

In the opinion of Bond Counsel, under existing law, the interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes. See “Tax Exemption” herein and the proposed form of Bond Counsel opinion attached hereto as Appendix “F.” Under the provisions of Chapter 1 of Title 47 of the Louisiana Revised Statutes of 1950, as amended, interest on the Bonds owned by corporations or residents of the State of Louisiana are exempt from Louisiana state income taxation to the extent such interest is exempt from Federal income taxation.

\$86,080,000
Utilities Revenue Bonds, Series 2010
CITY OF LAFAYETTE, STATE OF LOUISIANA

Dated: Date of Delivery

Due: November 1, as shown below

The referenced Bonds are being initially issued as fully registered bonds without coupons in denominations of \$5,000 each, or any integral multiple thereof within a single maturity, and when issued will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. **Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased.** Purchases of the Bonds may be made only in book-entry form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Principal of, redemption premium, if any, and interest on the Bonds is payable at the principal corporate trust office of The Bank of New York Mellon Trust Company, N. A., in the City of Jacksonville, Florida, as Paying Agent, or any successor paying agent, to DTC, which will remit such payments in accordance with its normal procedures, as described herein. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2011. See “BOOK-ENTRY ONLY SYSTEM” herein.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY SINKING FUND REDEMPTION AS SET FORTH HEREIN.

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

The Bonds are being issued for the purpose of acquiring, constructing, improving, renovating, equipping, upgrading and modifying the Utilities System, paying capitalized interest, funding a reserve, and paying the costs of issuance of the Bonds. The Bonds are being issued on a complete parity with the Issuer’s outstanding \$7,410,000 Utilities Revenue Bonds, Series 1996, maturing November 1, 2011 to November 1, 2017, inclusive, and \$183,990,000 Utilities Revenue Bonds, Series 2004, maturing November 1, 2012 to November 1, 2025, inclusive, and November 1, 2028 (collectively, the “Outstanding Parity Bonds”). See “PURPOSE OF ISSUE” herein.

MATURITY SCHEDULE
(Base CUSIP No. 506498)

<u>Nov. 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>	<u>Nov. 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>
2013	\$2,235,000	3.00%	1.15%	XK5	2018	\$2,710,000	4.00%	2.86%	XQ2
2014	2,300,000	4.50%	1.48%	XL3	2019	2,820,000	5.00%	3.15%	XR0
2015	1,305,000	4.00%	1.80%	XM1	2020	2,960,000	3.75%	3.36%	XS8
2015	1,100,000	4.50%	1.80%	XZ2					
2016	2,505,000	4.00%	2.17%	XN9	2030	4,705,000	4.50%	100 ^c	XY5
2017	2,610,000	4.00%	2.54%	XP4					

\$9,690,000 5.00% Term Bonds due November 1, 2023, Yield 3.90%^c, CUSIP XT6
 \$6,150,000 5.00% Term Bonds due November 1, 2026, Yield 4.16%^c, CUSIP XU3
 \$5,015,000 4.00% Term Bonds due November 1, 2026, Yield 4.22%, CUSIP YA6
 \$12,815,000 5.00% Term Bonds due November 1, 2029, Yield 4.40%^c, CUSIP XV1
 \$15,500,000 5.00% Term Bonds due November 1, 2033, Yield 4.67%^c, CUSIP XW9
 \$11,660,000 4.75% Term Bonds due November 1, 2035, Yield 4.85%, CUSIP XX7

^c Priced to the par call date of November 1, 2020.

The Bonds are offered subject to the approving opinions of Foley & Judell, L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their Counsel, Fulbright & Jaworski L.L.P. It is expected that the Bonds will be delivered in New Orleans, Louisiana, and available for delivery through the facilities of DTC, on or about December 15, 2010, against payment therefor.

Morgan Keegan

Stephens Inc.

The date of this Official Statement is November 2, 2010. This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to the making of an informed investment decision.

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

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

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE ISSUER AND INCLUDES INFORMATION OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION SET FORTH HEREIN CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") HAS BEEN FURNISHED BY DTC, AND NO REPRESENTATION IS MADE BY THE ISSUER OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION. [THE INFORMATION SET FORTH HEREIN CONCERNING THE INSURER HAS BEEN FURNISHED BY THE INSURER, AND NO REPRESENTATION IS MADE BY THE ISSUER OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION.]

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

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

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

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

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

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

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OFFICIALS
CITY OF LAFAYETTE, STATE OF LOUISIANA

PRESIDENT OF THE LAFAYETTE CITY-PARISH
CONSOLIDATED GOVERNMENT

Joey Durel

CITY-PARISH COUNCIL

Jay Castille, District 2, *Chair*

Keith Patin, District 8*, *Vice Chair*

Purvis Morrison, District 1

Brandon Shelvin, District 3*

Kenneth P. Boudreaux, District 4*

Jared Bellard, District 5

Sam Dore, District 6*

Donald L. Bertrand, District 7*

William G. Theriot, District 9

Clerk of Council

Norma Dugas

Chief Administrative Officer

Dee Stanley

Chief Financial Officer

Rebecca J. Lalumia

Director of Utilities

Terry J. Huval

Consulting Engineer

R.W. Beck, Inc.

Certified Public Accountants

Kolder, Champagne, Slaven & Company, LLC

City-Parish Attorney

Patrick S. Ottinger

Bond Counsel

Foley & Judell, L.L.P.

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

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OFFICIAL STATEMENT

\$86,080,000

UTILITIES REVENUE BONDS, SERIES 2010

CITY OF LAFAYETTE, STATE OF LOUISIANA

INTRODUCTION

This Official Statement of the City of Lafayette, State of Louisiana (the “City” or “Issuer”) provides information with respect to the captioned bonds (the “Bonds”). This Official Statement contains summaries of certain provisions of the Second Supplemental Bond Ordinance adopted by the Lafayette City-Parish Council (the “Governing Authority”), acting as the governing authority of the Issuer, and the Lafayette Public Utilities Authority (the “LPUA”), the governing authority of the Utilities System on November 2, 2010, pursuant to which the Bonds are being issued (“Second Supplemental Bond Ordinance”) and the hereinafter defined General Bond Ordinance.

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

Included in Appendix “B” hereto is the “Consulting Engineer’s Report” dated as of November 9, 2010, prepared by R.W. Beck, Inc., Denver, Colorado, which includes projected revenues and expenses. Additional information about the Issuer is included in Appendix “C” hereto. The proposed form of opinion of Foley & Judell, L.L.P., Bond Counsel, is included in Appendix “F” hereto.

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

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

Bond Ordinance

The Issuer adopted a General Bond Ordinance on June 29, 2004 (the “General Bond Ordinance”), which created a series of bonds of the Issuer designated as “Utilities Revenue Bonds.” The General Bond Ordinance authorizes the issuance of each series of bonds by a supplemental resolution adopted by the Issuer. The first supplemental ordinance providing for the issuance of the Series 2004 Bonds was adopted on June 29, 2004, and the Second Supplemental Ordinance was adopted on November 2, 2010 (the General Bond Ordinance, together with the supplements thereto, collectively referred to herein as the “Bond Ordinance”).

The Issuer

The Issuer was incorporated in 1914. It is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico, 160 miles west of New Orleans, and 214 miles east of Houston, Texas. The Issuer is the Parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the Issuer is approximately 47 square miles. The Issuer is the center of a metropolitan area that includes the Parish and the area within the boundaries of Acadia, St. Landry, and St. Martin Parishes. The Issuer had an estimated 2009 population of 114,915.

The Issuer owns and operates a utilities system as a single revenue producing public utility, consisting of the waterworks plants and system, the electric power and light plant and systems and the sewer system (the “Utilities System”), as more fully described herein. The Utilities System includes a fiber system as shown in the Consulting Engineer’s Report appearing in Appendix “B” hereto, but the revenues from the fiber system are not pledged to the payment of the Bonds.

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

Pursuant to the LPPA Contract, the Issuer has agreed to purchase the power and energy derived from LPPA’s 50% ownership interest of a 530 MW coal-fired steam generating unit known as the Rodemacher Unit No. 2 at Boyce, Louisiana (“RPS2”) which is operated by Central Louisiana Electric Company, Inc. (“CLECO”). The Issuer is required by the LPPA Contract to pay the debt service on the debt issued by LPPA to finance the cost of acquisition of the RPS2 and all costs of LPPA incurred in connection with LPPA’s ownership of the RPS2, including all costs of producing and delivering electric power and energy therefrom. The obligations of the Issuer to make the payments under the LPPA Contract are required to constitute operating expenses of the Issuer payable from Utilities System revenues and such payments are required to be made whether or not the RPS2 has been completed, is then operable and is operating. LPPA has \$51,750,000 aggregate principal amount of debt currently outstanding with a final maturity date of November 1, 2032.

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

Maps indicating the approximate location of the Issuer are included before Appendix “A” hereto.

PURPOSE OF ISSUE

The Bonds are being issued for the purpose of paying a portion of the costs of acquiring, constructing, improving, renovating, equipping, upgrading and modifying the Issuer's Utilities System, paying capitalized interest, funding a reserve, and paying the costs of issuance of the Bonds and to be secured by and payable in principal and interest and redemption premium, if any, solely from the income and revenues derived or to be derived from the operation of the Utilities System.

The Bonds are being issued on a complete parity with the Issuer's outstanding \$7,410,000 Utilities Revenues Bonds, Series 1996, dated August 22, 1996, maturing November 1, 2011 to November 1, 2017, inclusive, and \$183,990,000 Utilities Revenues Bonds, Series 2004, dated August 10, 2004, maturing November 1, 2012 to November 1, 2025, inclusive, and November 1, 2028 (collectively, the "Outstanding Parity Bonds").

SOURCES AND USES OF FUNDS

Sources

Bond Proceeds:

Par Amount of Bonds	\$86,080,000.00
Net Original Issue Premium	<u>3,849,527.65</u>
Total	<u>\$89,929,527.65</u>

Uses of Funds

Deposit to Project Construction Fund	\$76,000,000.00
Deposit to Debt Service Reserve Fund	6,248,925.00
Deposit to Capitalized Interest Fund	6,404,122.24
Underwriters' Discount	723,072.00
Costs of Issuance *	<u>553,408.41</u>
Total	<u>\$89,929,527.65</u>

* *Includes legal and required fees and costs and other issuance costs.*

THE BONDS

The Issue

Eighty-Six Million Eighty Thousand Dollars (\$86,080,000) of Utilities Revenue Bonds, Series 2010, of the Issuer are being issued.

Date of Issue

The Bonds are dated as of the expected delivery date, which is anticipated to be December 15, 2010.

Authority for Issue

The Bonds are being issued pursuant to the provisions of Section 1430 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto (the "Act"), and the General Bond Ordinance.

Average Life

The average life of the Bonds is approximately 15.849 years from their dated date.

Form and Denomination

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

Maturities; Interest Payment Dates

The Bonds will mature on November 1 in the years and in the principal amounts indicated on the cover page of this Official Statement and will bear interest from the dated date of the Bonds, payable on May 1 and November 1 of each year, commencing May 1, 2011 (each an “Interest Payment Date”), at the rates per annum indicated on the cover page hereof. The Bonds shall bear interest from the date thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

Provisions Applicable if Book-Entry Only System is Terminated

General. Purchasers of Bonds will receive principal, premium, if any, and interest payments, and may transfer and exchange Bonds, pursuant to the following provisions only if the book-entry only system is terminated. Otherwise, payments and transfers will be made only as described above under “Book-Entry Only System.”

Place of Payment. Principal of the Bonds is payable at The Bank of New York Mellon Trust Company, N. A., in the City of Jacksonville, Florida, or any successor thereto (the “Paying Agent”).

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

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

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

Redemption Provisions

Optional Redemption. The Bonds maturing November 1, 2023, and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after November 1, 2020, at the principal amount thereof and accrued interest to the date fixed for redemption.

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

Mandatory Sinking Fund Redemption. The Term Bonds maturing on November 1, 2023, shall be subject to mandatory sinking fund redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>
2021	\$3,075,000
2022	3,225,000
2023*	3,390,000

* *Final Maturity.*

The Term Bonds maturing on November 1, 2026, and bearing interest at the rate of 5.00% shall be subject to mandatory sinking fund redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>
2024	\$1,950,000
2025	2,050,000
2026*	2,150,000

* *Final Maturity.*

The Term Bonds maturing on November 1, 2026, and bearing interest at the rate of 4.00% shall be subject to mandatory sinking fund redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

Year <u>(November 1)</u>	Principal <u>Amount</u>
2024	\$1,605,000
2025	1,670,000
2026*	1,740,000

* *Final Maturity.*

The Term Bonds maturing on November 1, 2029, shall be subject to mandatory sinking fund redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

Year <u>(November 1)</u>	Principal <u>Amount</u>
2027	\$4,065,000
2028	4,270,000
2029*	4,480,000

* *Final Maturity.*

The Term Bonds maturing on November 1, 2033, shall be subject to mandatory sinking fund redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

Year <u>(November 1)</u>	Principal <u>Amount</u>
2031	\$4,915,000
2032	5,165,000
2033*	5,420,000

* *Final Maturity.*

The Term Bonds maturing on November 1, 2035, shall be subject to mandatory sinking fund redemption on November 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

Year <u>(November 1)</u>	Principal <u>Amount</u>
2034	\$5,695,000
2035*	5,965,000

* *Final Maturity.*

Notice of Redemption

Notice of redemption of the Bonds is to be given by the Issuer by mail, postage prepaid, not less than 30 days before the redemption date to the registered owners of the Bonds which are to be redeemed at their last addresses shown on the registration books for the Bonds, as

of the 45th day prior to the date fixed for redemption. Failure to mail any such notice or any defect therein shall not affect the validity of the redemption proceedings for the Bonds being redeemed. Notice of redemption having been given as described above, unless cancelled as described below, the Bonds called for redemption shall become due and payable on the redemption date specified in such notice and interest thereon shall cease to accrue from and after the redemption date, if moneys sufficient for the redemption of the Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Paying Agent or authorized depository in trust for such Bonds on the redemption date and the Bonds (or such portions thereof) shall cease to be entitled to any benefit or security under the Bond Ordinance. Notice of optional redemption may be conditioned upon the receipt by the Paying Agent or authorized depository of moneys sufficient to effectuate such redemption, and if such moneys are not received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds.

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

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

BOOK-ENTRY ONLY SYSTEM

The Bonds initially will be issued solely in book-entry only form to be held in the system maintained by DTC. So long as such book-entry only system is used, only DTC will receive or have the right to receive physical delivery of the Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Bond Ordinance.

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning

of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with

respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds are required to be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE ISSUER AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS; (ii) CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT “RULES” APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT “PROCEDURES” OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER, THE UNDERWRITERS NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS; (3) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO BONDHOLDERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT

Sources of Payment

The Bonds and the Outstanding Parity Bonds and any additional bonds hereafter issued on a parity therewith are or will be special and limited obligations of the Issuer and are secured by and payable in principal and interest and redemption premium, if any, solely from the income and revenues derived or to be derived from the operation of the Issuer’s Utilities System (“Revenues”), after provision has been made for the payment therefrom of the reasonable and necessary expenses of operation and maintaining the Utilities System (“Net Revenues”). Such Net Revenues consist of (i) all rates, fees, charges, income, rents and receipts derived by the Issuer from or attributable to the ownership and operation of the Utilities System, including all revenues attributable to the Utilities System or to the payment of the costs thereof received by the Issuer under any contracts for the sale of power, energy, transmission or other use of the services, facilities or products of the Utilities System or any part thereof or any contractual arrangement with respect to the use of the Utilities System or any portion thereof or the services, output, facilities, capacity or products of the Utilities System, (ii) the proceeds of any insurance covering business interruption loss relating to the Utilities System, (iii) interest received on the investment or reinvestment of any moneys held hereunder required to be deposited or kept in the Receipts Fund, (iv) payments received by the Issuer under a Qualified Swap (defined hereafter), and (v) funds received from a Rate Stabilization Account as described in the Bond Ordinance; provided, however, that the “Net

Revenues” shall not include revenues from a separately financed project or Impact Fees (defined hereafter) or revenues deposited in a Rate Stabilization Account, **less** any operating and maintenance expense as defined in accordance with generally accepted accounting principles in the United States of America, plus any expenses incurred under any Power Sales Contract. Notwithstanding the foregoing, costs of operation and maintenance shall not include (i) any costs and expenses attributable to a Separately Financed Project, (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of the Utilities System to the condition of serviceability thereof when new, (iii) depreciation costs or (iv) any interest expense on any obligation.

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

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

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

Creation of Funds and Accounts

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

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

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

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

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

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

(d) Reserve Fund. After meeting the requirements of (c) above, the moneys in the Receipts Fund shall next be used to satisfy the Reserve Requirements for Reserve Secured Bonds. The Reserve Fund will be segregated into one or more accounts that are created for various series of Reserve Secured Bonds. Currently there are separate accounts for each series of Outstanding Parity Bonds, and the Issuer will establish a new account in the Reserve Fund for the Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Bonds

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

Issuance of Parity Obligations

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

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

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

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

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

(c) the (i) Governing Authority President of the Issuer shall certify in writing that the Net Revenues of the Utilities System, as shown on the then-most recent available audited financial statements of the Utilities System equal or exceed the Bond Service Requirement for the same audited period for all outstanding obligations and (ii) a certificate from the Consulting Engineer

(as defined hereafter) certifying that the Net Revenues of the Utilities System equal or exceed the Bond Service Requirement for all outstanding Bonds, parity debt and additional obligations proposed to be issued for the first three complete bond years during which the additional obligations shall be outstanding; and

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

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

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

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

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

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

Separately Financed Project

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

Rate Covenant

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

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

sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to any Owner who shall request the same in writing. Furthermore, the Issuer shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

GENERAL COVENANTS OF THE ISSUER

Operation Covenant

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

Maintenance of Utilities System; Disposition

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

Reports and Annual Audits

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

Additions to Utilities System

The Issuer may add to the Utilities System any facilities or equipment related to the generation, transmission and/or distribution of electricity, the treatment and distribution of water, and the collection and treatment of sewage; any facilities or equipment for the provision of utility-

related services other than the generation, distribution or transmission of electricity, the treatment and distribution of water, and the collection and treatment of sewage so long as, (i) if any Tax-Exempt Obligations are outstanding hereunder, the Issuer shall have received an opinion of Bond Counsel that the addition to the Utilities System will not, in and of itself, cause the interest on such Tax-Exempt Obligations not to be excludable from gross income of the Holders thereof for federal income tax purposes, (ii) if the Revenues anticipated by the Issuer to be derived from such addition in its first full fiscal year of operations are equal to or greater than ten percent (10%) of the total Revenues derived by the Utilities System in the most recent fiscal year of the Issuer preceding the adding of such addition to the Utilities System for which audited financial statements are available, or if the cost of operation and maintenance anticipated by the Issuer to be incurred in connection with such addition in its first full fiscal year of operation are equal to or greater than ten percent (10%) of the total cost of operation and maintenance incurred by the Utilities System in the most recent fiscal year preceding the adding of such addition to the Utilities System for which audited financial statements are available, prior to making such addition to the Utilities System the Issuer shall have obtained a written report of a Qualified Independent Consultant to the effect that within its first five (5) full years of operation, the annual additional Revenues generated by such addition in any one Fiscal Year of such first five (5) full years will exceed the annual additional costs of operation and maintenance allocable to such additions in such fiscal year, and (iii) within ninety (90) days after adding such addition to the Utilities System the Issuer shall have provided written notice of same to each rating agency.

CITY OF LAFAYETTE UTILITIES SYSTEM

Introduction

The Utilities System provides electric, water, sewerage, and telecommunication services to citizens within the Issuer. Additionally, the Utilities System provides service to electric, water and sewerage customers residing outside the Issuer's limits.

The Utilities System, a department of the Governing Authority, operates the Electric System, the Water System, the Wastewater System and the Communications System. The City's utilities systems are designated by existing bond ordinances as the Utilities System and Communications System. The Utilities System is comprised of: (1) an electric system (including generation, transmission and distribution facilities); (2) a water system (including supply, treatment, transmission, distribution and storage facilities); and (3) a wastewater system (including wastewater collection and treatment facilities). The Communications System is comprised of a fiber optic loop that runs throughout the City, providing retail telephone, cable television, and Internet services in the City. Revenues and receipts from the Communications System are not available and are not pledged to the payment of the Bonds.

