E. <u>Debt of the Lafayette Public Power Authority</u>	
Type of Obligation	
Electric Revenue Bonds	\$90,580,000
F. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District North</u>	
Type of Obligation	
Water Revenue Bonds	\$4,385,000
G. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District South</u>	
Type of Obligation	
Water Revenue Bonds	\$3,937,000

(1) The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, certain Industrial Development Revenue Bonds of the Lafayette Economic Development Authority (formerly the Lafayette Harbor, Terminal and Industrial Development District), the Lafayette Public Trust Financing Authority, Lafayette Industrial Board, Lafayette I-10 Corridor District at Mile Marker 103, and any annual appropriation lease of any entity.

(2) Excludes LCDA QZAB loan in the original principal amount of \$3,001,060, with a final maturity date of November 15, 2015, payable from available funds of the Lafayette Parish School Board.

LPPA, Electric Revenue Bonds, Series 2012

Debt Service Requirements Page 4

Due Date	Series 2007 Bonds	Series 2012 Bonds	Total Debt Service Requirement
5/1/2015	\$724,978	\$1,329,150	\$2,054,128
11/1/2015	1,354,978	3,654,150	5,009,128
5/1/2016	710,091	1,282,650	1,992,741
11/1/2016	1,370,091	3,697,650	5,067,741
5/1/2017	696,891	1,234,350	1,931,241
11/1/2017	1,381,891	3,744,350	5,126,241
5/1/2018	683,191	1,184,150	1,867,341
11/1/2018	1,398,191	3,794,150	5,192,341
5/1/2019	668,891	1,131,950	1,800,841
11/1/2019	1,408,891	3,846,950	5,255,841
5/1/2020	653,166	1,104,800	1,757,966
11/1/2020	1,428,166	3,874,800	5,302,966
5/1/2021	636,213	1,049,400	1,685,613
11/1/2021	1,441,213	3,929,400	5,370,613
5/1/2022	618,100	991,800	1,609,900
11/1/2022	1,463,100	3,986,800	5,449,900
5/1/2023	599,088	916,925	1,516,013
11/1/2023	1,479,088	4,061,925	5,541,013
5/1/2024	579,288	854,025	1,433,313
11/1/2024	1,499,288	4,129,025	5,628,313
5/1/2025	558,588	772,150	1,330,738
11/1/2025	1,518,588	4,207,150	5,725,738
5/1/2026	536,988	686,275	1,223,263
11/1/2026	1,541,988	4,296,275	5,838,263
5/1/2027	514,375	596,025	1,110,400
11/1/2027	1,564,375	4,386,025	5,950,400
5/1/2028	490,750	501,275	992,025
11/1/2028	1,590,750	4,481,275	6,072,025
5/1/2029	463,250	401,775	865,025
11/1/2029	4,758,250	4,576,775	9,335,025
5/1/2030	355,875	297,400	653,275
11/1/2030	4,870,875	4,682,400	9,553,275
5/1/2031	243,000	231,625	474,625
11/1/2031	4,983,000	4,751,625	9,734,625
5/1/2032	124,500	118,625	243,125

Debt Service Requirements
Page 4

Due Date	Series 2007 Bonds	Series 2012 Bonds	Total Debt Service Requirement
11/1/2032	<u>5,104,500</u>	<u>4,863,625</u>	<u>9,968,125</u>
Total	\$50,014,438	\$89,648,700	\$139,663,138

LPPA
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	2010	2011	2012	2013	2014
Total Operating Revenues	\$64,653,777	\$64,047,865	\$58,094,335	\$60,403,471	\$58,881,514
Total Operating Expenses	<u>51,143,696</u>	<u>50,545,723</u>	<u>50,837,080</u>	<u>53,407,944</u>	<u>51,930,471</u>
Net Operating Revenues	\$13,510,081	\$13,502,142	\$7,257,255	\$6,995,527	\$6,951,044
Other Income	\$271,413	\$190,783	\$277,343	\$105,502	\$79,783
Balance Available for Debt Service	\$13,781,494	\$13,692,925	\$7,534,598	\$7,101,030	\$7,030,826
Debt Service	\$13,146,659	\$13,211,961	\$6,786,640	\$7,057,640	\$7,060,106
Balance After Debt Service	\$634,836	\$480,964	\$747,959	\$43,390	(\$29,280)

Summary Statements of Revenues, Expenses, and Changes in Fund Net Assets
Page 19

	2010	2011	2012	2013	2014
Operating Revenues:					
Sales of Electric Energy					
City of Lafayette (LUS)	\$64,653,777	\$64,047,865	\$58,094,335	\$60,403,471	\$58,881,514
Operating Expenses					
Production	\$48,904,419	\$48,047,964	\$47,491,737	\$50,662,970	\$49,281,305
Administrative & General	2,239,278	2,497,759	2,280,771	2,744,974	2,649,166
Depreciation	<u>3,855,656</u>	<u>669,941</u>	<u>1,730,705</u>	<u>2,154,909</u>	<u>1,799,880</u>
Total Operating Expenses	\$54,999,352	\$51,215,664	\$51,503,213	\$55,562,852	\$53,730,351
Non-Operating Revenues (Expenses)					
Miscellaneous Revenues	(\$5,046)	\$0	\$0	\$0	(\$0)
Interest Income	216,377	344,574	122,934	149,361	69,455
Interest on Long Term Debt	(2,590,795)	(2,113,051)	(1,096,865)	(3,490,847)	(3,667,746)
Gain (Loss) on Disposition of Property	<u>(1,001,548)</u>	<u>(117,212)</u>	<u>(158,389)</u>	<u>(2,694)</u>	<u>(89,914)</u>
Total	(\$3,381,012)	(\$1,885,689)	(\$1,132,320)	(\$3,344,180)	(\$3,688,205)

**Summary Statements of Revenues, Expenses, and Changes in Fund Net Assets
Page 19**

	2010	2011	2012	2013	2014
Net Income (Loss) for the Period	\$6,273,413	\$10,946,512	\$5,458,801	\$1,496,503	\$1,462,958
Fund Net Assets Beginning	\$45,010,131	\$51,283,544	\$62,230,056	\$67,688,857	\$67,842,718
Fund Net Assets, End of Year	\$51,283,544	\$62,230,056	\$67,688,857	\$69,185,360	\$69,305,676

**Summary Statements of Cash Flows
Page 20**

	2010	2011	2012	2013	2014
Cash Flows from Operating Activities					
Receipts from customers	\$64,912,391	\$63,911,254	\$63,164,113	\$55,157,891	\$58,881,514
Payments to suppliers for goods & services	(48,870,367)	(46,152,344)	(54,137,875)	(56,755,015)	(41,029,452)
Payments to employees and for employee related costs	<u>(402,499)</u>	<u>(390,851)</u>	<u>(409,130)</u>	<u>(420,225)</u>	<u>(413,944)</u>
Net cash provided (used) by operating activities	\$15,639,525	\$17,368,059	\$8,617,108	(\$2,017,349)	\$17,438,118
Cash Flows from Capital and Related Financing Activities					
Proceeds from Issuance of Bonds	\$0	\$0	\$0	\$65,100,000	\$0
Premium on issuance on bonds	0	0	0	10,327,627	0
Principal payments on bonds	(11,730,000)	(12,365,000)	(13,030,000)	(7,235,000)	(6,005,000)
Interest Paid	(3,347,526)	(2,769,071)	(2,157,076)	(2,683,187)	(6,351,072)
Debt issuance costs	0	0	(52,917)	(738,231)	0
Preliminary survey investigation costs paid	(28,158)	(485,954)	(1,528,517)	0	0
Proceeds from redesignation of capital assets	222,670	0	0	0	0
Purchase and construction of capital assets	<u>(1,260,767)</u>	<u>(880,603)</u>	<u>(3,793,865)</u>	<u>(18,567,243)</u>	<u>(41,841,533)</u>
Net cash provided (used) by capital and related financing activity	(\$16,143,781)	(\$16,500,628)	(\$20,562,375)	\$46,203,966	(\$54,197,605)
Cash Flows from Investing Activities					
Sales (purchases) of investments - net	(\$150,000)	\$31,122	\$6,473,528	(\$717,384)	\$0
Interest Earnings	398,810	175,299	301,224	136,376	76,041
Other	<u>(5,046)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash provided by investing activities	\$243,764	\$206,421	\$6,774,752	(\$581,008)	\$76,041