Management of the Utilities System

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

- (i) Customer Service is responsible for the daily collection and processing of utility customers deposits and billings, and meter readings.

(ii) Electrical Operations is responsible for all the field activities associated with operation and maintenance of the electrical transmission and distribution facilities, including security, service calls, system construction, system control, substation operations, and inventory and facilities management.

(iii) Power Production is responsible for the operation and maintenance of the electric power production facilities, project management, engineering, procurement, and construction associated with its capital operation and maintenance budgets.

(iv) Water Operations is responsible for operation and maintenance of the water supply, production, storage, distribution and water quality.

(v) Wastewater Operations is responsible for operation and maintenance of the treatment and collection facilities and the management of wastewater discharge quality and industrial discharge permits and fees.

(vi) Engineering is responsible for all engineering activities necessary to operate and maintain the Utilities System, including forecasting, system planning, system design, contract administration, construction management, air quality environmental issues and engineering analysis in support of the other operating divisions.

(vii) Environmental Compliance is responsible for compliance with water and wastewater environmental regulatory requirements.

(viii) Support Services is responsible for the administrative duties associated with operating the Utilities System, including employee training and safety, public information, rates, and financial planning.

(ix) Telecommunications is responsible for the operations and maintenance of the fiber system throughout the City.

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

Rebecca “Becky” Lalumia, CPA, CGFO
Chief Financial Officer of the Issuer

Becky has 33 years of experience in government finance, serving Lafayette City-Parish Consolidated Government and the City of Lafayette since 1977. Since 1998 she has served as Chief Financial Officer. Her previous positions included Controller and Accounting Manager with the City of Lafayette.

She is a Certified Public Accountant and a Certified Government Finance Officer. Becky holds a B.S.B.A. degree from the University of Louisiana-Lafayette with a major in Accounting. She is a past president of the Louisiana Government Finance Officers Association and served six years on its board of directors. For ten years she served on the MAPEL Federal Credit Union board of directors as Treasurer. She has been involved with various other community service organizations.

Terry J. Huval – Director of Utilities

Terry has 32 years experience in the electric power utilities industry (16 with Gulf States Utilities/Entergy and 16 with LUS). He is a registered Professional Electrical Engineer, and has a cum laude degree in electrical engineering from the University of Louisiana-Lafayette. Terry has received numerous awards for his engineering and public service activities.

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

Frank Ledoux – Engineering, Power and Communications Manager

Frank has 31 years experience in the electric power utilities industry (2 years with CLECO and 29 years with LUS in various engineering, operations, marketing and administrative positions). He is responsible for all electric, water and wastewater engineering activities and has extensive experience in negotiating fuel supply and transportation, electric transmission and interconnection, and power supply purchase and sales agreements. Frank is also the manager of the LUS Fiber to the Home project and all the associated engineering, construction, business, marketing, sales and regulatory activities.

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

Mike Boustany – Electric Operations Manager

Mike has 28 years experience with LUS working in distribution, transmission and substation engineering, control systems and communications. He has a degree in Electrical Engineering from the University of Louisiana-Lafayette. He is a registered Engineer in the State of Louisiana in Electrical Engineering, Control Engineering and Environmental Engineering.

Don Broussard – Water Operations Manager

Don has 32 years in the Civil Engineering and Water operations industry with LUS and is a registered Professional Civil Engineer. He has a degree in Civil Engineering from the University of Louisiana-Lafayette. He is a Vice-President with the American Water Works Association (“AWWA”) and chairs the AWWA Water Sector Coordinating Council, working on water security preparedness and emergency response. He has received several distinguished service awards, including the George Warren Fuller Award from AWWA’s Southwest Section.

Craig Gautreaux – Wastewater Operations Manager

Craig has 30 years of experience in the Civil Engineering/Wastewater Operations industry (5 years with the University of Louisiana-Lafayette, 5 years with a private consulting firm and 20 years with LUS). He is a Graduate Civil Engineer with a Masters in Civil Engineering.

Allyson L. Pellerin– Environmental Compliance Manager

Allyson has been with LUS for 19 years, serving as the Environmental Compliance Manager for 11 of those years to present. She received a Bachelor of Science from the University of Louisiana-Lafayette. She is a member of various professional organizations relating to water and wastewater environmental issues and also an active volunteer for various organizations (Louisiana Environmental & Health Association, Acadiana Chapter of the American Red Cross and Habitat for Humanity).

Andrew Duhon – Customer & Support Services Manager

Andrew has 31 years of experience in the accounting field (10 years with various private and government entities and 21 years with LUS, including finance, customer service and meter service management responsibilities). He received a Bachelor of Arts from the University of Louisiana-Lafayette and is an inactive Certified Public Accountant. He serves as an Alternate Director on the Board of LEPA. He has served on the boards of numerous civic organizations, most recently as the Chairman of the Board of the Acadiana Chapter of the American Red Cross.

Electric System

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

For 2010, the existing Electric System rates were insufficient to fully fund the Electric System operations on a stand-alone basis. Therefore, the base rates were increased in February 2010 by 10 percent. The base rates are projected to increase in November 2010 (fiscal year 2011) by 11 percent.

The electric utility monthly fuel charge is calculated to recover costs for natural gas fuel, payments to LPPA pursuant to the LPPA Contract, purchased power expenses, and fuel restoration according to the ILOT (as defined in the Consulting Engineer’s Report) calculation for the Governing Authority. The monthly fuel charge is adjusted as needed to recover the described costs. For additional information with respect to the LPPA Contract, see “INTRODUCTION-The Issuer.”

Generation Facilities

The Issuer owns three gas fired generating facilities located within the City limits: the Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. The Electric System obtains a significant portion (from 50 to 70 percent) of its electric energy requirements from the LPPA. LPPA has a 50 percent ownership interest in a fossil fuel steam-electric generating unit, RPS2. Located in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of Lafayette, RPS2 is operated by CLECO.

Annual generation at RPS2 has averaged approximately 3,415 gigawatt hours “(GWh)” (net) over the 2005 to 2009 period with average annual plant capacity factor of 69.4 percent. The annual average heat rate of RPS2 was approximately 11,008 Btu per kilowatt hour (“kWh”).

Fuel Infrastructure and Supply Contracts

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

Natural gas is primarily provided by ATMOS Energy Marketing, LLC (“ATMOS”) for up to 20,000 million British thermal units (“MMBtu”) per day pursuant to a base contract between ATMOS and TEA dated February 1, 2004, which is backed by the City, in conjunction with confirmations between TEA and ATMOS dated October 28, 2008 and August 9, 2009 for deliveries to the Hargis-Hébert Plant and T. J. Labbé/ Bonin Plants respectively. The October 2008 confirmation will expire on October 31, 2010, while the August 2009 confirmation will expire on October 31, 2012.

Natural gas can also be supplied on an emergency basis to the T. J. Labbé/ Bonin Plants up to 15,000 MMBtu per day from Crosstex Gulf Coast Marketing, LLC (“Crosstex”) pursuant to a base contract between Crosstex and TEA dated September 1, 2002, which is backed by the City, in conjunction with a confirmation between TEA and Crosstex dated January 1, 2010. Said confirmation has a primary term from January 1, 2010 through December 31, 2010 and will continue from month to month thereafter until either party gives 30 day written notice.

In addition to the “base” volumes purchased from Crosstex, TEA purchases natural gas on the spot market from Crosstex and multiple other suppliers for the City in order to fulfill the annual gas requirements of the Utilities System.

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

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

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

Power Supply / Sales Contracts

LPPA – Rodemacher Unit 2 Power Station

Pursuant to the LPPA Contract, whereby LPPA agreed to sell, and the City agreed to purchase, LPPA’s share of the power and energy produced from the RPS2. The LPPA Contract was originally set to expire on April 30, 2017; however Ordinance O-172-2007 was adopted by the City on August 21, 2007 extending the LPPA Contract for forty years. The LPPA Contract was extended with the effective date of September 1, 2007 and now expires on August 31, 2047.

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

The monthly billing payment for electric service to the City is paid in advance, and is based on monthly power and energy costs as estimated and budgeted by LPPA. Pursuant to the LPPA Contract, an annual reconciliation between budgeted amounts billed and the actual aggregate monthly power and energy costs as defined in the LPPA Contract is to be made 120 days after the end of each contract year. The payments made by the City pursuant to the LPPA Contract constitute operation and maintenance expenses under the Bond Ordinance. For fiscal year 2009, such payments aggregated \$65,839,986.

As discussed under “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY”–Environmental Matters,” there are possible new and additional environmental requirements which may be imposed on the operation of coal fired generation units such as RPS2. Such requirements may impose substantial capital costs and operating costs. Until such environmental requirements are known, the owners of RPS2 cannot determine such costs and are not in a position to determine to proceed with incurring such capital costs. LUS is developing a plan to study power supply alternatives for the future, including the feasibility of continuing to purchase power from RPS2 assuming the incurrence of such capital and operating costs for RPS2 as compared to purchase power alternatives or developing new generation resources. Whatever decision is made LUS expects that the cost of power and energy will increase in the future.

Southwestern Power Administration

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

Historical Power Sales

Electric System sales totaled 2,010,878 MWh during the 2009 fiscal year.

Historic Electric Retail and Wholesale Sales (MWh)

<u>Year</u>	<u>Retail</u>	<u>LEPA Wholesale</u>	<u>Other Wholesale</u>	<u>Total Wholesale</u>	<u>Total Retail and Wholesale</u>
2005	1,869,428	390,628	32,896	423,524	2,292,952
2006	1,883,007	74,342	27,504	101,846	1,984,853
2007	1,917,891	1	34,660	34,661	1,952,552
2008	1,933,371	6	33,065	33,071	1,966,442
2009	1,950,205	7	60,666	60,673	2,010,878
Compounded Average Annual Growth					
2005-2009	1.06%	-93.49%	16.53%	-38.48%	-3.23%

** Until 2005, the Utilities System contracted to provide wholesale power to LEPA; the contract was not renewed after it expired.*

Source: Consulting Engineer’s Report in Appendix “B.”

Wastewater System Description

The Issuer owns and operates a Wastewater System that provides sewer services to citizens within the Issuer’s boundaries, as well as to some citizens outside its boundaries. The Wastewater System includes treatment facilities and a collection system. Improvements to the Wastewater System to be financed by the Bonds are discussed in Appendix “B.” The following provides a description of historical system flows, the existing facilities, issues related to its operating permits, and new and proposed regulations.

Treatment Facilities

The four wastewater treatment plants owned by the Issuer are the South Plant, the East Plant, the Ambassador Caffery Parkway Plant, and the Northeast Plant. The total permitted capacity for these plants is 18.5 million gallons per day (“MGD”). The South Plant is an activated sludge facility with a capacity of 7 MGD. The East Plant and Northeast Plant are oxidation ditch facilities with capacities of 4 and 1.5 MGD, respectively. The Ambassador Caffery Parkway Plant treatment system includes a rotating biological contactor and oxidation ditch with a total capacity of 6 MGD. The wastewater collection system consists of 563 miles of gravity sewers, interceptors and force mains, with 11,252 manholes, and 149 pumping stations.

Inflow and Infiltration

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

Historically, the Issuer has received compliance orders from the Louisiana Department of Environmental Quality (“LDEQ”) regarding discharge of sewage from its sewage pumping stations. The Issuer responded to these compliance orders and to each issue raised by LDEQ by describing past or planned actions that have been or will be undertaken by the Issuer to eliminate the causes of sewage overflows. Actions taken include the upgrade of the cited lift station to its maximum pumping capacity and modifications to the South Plant to handle excess flows.

Wastewater Discharge Permits

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

- (i) Conduct quarterly whole effluent toxicity testing using bioassay methods;
- (ii) Perform an annual Environmental Audit Report including a resolution/ordinance from the governing body;
- (iii) Operate an industrial pretreatment program;
- (iv) Submit monthly reports to LDEQ.

The 2009 Discharge Monitoring Reports (“DMRs”) for the treatment plants were reviewed and several exceedances of permit discharge limits were noted. The exceedances were largely due to construction and maintenance related activities. There was no indication that any of the exceedances were caused by a recurring issue or problem. The Issuer reports that the treatment plants are current with all fees and report submittals, and there were no public complaints in 2009.

Bio-solids Reuse

The Issuer reports that the bio-solids reuse program continues to provide for disposal of all Utilities System wastewater treatment sludge. The Issuer contracts with privately owned farms for use of their farmland for bio-solids application. Utilities System staff has noted that land use

trends and potential changes in land ownership are likely to make continued use by the Issuer of private farmland more difficult in the future. Utilities System staff is investigating alternative methods of sludge management including improvement in sludge treatment to generate a marketable product. The cost of the conversion to more advanced treatment could be substantial.

New and Proposed Regulations

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

Historical Wastewater Flows

Total retail wastewater flows decreased slightly between 2005 and 2009 as provided in the table below.

Wastewater flows are measured at the intake of the treatment facility and vary annually depending on rainfall events. This is based on projected growth in the number of customers, with intake per customer remaining steady. Despite a negative growth rate from 2005 to 2009, the Issuer expects an average annual growth rate of less than zero in terms of projected retail wastewater flows through 2014. The Issuer has completed engineering design of improvements and expansions to the Ambassador Caffery Parkway Plant to meet anticipated growth. Total retail wastewater flows decreased slightly between 2005 and 2009 as provided below.

Historical Retail Wastewater Flows (1,000 gals)

<u>Year</u>	<u>Retail Intake Flow</u>
2005	5,638,655
2006	5,319,763
2007	5,711,781
2008	5,669,875
2009	5,570,825
Compounded Average Annual Growth Rate 2005-2009	-0.30%

Source: Consulting Engineer’s Report in Appendix “B.”

Security Issues

Following the terrorist attacks of September 11, 2001, increased emphasis has been placed on addressing security measures for the infrastructure systems and facilities throughout the United States. In 2002, President Bush signed the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (“Bioterrorism Act”). The Bioterrorism Act requires that certain community water systems conduct vulnerability assessments and prepare emergency response plans. The Issuer attained full compliance with the Bioterrorism Act early in 2003, and the Issuer has continued to address safety and security concerns at its Utilities System facilities since attaining such compliance.

Water System Description

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

Water Supply

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

During 2002, the City completed construction of Well No. 23 located in the southern portion of the Water System, with production beginning January 1, 2003. The 11,000 MGD well provides peak demand in the weakest portion of the distribution system and reduces the occurrence of low pressures in the area it serves. Minimal water treatment is provided, consisting of chlorination and phosphate addition. A relatively new facility in the northern portion of the Water System, Well No. 24, similar in purpose, scope, production and treatment to Well No. 23, began operation in June 2006 but production was not fully realized until the addition of pressure filters during 2009. Well No. 25 came online during 2009, further bolstering the Water System's production capacity.

Water Treatment

The Water System includes two water treatment facilities, the North Water Plant and the South Water Plant, which provide for removal of iron and manganese by coagulation, sedimentation and filtration; hardness reduction by a lime-softening process; and chlorination. The present system treatment capacity (both plants and Well Nos. 23 and 24) is approximately 50.6 MGD.

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

The existing water production facilities of the City have backup electric power generating facilities on site that are adequate to sustain a basic level of water production. The South Plant has full back up generation; however, the North Plant has enough back up generation to produce approximately 50 percent of its normal output.

Treated water storage totals approximately 12.2 million gallons. This includes 4.3 million gallons of elevated storage and 7.9 million gallons of ground storage, including pumping station wet wells.

Water Distribution

The Water System distribution network consists of 1,051 miles of pipe, most of which is in the 6-inch to 12-inch diameter range. The distribution system includes 20,909 valves and 6,095 fire hydrants.

Wholesale Sales and Contracts

The sale of water to six local entities (water districts and municipalities), which own or operate water utility properties, accounted for approximately 18 percent of the Utilities System's annual water revenues in 2009. The City also provides certain operating services to Lafayette Parish Waterworks District North ("Water District North"). Water service to Water District North customers is billed by the Governing Authority in the name of the Water District North consistent with the applicable rate schedules. Water District North constructs its own additions and extensions according to standards set by the Utilities System. The City also provides wholesale water service to the cities of Scott, Broussard, and Youngsville, as well as to the Milton Water System and Lafayette Waterworks District South.

Drinking Water Quality

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

EPA, based on statutory requirements, periodically conducts reviews of contaminants found in drinking water to determine if a change in regulations is warranted. Utilities System monitors planned changes to these regulations and either have incorporated or will incorporate the requirements into current and future operations. The Issuer does not anticipate that compliance with presently proposed changes will require major capital expenditures.

Historical Water Sales

The growth in the volume of water produced by the Water System to serve all its customers, including wholesale customers, has been slightly negative (on an annual basis) since 2005. The Issuer estimates that daily peak demand will be approximately 35 MGD by 2014. For 2009, water delivered to wholesale customers amounted for approximately 23 percent of the water sold by the Utilities System. Historical retail and wholesale water sales from 2005 to 2009 are provided in the following table:

Historical Water Retail and Wholesale Sales (1000 gals)

<u>Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>
2005	5,939,361	1,304,080	7,243,441
2006	6,075,802	1,326,574	7,402,376
2007	5,757,205	1,465,618	7,222,823
2008	5,492,975	1,545,275	7,038,250
2009	5,383,764	1,603,353	6,987,117
Compounded Average Annual Growth			
2005-2009	-2.43%	5.30%	-0.90%

Source: Engineer's Report in Appendix "B."

Customer Statistics

The historical and projected number of customers of the Utilities System is illustrated in the following table:

Historical and Projected Number of Customers by System

<u>Year</u>	<u>Electricity</u>	<u>Water</u>	<u>Wastewater</u>
Historical			
2005	57,906	47,529	39,056
2006	58,722	48,617	39,815
2007	60,018	49,622	40,353
2008	61,752	51,134	41,042
2009	62,403	51,276	41,185
Projected			
2010	63,089	52,137	41,892
2011	63,783	53,001	42,468
2012	64,485	53,866	43,045
2013	65,194	54,731	43,621
2014	65,912	55,595	44,198
2015	66,637	56,460	44,774
2016	67,370	57,324	45,350
2017	68,111	58,189	45,927
2018	68,860	59,053	46,503
2019	69,617	59,918	47,080
Compounded Annual Growth Rate			
2010-2019	1.10%	1.56%	1.31%

Source: Engineer's Report in Appendix "B."

A breakdown of the Electric Customers by classification for the periods indicated follows.

<u>Year</u>	<u>Residential</u>	<u>Commercial Without Demand</u>	<u>Commercial With Demand</u>	<u>Private Security Lighting</u>	<u>Schools and Churches</u>	<u>Municipal Interdept.</u>	<u>University of Louisiana-Lafayette</u>	<u>Other</u>	<u>Total</u>
2005	47,956	6,615	1,121	1,584	387	178	64	1	57,906
2006	48,620	6,773	1,101	1,583	396	183	65	1	58,722
2007	49,631	7,003	1,109	1,631	395	182	66	1	60,018
2008	51,042	7,231	1,154	1,675	401	181	67	1	61,752
2009	51,550	7,332	1,185	1,692	400	172	71	1	62,403

Source: Issuer.

Largest Customers

The largest **electric** customers according to revenues appears in the following table:

<u>Customer</u>	<u>Type of Business</u>	<u>Revenues</u>
1. University of Louisiana-Lafayette	Higher Education	\$4,013,547
2. Our Lady of Lourdes	Health Care	2,064,647
3. Lafayette General Hospital	Health Care	1,800,231
4. Acadiana Mall	Shopping Center	996,592
5. Stuller Settings Inc.	Jewelry Manufacturing	897,703
6. University Medical Center	Health Care	624,230
7. International Paper	Paper Products	633,226
8. Borden Company	Dairy Products	605,882
9. Medical Center of SW Louisiana	Health Care	525,445
10. LITE Office Facility	Technology Resource Center	448,913

The largest **sewer** customers according to revenues appears in the following table:

<u>Customer</u>	<u>Type of Business</u>	<u>Revenues</u>
1. University of Louisiana-Lafayette	Higher Education	\$360,302
2. Borden Company	Dairy Products	246,326
3. Our Lady of Lourdes	Health Care	142,528
4. Lafayette General Hospital	Health Care	109,339
5. Magnolia View Property, Inc.	Apartment Complex	62,968
6. Diamond Lakes Apartments	Apartment Complex	58,999
7. Lafayette Hilton and Towers	Hotel	53,399
8. University Medical Center	Health Care	51,460
9. Holiday Inn Lafayette	Motel	51,303
10. The Edge at Lafayette	Apartment Complex	51,972

The largest **water** customers according to revenues appears in the following table:

<u>Customer</u>	<u>Type of Business</u>	<u>Revenues</u>
1. University of Louisiana-Lafayette	Higher Education	\$155,251
2. Lafayette General Hospital	Health Care	71,511
3. Our Lady of Lourdes	Health Care	65,740
4. Borden Company	Dairy Products	56,564
5. Housing Authority	Government Housing	28,405
6. University Medical Center	Health Care	27,926
7. Women's and Children's Hospitals	Health Care	29,517
8. Medical Center of SW Louisiana	Health Care	25,668
9. Lafayette Hilton and Towers	Hotel	24,920
10. Magnolia View Property, Inc.	Apartment Complex	22,377

Source: Issuer. Figures unaudited.

Rates for Retail Utilities Services

The followings schedules indicate the history and current rates in effect for the water, wastewater and electric systems included in LUS:

LUS Electric Retail Rate Summary

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Customer Charge (per month)</u>	<u>Demand Charge (per kW)</u>	<u>Non-Fuel Energy Charge (per kWh)</u>
R-1	Residential	Feb. 2010	\$ 5.00	\$ --	\$ 0.03671
R-1-O	Residential-Non City	Feb. 2010	5.50	--	0.04038
C-1	Small Commercial	Feb. 2010	7.50	--	0.05248
C-2	Large Commercial	Feb. 2010	41.00	7.00	0.01905

LUS Water Retail Rate Summary

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Description</u>	<u>Volumetric Charge (per gallon)</u>	<u>Meter Size (inches)</u>	<u>Customer Charge (per month)</u>
W-1	Residential	Feb. 2010	Winter Months	\$0.00144	¾	\$ 4.25
			Summer Tier 1	0.00144	1	7.25
			Summer Tier 2	0.00239	1 ½	14.00
					2	22.50
					3	42.50
					4	71.00
					6	141.50
					8	226.50

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

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Description</u>	<u>Volumetric Charge (per gallon)</u>	<u>Meter Size (inches)</u>	<u>Customer Charge (per month)</u>
W-1-O	Residential, Non-City	Feb. 2010	Winter Months	\$0.00288	¾	\$ 8.50
			Summer Tier 1	0.00288	1	14.50
			Summer Tier 2	0.00478	1 ½	28.00
					2	45.00
W-2	Commercial		Each Month	\$0.00153	¾	\$ 4.25
					1	7.25
					1 ½	14.00
					2	22.50
					3	42.50
					4	71.00
					6	141.50
					8	226.50
W-2-0	Commercial, Non-City		Each Month	\$0.00306	¾	\$ 8.50
					1	14.50
					1 ½	28.00
					2	45.00
					4	142.00

LUS Wastewater Retail Rate Summary

<u>Rate Class</u>	<u>Serves</u>	<u>Effective Date</u>	<u>Customer Charge (per month)</u>	<u>Volumetric Charge (per gallon)</u>
S-1	Residential	Feb. 2010	\$ 6.49	\$0.00459
S-1-O	Residential, Non-City	Feb. 2010	6.72	0.00565
S-2	Commercial	Feb. 2010	16.14	0.00464
S-2-O	Commercial, Non-City	Feb. 2010	24.31	0.00534

Source: Issuer.

TREND IN FINANCES

The combined summary schedules of the Utilities System for the five fiscal years ended October 31, 2009, and for the nine months ended July 31, 2009 and July 31, 2010 follow:

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

	<u>10/31/2005</u>	<u>10/31/2006</u>	<u>10/31/2007</u>	<u>10/31/2008</u>	<u>10/31/2009</u>
OPERATING REVENUES:					
Electric	\$ 87,073,212	\$ 78,094,266	\$ 73,880,115	\$ 77,327,805	\$ 78,784,442
Electric-Retail Fuel Adj Revs	100,774,379	96,956,233	95,816,026	118,299,538	90,932,968
Water	12,866,433	12,779,083	13,252,435	14,139,148	14,268,180
Wastewater	15,641,408	19,927,672	22,172,054	22,021,432	21,536,285
Fiber	1,272,639	1,744,138	1,866,739	-	414
TOTAL OPERATING REVENUES	\$ 217,628,071	\$ 209,501,392	\$ 206,987,370	\$ 231,787,922	\$ 205,522,289
OPERATING EXPENSES:					
Electric-Fuel & Purch Power	\$ 131,319,739	\$ 107,281,735	\$ 105,079,780	\$ 131,566,053	\$ 109,687,826
Electric-Other Production	5,225,348	3,877,307	10,867,560	6,495,264	6,648,922
Other Electric	20,718,484	20,955,170	17,028,949	22,317,783	26,462,845
Water	8,101,708	8,781,114	9,222,556	9,820,340	11,253,724
Wastewater	12,054,516	12,006,867	13,233,467	14,198,414	15,442,369
Fiber	481,237	659,260	897,270	1,501	5,725
TOTAL OPERATING EXPENSES	\$ 177,901,032	\$ 153,561,453	\$ 156,329,582	\$ 184,399,355	\$ 169,501,411
NET OPERATING REVENUES	\$ 39,727,040	\$ 55,939,939	\$ 50,657,788	\$ 47,388,567	\$ 36,020,878
DEPRECIATION	12,691,614	15,672,641	18,023,199	18,112,349	18,521,599
OTHER INCOME:					
Interest Income	\$ 4,865,790	\$ 6,001,328	\$ 6,606,092	\$ 5,216,213	\$ 3,376,891
Unrealized Gain/Loss on Invs	(580,931)	652,308	642,541	274,833	292,327
FTTH Start-Up Costs Reimb			1,892,140		-
Other	404,574	388,194	379,522	1,960,349	1,010,647
Total Other Income	\$ 4,689,434	\$ 7,041,830	\$ 9,520,294	\$ 7,451,395	\$ 4,679,866
OTHER EXPENSES:					
Interest Expense	\$ 3,745,587	\$ 7,041,490	\$ 9,043,138	\$ 8,239,988	\$ 9,451,150
Amortizations	1,934,417	1,889,189	1,855,791	1,876,243	1,895,399
Hurricane Loss	55,123	(90,375)	-	147,739	-
Power Plant Decommissioning	-	-	-	42,409	-
FTTH Start-Up Costs	1,575,035	836,201	-	-	-
Other	291,408	246,267	(9,877)	(20,061)	205,299
Total Other Expense	\$ 7,601,570	\$ 9,922,772	\$ 10,889,052	\$ 10,286,318	\$ 11,551,848
NET INCOME BEFORE IN LIEU OF TAXES	\$ 24,123,289	\$ 37,386,356	\$ 31,265,831	\$ 26,441,295	\$ 10,627,296
In-Lieu-of-Taxes (ILOT)	16,316,608	16,653,751	18,831,929	18,799,006	18,660,233
NET INCOME	\$ 7,806,681	\$ 20,732,605	\$ 12,433,902	\$ 7,642,289	\$ (8,032,937)

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

	NINE MONTHS ENDED			
	<u>7/31/2010</u>	<u>7/31/2009</u>	<u>difference</u>	
OPERATING REVENUES:				
Electric	60,232,175	53,793,267	6,438,908	12%
Electric-Retail Fuel Adj Revs	60,583,344	70,307,705	(9,724,361)	-14%
Water	11,189,932	10,688,933	500,999	5%
Wastewater	17,772,135	16,280,194	1,491,941	9%
Fiber	<u>717</u>	<u>222</u>	495	<u>223%</u>
TOTAL OPERATING REVENUES	<u>149,778,303</u>	<u>151,070,321</u>	<u>(1,292,018)</u>	<u>-1%</u>
OPERATING EXPENSES:				
Electric-Fuel & Purch Power	77,356,203	80,392,976	(3,036,773)	-4%
Electric-Other Production	7,037,854	7,037,854	-	0%
Other Electric	18,337,471	15,448,081	2,889,390	19%
Water	7,801,616	8,056,875	(255,259)	-3%
Wastewater	10,655,304	10,898,322	(243,018)	-2%
Fiber	<u>3</u>	<u>5,725</u>	(5,722)	<u>-100%</u>
TOTAL OPERATING EXPENSES	<u>121,188,451</u>	<u>121,839,833</u>	<u>(651,382)</u>	<u>-1%</u>
NET OPERATING REVENUES	\$ 28,589,852	\$ 29,230,488	\$ (640,636)	-2%
	19%	19%	0%	-1%
DEPRECIATION	13,958,101	13,290,238	667,863	5%
OTHER INCOME:				
Interest Income	1,239,800	2,418,731	(1,178,931)	-49%
FTTH Start-Up Costs Reimb				
Other	<u>491,770</u>	<u>485,341</u>	6,429	<u>1%</u>
Total Other Income	<u>1,731,570</u>	<u>2,904,072</u>	<u>(1,172,502)</u>	<u>-40%</u>
OTHER EXPENSES:				
Interest Expense	7,336,528	6,981,366	355,162	5%
Amortizations	1,419,387	1,421,961	(2,574)	0%
Hurricane Loss			-	
Power Plant Decommissioning			-	
FTTH Start-Up Costs			-	
Other	<u>(53,374)</u>	<u>(47,009)</u>	(6,365)	<u>14%</u>
Total Other Expense	<u>8,702,541</u>	<u>8,356,318</u>	<u>346,223</u>	<u>4%</u>
NET INCOME BEFORE IN LIEU OF TAXES	\$ 7,660,780	\$ 10,488,004	\$ (2,827,224)	-27%
In-Lieu-of-Taxes (ILOT)	<u>14,404,447</u>	<u>14,214,653</u>	189,794	<u>1%</u>
NET INCOME	<u>\$ (6,743,667)</u>	<u>\$ (3,726,649)</u>	<u>\$ (3,017,018)</u>	<u>81%</u>

Source: Issuer. Figures unaudited.

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

	FY 05	FY 06	FY 07	FY 08	FY 09	7/31/10	7/31/09
OPERATING REVENUES	\$217,628,071	\$209,501,392	\$206,987,370	\$231,787,922	\$205,522,289	\$149,778,303	\$151,070,321
OPERATING EXPENSES	<u>177,901,032</u>	<u>153,561,453</u>	<u>156,329,582</u>	<u>184,399,355</u>	<u>169,501,411</u>	<u>121,188,451</u>	<u>121,839,833</u>
NET OPERATING REVENUES	39,727,039	55,939,939	50,657,788	47,388,567	36,020,878	28,589,852	29,230,488
OTHER INCOME							
INTEREST INCOME	4,865,790	6,001,598	6,606,092	5,216,213	3,376,891	1,239,800	2,418,731
OTHER INCOME	<u>404,574</u>	<u>388,194</u>	<u>2,271,662</u>	<u>1,960,349</u>	<u>1,010,647</u>	<u>491,770</u>	<u>485,341</u>
BALANCE AVAILABLE FOR DEBT SERVICE	<u>\$44,997,403</u>	<u>\$62,329,731</u>	<u>\$59,535,542</u>	<u>\$54,565,129</u>	<u>\$40,408,416</u>	<u>\$30,321,422</u>	<u>\$32,134,560</u>
DEBT SERVICE	\$10,724,447	\$10,725,435	\$10,720,655	\$10,725,285	\$10,724,030	\$8,041,528	\$8,043,023
DEBT SERVICE COVERAGE	4.20x	5.81x	5.55x	5.09x	3.77x	3.77x	4.00x

Source: Issuer. Figures unaudited.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues decreased from \$217.6 Million in fiscal year 2005 to \$209.5 Million in fiscal year 2006 due to the expiration of the wholesale power contract with LEPA. Operating Revenues from fiscal year 2006 to 2007 were relatively flat but increased to \$231.8 Million in fiscal year 2008 from fiscal year 2007 due to higher fuel prices which resulted in higher revenues through recovery of those costs via the fuel adjustment charge. Operating Revenues decreased in fiscal year 2009 from fiscal year 2008 due to the fuel markets swinging back down and the resultant lower fuel prices reducing the fuel adjustment charge revenues.

Operating expenses decreased from \$177.9 Million in fiscal year 2005 to \$153.6 Million in 2006 due to decreases in fuel costs. Operating Expenses increased from \$153.6 Million in fiscal year 2006 to \$184.4 Million in fiscal year 2008 due to increased fuel and purchased power costs, and decreased to \$169.5 Million in fiscal year 2009 due to a downward swing in fuel costs.

Other income/interest income varied from year to year based on changes in interest rates. Other income/interest income increased from \$388,194 in fiscal year 2006 to \$2.9 Million in fiscal year 2007 due to reimbursements to LUS from the Communications Division for start-up costs, and decreased in fiscal year 2008 and fiscal year 2009 from fiscal year 2007 due to a reduction in contributions in aid of construction ("CIAC") and a reduction in the fiber start-up cost reimbursement.

Balance Available for Debt Service increased from \$44.9 Million in fiscal year 2005 to \$62.3 Million in fiscal year 2006 due to increased net operating revenues influenced by reduced operating revenues offset by even larger reduction in operating expenses. Balance Available for Debt Service decreased from \$54.6 Million in fiscal year 2008 to \$40.4 Million in fiscal year 2009 due to decreased net operating revenues influenced by reduced operating expenses offset by even larger reductions in operating revenues, and by a reduction in other income from reduced CIAC.

CONSULTING ENGINEER'S REPORT

Included in Appendix "B" hereto is the Consulting Engineer's Report of R. W. Beck, Inc., 1801 California Street, Suite 2800, Denver, Colorado 80202-2606, telephone 303-299-5200, fax 303-297-2811 ("Consulting Engineer"). The Consulting Engineer's Report includes the business, organization and management of the Utilities System; its findings regarding the Electric Utility System, the Wastewater Utility System and the Water Utility System; environmental issues; and a financial survey. The forecasts contained in the Consulting Engineer's Report are based upon assumptions about the outcome of future events and there can be no assurance that such forecasts will approximate actual results. **Said Consulting Engineer's Report should be read in full prior to the making of an investment decision with respect to the Bonds.** The information included in Appendix "B" was provided by the Consulting Engineer and should not be deemed as a representation of either the Issuer or the Underwriters.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The Electric Utility Industry Generally

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

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

Environmental Issues

The Issuer is subject to federal and state laws and regulations governing the protection of the environment. The State of Louisiana through the LDEQ establishes standards of performance and requires permits for the generating units of the Issuer as well as RPS2 in which LPPA has an ownership interest. In addition, the LDEQ has been delegated authority over and implements certain programs established by EPA.

Operating Permits. The Clean Air Act Amendment (“CAA”) Title V Operating Permit Program established the requirements for an affected facility having to obtain a Title V operating permit. Current Title V Operating Permits for the Bonin Plant, the T.J. Labbé Plant and the Hargis-Hébert Plant expire on March 24, 2011, October 8, 2013, and January 31, 2004, respectively. Each of the operating permits are subject to all pollution control equipment being operated and maintained pursuant to applicable environmental regulations and rules and required compliance with any new or amended environmental rules and also set forth monitoring, recordkeeping and reporting requirements.

Results of testing for carbon monoxide (“CO”) at Units No. 1 and No. 3 at the Bonin Plant indicate such units were not in compliance with permit limitations. The LDEQ issued a Consolidated Compliance Order and Notice of Potential Penalty on January 14, 2010 and the Issuer is operating the Units in accordance with the Order. A modified permit was received on March 23, 2010. Unit No. 3 at the Bonin Plant must meet New Source Performance Standards (“NSPS”) under the CAA. During 2005 it was observed that nitrogen oxide (“NO_x”) emissions at Unit No. 3 were not meeting NSPS requirements, and the Issuer is currently making repairs to that unit in order to allow operation at design standards.

Acid Rain Permits. The CAA Title IV established a regulatory program, known as the Acid Rain Program, to address the effects of acid rain and impose restrictions on sulfur dioxide (“SO₂”) emissions and NO_x emissions. Acid rain permits have been issued by the LDEQ for each of the plants owned by the Issuer and expire at the same time as the relevant operating permits. The acid rain permits allow for the discharge of SO₂ at the plant sites pursuant to an “allowance” system. An allowance is an authorization to emit one ton of SO₂ during or after a specified year. EPA allocates a set of allowances to each affected unit based on its historic emissions. The Issuer has sufficient allowances for its plants for operations during 2010 but may be required to purchase additional allowances in the future. CLECO reports that it has sufficient allowances for 2010 for RPS2.

CAIR Program. In March 2005, EPA issued the Clean Air Interstate Rule (“CAIR”), which was intended to reduce overall NO_x and SO₂ emissions on a regional basis effective in 2009 and 2010, respectively, with a second phase taking effect in 2015. On July 11, 2008, the United States Court of Appeals for the D.C. Circuit vacated EPA’s CAIR regulations, remanding CAIR to EPA to issue new regulations consistent with CAA and the Court’s decision. On December 23, 2008, the Court modified its remand order so that existing CAIR regulatory programs would remain in effect until EPA issued revised regulations. On July 6, 2010 EPA issued a proposed rule (the “Transport Rule”) in response to the District Court of Appeals decision that would require significant

reductions in SO₂ and NO_x emissions in 32 states, including the State of Louisiana. Under the Transport Rule the emission reductions would take effect in January 2012. CAIR meanwhile remains in effect until the final Transport Rule is issued. The Utilities System is in compliance with the current version of CAIR, but the Issuer is unable at this time to determine what impact the Transport Rule will have on the Utilities System. CLECO reports that the installation of new low NO_x burners at RPS2 in 2006 may help meet future Transport Rule reduction requirements. Because the Transport Rule is only proposed, the Issuer cannot determine what the new requirements will be, to what extent compliance costs would be increased or the cost of any necessary capital expenditures.

Mercury. The CAA also provides for a comprehensive program for the control of hazardous air pollutants, including mercury, unless alternative programs are established that adequately protect health and the environment. In March 2005, EPA issued the Clean Air Mercury Rule (“CAMR”), which regulated mercury emissions under an alternative program. This rule would have capped total annual mercury emissions from coal-fired plants across the United States through a two-phased program and established a cap-and-trade program similar to the acid rain program, in which the states were encouraged to participate. On February 8, 2008, the United States Court of Appeals for the D.C. Circuit struck down CAMR and returned the issue to EPA for reconsideration and further rulemaking. In connection with such rulemaking, EPA must treat mercury as a “hazardous air pollutant” subject to a more restrictive program requiring the installation of “maximum available control technology” (“MACT”) in new and existing units. EPA is expected to issue draft MACT standards in March 2011 for controlling mercury emissions from coal-fired plants. As a result, it is too early to determine what impact, if any, such regulations may have on the Issuer’s plants and RPS2.

Regional Haze. On June 15, 2005, EPA issued the Clean Air Visibility Rule, amending regulations governing visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources constructed between 1962 and 1977 may be required to install best available retrofit technology (“BART”). Under the Clean Air Visibility Rule, the states were required to develop regional haze plans as part of their State Implementation Plan (“SIP”), and identify the facilities that would have to reduce emissions and then set BART emissions limits for those facilities. Dispersion modeling performed by the LDEQ indicates that the Doc Bonin units, and also RPS2, do not cause visibility impairment at sensitive receptors and, therefore, are not required to implement BART.

National Ambient Air Quality Standards. The Clean Air Act also requires EPA to establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its SIP to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.” EPA is in the process of reviewing NAAQS for certain air pollutants that are emitted by power plants including nitrogen dioxide, SO₂, ozone, and particulate matter. On January 19, 2010, EPA published a proposed rule for a stricter NAAQS for ground-level ozone and, on April 12, 2010, the revised primary NAAQS for NO_x was promulgated by EPA. EPA intends to promulgate initial NO_x designations by January 2012. On June 22, 2010, EPA revised the NAAQS for SO₂ and expects to identify or designate areas not meeting the new standard by June 2012 and any new monitoring required by the NAAQS must begin to operate no later than January 1, 2013. At this time, the Issuer cannot determine the potential impact of these new standards on its generating plants.

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

In 2007, the U.S. Supreme Court upheld EPA’s definition of a major modification as one that increases the actual annual emission of a pollutant from a facility above the actual average for the two prior years, and under President Obama’s administration, EPA has announced plans to enforce the NSR provisions. The Issuer cannot predict whether EPA or other governmental authorities will consider any of the past maintenance projects or capital improvements at its facilities to have violated NSR requirements as a result of the uncertain interpretation of this program and recent court decisions. If violations are established, the Issuer could be required to install new pollution control equipment in addition to the modifications that have already been completed or planned, and be liable for other payments or penalties.