Summary Statements of Cash Flows
Page 20

	2010	2011	2012	2013	2014
Net increase (decrease) in cash and cash equivalents	(\$260,492)	\$1,073,852	(\$5,170,515)	\$43,605,609	(\$36,683,446)
Cash and cash equivalents, beginning of year	\$42,075,094	\$41,814,602	\$42,888,454	\$37,717,939	\$81,323,548
Cash and cash equivalents, end of year	\$41,814,602	\$42,888,454	\$37,717,939	\$81,323,548	\$44,640,102

Unit No. 2 Operating Statistics
Page 24

	2010	2011	2012	2013	2014	Five-Year Average
Gross Generation (MWh)	3,455,279	3,433,091	2,858,332	3,047,012	2,568,621	3,072,467
Station Service (MWh)	239,105	237,591	225,368	222,149	170,853	219,013
Net Generation (MWh)	3,216,174	3,195,500	2,632,964	2,824,863	2,397,768	2,853,454
Station Service (%)	6.9%	6.9%	7.9%	7.3%	6.7%	7.1%
Net Capacity Factor (%)	70.2%	69.8%	61.7%	66.4%	55.8%	64.8%
Hours Available	7,945	7,934	7,933	7,515	5,626	7,391
Net Unit Heat Rate (Btu/kWh)	10,975	10,754	11,077	10,975	11,040	10,964
Availability Factor (%)	90.7%	90.7%	90.3%	85.8%	64.2%	84.3%
Forced Outage Factor (%)	4.9%	1.7%	2.5%	5.8%	1.3%	3.2%
Scheduled Outage Factor (%)	4.4%	7.6%	7.2%	8.4%	34.5%	12.4%

Annual Operating Expenses - LPPA's Share of Unit No. 2
Page 25

	2010	2011	2012	2013	2014
LPPA Share (MWh)	1,387,669	1,304,363	1,251,331	1,299,249	1,185,928
Fuel	\$42,364,565	\$40,968,583	\$42,059,893	\$42,482,048	\$37,201,705
Operations	2,255,482	2,417,592	2,372,222	2,457,540	2,311,923
Maintenance	4,284,372	4,661,790	4,124,193	5,723,382	9,767,676
Administrative & General	<u>2,239,278</u>	<u>2,497,759</u>	<u>2,280,771</u>	<u>2,744,974</u>	<u>2,649,166</u>
Total Operating Expenses	\$51,143,696	\$50,545,723	\$50,837,080	\$53,407,944	\$51,930,471
Total Operating Expenses \$/MWh	36.86	38.75	40.63	41.11	43.79
Total Operating Expenses Less Fuel \$/MWh	6.33	7.34	7.01	8.41	12.42

Largest Customers (Electric)
Page 40

Customer	Type of Business	2014 Revenues
University of Louisiana	Higher Education	\$4,242,161
Lafayette General Hospital	Health Care	2,899,655
Our Lady of Lourdes Hospital	Health Care	2,136,032
Laf. Consolidated Gov't - StreetLights	Government	1,780,758
Stuller Settings, Inc	Jewelry Manufacturing	1,078,426
Acadiana Mall	Shopping Center	939,779
International Paper	Paper Products	824,313
University Hospital & Clinics	Health Care	718,370
Laf. Consolidated Gov't - Sewer Plant	Government	703,741
Regional Medical Center of Acadiana	Health Care	\$680,396

Utilities System Historical Electric Retail and Wholesale
Sales (MWh)
Page 40

Year	Retail	Wholesale	Total Sales
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
2012	1,970,448	132,272	2,102,720
2013	1,979,136	37,151	2,016,287
2014	2,027,115	1,014,675	3,041,789
Average Growth	0.1%	60.9%	8.8%

Utilities System Proposed Electric System Facilities (2015-2019)
Page 41

Project Description	2015	2016	2017	2018	2019	Amount
Acquisitions	\$0	\$0	\$3,000,000	\$0	\$0	\$3,000,000
Production	1,460,000	610,000	310,000	10,000	10,000	2,400,000
Distribution	1,110,000	435,000	905,000	210,000	110,000	2,770,000
Substation	2,990,000	460,000	2,460,000	9,810,000	7,360,000	23,080,000
Transmission	1,960,000	485,000	1,995,000	1,010,000	3,070,000	8,520,000
General Plant	610,000	160,000	935,000	310,000	10,000	2,025,000
Total Electric	\$8,130,000	\$2,150,000	\$9,605,000	\$11,350,000	\$10,560,000	\$41,795,000

**Utilities System Electric Sales and Revenue Forecast
Page 42**

Year	Retail Sales (MWh)	Retail Sales: Base Rate Revenue	Retail Sales: FC Revenue	Other Revenue	Total Operating Revenue	Retail Sales (MWh)
2015	2,060,020	\$93,874,883	\$95,708,548	\$4,504,589	\$194,088,019	2,060,020
2016	2,096,835	95,205,487	91,212,311	3,583,606	190,001,404	2,096,835
2017	2,135,526	96,569,136	95,821,052	3,935,560	196,325,748	2,135,526
2018	2,175,749	97,972,013	104,697,030	4,120,485	206,789,528	2,175,749
2019	2,217,209	99,407,559	111,836,039	4,390,742	215,634,340	2,217,209
2020	2,259,417	100,860,099	120,268,774	4,490,600	225,619,473	2,259,417
2021	2,302,575	102,341,790	126,181,118	4,564,093	233,087,001	2,302,575
2022	2,346,496	103,853,780	138,325,964	4,698,000	246,877,743	2,346,496
2023	2,391,110	105,388,288	144,183,938	4,891,628	254,463,854	2,391,110
2024	\$2,436,438	\$106,947,122	\$150,133,317	\$5,086,360	\$262,166,799	2,436,438
Average Growth	1.9%	1.5%	5.1%	1.4%	3.4%	1.9%

**Electric System Historical and Projected Operating Expenses
Page 43**

Year	Production	Transmission	Distribution	Customer Accounts, Service & Sales	Administrative & General	Total Operating Expenses
2015	\$116,898,381	\$6,778,195	\$11,274,549	\$2,879,709	\$11,777,608	\$149,608,442
2016	113,426,926	7,535,212	11,511,315	2,953,776	12,024,938	147,452,167
2017	115,431,904	7,695,898	11,753,052	3,030,078	12,277,461	150,188,395
2018	120,116,643	7,860,033	11,999,866	3,108,696	12,535,288	155,620,527
2019	127,414,710	8,027,690	12,251,864	3,189,714	12,798,529	163,682,506
2020	135,252,083	8,198,946	12,509,153	3,273,220	13,067,298	172,300,700
2021	141,549,767	7,263,159	12,771,845	3,359,306	13,341,712	178,285,788
2022	154,097,982	1,982,308	13,040,054	3,448,067	13,621,887	186,190,298
2023	160,204,617	2,026,859	13,313,895	3,539,603	13,907,947	192,992,921
2024	\$166,570,181	\$2,072,433	\$13,593,487	\$3,634,018	\$14,200,014	\$200,070,132
Average Growth	4.0%	-12.3%	2.1%	2.6%	2.1%	3.3%