CLECO reports that in February 2005, it received notices from the EPA requesting information relating to RPS2 with the apparent purpose of determining whether CLECO had complied with NSR provisions relating to capital expenditures at RPS2. CLECO reports that it completed the response to the initial data request but cannot determine if EPA will take any further action.

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

On April 2, 2007, the United States Supreme Court issued a decision in *Massachusetts v. EPA* holding that GHG emissions are “air pollutants” under the federal Clean Air Act, thereby requiring EPA to determine whether GHGs pose a threat to public health and welfare.

On October 30, 2009, EPA published the final rule for mandatory monitoring and annual reporting of GHG emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection beginning January 1, 2010, and the first annual reports due March 31, 2011.

On December 15, 2009, EPA published the final rule for the “endangerment finding” under the CAA. In the finding, EPA declared that the six identified GHGs – CO₂, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause or contribute to global warming, and that the effects of climate change endanger public health and welfare by increasing the likelihood of severe weather events and the other related consequences of climate change. The issuance of the “endangerment finding” triggered the statutory requirement that EPA regulate emissions of GHGs as air pollutants from motor vehicles. Such regulations were finalized on April 1, 2010, when EPA and the United States Department of Transportation issued a joint final rule imposing GHG emission standards on light-duty vehicles (cars and light trucks). That regulation takes effect on January 2, 2011.

On March 29, 2010, EPA affirmed its position that air pollutants that are actually regulated under the CAA under any program must be taken into account when considering permits issued under other programs, such as the PSD permit program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources. As a result of this determination, the effect of the new motor vehicle rule will be to require the analysis of emissions and control options with respect to GHG emissions from new and modified major stationary sources as of January 2, 2011, which is the date the new motor vehicle rule takes effect. Permitting requirements for GHGs will include, but are not limited to, the application of Best Available Control Technology (“BACT”) for GHG emissions, and monitoring, reporting and recordkeeping for GHGs.

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

On January 2, 2011, sources that are subject to PSD and/or Title V permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their NO_x, SO₂ and other emissions) will have to address GHG emissions in new permit applications or renewals. Construction or modification of major sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a CO₂e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. EPA intends to issue guidance before the end of 2010 on the technologies or operations that would constitute BACT for GHGs. With respect to Title V requirements, as of January 2, 2011, sources that are required to have Title V permits for non-GHG pollutants will be required to address GHGs as part of their Title V permitting. The 75,000 tons per year CO₂e applicability threshold does not apply. When any source applies for, renews, or revises a Title V permit, the CAA requirements for monitoring, recordkeeping and reporting will be included. Therefore, when the Title V permits for the Issuer’s Plants and RPS2 are renewed, each of such plants will be subject to the Tailoring Rule.

The costs to the Issuer for compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting and record keeping with respect to GHG emissions from existing units should not have a material adverse effect, but the consequences of new permit requirements in connection with new units or modifications of existing units could be significant, as could any new proposed regulations affecting permitting and controls for the Issuer's Plants or RPS2. It is also noted the additional permitting requirements could cause significant delays in permit processing times, thus affecting the ability of facilities to obtain permit modifications, revisions, and renewals in a timely manner.

Federal Legislation. The United States Congress is currently considering several energy and climate change-related pieces of legislation that propose, among other things, a cap-and-trade system to regulate and reduce the emission of CO₂ and other GHGs and a federal renewable energy portfolio standard. One such bill, H.R. 2454, known as the American Clean Energy and Security Act of 2009, was passed by the House of Representatives on June 26, 2009. That bill and several other energy and climate change-related legislative proposals are currently being considered by the Senate. On May 12, 2010, Senators Kerry and Lieberman made public the text of a proposal entitled the American Power Act, which is expected to be considered. The impact that federal GHG cap-and-trade legislation will have on the electric utility industry depends largely on the specific provisions of the legislation that ultimately become law. Some of the important issues that could be addressed in cap-and-trade legislation include: the timing and magnitude of the emissions cap; the extent to which emissions allowances are allocated or auctioned to the highest bidder; and the extent to which emissions may be offset by other actions. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any enactment of statutes to regulate GHG emissions will have a significant impact on fossil-fueled generation facilities.

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

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

On January 25, 2007, the United States Second Circuit Court of Appeals remanded key components of the Clean Water Act 316(b) Phase II Rule. The court ruled that EPA could not allow use of restoration measures to satisfy performance standards, nor could it consider cost-benefit analysis in selecting the best technology available. The United States Supreme Court heard the

appeal of the Second Circuit decision and held on April 1, 2009, that it is permissible for utility companies and regulators to apply cost-benefit analysis under the Clean Water Act. EPA is in the process of developing a new rule consistent with the Supreme Court's decision. It is expected that a proposed rule covering existing Phase II facilities (larger power plants) and Phase III facilities (manufacturing facilities) will be issued in late 2010. The potential effects of new rule requirements will depend upon the form of the new rule EPA publishes.

Solid Waste Disposal. The LDEQ has adopted a permitting system for the management and disposal of solid waste generated by power stations. CLECO reports that it has renewed the solid waste permit for RPS2 and is in the midst of upgrading the unit according to current permit requirements and regulations.

On May 18, 2010, EPA released its proposed rules for regulating the disposal and management of coal combustible residuals. Any new and stricter rules on coal combustible materials on units such as RPS2 could result in increased costs of operating such unit.

Energy Policy Act of 2005

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

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

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

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

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

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

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

Time-Based Metering. EPCRA 2005 requires electric utilities with retail sales in excess of 500 million kWh per year to consider offering time-based rates and metering to their customers. With Time of Use (“TOU”) rates, the rates charged vary during different time periods and reflect any variance in the utility’s costs of generating or of purchasing electricity at the wholesale level. The retail electric sales of the Utilities System are over 500 million kWh per year, thus it appears that the Utilities System is subject to the TOU rates requirements.

Louisiana Legislation

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

OTHER REGULATORY MATTERS

Environmental, Conservation and Other Regulations and Permitting Requirements

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

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

COMMUNICATIONS SYSTEM

The City currently owns and operates the Communications System, a fiber optic network in the City that is used to provide retail and wholesale telecommunications services within the City. The Communications System consists of a multiple-strand fiber backbone system providing wholesale broadband and high-speed Internet access with direct connections to major carriers with broadband backbone facilities that span the country, called Tier 1 providers. Revenues and receipts from the Communications System are not available for and are not pledged to the payment of the Bonds.

In 2007, the City issued \$110,405,000 in Communications System Revenue Bonds, Series 2007 (the “Communications System Bonds”), the entire amount of which remains outstanding, for the purposes of expanding and upgrading the fiber optic infrastructure from wholesale to retail telecommunications services. When complete, the fiber network will expand to each street in the City, making the fiber network accessible to each home and business, offering telephone, cable television, high-speed internet, and other related services. The Communications System is financially separate from the Utilities System; however, if the Communications System fails to generate sufficient revenues to pay debt service on the Communications System Bonds, the Utilities System is required to pay such debt service (but only to the extent of such insufficiency) from amounts deposited in the Capital Additions Fund of the Utilities System. Pursuant to the ordinances of the City authorizing the issuance of the Communications System Bonds (collectively, the “Communications System Ordinance”), the rate covenant contained in the Bond Ordinance was incorporated by reference into the Communications System Ordinance, and the debt service requirements on any Communications System Bonds are treated as amounts payable with respect to Subordinated Indebtedness for the purposes of the rate covenant under the Bond Ordinance.

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

LEGAL MATTERS

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

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

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

Certain other legal matters will be passed upon for the Underwriters by Fulbright & Jarworski L.L.P., New York, New York, Counsel to the Underwriters.

UNDERWRITING

The Bonds are being purchased by Morgan Keegan & Company, Inc., New Orleans, Louisiana, and Stephens Inc., Baton Rouge, Louisiana (collectively, the "Underwriters") at a purchase price of \$89,206,455.65 (representing the principal amount of the Bonds, plus a net original issue premium of \$3,849,527.65, and minus Underwriters' discount of \$723,072.00). The initial public offering prices or yields are set forth on the cover page of this Official Statement. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Bonds if they are purchased. The Bonds may be offered and sold to certain dealers at a price or yield lower than such public offering prices or yields. The public offering prices may be changed, from time to time, by the Underwriters.

TAX EXEMPTION

Interest on the Bonds

The delivery of the Bonds is subject to delivery of the approving opinion of Foley & Judell, L.L.P., Bond Counsel, New Orleans, Louisiana, to the effect that, under existing law, interest on such Bonds is excluded from gross income thereof for federal income tax purposes. (See Appendix "F").

State Taxes

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

Alternative Minimum Tax Consideration

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

General

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

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

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

Qualified Tax-Exempt Obligations (Non-Bank Deductibility)

The Tax Reform Act of 1986 revised Section 265 of the Code so as to generally deny financial institutions 100% of the interest deductions that are allocable to tax-exempt obligations acquired after August 7, 1986. However, an exception is permitted under the Tax Reform Act of 1986 and the American Recovery and Reinvestment Tax Act of 2009 for certain qualified tax-exempt obligations which allows financial institutions to continue to treat the interest on such obligations as being subject to the 20% disallowance provision under prior law if the Issuer, together with certain subordinate entities, reasonably expects that it will not issue more than \$30,000,000 of governmental purpose bonds in a calendar year and designates such bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265(b)(3)(B) of the Code. The Bonds are **not** designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B) of the Code.

Tax Treatment of Original Issue Premium

The Bonds maturing on November 1, 2013 to November 1, 2029, inclusive (but specifically excluding the Term Bonds maturing November 1, 2026, bearing interest at a rate of 5.00%), and on November 1, 2033 (the “Premium Bonds”), are being offered and sold to the public at a price in excess of their stated principal amounts.

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

Original Issue Discount

The Bonds maturing November 1, 2026 bearing interest at the rate of 4.00% and November 1, 2035 (the “OID Bonds”) are sold to their original owners at a discount. The difference between the initial public offering prices and their stated principal amounts constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes and which is exempt from all present State taxation subject to the caveats and provisions described herein.

Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such OID Bonds as of any date, including the date of disposition of an OID Bond and with respect to the state and local tax consequences of owning an OID Bond.

BOND RATINGS

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

CONTINUING DISCLOSURE

The Issuer will, pursuant to a Continuing Disclosure Certificate, covenant for the benefit of Bond owners to provide certain financial information and operating data relating to the Issuer in each year no later than eight (8) months from the end of the Issuer's fiscal year, with the first such report due not later than June 30, 2011 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Issuer to be material. The Annual Report will be filed by the Issuer with the MSRB. Any notices of material events will be filed by the Issuer with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth herein under the caption "APPENDIX G - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

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

Except as provided in the Continuing Disclosure Certificate, the Issuer has not undertaken to provide all information investors may desire to have in making decisions to hold, sell or buy the Bonds. The Issuer has complied with its prior undertakings under SEC Rule 15c2-12(b)(5).

ADDITIONAL INFORMATION

This Official Statement was prepared in conjunction with Fiscal Services, Inc., Suite 2630, One Canal Place, 365 Canal Street, New Orleans, Louisiana 70130-1138, telephone 504-522-4253.

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

Hurricane Information

Hurricane Katrina made landfall on the eastern Louisiana Gulf Coast on August 29, 2005. The City was not in the storm path and did not sustain any damage to its infrastructure. Lafayette Parish did serve as a shelter for evacuees, special needs patients and animals. The Governing Authority is not expected to incur any un-reimbursed expenses for Hurricane Katrina.

Hurricane Rita made landfall on the western Louisiana Gulf Coast on September 23, 2005. The City, while not in the direct path of the storm, did sustain minor damage to some of its facilities and equipment due to high winds. The damaged facilities and equipment have since been repaired or replaced. The City has not experienced any material adverse affect to its finances or services provided as a result of Hurricane Rita.

The City has completed all restoration work for Hurricanes Katrina and Rita and has received all reimbursement funds from the Federal Emergency Management Agency ("FEMA") and the State of Louisiana.

Hurricane Gustav made landfall on the eastern Louisiana Gulf Coast on September 1, 2008. The City, while not in the direct path of the storm, did sustain minor to moderate damage to some of its facilities and equipment due to high winds. As of July 31, 2010, the City has incurred approximately \$10,900,000 in repair and clean up expenses and has filed claims with FEMA for reimbursement totaling \$10,300,000. The City has not experienced any material adverse affect to its finances or services provided as a result of Hurricane Gustav.

Hurricane Ike made landfall on the eastern Texas Gulf Coast on September 13, 2008. The City was not in the storm path and did not sustain any damage to its infrastructure. The Governing Authority is not expected to incur any un-reimbursed expenses for Hurricane Ike.

The Lafayette Consolidated Government does not expect that there will be any material adverse effect on its financial operations or the ability of the Issuer to repay its debt as a result of the storms discussed in this section.

MISCELLANEOUS

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

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

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

**CITY OF LAFAYETTE,
STATE OF LOUISIANA**

/s/ Joey Durel

Joey Durel

City-Parish President

/s/ Jay Castille

Jay Castille

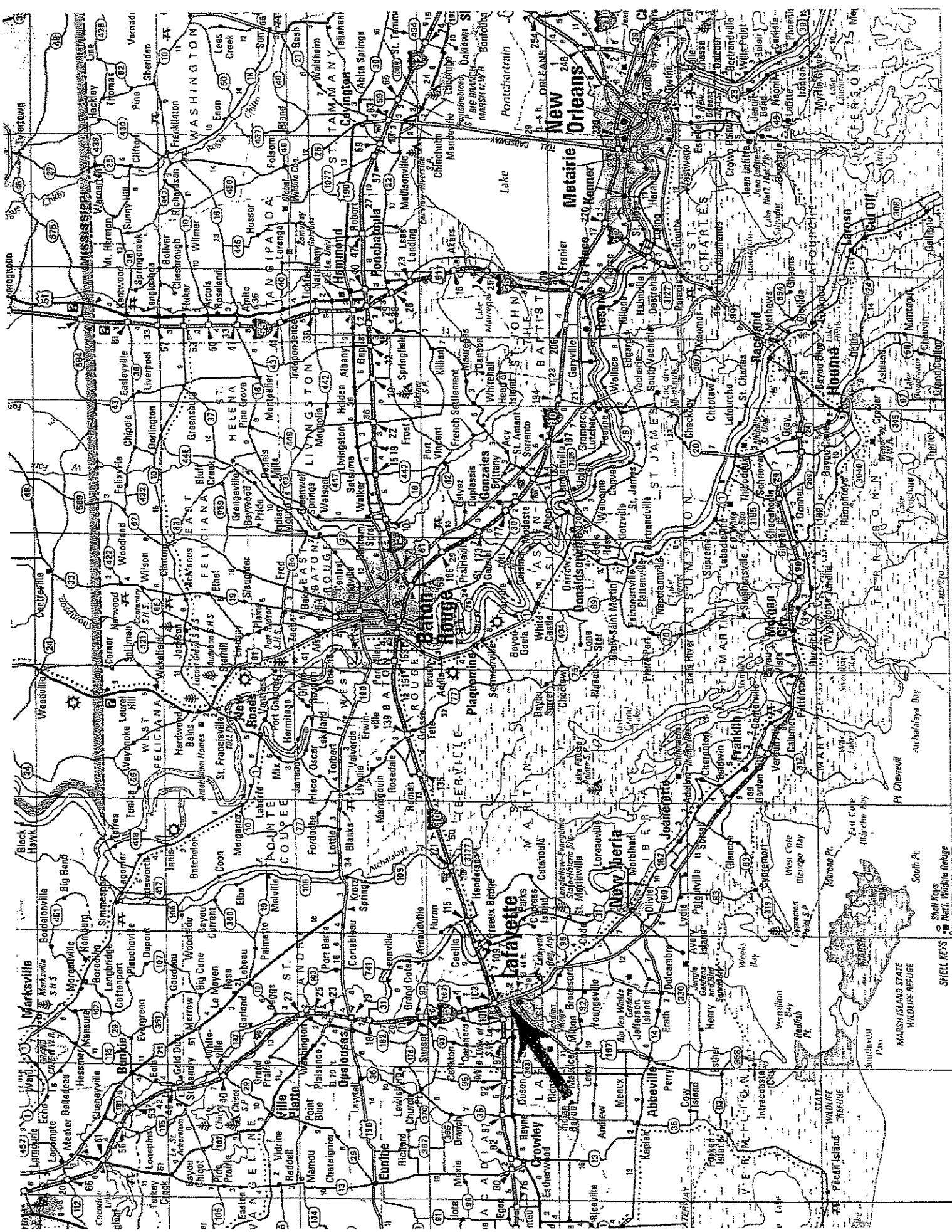
Chair

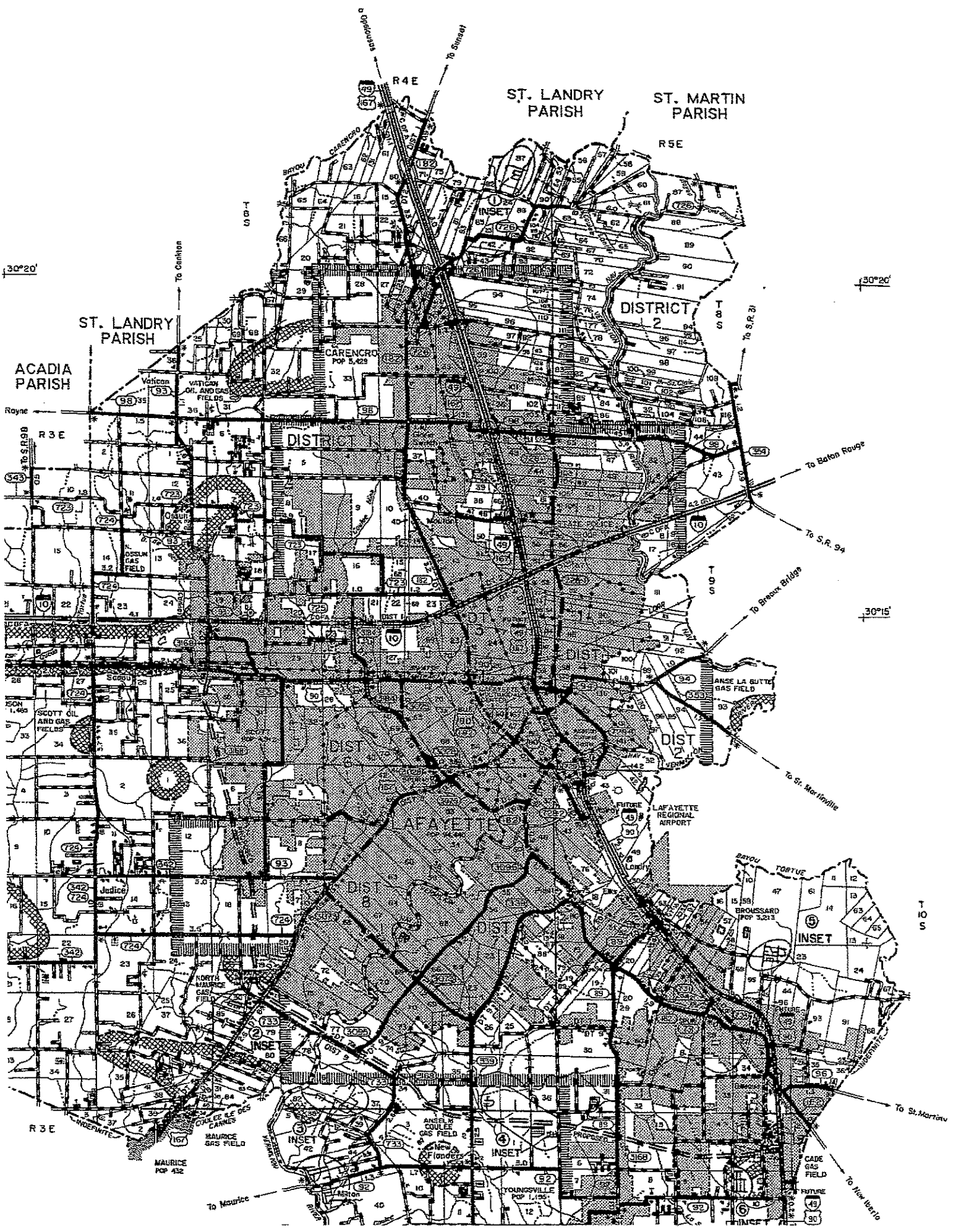
/s/ Norma Dugas

Norma Dugas

Clerk of the Council

MAPS





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APPENDIX "A"

THE GENERAL BOND ORDINANCE

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

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

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

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Business Day” means, except as otherwise provided in a Supplemental Ordinance, a day of the year other than a day on which banks located in New York, New York and the cities in which the principal offices of the Paying Agent are located are required or authorized to remain closed and on which the New York Stock Exchange is closed.

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

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

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

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

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

“Clerk” means the City-Parish Council Clerk.

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

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

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

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

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

“Cost of Operation and Maintenance” means any operating and maintenance expense as defined in accordance with generally accepted accounting principles in the United States of America, plus any Power Sales Contract. Notwithstanding the foregoing, Costs of Operation and Maintenance shall not include (i) any costs and expenses attributable to a Separately Financed Project, (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of the Utilities System to the condition of serviceability thereof when new, (iii) depreciation costs or (iv) any interest expense on any Obligation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;

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

(c) Bonds in exchange for or *in lieu* of which other Bonds have been registered and delivered pursuant to the Ordinance; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“State” means the State of Louisiana.

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

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

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

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

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

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

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

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

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

ARTICLE II

INSTRUMENT TO CONSTITUTE CONTRACT

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

ARTICLE III

AUTHORIZATION, DESCRIPTION, FORM AND TERMS OF OBLIGATIONS

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

- (a) the authorized principal amount of such Series, the purpose or purposes for which such Obligations are issued;
- (b) the date and terms of maturity or maturities of the Obligations;
- (c) whether such Obligations are Designated Maturity Obligations or Commercial Paper Obligations;
- (d) the interest rate or rates of the Obligations or the method for determining such interest rate or rates, which may include variable, adjustable, convertible, auction reset or other rates, original issue discounts, Capital Appreciation Bonds and zero interest rate Obligations.
- (e) the authorized denominations (or, with respect to Capital Appreciation Bonds, the value at maturity) of each Series of Obligations;
- (f) numbering and lettering of such Obligations;
- (g) the Paying Agent and place or places of payment of such Obligations;
- (h) the redemption prices for such Obligations and any terms of redemption not inconsistent with the provisions of this Ordinance, which may include mandatory redemptions which may or may not be at the election of the Holder or Registered Owner thereof;
- (i) any terms permitting or requiring the tender of such Obligations by the Owner thereof for purchase;
- (j) the use of the proceeds of such Series of Obligations not inconsistent with this Ordinance;
- (k) the forms of such Obligations; and

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

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

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

The registration of the Obligations issued in registered form may be transferred upon the registration books therefor upon delivery to the Paying Agent, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent, duly executed by the Registered Owner of such Obligations or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of such Obligations, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of registered Obligations, the Paying Agent shall at the earliest practical time in accordance with the provisions of this Ordinance enter the transfer of ownership in the registration books for the Obligations and (unless uncertificated registration shall be requested and the Issuer has a registration system that will accommodate uncertificated registration) shall deliver in the name of the new transferee or transferees a new fully-registered Obligation or Obligations of the same Series, maturity and of authorized denomination or denominations for the same aggregate principal amount and payable from the same sources of funds. The Paying Agent or the Issuer may charge the Registered Owners of such Obligations for the registration of every such transfer of such Obligations an amount sufficient to reimburse it for any tax, fee or any other governmental charge required to be paid, except for any such governmental charge imposed by the Issuer, with respect to the registration of such transfer, and may require that such amounts be paid before any such new Obligations shall be delivered.

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

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

Unless otherwise provided by Supplemental Ordinance adopted prior to the issuance of the applicable Series of Obligations, a purchase of Obligations by or through a remarketing agent, trustee, auction agent, credit facility provider or the Issuer pursuant to an optional or mandatory tender shall not be deemed a redemption of such Obligations and will not be deemed to extinguish or discharge the indebtedness evidenced by such

Obligations. Any Obligations purchased by or on behalf of the Issuer pursuant to an optional or mandatory tender shall be purchased with the intent that the indebtedness evidenced by such Obligations shall not be extinguished or discharged; such indebtedness shall not be extinguished or discharged and such Obligations shall remain outstanding hereunder unless and until such Obligations are delivered to the paying agent therefor for cancellation.

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

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

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

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

SECTION 3.5. Effect of Notice of Redemption. Notice having been given in the manner and under the conditions hereinabove required, the Obligations or portions of Obligations so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Obligations or portions of Obligations on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Paying Agent, an escrow agent or any Authorized Depository, in trust for the registered owners of the Obligations or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Obligations or portions of Obligations so called for redemption shall cease to accrue, such Obligations and portions of Obligations shall cease to be entitled to any lien, benefit or security under this Ordinance, and the registered owners of such Obligations or portions of Obligations shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in Section 3.1 of this Article, to receive Obligations for any unredeemed portions of the

Obligations. Notwithstanding anything to the contrary in the Ordinance, with respect to any notice of optional redemption of Obligations, unless upon the giving of such notice such Obligations or portions thereof shall be deemed to have been paid within the meaning hereof, such notice shall state that such redemption shall be conditioned upon the receipt by the Paying Agent on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Obligations or portions thereof to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Obligations or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within five (5) days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

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

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

SECTION 3.8. Temporary Obligations Pending the preparation of definitive Obligations, the Issuer may execute and deliver temporary Obligations. Temporary Obligations shall be issuable as registered Obligations without coupons, of any authorized denomination, and substantially in the form of the definitive Obligations but with such omissions, insertions, and variations as may be appropriate for temporary Obligations, all as may be determined by the Issuer. Temporary Obligations may contain such reference to any provisions of this Ordinance as may be appropriate. Every temporary Obligation shall be executed and authenticated upon the same conditions and in substantially the same manner, and with like effect, as the definitive Obligations. As promptly as practicable the Issuer shall execute and shall furnish definitive Obligations and thereupon temporary Obligations may be surrendered in exchange for definitive Obligations without charge at the principal office of the Paying Agent, and the Paying Agent shall authenticate and deliver in exchange for such temporary Obligations a like aggregate principal amount of definitive Obligations of authorized denominations. Until so exchanged, the temporary Obligations shall be entitled to the same benefits under this Ordinance as definitive Obligations.

ARTICLE IV

SOURCE OF PAYMENT OF OBLIGATIONS; SPECIAL OBLIGATIONS OF THE ISSUER

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

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

ARTICLE V

CREATION OF FUNDS AND ACCOUNTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (A) There shall be set aside in each Fiscal Year for the purpose of paying Capital Costs an amount equal to seven and one-half percent (7-1/2%) of the total Non-Fuel Revenues into the Receipts Fund for such Fiscal Year.
- (B) If the balance of the amount so paid into the Capital Additions Fund in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the total Non-Fuel Revenues into the Receipts Fund as above provided, is equal or less than twelve percent (12%) of the Receipts Fund deposits for such Fiscal Year, all of such balance shall be paid to the Issuer; however, if such balance is more than twelve percent (12%) of the Receipts Fund deposits for such Year, then the Issuer shall be paid an amount equal to twelve percent (12%) of said Receipts Fund deposits.
- (C) The remaining moneys in the Capital Additions Fund may be used for (i) paying Capital Costs or for the creation and maintenance of a Rate Stabilization Account, which may be used for making payments into the Receipts Fund to provide for temporary losses of revenue, such payments to be made for such time and in such amounts as may be determined by the Issuer and shall be considered as Revenue as defined herein, (ii) the payment of Subordinated Indebtedness and Subordinated Contract Obligations, (iii) the purchase of Outstanding Obligations, or (iv) making any payment or investment for any lawful purpose.

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

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

All funds or other property which at any time may be owned or held in the possession of or deposited with the Issuer pursuant to this Ordinance shall be continuously secured, for the benefit of the Issuer and the Bondholders, either (a) by lodging with an Authorized Depository, as custodian, collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United

States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds.

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

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

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

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

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

ARTICLE VII

GENERAL COVENANTS OF THE ISSUER

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

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

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

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

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

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

SECTION 7.7. Rate Covenant.

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

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

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

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

SECTION 7.10. Insurance and Condemnation Awards. The Issuer will carry adequate fire, windstorm, explosion/and other hazard insurance on the components of the Utilities System that are subject to loss through fire, windstorm, hurricane, cyclone, explosion or other hazards; adequate public liability insurance; other insurance of the kinds/and amounts normally carried in the operation of similar enterprises; and in time of war, such insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the Utilities System. The Issuer may, upon appropriate authorization by its Governing Body, self-insure against such risks on a sound actuarial basis. Any such insurance shall be carried for the benefit of the Issuer and, to the extent herein provided, the Bondholders. All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the Utilities System or any part thereof are hereby pledged by the Issuer as security for the Obligations, and thereafter shall be deposited at the option of the Issuer but subject to the limitations hereinafter described either (i) into the Capital Additions Fund, in which case, such proceeds shall be held in the Capital Additions Fund and used to remedy the loss, damage or taking for which such proceeds are received, either by repairing the damaged property or replacing the destroyed or taken property, as soon as practicable after the receipt of such proceeds, or (ii) into the Sinking Fund for the purpose of purchasing or redeeming Obligations.

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

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

ARTICLE VIII

CONSULTING ENGINEER

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

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

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

ARTICLE IX

ISSUANCE OF ADDITIONAL OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Ordinance. The Issuer may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the “Reimbursement Obligation”);

provided, however, that no Reimbursement Obligation shall be created for purposes of this Ordinance, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations (a “Parity Reimbursement Obligation”), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations, which payments shall be Subordinated Contract Obligations.

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

(f) In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Issuer may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Issuer's obligation to pay any amount under any Qualified Swap may constitute a Parity Swap Obligation, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

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

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

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

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

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

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

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

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

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

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

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

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

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

In the enforcement of any remedy against the Issuer under this Ordinance the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Issuer for principal, premium, if any, and interest or otherwise under any provisions of this Ordinance or of such Obligations and unpaid, with interest on overdue payments of principal and,

to the extent permitted by law, on interest at the rate or rates of interest specified in such Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Obligations, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the Issuer, but solely as provided herein and in such Obligations, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Receipts Fund, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

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

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

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

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

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

Whenever moneys are to be applied by a trustee or paying agent appointed by the Issuer (the "Agent"), pursuant to the provisions of this Section, such moneys shall be applied by the Agent at such times, and from time to time, as the Agent in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the setting aside of such moneys, in trust for the proper purpose, shall constitute proper application; and the Agent shall incur no liability whatsoever to the Issuer, to any Bondholder or owner of Parity Debt or to any other person for any delay in applying any such moneys, so long as reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Ordinance as may be applicable at the time of application. Whenever the Agent shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Issuer shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue and the Accreted Value of Capital Appreciation Bonds shall cease to accrete. The Agent

shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any Obligation unless such Obligation shall be presented to the Agent for appropriate endorsement or for cancellation if fully paid.

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

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

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

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. Modification or Amendment.

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

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

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

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

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

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

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

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

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

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

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

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

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

For purposes of determining the amount of principal, premium, if any, and interest due and payable pursuant to (b) above with respect to Obligations subject to mandatory purchase or redemption by the Issuer at the option of the Registered Owner thereof (“Put Bonds”), as long as a liquidity credit facility remains in place such amount shall be the maximum amount of principal of and premium, if any, and interest on such Put Bonds which could become payable to the Registered Owners of such Put Bonds upon the exercise of any such demand options provided to the registered owners of such Put Bonds, If any portion of the moneys deposited with the Paying Agent for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose the Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excluded from gross income for federal income tax purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX “B”

CONSULTING ENGINEER’S REPORT

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CONSULTING ENGINEER'S REPORT

**UTILITIES REVENUE BONDS
SERIES 2010**

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APPENDIX B
CONSULTING ENGINEER'S REPORT
UTILITIES REVENUE BONDS, SERIES 2010
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An SAIC Company

November 9, 2010

Lafayette City-Parish Council
Lafayette Public Utilities Authority
Lafayette Utilities System
1314 Walker Road
Lafayette, LA 70502

**Subject: Consulting Engineer's Report
Utilities Revenue Bonds, Series 2010**

Ladies and Gentlemen:

INTRODUCTION

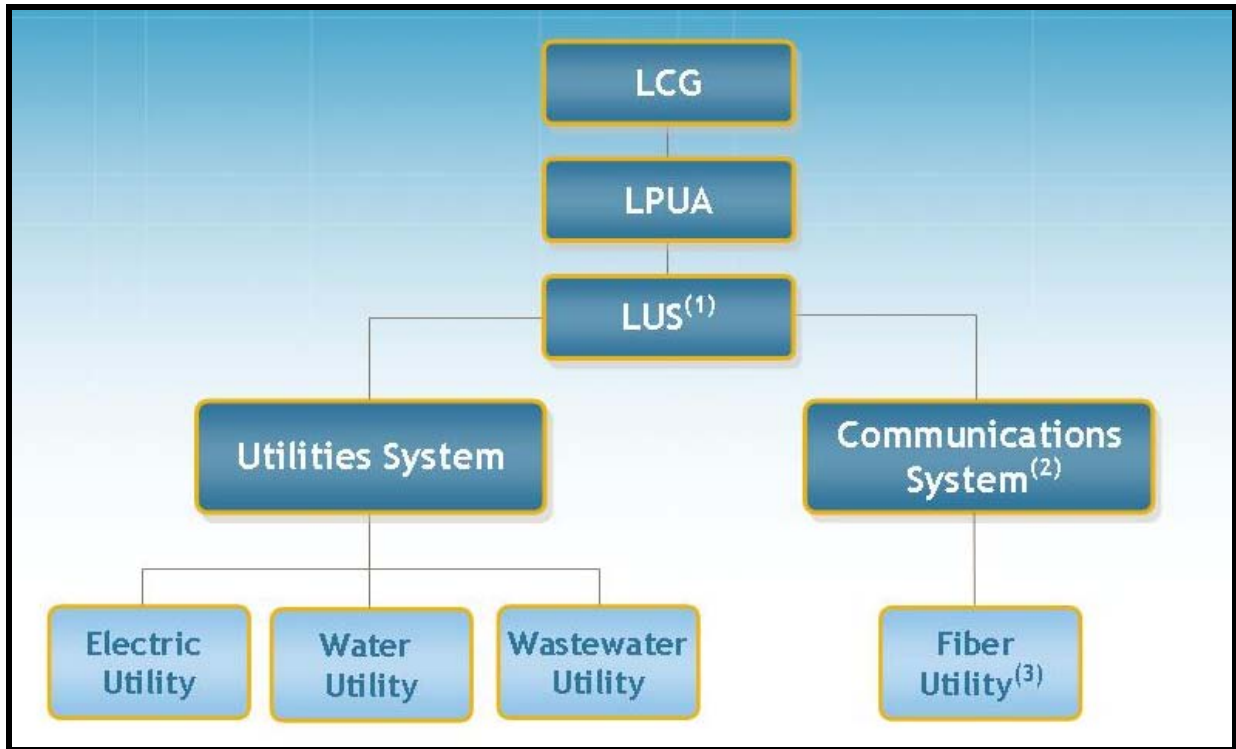
Presented herein is a report ("Report") of our analysis, investigations and studies concerning the proposal by the City of Lafayette, Louisiana ("City") to issue Utilities Revenue Bonds, Series 2010 (the "Series 2010 Bonds") in the principal amount of \$86,080,000 to provide funds for the completion of system improvements, upgrades, and other capital projects as described herein. The City operates with Lafayette Parish Government as a consolidated government known as the Lafayette City-Parish Consolidated Government (referred to as the Lafayette Consolidated Government or LCG).

The current form of government includes both the City and certain areas of the Parish and is referred to as LCG. This form of government includes the President and nine Council members who are elected by the citizens of the Lafayette Parish ("Parish") to four-year terms of office. The President and his Chief Administrative Officer direct and supervise the administration of all departments, offices, and agencies of LCG, except as may otherwise be provided by the Home Rule Charter ("Charter") or by law. Certain departments of the LCG are involved in day-to-day management and operation of the Lafayette Utilities System ("LUS").

The governing authority of LUS is the Lafayette Public Utilities Authority ("LPUA"). The LPUA consists of those members of the Council whose districts include 60 percent or more of persons residing within the boundaries of the City. Although LPUA is the governing body of LUS, the Charter confers the authority to sign all contracts on behalf of LUS to the City-Parish President.

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

Figure B-1
Utilities Revenue Bonds, Series 2010
LCG and LUS Structure



- (1) From an operational perspective the Utilities System and the Communications System both fall under LUS.
- (2) From an accounting perspective, the Utilities System and Communications System are separate. Communications System is also referred to as LUS Fiber.
- (3) Fiber Utility is part of Communications System.

SCOPE OF WORK

R. W. Beck, Inc. (“R. W. Beck”) was engaged to perform a limited scope of work for this Report. The scope of work consisted of reviewing the physical and operating condition of the Electric System, Water System, and Wastewater System and each system’s financial strength, as well as examining the financial strength of LUS. The projected operating results for LUS are summarized in Exhibit B-1.

Representatives of R. W. Beck visited and performed general field observations of the Electric, Water, and Wastewater Systems in 2010. The general field observations were visual, above ground examinations of selected areas, which R. W. Beck deemed adequate to comment on the general appearance of each portion of such systems. They were not in the detail which would be necessary to reveal conditions with respect to safety; the subsurface physical condition; or the conformance with agreements, codes and permits, rules or regulations of any party having jurisdiction with respect to the construction, operation and maintenance of the Utilities System. During the preparation of this Report, R. W. Beck has reviewed certain documents and agreements provided by LUS. These documents and agreements include the LUS financial and operating statements and supporting documentation, the LUS budget documents, power sales, and purchased power agreements.

Following the terrorist attacks of September 11, 2001, increased emphasis has been placed on addressing security measures for the infrastructure systems and facilities throughout the United States. A terrorist attack resulting in serious breach of security to the Utilities System could impact the operation of the Utilities System and interfere with the ability of LUS to provide service and generate revenues. Additionally, a serious breach of security outside of LUS operations has the potential to affect organizations other than LUS, the continued performance

of which is critical to continued operation of LUS business. These other organizations may be either dependent on, or provide service to LUS. Evaluation by R. W. Beck of the security measures of the Utilities System, as well as other entities with which LUS has business or operational relations relative to security issues, is not within the scope of this Report. R. W. Beck has not been engaged to conduct, and in fact has not conducted, assessments of the measures LUS has undertaken to address security issues.

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

AUTHORIZATION AND PURPOSE

The City is proposing to issue the Series 2010 Bonds in the principal amount of \$86,080,000 to provide funds for capital improvements to LUS as further discussed below. The City and the LPUA are expected to approve the issuance of the Series 2010 Bonds. The estimated sources and uses of the funds from the proposed issuance of the Series 2010 Bonds are summarized in Table 1.

Table 1
Sources and Uses of the Series 2010 Bonds ⁽¹⁾

Sources of Funds:	\$86,080,000.00
Bond Proceeds:	
Par Amount	\$86,080,000.00
Premium	\$3,849,527.65
Total Source of Funds	\$89,929,527.65
Uses of Funds:	
Deposit to Project Construction Fund	\$76,000,000.00
Other Fund Deposit:	
Deposit to Capitalized Interest (CIF) Fund	\$6,404,122.24
Deposit to Debt Service Reserve Fund	\$6,248,925.00
Delivery Date Expenses:	
Costs of Issuance	\$553,408.41
Underwriter's Discount (0.840%)	\$723,072.00
Other Uses of Funds:	
Additional Proceeds	
Total Use of Funds:	\$89,929,527.65

(1) These details are based on information from Morgan Keegan & Company dated November 1, 2010.

CAPITAL IMPROVEMENTS PROJECTS

On an annual basis, in coordination with the budget development process, LUS prepares a Capital Improvements Program ("CIP"). The CIP identifies projects in each of the Electric, Water, and Wastewater Systems. R. W. Beck was provided a copy of the latest LUS CIP dated July of 2010. Funding for the CIP is provided by a combination of retained earnings from LUS and proposed or existing bond financing. The Series 2010 Bonds are being issued to provide funds for a series of the capital projects as described in the CIP. Table 2 outlines the anticipated schedule and costs associated with these capital projects.