Largest Customers (Wastewater)
Page 40

Customer	Type of Business	2014 Revenues
University of Louisiana	Higher Education	\$1,302,968
Lafayette General Hospital	Health Care	486,822
Borden Company	Dairy Products	335,328
Our Lady of Lourdes Hospital	Health Care	155,367
Lafayette Parish Correctional Center	Correction Facility	147,324
Bayou Shadows Apartments	Housing	115,308
South Point Apartments	Housing	109,159
Single Source Supply, LLC	Distributor	115,771
Bayou Oaks Apartments	Housing	89,568
Grand Pointe Apartments	Housing	\$87,471

Utilities System Historical Wastewater
System flows (1,000 Gallons)
Page 45

Year	Retail
2010	\$5,715,794
2011	5,190,182
2012	5,448,397
2013	5,730,473
2014	\$5,476,065
Average Growth	(1.1%)

Utilities System Proposed Wastewater System Facilities (2015-2019)
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Year	2015	2016	2017	2018	2019	Total
Treatment	\$1,810,000	\$910,000	\$19,685,000	\$7,635,000	\$1,710,000	\$31,750,000
Collection	<u>2,745,000</u>	<u>4,440,000</u>	<u>3,040,000</u>	<u>1,450,000</u>	<u>3,470,000</u>	<u>15,145,000</u>
Total Wastewater	\$4,555,000	\$5,350,000	\$22,725,000	\$9,085,000	\$5,180,000	\$46,895,000

**Wastewater Retail Sales and Revenue Forecast
Page 46**

Year	Retail Sales (1,000 gallons)	Retail Sales Revenue	Other Revenue	Total Operating Revenue
2015	5,680,064	\$29,195,531	\$428,476	\$29,624,006
2016	5,743,547	29,521,833	458,862	29,980,695
2017	5,807,740	31,071,407	530,589	31,601,995
2018	5,872,649	32,358,298	619,020	32,977,318
2019	5,938,285	32,719,949	724,551	33,444,500
2020	6,004,654	33,085,641	732,142	33,817,784
2021	6,071,764	34,791,209	736,729	35,527,938
2022	6,139,625	35,180,051	737,056	35,917,107
2023	6,208,244	35,573,238	727,400	36,300,639
2024	6,277,630	\$36,347,478	\$741,678	\$37,089,156

**Wastewater System Projected Operating Expenses
Page 47**

Year	Treatment	Collection	Customer Accounting, Collecting, Service and Info	Administrative & General	Total Operating Expenses
2015	\$6,940,551	\$3,928,574	\$1,190,530	\$5,608,165	\$17,667,820
2016	7,056,676	3,987,629	1,220,355	5,725,937	17,990,597
2017	7,215,480	4,076,861	1,251,046	5,846,181	18,389,568
2018	7,395,422	4,181,072	1,282,636	5,968,951	18,828,081
2019	7,570,570	4,281,413	1,315,155	6,094,299	19,261,438
2020	7,754,123	4,387,696	1,348,636	6,222,279	19,712,734
2021	7,929,956	4,487,320	1,383,113	6,352,947	20,153,337
2022	8,134,960	4,609,620	1,418,622	6,486,359	20,649,562
2023	8,316,826	4,712,437	1,455,200	6,622,573	21,107,036
2024	\$8,502,450	\$4,817,250	\$1,492,886	\$6,761,647	\$21,574,233

Largest Customers (Water)
Page 49

Customer	Type of Business	2014 Revenues
University of Louisiana	Higher Education	\$481,290
Lafayette General Hospital	Health Care	262,073
Our Lady of Lourdes Hospital	Health Care	109,993
Borden Company	Dairy Products	76,845
Lafayette Parish Correction Center	Correction Facility	61,513
Regional Medical Center of Acadiana	Health Care	48,073
Advanced Polymer Systems	Telecommunications	47,574
Bayou Shadow Apartments	Housing	37,572
South Point Apartments	Housing	35,169
Single Source Supply, LLC	Distributor	\$63,619

Utilities System Historical Water Retail and Wholesale
Sales (1,000 Gallons)
Page 49

Year	Retail	Wholesale	Total
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
2012	5,743,099	1,858,479	7,601,578
2013	5,494,648	1,893,375	7,388,023
2014	5,426,408	2,004,355	7,430,763
Average Growth	(0.8%)	2.2%	0.0%

Utilities System Proposed Water System Facilities (2015-2019)
Page 50

Year	2015	2016	2017	2018	2019	Total
Production	\$260,000	\$60,000	\$1,625,000	\$4,710,000	\$60,000	\$6,715,000
Distribution	<u>1,525,000</u>	<u>2,405,000</u>	<u>1,750,000</u>	<u>1,385,000</u>	<u>260,000</u>	<u>7,325,000</u>
Total Water	\$1,785,000	\$2,465,000	\$3,375,000	\$6,095,000	\$320,000	\$14,040,000

**Water Retail and Wholesale Sales and Revenue Forecast
Page 51**

Year	Retail Sales (1,000 gallons)	Wholesale Sales (1,000 gallons)	Retail Sales Revenue	Wholesale Sales Revenue	Other Revenue	Total Operating Revenue
2015	5,691,195	2,053,850	\$13,772,693	\$4,272,008	\$564,807	\$18,609,509
2016	5,754,803	2,104,568	13,926,622	4,377,501	582,859	18,886,982
2017	5,819,121	2,156,537	15,187,905	4,852,209	618,249	20,658,364
2018	5,884,158	2,209,790	16,299,117	5,281,399	649,508	22,230,025
2019	5,949,922	2,264,359	16,481,283	5,411,817	674,717	22,567,817
2020	6,016,421	2,320,274	16,665,485	5,545,456	713,727	22,924,668
2021	6,083,663	2,377,571	17,338,439	5,848,824	740,326	23,927,589
2022	6,151,657	2,436,282	17,532,221	5,993,254	745,938	24,271,413
2023	6,220,410	2,496,443	17,728,169	6,141,250	757,217	24,626,636
2024	6,289,932	2,558,090	\$17,926,307	\$6,292,901	\$762,396	\$24,981,604

**Water System Historical and Projected Operating Expenses
Page 51**

Year	Production Related	Distribution	Customer Accounting, Collecting, Service and Info	Administrative & General	Total Operating Expenses
2015	\$5,161,276	\$2,363,835	\$1,110,263	\$4,578,480	\$13,213,854
2016	5,296,260	2,416,031	1,137,087	4,674,628	13,524,006
2017	5,460,068	2,469,406	1,164,649	4,772,795	13,866,918
2018	5,640,063	2,523,988	1,192,974	4,873,024	14,230,049
2019	5,820,766	2,579,804	1,222,087	4,975,357	14,598,014
2020	6,010,332	2,636,883	1,252,015	5,079,840	14,979,070
2021	6,199,097	2,695,255	1,282,784	5,186,516	15,363,652
2022	6,409,822	2,754,950	1,314,423	5,295,433	15,774,628
2023	6,610,613	2,815,999	1,346,962	5,406,637	16,180,211
2024	\$6,818,124	\$2,878,433	\$1,380,431	\$5,520,177	\$16,597,165

**Water System Historical and Projected Operating Expenses
Page 63**

Year	Production Related	Distribution	Customer Accounting, Collecting, Service and Info	Administrative & General	Total Operating Expenses
2015	\$5,161,276	\$2,363,835	\$1,110,263	\$4,578,480	\$13,213,854
2016	5,296,260	2,416,031	1,137,087	4,674,628	13,524,006
2017	5,460,068	2,469,406	1,164,649	4,772,795	13,866,918
2018	5,640,063	2,523,988	1,192,974	4,873,024	14,230,049
2019	5,820,766	2,579,804	1,222,087	4,975,357	14,598,014
2020	6,010,332	2,636,883	1,252,015	5,079,840	14,979,070
2021	6,199,097	2,695,255	1,282,784	5,186,516	15,363,652
2022	6,409,822	2,754,950	1,314,423	5,295,433	15,774,628
2023	6,610,613	2,815,999	1,346,962	5,406,637	16,180,211
2024	\$6,818,124	\$2,878,433	\$1,380,431	\$5,520,177	\$16,597,165