Approximately 72 percent of the principal amount of the Series 2010 Bonds are expected to be allocated to the Electric System. Electric System capital projects include improvements and upgrades associated with LUS's transmission and substation systems to address the Acadiana Load Pocket project, which is designed to reduce transmission constraints in and around the LUS Electric System. Also a significant portion of the proposed bond

funding has been allocated to develop LUS’s Automated Metering Infrastructure (“AMI”) initiative. Water System improvements include LUS’s AMI initiative (for water meters) and improvements to the water production system. Wastewater System improvements are primarily focused on collection system improvements (lift stations / interceptors).

**Table 2
LUS Capital Improvement Plan**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Electric Acquisitions	\$0	\$1,545,000	\$0	\$0	\$3,000,000	\$4,545,000
Electric Distributions	1,160,000	3,336,000	2,027,000	2,612,000	300,000	9,435,000
Electric General Plant	23,330,000	1,420,000	60,000	10,000	10,000	24,830,000
Electric Production	4,395,000	8,450,000	6,330,000	3,900,000	4,080,000	27,155,000
Electric Substations	14,221,000	110,000	4,505,000	3,935,000	8,110,000	30,881,000
Electric Transmissions	<u>2,810,000</u>	<u>1,735,000</u>	<u>735,000</u>	<u>485,000</u>	<u>4,007,000</u>	<u>9,772,000</u>
Subtotal Electric	45,916,000	16,596,000	13,657,000	10,942,000	19,507,000	106,618,000
Water Distribution	9,945,000	2,875,000	975,000	675,000	600,000	15,070,000
Water Production	<u>170,000</u>	<u>1,473,000</u>	<u>2,997,000</u>	<u>1,210,000</u>	<u>10,000</u>	<u>5,860,000</u>
Subtotal Water	10,115,000	4,348,000	3,972,000	1,885,000	610,000	20,930,000
Wastewater Collection	1,354,000	9,694,500	4,130,000	2,538,000	2,517,000	20,233,500
Wastewater Treatment	<u>310,000</u>	<u>2,537,000</u>	<u>830,000</u>	<u>2,560,000</u>	<u>12,363,000</u>	<u>18,600,000</u>
Subtotal Wastewater	1,664,000	12,231,500	4,960,000	5,098,000	14,880,000	38,833,500
TOTAL	\$57,695,000	\$33,175,500	\$22,589,000	\$17,925,000	\$34,997,000	\$166,381,500

**Series 2010 Bonds – Deposit to
Project Construction Fund \$76,000,000**

Electric System Improvements

Electric System improvement categories include the acquisition of new customers, production related improvements, upgrades to the delivery system (transmission, substations, distribution) and improvements to the general plant.

Acquisitions

LUS has planned for the acquisition of utility customers from Southwest Louisiana Electric Membership Corporation (“SLEMCO”) and Entergy Louisiana who live within the City limits. The Series 2010 Bond proceeds are to be applied to the construction of facilities needed to acquire these customers.

Production

Production related Electric System improvements include installation of automated controls at the Louis “Doc” Bonin Generation Station (“Bonin Plant”) to replace the existing obsolete and outdated systems, as well as turbine improvements, replacing boiler tubes, auxiliary components and condenser tubes which have been failing at an increasing rate, and balance of plant improvements. Replacement systems include startup automation, training simulator, field data collection and analysis system, maintenance upgrades, protective relaying, voltage regulation, and auto-synchronization modernization. Automating functions that are now performed manually and providing simulator training are intended to reduce the opportunity for human error to cause safety or reliability issues. Specific turbine related projects include turbine supervisory system, gland seal condenser exhaustor, and generator hydrogen monitor system replacement. Specific boiler-related projects include boiler painting and expansion joint, boiler tube section,

temperature monitoring system, burner spud and fan coupling replacements. Balance of plant projects includes control system life extension and makeup water control system integration.

The Series 2010 Bonds proceeds are to be applied to the design and construction of cooling tower improvement projects for the Bonin Plant. These projects will include cooling tower rehabilitation, bridge crane, fan vibration monitoring systems and distribution header replacement, and replacement of chemical storage and feed systems.

The Series 2010 Bonds proceeds are to be applied to add additional equipment at the Hargis-Hébert Generation Station (“Hargis-Hébert Plant”) and the T. J. Labbé’ Generation Station (“T. J. Labbé Plant”) to improve performance during low load operations. Specifically, LUS intends to install Variable Inlet Guide Vanes (“VIGVs”) to direct and control the airflow into the engine. The VIGVs are designed to allow these plants to operate at peak power and efficiency over a range of ambient conditions and gas turbine power settings. LUS also plans to install upgrades to the continuous emissions monitoring systems, plant control systems, plant water treatment systems and other balance of plant systems at these facilities to help LUS stay in compliance with United States Environmental Protection Agency (“EPA”) mandates, replace obsolete control system components, and to improve plant design to meet current needs.

Other power production related improvements include upgrades to fuel supply systems, fire protection, and plant site security. Specific fuel supply system improvements include expansions, upgrades and modifications to the fuel supply facilities for the LUS natural gas pipeline, the Bonin, the T.J. Labbé, and the Hargis-Hébert Plants. Integration of these facilities into a fuel supply network and changes in fuel supply arrangements and suppliers continuously present new requirements and challenges. The addition of the T.J. Labbé and Hargis-Hébert Plants to the LUS pipeline has made fuel delivery more complex and requires integrated design of control, security, monitoring, coordination, and interaction of several fuel supply systems critical to the operating reliability of all three plants.

Power Delivery Systems

LUS has entered into a memorandum of understanding with neighboring utilities to address several issues related to transmission constraints in the region. The resulting projects, referred to as the Acadiana Load Pocket project, include construction of two new 230 kilo-volt (“kV”) transmission facilities, and associated expansion of existing switchyards to include new auto-transformers, capacity banks, and associated material and equipment. Specific requirements of the Acadiana Load Pocket project include the design and construction of a new 230 kV transmission line from the Bonin Switchyard to T.J. Labbé Switchyard, a new 230 kV terminal at the Bonin Switchyard, and a new 230 kV/138 kV and 138 kV/69 kV auto-transformer, and the associated 230kV, 138 kV, and 69 kV terminals. LUS will also design and construct facilities for two new capacitor banks at the Beadle Substation. Additionally, LUS will design and construct a new 230 kV transmission line from the Hargis-Hébert Plant to the new proposed Southeast Substation (see below). The cost for this new transmission line includes the purchase of additional right-of-way, as well as the associated material and labor.

Other power delivery system improvements include extension of distribution lines to serve customers, improvements to existing substation feeders, re-conductor for several existing distribution lines (including extension of three-phase and single-phase overhead and underground electric circuits along roadways where no electric facilities currently exist), associated improvements to substations, and other equipment upgrades. LUS is requesting funds to design and construct a new distribution substation due to load growth and potential for future load growth in the southeastern portion of its service territory (the Southeast Substation). Much of the future load growth is defined by the SLEMCO acquisition agreement. The new station will be a 69 kV transmission to 13.8 kV distribution station with current requirements calling for four feeders to be constructed. This project will require the purchase of a 69 kV/13.8 kV transformer to be purchased.

The Series 2010 Bonds proceeds are to be applied to design and construct three additional new feeders. The first of these is an additional feeder for the Beadle Substation to alleviate loading on the Flanders Feeder and to serve new additional load that will develop on Camellia Boulevard. This feeder will allow for the reallocation of the Flanders Feeder in the other direction down Verot School Road and allow loading on the existing feeder for new developments down Ambassador Caffery Parkway. The second feeder, a new overhead feeder out of Flanders Substation, will be constructed along Kaliste Saloom Road to near the L.O. Peck Substation, from where it will turn

toward the Vermilion River and cross to tie into an existing feeder. The project also includes re-conductoring an existing feeder from the river to Johnston St. to complete the 600 Amp tie to improve backup and reliability for the Flanders and Mall Substations, and provide capacity for future load growth in the area. The third new feeder will be extended from Gilman Substation along W. Gilman Road to LA 182 (University Ave.), then north to Pont des Mouton Road. This will be constructed underground and will provide backup for the Northpark area and for Pont des Mouton Substation.

LUS intends to purchase and install replacement 69 kV breakers for the Elks and Bonin Plant substations. This replacement will require retro-fitting of the existing facilities in place and the purchase of two new relays. The breakers to be replaced were identified in R. W. Beck's Short Circuit Assessment, conducted in 2004, as breakers that would soon be reaching their full interrupting capacity.

LUS is also constructing a warehouse facility at its Luke Substation for substation equipment maintenance and storage. The building will include space for inspection and tear down of equipment, rebuilding and testing of substation breakers and other substation equipment. The building will be used to store parts and equipment used by the substation section.

General Plant

The Series 2010 Bonds proceeds are to be applied to general plant are primarily associated with LUS's AMI improvements. These improvements include installation of smart meters including two-way communications for all retail customers within the full service territory and to automate the electric transmission and distribution systems to improve monitoring and reliability. This project includes partial funding from the Department of Energy via the American Recovery and Reinvestment Act of 2009.

For the AMI system, the meters and modules cost are the largest incurred cost and includes the initial purchase price for all electric and water meters and modules including the costs associated with the disposal of old meters. LUS has developed a total AMI cost for its electric system that includes the following:

- The meter installation cost to install all new meters and modules.
- The service switch cost associated with including an internal service switch for every electric single-phase and network self-contained meter to provide remote disconnection/reconnection.
- The communication hardware and installation costs include the initial purchase price and installation of the associated communication infrastructure, the master station and testing.
- The information technology infrastructure and installation includes the costs associated with fiber interface for use as a backhaul method, engineering and management costs and associated system training costs.
- The project management costs for the vendor to provide the project management throughout the deployment period, and those project management costs associated with LUS for project planning and implementation.

Other general plant improvements include development of disaster recovery and business continuity implementation systems, property purchases for future expansion, and others. The disaster recovery / business continuity system includes requirements for the LUS computer network system, including the local area network and server farm and will provide geographical redundancy to provide continued and uninterrupted service for mission critical services such as internet, network, email, and various servers. The design of such systems will include clustering of servers, redundant switches and routers, redundant Internet providers, server consolidation and virtualization, inclusive of racks, cabling, and appurtenances.

Water System Improvements

Water System improvements include upgrades and capital additions to the production and distribution systems. The majority of the proceeds of the Series 2010 Bonds are to be used for the Water System are associated with LUS's AMI for water meters to increase meter accuracy, reduce losses and decrease costs for LUS. The Water System AMI project will be coordinated with the installation of the Electric System AMI to achieve economies and coordination of benefits to both operations and LUS customers. Production related improvements include replacement of obsolete and out-dated programmable logic controls at the North Plant to ensure continued

production of drinking water for LUS customers. Additional improvements include building improvements, mechanical component upgrades (at South Plant) and other equipment / system additions and replacements, including construction of additional water storage and booster station capabilities.

Operational improvements include design and construction of pressure filters, piping, controls and appurtenances for the existing water plant on Commission Boulevard. This includes the ability to filter water before distribution to the system and major changes to chemical feed pumps at the North and South Plants to ensure continued reliability. This includes installation of programmable controls and modifying of the existing computer interface screens for operators. Also, this will require a change to the motor and motor drives for existing chemical feed pumps to provide more accuracy and efficiency in their operation.

LUS intends to install a back-up power generator at its North Plant to provide electric power for water production during power outages (such as during hurricane events). Additional projects include the design and construction of additional treatment capacity at the W. Gloria Switch facility to handle increased capacity of supplemental production wells. These supplemental wells provide additional water to the northern areas of the Parish to meet growing population. Other improvements at the existing North and South Plant buildings include major renovations to the operations building to increase reliability during hurricanes and for water proofing, as well as painting, lighting, and improved flooring.

The Series 2010 Bonds proceeds are to be applied to the design and construction of water storage and booster station, as well as to purchase property for the distribution system. The water storage project includes a ground storage tank with booster pumps to improve system pressure during high demands for the northern portions of the Parish. This will reduce the production rate needed during peak hours on the system and provide additional storage for fire protection. Additionally, funds are included for Water Well No. 26 to include the well, piping, electrical controls, and appurtenances necessary to complete this redundant facility. This well is designed to provide for higher pressures and additional water capacity in the northern area in order to meet growing population demands.

Wastewater System Improvements

Wastewater System improvements include construction and upgrades for LUS's treatment and collection systems. The majority of the funds for the treatment facilities are for modifications and upgrades to the sludge treatment facility at the South Plant to allow for treatment of sludge from other LUS wastewater plants. Current sludge handling and treatment processes at the South Plant are at capacity at the current average daily flow. Rerouting of sewage flows from Old Maurice Pump Station (or any other area); along with increased flows at the South Plant will require an upgrade to the solids handling and treatment capacity of the plant. The project will reduce sludge handling costs by reducing the total volume of sludge disposed off-site. Other specific improvements at the South Plant include the design and construction required to rehabilitate the existing grit chamber basin for conversion/integration into a pump station wet well. This project also includes modifications to the mechanical bar screen, pumps, piping, electrical work and structural elements of the South Plant. Other improvements at the South Plant include the design and construction of new equipment (including associated piping and electrical work) in two of the existing clarifiers. Projects also include labor and materials to modify and improve treatment structures and technology at the other wastewater treatment plants, as well as the construction of new lift stations and force mains. These projects reroute discharge flows away from existing lagoons and to the LUS wastewater collection system. LUS determined that the current lagoons are inadequate to meet Louisiana Department of Environmental Quality ("LDEQ") permit limits.

Wastewater collection system improvements include upgrades to the Northeast Interceptor stations, the Old Maurice Lift station and upsizing and relocation of the collection system along Kaliste Saloom Road. Specifically, the Northeast Interceptor improvements will require the relocation and upgrading of the existing wastewater collection lines along E. Pont des Mouton and Comfort Lane. This project will also include the installation of a new gravity sewer interceptor. The Old Maurice Lift Station Upgrade project will include the upgrade of the existing lift station at Old Maurice to arrange a pumping configuration where average daily flow and wet weather flow can be routed to the South Plant and/or the Ambassador Caffery Plant. The Kaliste Saloom widening relocation / upsizing project will include upsizing (and lengthen if possible) the existing 15-inch sewer gravity main to a 21-inch main during the project to widen Kaliste Saloom Road between Farrell Road and E. Broussard Road. Lift station improvements include the Fountainbend, the Farrell Road and the Rials lift stations. These include improvements to lift station and force main capacity to be able to handle the additional flows associated with the increased growth

(Fountainbend), upgrading the existing lift stations to a larger capacity with an additional force main pumping to the Ambassador Caffery Parkway Wastewater Treatment Plant (Farrell Road), and replacement of lift stations and associated force mains (Rials No. 1 and No. 2). These improvements will address future growth concerns and will reduce/eliminate overflows in the collection system during rainfall events.

Other collection system improvements include repairs to the wastewater collection system, such as manhole rehabilitation, point repairs, mainline and service line replacement, internal linings, and internal sealing of joints. Repair contracts are assembled based on on-going evaluation of the wastewater collection system.

FACTORS AFFECTING THE ELECTRIC INDUSTRY

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

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

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

LAFAYETTE CONSOLIDATED GOVERNMENT

Introduction

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

Department of Finance and Management, the Department of Information Services & Technology, and the Legal Department.

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

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

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

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

The City’s Director of Utilities is Mr. Terry Huval. Mr. Huval is a graduate of the University of Louisiana at Lafayette with a B.S. in Electrical Engineering. He was appointed as LUS’ Director of Utilities on December 5, 1994. From an operations perspective, the Director of Utilities manages all of the utilities systems. From an accounting perspective the Communications Division’s accounting and financial records are maintained separate from the Utilities System records. All of the LCG utility operations operate on a fiscal year that begins November 1 and ends October 31 of the following year.

LUS Management

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

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

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

LAFAYETTE UTILITIES SYSTEM

Service Area and Population Trends

The City is located in the heart of Acadiana, an eight-parish area in the center of southern Louisiana, between New Orleans and Houston, in proximity to many of the largest and richest oilfields in Louisiana. LUS provides citizens within the City (and in some instances outside the City) with retail electric, water and wastewater utility services. The Electric System is limited to areas within the City and designated facilities outside the City. The Water and Wastewater Systems also provide services inside and outside the City limits.

The United States Census Bureau estimates that the population of the City grew by two percent between 2000 and 2009. The City's population grew at an approximate 0.25 percent average annual compound rate from 110,257 in 2000 to an estimate of 112,640 in 2009. Preliminary figures from the Louisiana Department of Labor indicate a labor force of 111,194, of which 5,258 are unemployed. The Parish unemployment rate of 4.7 percent remains below the state unemployment rate of 6.2 percent. The largest employers in the City of Lafayette are in the following industries: education, public administration, retail, healthcare, oil & gas and manufacturing. The largest three employers include Lafayette Parish School System with 4,563 employees, Lafayette Consolidated Government with 2,212 employees, and University of Louisiana Lafayette with 1,900 employees.

LUS served approximately 157,000 accounts in 2009. The Electric System served nearly 63,000 accounts, of which 54,000 were residential and 7,000 were general service. The Water and Wastewater Systems served approximately 52,000 and 42,000 accounts, respectively. Historical and projected customer accounts by system are provided in Table 3.

Table 3
Utilities System Historical and Projected Number of Customers by System

<u>Year</u>	<u>Utilities System</u>		
	<u>Electric System</u>	<u>Water System</u>	<u>Wastewater System</u>
Historical			
2005	57,906	47,529	39,056
2006	58,722	48,617	39,815
2007	60,018	49,622	40,353
2008	61,752	51,134	41,042
2009	62,403	51,276	41,185
Projected			
2010	63,089	52,137	41,892
2011	63,783	53,001	42,468
2012	64,485	53,866	43,045
2013	65,194	54,731	43,621
2014	65,912	55,595	44,198
2015	66,637	56,460	44,774
2016	67,370	57,324	45,350
2017	68,111	58,189	45,927
2018	68,860	59,053	46,503
2019	69,617	59,918	47,080
Compounded Annual Growth Rate (“CAGR”)			
2010-2019	1.10%	1.56%	1.31%

Source: LUS

In 2009, total LUS sales revenues not including the Communications System was approximately \$205 million, of which the Electric System accounted for approximately 83 percent, or \$170 million. The Water and Wastewater Systems accounted for the remaining 17 percent of the revenue. Descriptions of the Electric System, Water System, and Wastewater System follow. These sections also describe the major facilities that comprise such systems.

Electric System Description

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

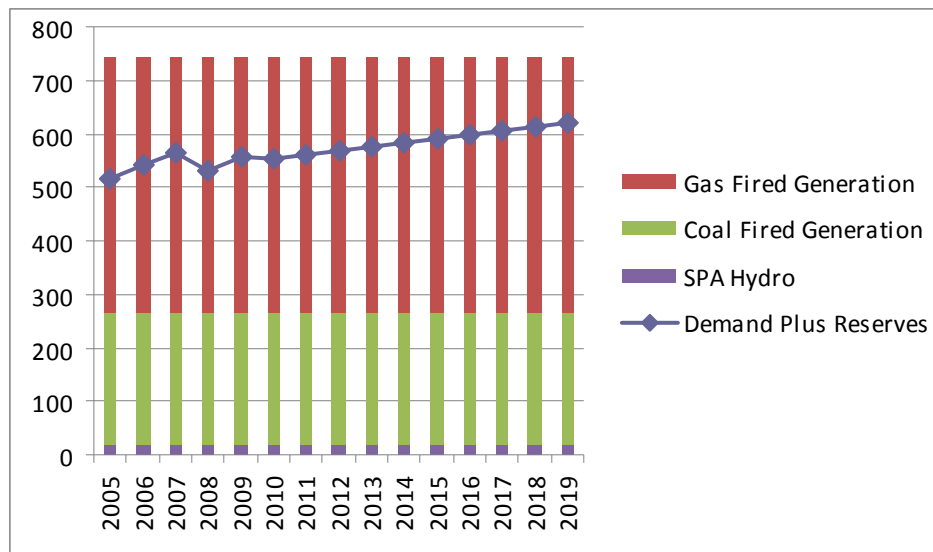
Table 4 provides a comparison of LUS electric loads versus resources, expressed in megawatts (“MW”). This reflects the demand requirements of retail sales, sales for resale, and a reserve requirement equal to 18 percent of demand. Table 4 indicates that available resources provide the electric utility with surplus capacity through 2019.

Table 4
Total Demands and Resources Comparison (MW)

<u>Year</u>	<u>Total Demand</u>	<u>Demand Plus Reserves</u>	<u>Gas Fired Generation</u>	<u>Coal Fired Generation</u>	<u>SPA Peaking</u>	<u>Total Resources</u>	<u>Surplus/ (Deficit)⁽¹⁾</u>
Historical							
2005	438	517	479	246	18	743	226
2006	458	540	479	246	18	743	203
2007	478	564	479	246	18	743	179
2008	451	532	479	246	18	743	211
2009	472	557	479	246	18	743	186
Projected							
2010	470	554	479	246	18	743	189
2011	476	562	479	246	18	743	182
2012	482	569	479	246	18	743	175
2013	488	576	479	246	18	743	168
2014	494	583	479	246	18	743	160
2015	500	590	479	246	18	743	153
2016	506	597	479	246	18	743	146
2017	512	605	479	246	18	743	139
2018	519	612	479	246	18	743	131
2019	525	620	479	246	18	743	124

(1) Surplus (Deficit) = Total Resources less Demand Plus Reserves

Figure B-2
Total Demand and Resources Comparison
(MW)



Generation Facilities

As previously mentioned, LUS owns three gas fired generating facilities located within the City limits: the Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. LUS obtains a significant portion (from 50 to 70 percent) of its electric energy requirements from the Louisiana Public Power Authority (“LPPA”). LPPA has a 50 percent ownership interest in a fossil fuel, steam-electric generating unit, Rodemacher Power Station Unit 2 (“RPS2”). Located in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of Lafayette, RPS2 is operated by Cleco Power LLC (“Cleco”). The City Council is the governing authority of LPPA. The Chief Executive Officer of LPPA is the LCG City-Parish President. The Director of Utilities is also the Managing Director of LPPA.

Annual generation at RPS2 has averaged approximately 3,415 gigawatt hours (“GWh”) (net) over the 2005 to 2009 period with average annual plant capacity factor of 69.4 percent. The annual average heat rate of RPS2 was approximately 11,008 Btu per kilowatt hour (“kWh”).

Bonin Plant:

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

Annual generation at the Bonin Plant has averaged approximately 226 GWh (net) over the 2005 to 2009 period with average annual plant capacity factor of 9.3 percent. Annual natural gas consumption averaged 2,713,567 million British thermal units (“MMBtu”) over the same period. The annual average heat rate of the Bonin Plant was approximately 12,771 Btu per kWh.

Typically, only one of the three active gas-fired generating units at the Bonin Plant is operated at one time. In this mode of operation, there are essentially “spare” generating units to ensure system reliability. The units are currently dispatched on the basis of load requirements and transmission system limitations. In June 2009, the Southwest Power Pool-Reliability Coordinator (SPP-RC) issued a directive to LUS to bring Doc Bonin generating unit #3 online to alleviate high loading levels as well as transmission constraints in the Acadiana Load Pocket. These levels were present for the entire summer of 2009. SPP-RC again approached LUS at the beginning of the 2010 summer season about running Doc Bonin #3 for the anticipated high load levels within the load pocket.

T. J. Labbé and Hargis-Hébert Plants

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

Annual generation at the T. J. Labbé Plant has averaged approximately 82 GWh (net) over the 2006 to 2009 period with average annual plant capacity factor of 9.4 percent. Annual natural gas consumption averaged 986,944 MMBtu over the same period. The annual average heat rate of the T. J. Labbé Plant was approximately 12,059 Btu per kWh.

The Hargis-Hébert Plant is located in the southern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative CT generators. It is connected to the LUS 230 kV transmission system by a 69 kV line to the Elks Substation. It also includes a 69 kV switchyard and a 600 kW black start emergency diesel generator. Commercial operation for the Hargis-Hébert Plant began in June 2006.

Annual generation at the Hargis-Hébert Plant has averaged approximately 132 GWh (net) over the 2006 to 2009 period with average annual plant capacity factor of 15.1 percent. Annual natural gas consumption averaged 1,529,732 MMBtu over the same period. The annual average heat rate of the Hargis-Hébert Plant was approximately 11,617 Btu per kWh.

Fuel Infrastructure and Supply Contracts

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

Natural gas is primarily provided by ATMOS Energy Marketing, LLC ("ATMOS") for up to 20,000 MMBtu per day pursuant to a base contract between ATMOS and TEA dated February 1, 2004, which is backed by LUS, in conjunction with confirmations between TEA and ATMOS dated October 28, 2008 and August 9, 2009 for deliveries to the Hargis-Hébert Plant and T. J. Labbé/ Bonin Plants respectively. The October 2008 confirmation will expire on October 31, 2010, while the August 2009 confirmation will expire on October 31, 2012.

Natural gas can also be supplied on an emergency basis to the T. J. Labbé/ Bonin Plants up to 15,000 MMBtu per day from Crosstex Gulf Coast Marketing, LLC ("Crosstex") pursuant to a base contract between Crosstex and TEA dated September 1, 2002, which is backed by LUS, in conjunction with a confirmation between TEA and Crosstex dated January 1, 2010. Said confirmation has a primary term from January 1, 2010 through December 31, 2010 and will continue from month to month thereafter until either party gives 30 day written notice.

In addition to the "base" volumes purchased from Crosstex, TEA purchases natural gas on the spot market from Crosstex and multiple other suppliers for LUS in order to fulfill the annual gas requirements of LUS.

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

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

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

Environmental Issues

LUS is subject to federal and state laws and regulations governing the protection of the environment. The State of Louisiana through the LDEQ establishes standards of performance and requires permits for the generating units of LUS as well as RPS2 in which LUS has an ownership interest. In addition the LDEQ has been delegated authority over and implements certain programs established by EPA.

Operating Permits. The Clean Air Act Amendment ("CAA") Title V Operating Permit Program established the requirements for an affected facility having to obtain a Title V operating permit. Current Title V Operating Permits for the Bonin Plant, the T.J. Labbé Plant, and the Hargis-Hébert Plant expire on March 24, 2011, October 8, 2013, and January 31, 2014, respectively. Each of the operating permits are subject to all pollution control

equipment being operated and maintained pursuant to applicable environmental regulations and rules and required compliance with any new or amended environmental rules and also set forth monitoring, recordkeeping, and reporting requirements.

Results of testing for carbon monoxide (“CO”) at Units No. 1 and No. 3 at the Bonin Plant indicate such Units were not in compliance with permit limitations. The LDEQ issued a Consolidated Compliance Order and Notice of Potential Penalty on January 14, 2010 and LUS is operating the Units in accordance with the Order. A modified permit was received on March 23, 2010. Unit No. 3 at the Bonin Plant must meet New Source Performance Standards (“NSPS”) under the CAA. During 2005 it was observed that NO_x emissions at Unit 3 were not meeting NSPS requirements. LUS is currently making repairs to that Unit in order to allow operation at design standards.

Acid Rain Permits. The CAA Title IV established a regulatory program, known as the Acid Rain Program, to address the effects of acid rain and impose restrictions on sulfur dioxide (“SO₂”) emissions and NO_x emissions. Acid Rain Permits have been issued by the LDEQ for each of the LUS plants and expire at the same time as the Operating Permits. The Acid Rain Permits allow for the discharge of SO₂ at the plant sites pursuant to an “allowance” system. An allowance is an authorization to emit one ton of SO₂ during or after a specified year. EPA allocates a set of allowances to each affected unit based on its historic emissions. LUS has sufficient allowances for its plants for operations during 2010 but may be required to purchase additional allowances in the future. Cleco reports that it has sufficient allowances for 2010 for RPS2.

CAIR Program. In March 2005, EPA issued the Clean Air Interstate Rule (“CAIR”), which was intended to reduce overall NO_x and SO₂ emissions on a regional basis effective in 2009 and 2010, respectively, with a second phase taking effect in 2015. On July 11, 2008, the United States Court of Appeals for the D.C. Circuit vacated EPA’s CAIR regulations, remanding CAIR to EPA to issue new regulations consistent with CAA and the Court’s decision. On December 23, 2008, the Court modified its remand order so that existing CAIR regulatory programs would remain in effect until EPA issued revised regulations. On July 6, 2010, EPA issued a proposed rule (the “Transport Rule”) in response to the District Court of Appeals decision that would require significant reductions in SO₂ and NO_x emissions in 32 states, including the State of Louisiana. Under the Transport Rule the emission reductions would take effect in January 2012. Meanwhile CAIR remains in effect until the final Transportation Rule is issued. LUS is in compliance with the current version of CAIR, but is unable at this time to determine what impact the Transport Rule will have on LUS. Cleco reports that the installation of new low NO_x burners at RPS2 in 2006 may help meet future Transport Rule reduction requirements. Because the Transport Rule is only proposed, LUS cannot determine what the new Rule requirements will be, to what extent compliance costs would be increased or the cost of any necessary capital expenditures.

Mercury. The CAA also provides for a comprehensive program for the control of hazardous air pollutants, including mercury, unless alternative programs are established that adequately protect health and the environment. In March 2005, EPA issued the Clean Air Mercury Rule (“CAMR”), which regulated mercury emissions under an alternative program. This rule would have capped total annual mercury emissions from coal-fired plants across the United States through a two-phased program and established a cap-and-trade program similar to the acid rain program, in which the states were encouraged to participate. On February 8, 2008, the United States Court of Appeals for the D.C. Circuit struck down CAMR and returned the issue to EPA for reconsideration and further rulemaking. In connection with such rulemaking, EPA must treat mercury as a “hazardous air pollutant” subject to a more restrictive program requiring the installation of “maximum available control technology” (“MACT”) in new and existing units. EPA is expected to issue draft MACT standards in March 2011 for controlling mercury emissions from coal-fired plants. As a result, it is too early to determine what impact, if any, such regulations may have on the LUS plants and RPS2.

Regional Haze. On June 15, 2005, EPA issued the Clean Air Visibility Rule, amending regulations governing visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources constructed between 1962 and 1977 may be required to install best available retrofit technology (“BART”). Under the Clean Air Visibility Rule, the states were required to develop regional haze plans as part of their State Implementation Plan (“SIP”), and identify the facilities that would have to reduce emissions and then set BART emissions limits for those facilities. Dispersion modeling performed by the LDEQ indicates that the Doc Bonin units, and also RPS2, do not cause visibility impairment at sensitive receptors and, therefore, are not required to implement BART.

National Ambient Air Quality Standards. The Clean Air Act also requires EPA to establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its SIP to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.” EPA is in the process of reviewing NAAQS for certain air pollutants that are emitted by power plants including nitrogen dioxide, SO₂, ozone, and particulate matter. On January 19, 2010, EPA published a proposed rule for a stricter NAAQS for ground-level ozone and on April 12, 2010, the revised primary NAAQS for NO_x was promulgated by EPA. EPA intends to promulgate initial NO_x designations by January 2012. On June 22, 2010, EPA revised the NAAQS for SO₂ and expects to identify or designate areas not meeting the new standard by June 2012 and any new monitoring required by the NAAQS must begin to operate no later than January 1, 2013. At this time LUS cannot determine the potential impact of these new standards on its generating plants.

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

In 2007, the U.S. Supreme Court upheld EPA’s definition of a major modification as one that increases the actual annual emission of a pollutant from a facility above the actual average for the two prior years, and under President Obama’s administration, EPA has announced plans to enforce the NSR provisions. LUS cannot predict whether EPA or other governmental authorities will consider any of the past maintenance projects or capital improvements at its facilities to have violated NSR requirements as a result of the uncertain interpretation of this program and recent court decisions. If violations are established, LUS could be required to install new pollution control equipment in addition to the modifications that have already been completed or planned, and be liable for other payments or penalties.

Cleco reports that in February 2005, it received notices from the EPA requesting information relating to RPS2 with the apparent purpose of determining whether Cleco had complied with NSR provisions relating to capital expenditures at RPS2. Cleco reports that it completed the response to the initial data request but cannot determine if EPA will take any further action.

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

On April 2, 2007, the United States Supreme Court issued a decision in *Massachusetts v. EPA* holding that GHG emissions are “air pollutants” under the federal Clean Air Act, thereby requiring EPA to determine whether GHGs pose a threat to public health and welfare.

On October 30, 2009, EPA published the final rule for mandatory monitoring and annual reporting of GHG emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection beginning January 1, 2010, and the first annual reports due March 31, 2011.

On December 15, 2009, EPA published the final rule for the “endangerment finding” under the CAA. In the finding, EPA declared that the six identified GHGs — CO₂, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride — cause or contribute to global warming, and that the effects of climate change endanger public health and welfare by increasing the likelihood of severe weather events and the other related

consequences of climate change. The issuance of the “endangerment finding” triggered the statutory requirement that EPA regulate emissions of GHGs as air pollutants from motor vehicles. Such regulations were finalized on April 1, 2010, when EPA and the United States Department of Transportation issued a joint final rule imposing GHG emission standards on light-duty vehicles (cars and light trucks). That regulation takes effect on January 2, 2011.

On March 29, 2010, EPA affirmed its position that air pollutants that are actually regulated under the CAA under any program must be taken into account when considering permits issued under other programs, such as the PSD permit program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources. As a result of this determination, the effect of the new motor vehicle rule will be to require the analysis of emissions and control options with respect to GHG emissions from new and modified major stationary sources as of January 2, 2011, which is the date the new motor vehicle rule takes effect. Permitting requirements for GHGs will include, but are not limited to, the application of Best Available Control Technology (“BACT”) for GHG emissions, and monitoring, reporting and recordkeeping for GHGs.

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

On January 2, 2011, sources that are subject to PSD and/or Title V permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their NO_x, SO₂ and other emissions) will have to address GHG emissions in new permit applications or renewals. Construction or modification of major sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a CO₂e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. EPA intends to issue guidance before the end of 2010 on the technologies or operations that would constitute BACT for GHGs. With respect to Title V requirements, as of January 2, 2011, sources that are required to have Title V permits for non-GHG pollutants will be required to address GHGs as part of their Title V permitting. The 75,000 tons per year CO₂e applicability threshold does not apply. When any source applies for, renews, or revises a Title V permit; the CAA requirements for monitoring, recordkeeping and reporting will be included. Therefore, when the Title V permits for the LUS Plants and RPS2 are renewed, each of such plants will be subject to the Tailoring Rule.

The costs to LUS for compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting, and record keeping with respect to GHG emissions from existing units should not have a material adverse effect, but the consequences of new permit requirements in connection with new units or modifications of existing units could be significant, as could any new proposed regulations affecting permitting and controls for the LUS Plants or RPS2. It is also noted the additional permitting requirements could cause significant delays in permit processing times, thus affecting the ability of facilities to obtain permit modifications, revisions, and renewals in a timely manner.

Federal Legislation. The United States Congress is currently considering several energy and climate change-related pieces of legislation that propose, among other things, a cap-and-trade system to regulate and reduce the emission of CO₂ and other GHGs and a federal renewable energy portfolio standard. One such bill, H.R. 2454, known as the American Clean Energy and Security Act of 2009, was passed by the House of Representatives on June 26, 2009. That bill and several other energy and climate change-related legislative proposals are currently being considered by the Senate. On May 12, 2010, Senators Kerry and Lieberman made public the text of a proposal entitled the American Power Act, which is expected to be considered. The impact that federal GHG cap-and-trade legislation will have on the electric utility industry depends largely on the specific provisions of the legislation that ultimately become law. Some of the important issues that could be addressed in cap-and-trade legislation include: the timing and magnitude of the emissions cap; the extent to which emissions allowances are allocated or auctioned to the highest bidder; and the extent to which emissions may be offset by other actions. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any enactment of statutes to regulate GHG emissions will have a significant impact on fossil-fueled generation facilities.

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

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

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

Solid Waste Disposal. The LDEQ has adopted a permitting system for the management and disposal of solid waste generated by power stations. Cleco reports that it has renewed the solid waste permit for RPS2 and is in the midst of upgrading the Unit according to current permit requirements and regulations.

On May 18, 2010, EPA released its proposed rules for regulating the disposal and management of coal combustible residuals. Any new and stricter rules on coal combustible materials on units such as RPS2 could result in increased costs of operating such Unit.

Power Supply / Sales Contracts

LPPA – Rodemacher Unit 2 Power Station

The City and LPPA entered into a Power Sales Contract (“PSC”), whereby LPPA agreed to sell, and the City agreed to purchase, LPPA’s share of the power and energy produced from the RPS2. The PSC originally expired on April 30, 2017. Ordinance O-172-2007 was adopted by the City on August 21, 2007 extending the PSC for forty years. The PSC was extended with the effective date of September 1, 2007 and expiring on August 31, 2047.

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

Pursuant to the original PSC, the first contract year began on the date of commercial operation of RPS2, September 1, 1982, when LPPA accepted RPS2 as commercially operable. The monthly billing payment for electric service to the City is paid in advance, and is based on monthly power and energy costs as estimated and budgeted by LPPA. Pursuant to the PSC, an annual reconciliation between budgeted amounts billed and the actual aggregate monthly power and energy costs as defined in the PSC is to be made 120 days after the end of each contract year.

Southwestern Power Administration

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

Historical Power Sales

Historically, LUS has made power sales to LEPA and to other parties in the Entergy region through short-term spot market transactions. Other wholesale sales were approximately 60,666 MWh in 2009. Electric System sales totaled 2,010,878 MWh during the 2009 fiscal year as described in Table 5.

Table 5
Historical Electric Retail and Wholesale Sales (MWh)

<u>Year</u>	<u>Retail</u>	<u>LEPA Wholesale</u>	<u>Other Wholesale</u>	<u>Total Wholesale</u>	<u>Total Retail and Wholesale</u>
2005	1,869,428	390,628	32,896	423,524	2,292,952
2006	1,883,007	74,342	27,504	101,846	1,984,853
2007	1,917,891	1	34,660	34,661	1,952,552
2008	1,933,371	6	33,065	33,071	1,966,442
2009	1,950,205	7	60,666	60,673	2,010,878
CAGR					
2005-2009	1.06%	-93.49%	16.53%	-38.48%	-3.23%

Note: LEPA Contract expired December, 2005 (in fiscal year 2006)

Historical Electric System net requirements for native load for LUS are shown in Table 6.

Table 6
Historical Electric System Net Requirements

<u>Year</u>	<u>Energy (MWh)</u>	<u>Peak (MW)</u>	<u>Load Factor</u>
2005	1,948,129	438	51%
2006	2,000,973	458	50%
2007	2,023,226	478	48%
2008	2,052,235	451	52%
2009	2,079,524	472	50%
CAGR			
2005-2009	1.65%	1.89%	NA

Interconnections

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

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

Transmission and Distribution

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

The LUS electric transmission system includes 230 kV transmission facilities and a 69 kV loop. Step-down transformation from the 230 kV and 69 kV systems to the 13.8 kV distribution service is located at 14 substations. The service area covers approximately 40 square miles, totals approximately 781 miles of line, and consists primarily of residential and general service customers.

Regional Reliability Councils

LUS is located in an area that is primarily served by two separate Investor Owned Utilities, Cleco and Entergy-GSU. Cleco and LUS are members of the Southwest Power Pool (“SPP”), which is a Federal Energy Regulatory Commission (“FERC”) approved Regional Transmission Organization (“RTO”) and a North American Electric Reliability Council (“NERC”) region. LUS and Cleco are both members of SPP (the FERC Reliability Council) but neither are members of the SPPRTO. As an RTO, SPP has forty seven members across eight southwestern states that currently provide independent reliability coordination and tariff administration, planning, operating and reliability assessment studies. SPP provides regional transaction scheduling, and on February 1, 2007, SPP launched its Energy Imbalance Services (“EIS”) Market. The wholesale energy market is to allow for more efficient deployment of wholesale electricity generation across the SPP region through the establishment of an offer-based market for energy imbalance services. SPP, an independent, non-profit organization, is operating the EIS Market under a tariff approved by FERC. The SPP tariff is consistent with the mandate of FERC Order No. 2000, which requires RTOs to provide Real-Time energy imbalance services and a market-based mechanism for congestion management. The SPP region has a projected 2009 peak load of approximately 46,500 MW. It has approximately 55,600 MW of generating capacity, of which, slightly less than 25,000 MW are hydro, nuclear, and wind. Approximately 20,000 MW is coal-fired capacity. The remainder consists primarily of approximately 11,000 MW of combined-cycle gas-fired generation installed after 1999 and 20,000 MW of other gas-fired generation¹.