**Electric System Sales and Revenues by Rate Class for Fiscal Year 2014
Page 52**

	Retail kWh Sales	Percent of Total	Base Rate Revenue	Percent of Total	Estimated Fuel Adjustment Revenue	Percent of Total	Total Revenue
Residential	840,540,908	41.5%	\$37,712,108	41.1%	\$43,693,880	41.5%	\$81,405,988
Commercial without Demand	200,174,063	9.9%	13,225,101	14.4%	10,405,658	9.9%	23,630,760
Commercial/Industrial with Demand	809,690,827	39.9%	33,295,033	36.3%	42,090,199	39.9%	75,385,232
Schools and Churches	118,426,044	5.8%	4,669,261	5.1%	6,156,147	5.8%	10,825,408
Government	34,039,852	1.7%	1,381,012	1.5%	1,769,495	1.7%	3,150,507
Lighting	24,242,971	1.2%	1,466,793	1.6%	1,260,224	1.2%	2,727,016
Total	2,027,114,665	100.0%	\$91,749,309	100.0%	\$105,375,603	100.0%	\$197,124,912

**Electric Residential Rate Comparison
Page 53**

Utility	Average \$/kWh
Swepeco	\$0.0962
LUS	\$0.0982
Entergy	\$0.0985
Cleco	\$0.1217

**Electric Commercial Rate Comparison
Page 53**

Utility	Average \$/kWh
Swepeco	\$0.0798
LUS	\$0.0853
Entergy	\$0.0930
Cleco	\$0.0962

**Utilities System Schedule of Revenues, Expenses, and Retained Earnings
Page 56**

	2010	2011	2012	2013	2014
Operating Revenues					
Electric	\$88,734,345	\$101,602,013	\$97,060,235	\$93,111,312	\$95,395,327
Electric Retail Fuel Adjustment	83,750,043	87,783,625	76,824,304	93,158,373	105,375,603
Water	15,494,040	18,525,544	17,704,385	17,394,122	17,746,170
Wastewater	24,234,178	29,640,890	29,145,030	28,617,205	28,579,957
Fiber	<u>0</u>	<u>192</u>	<u>415</u>	<u>0</u>	<u>40</u>
Total Operating Revenues	\$212,212,606	\$237,552,264	\$220,734,370	\$232,281,011	\$247,097,098
Operating Expenses					
Electric Fuel & Purch Power	\$112,538,709	\$117,267,093	\$93,334,902	\$96,443,791	\$105,679,639
Electric Other Production	10,059,782	9,838,002	14,862,330	12,868,472	7,893,377
Other Electric	24,736,972	26,666,603	29,687,697	30,849,592	33,514,860
Water	10,885,922	11,783,706	12,136,044	11,948,312	12,950,319
Wastewater	14,781,373	15,285,320	16,144,199	16,305,244	17,428,365
Fiber	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	\$173,002,757	\$180,840,724	\$166,165,173	\$168,415,411	\$177,466,560
Net Operating Revenues	\$39,209,849	\$56,711,540	\$54,569,197	\$63,865,600	\$69,630,538

Utilities System Schedule of Revenues, Expenses, and Retained Earnings
Page 56

	2010	2011	2012	2013	2014
Depreciation	\$18,847,770	\$17,716,330	\$19,376,753	\$20,978,328	\$22,130,030
Other Income					
Interest Income	\$2,351,230	\$1,890,648	\$1,273,167	\$2,243,940	\$1,313,230
Unrealized Gain/Loss on Invs	(767,043)	0	0	0	30,750
Amortization of Debt Premium	276,515	290,521	503,471	2,608,147	3,029,199
Water Tapping Fees	97,800	47,900	86,100	105,100	104,100
Communications Lease Income	0	0	0	0	97,073
Contributions in Aid of Construction	208,276	(8,361)	0	7,135	0
Misc. Non-Operating Revenue	<u>(69,518)</u>	<u>1,843,038</u>	<u>8,869,047</u>	<u>5,408,764</u>	<u>2,877,693</u>
Total Other Income	\$2,097,260	\$4,063,747	\$10,731,784	\$10,373,086	\$7,452,045
Other Expenses					
Loss on Disposition of Property	\$0	\$15,621	\$0	\$0	\$250,980
Interest Expense	9,782,038	11,227,182	11,042,341	9,438,459	9,180,021
Amortization on Plant	1,735,578	1,735,578	1,735,578	1,735,581	1,646,801
Amortization - Other	156,938	204,502	221,828	1,295,081	1,269,526
Interest on Customer Deposits	9,213	0	0	13,831	11,746
Tax Collections/Non-Operating	(97,405)	154,016	308,182	322,829	0
Misc. Non-Operating Expense	<u>0</u>	<u>449,800</u>	<u>788,059</u>	<u>1,830,478</u>	<u>1,921,605</u>
Total Other Expenses	\$11,586,362	\$13,786,699	\$14,095,989	\$14,636,258	\$14,280,680
Net Income Before in Lieu of Tax	\$10,872,978	\$29,272,258	\$31,828,239	\$38,624,100	\$40,671,873
ILOT	<u>\$19,462,860</u>	<u>\$19,199,649</u>	<u>\$21,596,096</u>	<u>\$22,131,617</u>	<u>\$22,073,833</u>
Net Income	(\$8,589,882)	\$10,072,609	\$10,232,143	\$16,492,483	\$18,598,040

**Summary Statement of Revenue, Expenses, and Changes in Fund Net Assets, City of
Lafayette Utilities System, Five Years Ending October 31
Page 57**

	2010	2011	2012	2013	2014
Operating Revenues					
Charges for Services	\$207,471,546	\$232,146,148	\$215,887,924	\$228,128,999	\$242,884,655
Miscellaneous	<u>4,835,638</u>	<u>5,889,913</u>	<u>5,286,648</u>	<u>5,140,741</u>	<u>4,796,423</u>
Total Operating Revenues	\$212,307,184	\$238,036,061	\$221,174,572	\$233,269,740	\$247,681,078
Operating Expenses					
Production, Collection, & Cost of Services	\$130,569,249	\$134,905,036	\$115,939,388	\$117,650,679	\$122,444,242
Transmission, Distribution & Treatment	20,649,127	22,066,378	23,341,508	24,853,589	27,674,617
Administrative & General & Customer	21,784,381	23,869,752	26,852,309	25,911,143	27,347,702
ILOT	19,462,860	19,199,649	21,596,096	22,131,617	22,073,834
Depreciation & Amortization on Plant	<u>20,583,348</u>	<u>19,451,908</u>	<u>21,112,330</u>	<u>22,713,909</u>	<u>0</u>
Total Operating Expenses	\$213,048,965	\$219,492,723	\$208,841,631	\$213,260,937	\$199,540,395
Operating Income	(\$741,781)	\$18,543,338	\$12,332,941	\$20,008,803	\$48,140,683
Non-Operating Revenues (Expenses)					
Investment Earnings	1,584,187	1,936,842	1,184,124	1,843,960	0
Interest Expense	(9,671,673)	(10,989,023)	(10,770,301)	(8,139,223)	(7,432,094)
Gain (Loss) on sale/disposal of assets	0	(216,119)	(93,772)	(192,820)	(250,980)
Federal Grant Revenue	0	0	7,119,896	2,730,634	656,112
Hurricane	0	0	(253,536)		
Other	<u>27,887</u>	<u>575,440</u>	<u>221,252</u>	<u>233,994</u>	<u>(82,830)</u>
Total Non-Operating Revenues (Expenses)	(\$8,059,599)	(\$8,692,860)	(\$2,592,337)	(\$3,523,455)	(\$7,109,792)
Income Before Contributions	(\$8,801,380)	\$9,850,478	\$9,740,604	\$16,485,348	\$41,030,891
Capital Contributions	\$3,222	\$222,130	\$491,540	\$0	\$0
Change in Net Assets	(\$8,798,158)	\$10,072,608	\$10,232,144	\$16,485,348	\$41,030,891
Net Assets, Beginning	\$457,052,862	\$448,462,980	\$458,815,851	\$465,513,812	\$479,897,190
Net Assets, Ending	\$448,254,704	\$458,535,588	\$469,047,995	\$481,999,160	\$520,928,081

Summary of Debt Statement as of February 2, 2015
Page B-3 ⁽¹⁾

Debt / Type of Obligation	Principal Outstanding
A. <u>Debt of the City of Lafayette</u>	
Type of Obligation	
Sales Tax Bonds	\$281,255,000
Utilities Revenue Bonds	\$237,865,000
Communications System Revenue Bonds	\$111,450,000
Taxable Revenue Bonds	\$37,575,000
Certificates of Indebtedness	\$5,080,000
B. <u>Debt of the Parish of Lafayette</u>	
Type of Obligation	
Unlimited Ad Valorem Tax Bonds	\$61,820,000
C. <u>Debt of the Lafayette Parish School Board</u> ⁽²⁾	
Type of Obligation	
Sales Tax Bonds	\$84,485,775
Certificates of Indebtedness	\$4,764,000
D. <u>District Bond Debt</u>	
Type of Obligation	
<i>Unlimited Ad Valorem Tax Bonds</i>	
7. Lafayette Parish Bayou Vermilion District	\$100,000
8. Lafayette Parish Law Enforcement District	\$19,610,000
E. <u>Debt of the Lafayette Public Power Authority</u>	
Type of Obligation	
Electric Revenue Bonds	\$90,580,000
F. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District North</u>	
Type of Obligation	
Water Revenue Bonds	\$4,385,000
G. <u>Partially Underlying Debt of the Lafayette Parish Waterworks District South</u>	
Type of Obligation	
Water Revenue Bonds	\$3,937,000

- (1) The above statement excludes the outstanding indebtedness of the Lafayette Airport Commission, certain Industrial Development Revenue Bonds of the Lafayette Economic Development Authority (formerly the Lafayette Harbor, Terminal and Industrial Development District), the Lafayette Public Trust Financing Authority, Lafayette Industrial Board, Lafayette I-10 Corridor District at Mile Marker 103, and any annual appropriation lease of any entity.
- (2) Excludes LCDA QZAB loan in the original principal amount of \$3,001,060, with a final maturity date of November 15, 2015, payable from available funds of the Lafayette Parish School Board.

Appendix D
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
2014	123,374

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	1,381,041

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

<u>Classification of Property</u>	<u>2014 Assessed Valuation</u>
Real Estate	\$1,614,945,161
Personal Property	627,087,528
Public Service Property	79,572,650
Total	<u><u>\$2,321,605,339</u></u>

Source: Lafayette Parish Assessor's Office

Millage Rates

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Parishwide Taxes:</u>						
Schools	4.59	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	7.27
Special School Improvements	5.00	5.00	5.00	5.00	5.00	5.00
School 1985 Operation	16.70	16.70	16.70	16.70	16.70	16.70
Courthouse & Jail Maintenance	2.34	2.34	2.34	2.34	2.34	2.34
Library (2007-2016)	2.91	2.91	2.91	2.91	2.91	2.91
Library (2009-2018)	1.61	1.61	1.61	1.61	1.61	1.61
Library (2003-2012)	2.00	2.00	2.00	2.00	2.00	2.00
Health Unit Maintenance	0.99	0.99	0.99	0.94	N/A	1.61
Juvenile Detention Maintenance	1.17	1.17	1.17	1.17	1.17	1.17
Lafayette Economic Development Authority	1.92	1.92	1.92	1.82	1.82	1.82
Assessment District	1.56	1.56	1.56	1.56	1.56	1.56
Law Enforcement	16.79	16.79	16.79	16.79	16.79	16.79
Airport Maintenance	1.71	1.71	1.71	1.71	1.71	1.71
Minimum Security Maintenance	2.06	2.06	2.06	2.06	2.06	2.06
Bridges and Maintenance	4.17	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	0.10
Maintenance	0.75	0.75	0.75	0.71	0.75	0.75
Drainage Maintenance	3.34	3.34	3.34	3.34	3.34	3.34
Public Improvement Bonds	3.40	3.00	3.00	3.00	3.00	3.00
Teche-Vermillion Water District	1.26	1.26	1.50	1.45	1.45	1.50
Mosquito Abatement & Control	1.50	1.50	1.50	1.50	0.50	1.50
<u>Other Parish and Municipal Taxes:</u>						
Parish Tax (Inside Municipalities)	1.52	1.52	1.52	1.52	1.52	1.52
Parish Tax (Outside Municipalities)	3.05	3.05	3.05	3.05	3.05	3.05
Lafayette Centre Development District	10.91	10.91	10.91	9.60	10.91	10.91
City of Lafayette	17.84	17.94	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 2014 assessed valuations follow:

	<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>
1.	PHI Inc	Oilfield Service	\$20,447,814
2.	AT&T/ Bellsouth	Telecommunications	16,526,039
3.	Stuller	Manufacturing	15,821,411
4.	Frank's Casing Crew & Rental Tools	Oilfield Service	14,009,779
5.	Iberia Bank	Commercial Banking	13,328,132
6.	Schlumberger	Oilfield Service	13,050,274
7.	HCA Regional Health System	Healthcare	11,258,137
8.	Walmart/Sam's	Retail Services	10,970,472
9.	Halliburton	Oilfield Service	9,901,213
10.	J P Morgan Chase	Commercial Banking	9,544,770
			<u>\$134,858,041</u> *

* Approximately 9.78% of the 2014 assessed valuation of the City.

Source: Lafayette Consolidated Government

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2014**

**CASH AND
INVESTMENTS**

General Operating Funds:

101	General Fund-City	\$	28,003,164
102	Property Tax Escrow Fund		24,587
105	General Fund-Parish		2,599,999
126	Grants-Federal		(577,317)
127	Grants-State		(708,976)
140	LA Supreme Court Drug Grant		0
161	ARC US Probation Outpatient		49
162	Community Development		(288,990)
163	Home Programs		(151,084)
164	Urban Infill Home Program		882,191
165	Emergency Shelter Grant		(59,308)
167	HUD-ARRA Fund		2,358
170	WIA Grants		(45,214)
171	HUD Housing Loan Prog		334,929
180	FTA Planning Grants		(21,801)
181	FHWA Plan Grants		(93,778)
185	FHWA I-49 Grant		(39,940)
187	FTA Capital		593,023
189	DOTD Travel Management		(471,932)
201	Recreation & Parks		0
202	Natural History Museum		0
203	Municipal Transit System		812,707
204 & 205	Heymann Performing Arts Center		0
206	Animal Control Shelter		1,292,581
207	Traffic Safety		727,272
208	Acadiana Recovery Center Non-Grant		35
209	Combined Golf Courses		287,720
240	Urban Development Action		79
252	State Seized/Forfeited Property		12,136
253	Fed Narc Seized /Forfeited Property		13,163
255	Criminal Non-support		(138,719)
260	Road & Bridge Maintenance		10,117,669
261	Drainage Maintenance		13,088,597

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2014**

		<u>CASH AND INVESTMENTS</u>
262	Correctional Center	0
263	Library Fund	36,249,879
264	Courthouse Complex	7,064,480
265	Juvenile Detention Facility	3,487,514
266	Public Health Unit	7,433,113
267	War Memorial building	0
268	Criminal Court	0
270	Coroner	0
271	Mosquito Abatement	3,619,591
272	Justice Department Federal Equitable Sharing Fund	189,458
277	Court Services Fund	36,527
297	Parking Program	53,761
299	Codes & Permits	1,828,126
550	Environmental Services	(1,421,585)
551	CNG Service Station	42,261
601	Payroll	2,831,772
605	Unemployment Compensation	(16,721)
606	Metro Code Retirement Account	0
607	Group Hospitalization	10,051,404
640	Hurricane Katrina	115,690
641	Hurricane Rita	331,383
643	Hurricane Gustav	(1,160,132)
644	Hurricane Isaac	(196,711)
701	Central Printing	(108,718)
702	Central Vehicle Maintenance	1,657,077
	Total General Operating Funds	\$ 128,283,368
 Debt Service Funds:		
215	1961 City Sales Tax Trust Fund	\$ 21
222	1985 City Sales Tax Trust Fund	0
290	TIF City Sales Tax Trust Fund-MM101	635,359
291	TIF City Sales Tax Trust Fund-MM103	63
302	1961 Sales Tax Bond Sinking Fund	7,434,450
303	1961 Sales Tax Bond Reserve Fund	17,054,334
304	1985 Sales Tax Bond Sinking Fund	5,231,989
305	1985 Sales Tax Reserve Fund	13,093,242
356	Contingency Sinking-Parish	3,844,063
357	2011 Certificates of Indebt	166,156
358	2012 Limited Tax Refund	7,408
801	Consolidated Sewerage Sinking Fund	346,840
821	Consolidated Paving Districts Sinking Fund	412,425
	Total Debt Service Funds	\$ 48,226,350

**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2014**

**CASH AND
INVESTMENTS**

Construction Funds:

401	Sales Tax Capital Improvement Fund	\$ 33,377,195
402	2003 Parish Library GOB Construction Fund	139
403	1999 Parish Certificates of Indebtedness	14,590
404	2001 Parish General Obligation Bonds	312,651
405	2003 Parish General Obligation Bonds	82,181
406	2005 Parish General Obligation Bonds	3,822
407	2010 Parish General Obligation Bonds	8,704,781
417	1993 Sales Tax Bond Construction	21,540
419	1997A Sales Tax Bond Construction	0
420	1997B Sales Tax Bond Construction	0
421	1998 Sales Tax Bond Construction	0
422	1999B Sales Tax Bond Construction	0
423	1999A Sales Tax Bond Construction	0
424	2000B Sales Tax Bond Construction	24,758
425	2000A Sales Tax Bond Construction	5
426	2001A Sales Tax Bond Construction	(0)
427	2001B Sales Tax Bond Construction	(2)
428	2002A Sales Tax Bond Construction	(0)
429	2003B Sales Tax Bond Construction	0
430	2003C Sales Tax Bond Construction	0
431	2003D Sales Tax Bond Construction	54,835
432	2005B Sales Tax Bond Construction	0
433	2005C Sales Tax Bond Construction	0
434	2007A Sales Tax Bond Construction	4,363,031
435	2007B Sales Tax Bond Construction	831,067
436	2009A Sales Tax Bond Construction	12,031,618
437	2009B Sales Tax Bond Construction	14,391,633
438	2010 Sales Tax Bond Construction	20,742,218
440	2013 Sales Tax Bond Construction	14,974,996

Total Construction Funds	\$ 109,931,056
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Other:

602	Firemen Pension & Relief	\$ 95,550
603	Police Pension & Relief	0
614	Risk Management	2,220,333

Total Other	\$ 2,315,883
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**LAFAYETTE CONSOLIDATED GOVERNMENT
CASH AND INVESTMENTS
BALANCES AS OF OCTOBER, 2014**

**CASH AND
INVESTMENTS**

Utility System Funds:

501	Receipts Fund	\$	749,835
502	Operation and Maintenance		7,627,183
503	Bond & Interest		0
504	Capital Additions Fund		91,693,933
505	Security Deposit Fund		8,206,179
506	Bond Reserve Fund		23,639,660
530	2010 Bond Construction Fund		7,394,087
	Total Utilities System Funds	\$	139,310,877

LPPA Funds:

520	LPPA Revenue Fund	\$	11,614,039
521	LPPA Operating Fund		6,859,790
522	LPPA Fuel Cost Stability Fund		4,500,000
523	LPPA Bond Reserve Fund		9,683,867
524	LPPA Reserve & Contingency Fund		5,283,318
525	LPPA Bond Interest & Principal Fund		0
526	LPPA 2007 Bond Construction Fund		21,190
527	LPPA 2012 Bond Construction Fund		16,343,836
	Total LPPA Funds	\$	54,306,039

Communications System Funds:

531	Receipts Account	\$	79,194
532	Operating Account		3,757,430
533	Debt Service Account		1
535	2012A Bond Account		222,608
536	2012B Bond Account		908,895
537	Capital Additions Account		2,761,737
538	Security Deposits Account		123,273
539	Bond Construction Account		36,477
	Total Communications System Funds	\$	7,889,615

TOTAL ALL FUNDS	\$	490,263,189
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**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE
ECONOMIC INDICATORS**

Per Capita Personal Income

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Lafayette Parish	\$ 42,539	\$ 44,796	\$ 47,060	\$ 50,546	N/A	N/A
Louisiana	36,410	37,199	38,501	40,617	41,204	42,287
United States	39,379	40,144	42,332	44,200	44,765	46,129

Effective Buying Income

**Median Household
Effective Buying Income**

<u>Year</u>	<u>Lafayette Parish</u>	<u>City of Lafayette</u>	<u>Louisiana</u>	<u>Nation</u>
2013	\$ 57,949	\$ 47,784	\$ 44,164	\$ 52,250

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
2014	121,654	115,656	5,998	4.9	6.4

Source: Louisiana Department of Labor

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE**

The preliminary figures for the Parish for February 2015 were reported as follows:

Year	Labor Force	Employment	Unemployment	Parish Rate	State Rate
February 2015	122,158	116,856	6,218	5.1	*6.2

* The seasonally adjusted rate was 6.7

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 2013	January 2014	January 2015
Mining	22.6	23.4	22.8
Construction	11.4	11.1	10.8
Manufacturing	18.7	20.1	20.1
Trade, Transportation, & Utilities	42.1	42.9	44.7
Information	3.0	3.0	2.9
Financial Activities	12.1	12.2	12.3
Professional And Business Services	22.8	23.0	22.3
Educational and health Services	30.0	29.6	29.4
Leisure and Hospitality	19.9	20.6	21.4
Other Services	6.6	6.6	6.8
Government	25.8	25.3	25.6
Total	215.0	217.8	219.1

Source: U.S. Bureau of Labor Statistics

**LAFAYETTE CONSOLIDATED GOVERNMENT
REVENUE BONDS CONTINUING DISCLOSURE
ANNUAL AVERAGE LAFAYETTE PARISH CONCURRENT ECONOMIC
INDICATORS 2010, 2011, 2012, 2013 AND SECOND QUARTER 2014**
(All data not seasonally adjusted)

	2010	2011	2012	2013	2014:2
EMPLOYMENT					
Total	131,027	133,634	137,564	139,937	141,643
Agriculture, Forestry, Fishing, and Hunting	88	84	90	94	85
Mining	14,680	15,069	16,392	15,866	16,513
Utilities	499	506	500	495	462
Construction	5,981	6,061	6,407	6,528	6,610
Manufacturing	8,095	9,053	9,110	9,849	10,090
Wholesale Trade	7,030	7,302	7,352	6,882	7,210
Retail Trade	15,685	16,115	16,267	16,685	16,957
Transportation & Warehousing.	3,556	3,486	3,772	3,984	3,758
Information	2,736	2,667	2,557	2,630	2,540
Finance & Insurance	3,075	3,065	3,093	3,139	3,197
Real Estate and Rental and Leasing	4,005	4,272	4,477	4,382	4,277
Professional & Technical Services	7,657	7,744	8,649	8,886	8,728
Management of Companies and Enterprises	2,783	2,760	2,926	2,991	3,198
Administrative and Waste Services	6,142	5,948	5,566	6,363	6,716
Educational Services	7,893	7,894	7,924	7,942	7,501
Health Care and Social Services	19,998	20,501	20,683	20,855	20,316
Arts, Entertainment, and Recreation	2,071	2,098	2,154	2,153	2,253
Accommodation and Food Services	12,148	12,293	12,816	13,379	14,363
Other Services, except Public Administration	3,112	3,097	3,215	3,201	3,229
Public Administration	3,711	3,543	3,559	3,560	3,601
	Annual	Annual	Annual	Annual	Quarterly
EARNINGS (\$ in Thousands)					
Total	\$5,847,951	\$6,179,069	\$6,588,106	\$6,749,064	\$1,748,240
Agriculture, Forestry, Fishing, and Hunting	2,652	2,619	3,327	4,426	969
Mining	1,234,362	1,305,546	1,451,170	1,389,066	381,956
Utilities	24,389	26,709	26,591	26,389	5,931
Construction	285,038	296,947	314,765	327,843	84,898
Manufacturing	400,999	504,273	508,459	530,805	381,956
Wholesale Trade	377,296	401,572	429,333	408,262	105,443
Retail Trade	396,914	423,154	460,014	463,407	120,558
Transportation & Warehousing.	159,272	157,785	175,701	197,766	49,051
Information	111,780	111,399	115,670	118,913	29,087
Finance & Insurance	172,507	178,139	190,872	202,634	50,431
Real Estate and Rental and Leasing	225,556	280,074	290,430	285,238	67,342
Professional & Technical Services	452,200	472,445	543,361	565,915	139,027
Management of Companies and Enterprises	170,878	171,747	201,693	259,200	64,855
Administrative and Waste Services	207,512	205,143	187,917	231,118	63,500
Educational Services	315,302	319,168	320,637	321,588	76,996
Health Care and Social Services	812,810	815,086	842,580	872,397	223,506
Arts, Entertainment, and Recreation	33,232	33,075	32,334	33,495	8,520
Accommodation and Food Services	194,691	201,022	214,474	231,234	63,081
Other Services, except Public Administration	98,278	101,681	111,314	114,294	29,664
Public Administration	169,441	168,000	165,719	163,666	41,576

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	4,538
2.	Lafayette General Health	Health Care	2,684
3.	Lafayette Consolidated Government	Public Administration	2,379
4.	Wood Group Production Services	Oil and Gas	2,318
5.	Schlumberger	Oil and Gas	1,988
6.	University of Louisiana-Lafayette	Education	1,956
7.	Wal-Mart Stores, Inc.	Retail Trade	1,569
8.	Baker Hughes	Oil and Gas	1,523
9.	Our Lady of Lourdes Reg Med Ctr	Health Care	1,493
10.	WHC Inc	Oil and Gas	1,440

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

**STATEMENT OF DIRECT, OVERLAPPING, UNDERLYING
AND PARTIALLY UNDERLYING BONDED DEBT AS OF FEBRUARY 2, 2015**

(The accompanying notes are an integral part of this statement.)

Notes	Name of Issuer & Issue	Interest Rates (%)	Dated Date	Final Maturity Date	Principal Outstanding	Principal Amount Due Within One Year
(1)	<u>Direct Debt of the City of Lafayette, State of Louisiana</u>					
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2005	3.5	3/22/05	3/01/15	\$ 2,505,000	\$ 2,505,000
(2)	Public Improvement Sales Tax Bonds, Series 2005B	6.0	6/01/05	3/01/15	830,000	830,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2006B	4.0-5.0	9/07/06	3/01/25	8,100,000	515,000
(2)	Public Improvement Sales Tax Bonds, Series 2007A	4.25-7.0	8/01/07	3/01/32	14,615,000	510,000
(2)	Public Improvement Sales Tax Bonds, Series 2011	2.0-5.0	6/28/11	3/01/36	27,325,000	380,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011A	3.0-5.0	6/01/11	3/01/26	14,400,000	880,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011C	2.0-5.0	12/08/11	3/01/27	7,380,000	515,000
(2)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009A	4.41-7.08	8/18/09	3/01/33	26,360,000	980,000
(2)	Taxable Public Improvement Sales Tax Recovery Zone Economic Development Bonds, Series 2009A	7.23	8/18/09	3/01/34	3,640,000	(a)
(2)	Public Improvement Sales Tax Refunding Bonds, Series ST-2012A	2.0-4.0	6/01/12	3/01/28	10,285,000	1,450,000
(2)	Public Improvement Sales Tax Bonds, Series 2013	2.0-5.0	6/21/13	3/01/38	15,290,000	410,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2014A	3.0-5.0	10/17/14	3/01/30	17,060,000	0
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2014C	5.0	12/05/14	3/01/24	23,930,000	0
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2004	3.875	2/03/04	5/01/15	410,000	410,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2004A	3.75-4.3	5/01/04	5/01/20	1,635,000	245,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2005A	4.0-5.0	3/22/05	5/01/24	14,830,000*	1,430,000
(3)	Public Improvement Sales Tax Bonds, Series 2005C	5.25	6/01/05	5/01/15	75,000	75,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2006A	4.0-5.0	9/07/06	5/01/25	10,190,000	790,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2006C	4.0-5.0	11/30/06	5/01/23	22,440,000	2,025,000
(3)	Public Improvement Sales Tax Bonds, Series 2007B	4.5-6.0	8/01/07	5/01/32	1,825,000	65,000
(3)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009B	4.41-7.23	8/18/09	5/01/34	23,665,000	800,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011B	2.25-4.25	6/01/11	5/01/26	10,300,000	685,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2011D	3.0-5.0	12/08/11	5/01/27	10,595,000	675,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series ST-2012B	2.0-5.0	6/01/12	5/01/28	13,570,000	755,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2014B	2.0-3.375	9/26/14	5/01/30	1,825,000	10,000
(4)	Utilities Revenue Bonds, Series 1996	2.95	8/22/96	11/01/17	3,365,000	1,090,000
(4)	Utilities Revenue Bonds, Series 2010	3.75-5.0	12/15/10	11/01/35	81,545,000	2,405,000
(4)	Utilities Revenue Refunding Bonds, Series 2012	4.0-5.0	1/11/13	11/01/28	152,955,000	8,050,000
(5)	Certificates of Indebtedness, Series 2011	3.65	5/11/11	5/01/26	5,080,000	330,000
(6)	Communications System Revenue Bonds, Series 2007	4.125-5.25	6/28/07	11/01/31	96,855,000	3,755,000
(6)	Communications System Revenue Bonds, Series 2012A	4.0-5.0	1/26/12	11/01/31	7,595,000	0
(6)	Taxable Communications System Revenue Bonds, Series 2012B	5.0-6.0	1/26/12	11/01/31	7,000,000	0
(7)	Taxable Limited Tax Refunding Bond, Series 2012	3.75	3/02/12	5/01/28	37,575,000	2,075,000

* Includes \$13,400,000 of bonds to be refunded by the \$11,825,000 Public Improvement Sales Tax Refunding Bonds, Series 2015, sold but not yet delivered.

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

<u>Notes</u>	<u>Name of Issuer & Issue</u>	<u>Interest Rates (%)</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>	<u>Principal Amount Due Within One Year</u>
(8)	<u>Overlapping Debt of the Parish of Lafayette, State of Louisiana</u>					
(9)	General Obligation Bonds, Series 2005	5.0	6/01/05	3/01/15	\$ 465,000	\$ 465,000
(9)	General Obligation Bonds, Series 2010	2.25-5.0	1/12/11	3/01/35	23,460,000	695,000
(9)	General Obligation Refunding Bonds, Series 2010	2.25-5.0	1/12/11	3/01/26	10,655,000	685,000
(9)	General Obligation Refunding Bonds, Series 2012	3.0-4.0	5/03/12	3/01/28	16,195,000	850,000
(9)	General Obligation Refunding Bonds, Series 2014	2.0-5.0	8/01/14	3/01/30	11,045,000	45,000
(10)	<u>Overlapping Debt of the Parish School Board of the Parish of Lafayette, State of Louisiana</u>					
(5)	Certificates of Indebtedness, Series 2007	3.61	12/17/07	11/01/17	2,275,000	720,000
(5)	Refunding Certificates of Indebtedness, Series 2010	3.06	12/29/10	11/01/23	2,489,000	242,000
(11)	LCDA QZAB	0	2/01/02	11/01/15	163,694	163,694
(12)	Public School Refunding Bonds, Series 2008	4.0-5.0	6/30/08	4/01/19	28,270,000	5,120,000
(12)	Public School Refunding Bonds, Series 2010	3.0-4.0	5/27/10	4/01/21	5,910,000	760,000
(13)	Limited Tax Bonds (Taxable QSCB), Series 2009	0.8	12/11/09	10/01/24	10,000,000	(a)
(13)	Limited Tax Bonds (Taxable QSCB), Series 2011	0	3/01/11	10/01/26	10,000,000	(a)
(13)	Limited Tax Bonds (Taxable QSCB), Series 2012	0	4/03/12	3/01/27	1,460,775	(a)
(13)	Limited Tax Revenue Bonds, Series 2012A	2.0-5.0	1/04/13	3/01/32	28,845,000	1,185,000
(14)	<u>Overlapping Debt of the Law Enforcement District of the Parish of Lafayette, State of Louisiana</u>					
(15)	Limited Tax Revenue Bonds, Series 2012	2.0-4.0	3/01/12	3/01/32	19,610,000	740,000
(*)	<u>Overlapping Debt of the Assessment District of the Parish of Lafayette, State of Louisiana</u>					
(!)	Revenue Anticipation Notes, Series 2014	2.5	9/29/14	3/01/15	180,000	180,000
(16)	<u>Overlapping Debt of Lafayette Parish Bayou Vermilion District</u>					
(9)	General Obligation Bonds, Series 2004	3.1	5/01/04	3/01/15	100,000	100,000
(17)	<u>Underlying Debt of Lafayette Public Power Authority</u>					
(18)	Electric Revenue Bonds, Series 2007	4.0-5.0	12/06/07	11/01/32	30,300,000	630,000
(18)	Electric Revenue Bonds, Series 2012	2.0-5.0	12/21/12	11/01/32	60,280,000	2,325,000
(19)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District North, Lafayette Parish, Louisiana</u>					
(20)	Water Revenue Refunding Bonds, Series 2013	2.95	1/29/13	10/01/27	4,385,000	331,000
(21)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District South, Lafayette Parish, Louisiana</u>					
(20)	Water Revenue Refunding Bonds, Series 2011	2.9	12/21/11	8/01/21	2,457,000	329,000
(20)	Water Revenue Bonds, Series 2013	3.2	8/08/13	8/01/28	1,480,000	20,000
(a)	<i>Various amounts are required to be deposited annually into a sinking fund.</i>					

NOTES

- (1) The 2014 total assessed valuation of the City of Lafayette, State of Louisiana is approximately \$1,378,851,017, all of which is taxable for municipal purposes.
- (2) Payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of the special 1% sales and use tax being levied and collected by the issuer, pursuant to elections held in the issuer on May 13, 1961, November 20, 1965, March 22, 1977, and July 21, 2001, subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.
- (3) Payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of the special 1% sales and use tax now being levied and collected by the issuer, pursuant to elections held in the issuer on May 4, 1985, November 15, 1997, and July 21, 2001, subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.
- (4) Payable as to principal and interest, solely from the income and revenues to be derived from the operation of the Lafayette Utilities System, subject only to the prior payment of the reasonable expenses of administration, operation and maintenance of the Lafayette Utilities System.

- (5) Secured by and payable solely from an irrevocable pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each of the fiscal years during which the obligations and any parity obligations are outstanding.
- (6) The Bonds shall be special obligations of the issuer, payable first, from the net income and revenues of the Communications System and second, to the amount necessary, from a secondary or subordinate pledge of the revenues of the Utilities System.
- (7) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived by the issuer from the levy and collection of a special tax of 5.42 mills (such rate being subject to adjustment from time to time due to reassessment), which the issuer is authorized to impose and collect in each year. Said special tax is authorized to be levied on all the property subject to taxation within the corporate boundaries of the issuer.
- (8) The 2014 total assessed valuation of the Parish of Lafayette, State of Louisiana is approximately \$2,321,605,339, of which approximately \$1,958,174,845 is taxable.
- (9) Secured by and payable from unlimited *ad valorem* taxation.
- (10) The 2014 total assessed valuation of the Parish School Board of the Parish of Lafayette, State of Louisiana is approximately \$2,321,605,339, of which approximately \$1,958,174,845 is taxable.
- (11) Payable from available funds of the Parish School Board of the Parish of Lafayette, State of Louisiana.
- (12) Secured by and payable solely from an irrevocable pledge and dedication of the avails or net proceeds of the 1% sales and use tax being levied and collected by the issuer, in compliance with a special election held within the Parish of Lafayette, State of Louisiana on September 18, 1965.
- (13) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived by the issuer from the levy and collection of a special tax of 4.59 mills (such rate being subject to adjustment from time to time due to reassessment) authorized to be levied each year on all the property subject to taxation within the corporate boundaries of the issuer.
- (14) The 2014 total assessed valuation of the Law Enforcement District of the Parish of Lafayette, State of Louisiana is approximately \$2,321,605,339, of which approximately \$1,958,174,845 is taxable.
- (15) Secured by and payable from an irrevocable pledge and dedication of the annual revenues of a special *ad valorem* tax of 8.03 mills (such rate being subject to adjustment from time to time due to reassessment) within the issuer, authorized to be imposed and collected each year on all the property subject to taxation within the corporate boundaries of the issuer.
- (16) The 2014 total assessed valuation of Lafayette Parish Bayou Vermilion District, State of Louisiana is approximately \$2,321,605,339, of which approximately \$1,958,174,845 is taxable.
- (17) The Lafayette Public Power Authority is parishwide, and levied no *ad valorem* taxes in 2014.
- (18) Secured by a pledge of project power revenues of the Lafayette Public Power Authority attributable to the project after payment of operating expenses.
- (19) Lafayette Parish Waterworks District North of the Parish of Lafayette, State of Louisiana includes an area lying to the North of the Township line between Township 9 South and Township 10 South, except those areas included in any municipality or other water district, and except certain areas adjacent to the City of Lafayette. The District levied no *ad valorem* taxes in 2014.
- (20) Payable solely from the income and revenues derived or to be derived from the operation of the waterworks system of the issuer, subject only to the prior payment of the reasonable and necessary expenses of operating and maintaining the system.
- (21) Lafayette Parish Waterworks District South of the Parish of Lafayette, State of Louisiana includes an area lying to the South of the Township line between Township 9 South and Township 10 South, except those areas included in any municipality or other water district and/or certain water systems, and except certain areas adjacent to the City of Lafayette. The District levied no *ad valorem* taxes in 2014.

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