The Entergy control area has a projected 2009 peak load of approximately 27,700 MW, which includes approximately 4,000 MW of Associated Electric Cooperative, Inc. (“AECI”) load. It has approximately 49,800 MW of generating capacity, which includes approximately 4,200 MW of AECI generation. Of the total control area generation approximately 15,000 MW are hydro, nuclear, and coal, 13,000 MW are combined-cycle gas-fired generation installed after 1999, and 21,800 MW are other gas-fired generation. The majority of the post 1999 gas-fired combined cycle generation is owned by independent entities, and is not under power purchase agreements.

Long-term firm sales or purchases of generating resources not utilizing existing firm transmission service arrangements may require substantial transmission upgrades to ensure firm delivery over either the SPP or Entergy systems. Currently, LUS uses the electric power market to purchase short-term energy when it is economically advantageous to do so. LUS will also sell into the market when it has excess generation and it is economical to do so. LUS has an agreement with TEA who performs the wholesale power negotiations and transactions.

Energy Policy Act of 2005

The Energy Policy Act of 2005 (“EPAct 2005”) covers many components that may affect LUS and related energy markets in the future. This legislation was signed into law in August 2005 and addresses, among other things, energy efficiency; renewable energy; nuclear energy; electricity related reforms; provides incentives for oil and gas production; and encourages the deployment of clean coal technology. A summary of the bill’s reforms relating to electricity and renewable energy and certain relevant FERC actions related thereto is provided in the following section.

¹Load and Resource values from: NERC, “NERC 2008 Long Term Reliability Assessment Summary Data Demand and Generation Resources,” Table 1a. Estimated 2009 Summer Resources and Demands (MW) and Margins (%).

Electricity – Title XII

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

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

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

EPAct 2005 repeals the Public Utility Holding Company Act and transfers consumer protection authorities from the Securities and Exchange Commission (“SEC”) to FERC and the states. In March 2007, FERC issued Order No. 693 entitled “Mandatory Reliability Standards for the Bulk-Power System” or “Reliability Standards Order”. As an owner of portions of the bulk electric system, LUS is required to be compliant with NERC Reliability Standards.

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

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

Time-Based Metering

EPAct 2005 requires electric utilities with retail sales in excess of 500 million kWh per year to consider offering time-based rates and metering to their customers. With Time of Use (“TOU”) rates, the rates charged vary during different time periods and reflect any variance in the utility’s costs of generating or of purchasing electricity at the wholesale level. The retail electric sales of LUS are over 500 million kWh per year, thus it appears that LUS is subject to the TOU rates requirements.

Water System Description

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

Water Supply

The Chicot underground aquifer is the sole source of water supply for LUS. Groundwater from the Chicot aquifer provides LUS with a reliable and abundant source of good quality water. EPA has designated the Chicot aquifer as a sole source aquifer thereby requiring special consideration for federal permitting of projects that could adversely affect it. The Water System has joined with the LDEQ to implement a wellhead protection program

for the LUS water supply. Potential contamination sources within the wellhead protection areas have been identified by LUS and LDEQ has authority to take appropriate action to assure contamination is prevented.

During 2002, LUS completed construction of Well No. 23 located in the southern portion of the Water System, with production beginning January 1, 2003. The 11,000 gallons per minute well provides peak demand in the weakest portion of the distribution system and reduces the occurrence of low pressures in the area it serves. Minimal water treatment is provided, consisting of chlorination and phosphate addition. A relatively new facility in the northern portion of the Water System, Well No. 24, similar in purpose, scope, production and treatment to Well No. 23, began operation in June 2006 but production was not fully realized until the addition of pressure filters during 2009. Well No. 25 came online during 2009, further bolstering the Water System's production capacity.

Water Treatment

The Water System includes two water treatment facilities, the North Water Plant and the South Water Plant, which provide for removal of iron and manganese by coagulation, sedimentation and filtration; hardness reduction by a lime-softening process; and chlorination. The present system treatment capacity (both plants and Well Nos. 23 and 24) is approximately 50.6 MGD.

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

The existing LUS water production facilities have backup electric power generating facilities on site that are adequate to sustain a basic level of water production. The South Plant has full back up generation, however, the North Plant has enough back up generation to produce approximately 50 percent of its normal output.

Treated water storage totals approximately 12.2 million gallons. This includes 4.3 million gallons of elevated storage and 7.9 million gallons of ground storage, including pumping station wet wells.

Water Distribution

The Water System distribution network consists of 1,051 miles of pipe, most of which is in the 6-inch to 12-inch diameter range. The distribution system includes 20,909 valves and 6,095 fire hydrants.

Drinking Water Quality

In response to the requirements of the Safe Drinking Water Act, LUS must prepare and distribute an annual water quality report to its customers by July 1 of each calendar year. The most recent report shows that the LUS water quality is well within the regulatory limits established by EPA.

EPA, based on statutory requirements, periodically conducts reviews of contaminants found in drinking water to determine if a change in regulations is warranted. LUS monitors planned changes to these regulations and either has incorporated or will incorporate the requirements into current and future operations. LUS does not anticipate that compliance with presently proposed changes will require major capital expenditures.

Wholesale Sales and Contracts

The sale of water to six local entities (water districts and municipalities), which own or operate water utility properties, accounted for approximately 18 percent of the LUS annual water revenues in 2009. LUS also provides certain operating services to Lafayette Parish Waterworks District North ("Water District North"). Water service to Water District North customers is billed by LCG in the name of the Water District North consistent with the applicable rate schedules. The Water District North constructs its own additions and extensions according to standards set by LUS. LUS also provides wholesale water service to the cities of Scott, Broussard, and Youngsville, as well as to the Milton Water System and Lafayette Waterworks District South.

Historical Water Sales

The growth in the volume of water produced by the Water System to serve all its customers, including wholesale customers, has been slightly negative (on an annual basis) since 2005. LUS estimates that daily peak demand will be approximately 35 MGD by 2014. In addition to the facilities owned by LCG, LUS operates and maintains the water distribution facilities of certain water districts in accordance with contracts between LCG and the districts. LUS also provides wholesale water service to several water districts and municipalities within the Parish. For 2009, water delivered to wholesale customers amounted for approximately 23 percent of the water sold by LUS. Historical retail and wholesale water sales from 2005 to 2009 are provided in Table 7.

Table 7
Historical Water Retail and Wholesale Sales (1000 gallons)

<u>Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>
2005	5,939,361	1,304,080	7,243,441
2006	6,075,802	1,326,574	7,402,376
2007	5,757,205	1,465,618	7,222,823
2008	5,492,975	1,545,275	7,038,250
2009	5,383,764	1,603,353	6,987,117
CAGR 2005-2009	-2.43%	5.30%	-0.90%

Wastewater System Description

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

Wastewater Treatment

The four wastewater treatment plants are the South Plant, the East Plant, the Ambassador Caffery Parkway Plant, and the Northeast Plant. The total permitted capacity for these plants is 18.5 MGD. The South Plant is an activated sludge facility with a capacity of 7 MGD. The East Plant and Northeast Plant are oxidation ditch facilities with capacities of 4 and 1.5 MGD, respectively. The Ambassador Caffery Parkway Plant treatment system includes a rotating biological contactor and oxidation ditch with a total capacity of 6 MGD. The wastewater collection system consists of 563 miles of gravity sewers, interceptors and force mains, with 11,252 manholes, and 149 pumping stations.

Inflow and Infiltration

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

Historically, LUS has received compliance orders from LDEQ regarding discharge of sewage from LUS sewage pumping stations. LUS responded to these compliance orders and to each issue raised by LDEQ by describing past or planned actions that have been or will be undertaken by LUS to eliminate the causes of sewage overflows. Actions taken include the upgrade of the cited lift station to its maximum pumping capacity and modifications to the South Plant to handle excess flows.

Wastewater Discharge Permits

The wastewater discharge permit renewals for all four plants were completed in 2009. The Ambassador Caffery, South, and Northeast Plants' permits were re-issued beginning in April 2009 and East Plant's beginning in June 2009. All renewed permits contain identical effluent limits for biological oxygen demand, total suspended solids, ammonia-nitrogen, dissolved oxygen, total residual chlorine and pH, and have not changed as a result of the renewals. However, the daily maximum criteria have changed to weekly maximum.

Each plant must, among other things:

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

The 2009 Discharge Monitoring Reports for the treatment plants were reviewed and several exceedances of permit discharge limits were noted. The exceedances were largely due to construction and maintenance related activities. There was no indication that any of the exceedances were caused by a recurring issue or problem. LUS reports that the treatment plants are current with all fees and report submittals, and there were no public complaints in 2009.

Bio-solids Reuse

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

Historical Wastewater Flows

Wastewater flows are measured at the intake of the treatment facility and vary annually depending on rainfall events. This is based on projected growth in the number of customers, with intake per customer remaining steady. Despite a negative growth rate from 2005 to 2009, LUS expects an average annual growth rate of less than zero in terms of projected retail wastewater flows through 2014. LUS has completed engineering design of improvements and expansions to the Ambassador Caffery Parkway Plant to meet anticipated growth. Total retail wastewater flows decreased slightly between 2005 and 2009 as provided in Table 8.

Table 8
Historical Wastewater Retail Flows (1000 gallons)

<u>Year</u>	<u>Retail Intake Flow</u>
2005	5,638,655
2006	5,319,763
2007	5,711,781
2008	5,669,875
2009	5,570,825
CAGR	
2005-2009	-0.30%

New and Proposed Regulations

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

Security Issues

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

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

LUS has implemented certain aspects of a vulnerability assessment conducted in 2004 at the Walker Road complex. In 2006, LUS installed controlled access at the vehicle gates at Hebert Road, T. J. Labbé, and Hargis-Hebert. In 2007 LUS installed access control on exterior doors at the water/wastewater and environmental buildings. This allowed the elimination of contracted security guards after-hours at those locations. Implementation of restricted “card access” in conjunction with a newly instituted “ID Badge Policy” and enhanced security measures at the Bonin Plant, has improved security at the Walker Road complex. In addition, three substations have video monitoring on a trial basis to determine if it is feasible to monitor additional sites.

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

Rates for Utilities System

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

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

During 2009, LUS conducted a comprehensive cost-of-service study to examine the adequacy and equity of existing rates for the Electric, Water, and Wastewater Systems. This study was performed in accordance with generally accepted industry practices for municipal utilities. The analysis showed that rates for all three utilities were insufficient and rate changes were needed. As a result of this study, the Council passed Ordinance O-012-2010 on February 8, 2010. Rate increases went into effect on February 1, 2010 and an additional rate increase will go into effect November 1, 2010. With these rate increases, the Electric, Water, and Wastewater Systems are anticipated to continue providing adequate and reliable service and a reasonable amount of revenues to LCG. The rate changes are 11.0 percent for the Electric System, 9 percent for the Water System retail and wholesale, and 18 percent for the Wastewater System.

Electric System

For 2010, the existing Electric System rates were insufficient to fully fund the Electric System operation on a stand-alone basis. Therefore, the base rates were increased in February 2010 by 10 percent. The base rates are projected to increase in November 2010 (fiscal year 2011) by 11 percent.

The Electric System monthly fuel charge is calculated to recover costs for natural gas fuel, LPPA coal fuel costs, LPPA rail car debt service, purchased power expenses, and fuel restoration according to the ILOT calculation for LCG. The monthly fuel charge is adjusted as needed to recover the described costs.

Electric System Sales and Revenues

System sales and related revenues from the retail rate classes for fiscal year 2009 are presented in Table 9. The residential, small general service and large general service rate classes generate approximately 92 percent of Electric System retail revenues.

Table 9
Electric System Sales and Revenues by Rate Class for Fiscal Year 2009

<u>Rate Class</u>	<u>Retail kWh Sales</u>	<u>% of Total</u>	<u>Base Rate Revenue</u>	<u>Estimated Fuel Adjustment Revenue</u>	<u>Total Revenue</u>	<u>% of Total</u>
Residential	808,383,546	41.5	\$29,493,447	\$37,692,817	\$67,186,264	41.3
Commercial w/o Demand	204,625,655	10.5	10,059,253	9,541,161	19,600,413	12.0
Commercial / Industrial with Demand	780,261,538	40.0	26,453,105	36,381,561	62,834,666	38.6
Schools & Churches	107,264,729	5.5	3,821,629	5,001,475	8,823,104	5.4
Governmental	28,189,302	1.4	908,547	1,314,394	2,222,941	1.4
Lighting	<u>21,480,098</u>	<u>1.1</u>	<u>1,171,643</u>	<u>1,001,561</u>	<u>2,173,204</u>	<u>1.3</u>
Total	1,950,204,868	100.0	\$71,907,624	\$90,932,968	\$162,840,592	100.0

Electric System Rate Comparisons

Overall, the Electric System retail rates are competitive compared to neighboring utilities. With respect to the residential rate class, LUS rates were 24 percent below the highest residential rates in the region as demonstrated in Table 10. After the schedule LUS rate increase on November 1, 2010, LUS rates are estimated to be 14 percent lower than the highest residential rates in the region.

Table 10
Electric Residential Rate Comparison ⁽¹⁾

<u>Utility</u>	<u>Average \$/kWh</u>
SWEPSCO	0.08112
LUS- July 2010	0.08271
SLEMCO	0.08312
LUS- July 2011	0.09310
ENTERGY	0.09310
CLECO	0.10871

(1) LUS provided. Based on 1,000 kWh.

With respect to the commercial rate class, 2010, LUS rates were 30 percent below the highest commercial rates in the region as demonstrated in Table 11. After the schedule LUS rate increase on November 1, 2010, LUS rates are estimated to be 22 percent lower than the highest commercial rates in the region.

Table 11
Electric Commercial Rate Comparison ⁽¹⁾

<u>Utility</u>	<u>Average \$/kWh</u>
SLEMCO	0.07381
SWEPCO	0.07560
LUS- July 2010	0.09404
LUS- July 2011	0.10466
ENTERGY	0.10992
CLECO	0.13382

(1) LUS provided. Based on 9,000 kWh.

Water System

The Water System average residential revenue per 1,000 gallons sold increased by approximately three percent during 2009. The general service average revenue per 1,000 gallons sold increased by approximately one percent during 2009. Since 2005, the average residential revenue per 1,000 gallons sold has increased approximately 28 percent and general service revenue per 1,000 gallons sold has increased approximately 20 percent.

For fiscal year 2010, the existing Water System rates were not sufficient to fully fund the Water System operation on a stand-alone basis. Accordingly, Water System rates were increased by nine percent on February 1, 2010 and are projected to increase by an additional nine percent on November 1, 2010.

Wastewater System

The Wastewater System average residential revenue per 1,000 gallons (intake) decreased slightly during 2009. Since 2005, the average residential revenue per 1,000 gallons (intake) for the Wastewater System has increased by approximately 30 percent. The commercial average revenue per 1000 gallons (intake) increased from 2005 through 2008, and then decreased slightly in 2009.

Recently increased existing wastewater rates are expected to be sufficient to fully fund the Wastewater System operation on a stand-alone basis. The Wastewater System will be faced with significant continued rate increases over the next two years to be financially self-sufficient. The Wastewater System rates were increased by 18 percent in February 1, 2010 and are projected to increase by an additional 18 percent on November 1, 2010.

COMMUNICATIONS DIVISION

The Utilities System owns and operates a fiber optics telecommunications system. The infrastructure consists of a 65-mile, 96-strand SONET-based fiber backbone. The system provides broadband and high-speed Internet access with connections to major carriers across the country. The LUS Communications Division, operating as LUS Fiber, offers “triple-play” communications services (high-speed Internet, telephone, and cable television) to City residents.

In June 2007, the System issued Communications System Revenue Bonds, Series 2007 (“Series 2007 Bonds”), to finance build-out of the Fiber-to-the-Home system. With the issuance of the Series 2007 Bonds, LUS began the process of building and operating a retail communications utility. The LUS Fiber network expansion includes extending new fiber and distribution equipment off the existing fiber ring along every street within the LUS service area. Additionally, as each new communications customer requests service, a fiber service drop is being constructed from the main network at the street to the residence or business.

The retail sale of “triple-play” communications services (high-speed Internet, telephone, and cable television) to City residents began in February 2009. The completion of the build-out phase occurred in September 2010 (ahead of schedule). LUS Fiber is now available to all areas within its service territory.

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

PROJECTION OF OPERATING RESULTS

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

The Utilities System's sales were projected by R. W. Beck to increase as estimated in this Report reflecting conditions of future economic growth, development of the service territories and future sales to customers outside the existing service territory limits.

R. W. Beck reviewed: (1) historical operating information related to the operation of the Utilities System; (2) the proposed method of designing, constructing, and operating the Utilities System; (3) estimates and projections of the Utilities System; and (4) estimates of capital expenditures and operating expenses of LPPA, all as made available by LUS.

On the basis of such data, R. W. Beck has prepared the Projected Operating Results for the period commencing November 1, 2010 (fiscal year 2011) and ending on October 31, 2019 (fiscal year 2019).

Utilities System

Operating Revenues

Electric System

Electric System sales consist of retail sales to LUS native load customers, firm wholesale sales and short-term market sales for periods when LUS is projected to have excess power that can be economically sold into the market.

Load data from the period 1980 through 2009 was utilized in an econometric analysis to forecast the Electric System requirements. Econometric analysis was used to examine past relationships between external factors (causal variables) and the dependent variable (e.g., electricity sales). Total Electric System energy sales were the primary focus of the analysis, which provided the basis for the projected Electric System energy requirements forecast and associated losses. Peak demand was projected from a separate load factor analysis. The forecasted annual system requirements are shown in Table 12.

Table 12
Projected Electric System Requirements

<u>Year</u>	<u>Energy (MWh)</u>	<u>Peak (MW)</u>	<u>Load Factor (%)</u>
2010	2,042,316	470	50%
2011	2,069,168	476	50%
2012	2,095,724	482	50%
2013	2,115,060	488	49%
2014	2,139,976	494	49%
2015	2,166,436	500	49%
2016	2,193,197	506	49%
2017	2,220,295	512	49%
2018	2,247,670	519	49%
2019	2,275,219	525	49%
CAGR			
2010-2019	1.21%	1.25%	

Projected growth in energy sales and revenues to retail and wholesale customers is shown in Table 13. The projection of Electric System retail sales in the following table were based on a load forecast provided by LUS. The electric retail sales volumes are projected at just over one percent compounded annual growth rate as shown in Table 13.

Electric System wholesale sales were based on projections at a negative annual compounded rate of 24 percent for 2010 through 2019. Total revenue is expected to grow approximately just over one percent annually through 2019.

Table 13
Electric Sales and Revenue Forecast

<u>Year</u>	<u>Retail (MWh)</u>	<u>Wholesale (MWh)</u>	<u>Retail Base Rate Revenue</u>	<u>Fuel Revenue</u>	<u>Wholesale Revenue</u>	<u>Total Revenue</u>
2010	1,915,284	45,430	\$76,749,844	\$92,544,144	\$ 197,904	\$169,491,892
2011	1,940,466	42,450	87,359,778	61,842,650	1,429,206	150,631,634
2012	1,965,370	43,736	89,384,727	64,884,338	1,756,807	156,025,872
2013	1,983,503	2,498	91,148,248	65,860,784	189,399	157,198,432
2014	2,006,869	2,696	92,244,613	69,173,215	220,988	161,638,815
2015	2,031,683	1,642	93,361,751	75,112,453	167,184	168,641,388
2016	2,056,780	2,553	94,491,608	79,715,488	259,056	174,466,151
2017	2,082,193	2,422	95,635,688	83,803,374	267,044	179,706,106
2018	2,107,865	2,224	96,791,460	88,234,596	222,913	185,248,969
2019	2,133,700	3,945	\$97,954,555	\$93,581,195	\$ 393,463	\$191,929,214
CAGR						
2010-2019	1.21%	-23.78%	2.75%	0.12%	7.93%	1.39%

Water System

The projection of Water System retail sales in the following table were based on projected customer growth giving consideration to historical water usage per customer. The water retail sales volumes are projected at nearly two percent compounded annual growth rate as shown in Table 14.

LUS has increasingly provided wholesale water treatment services to neighboring municipalities and to rural areas with the Lafayette Parish. As such, LUS has experienced substantial growth in wholesale water sales.

Water System wholesale sales were based on projections at an annual compounded growth rate from LUS of three percent for 2010 through 2019. Total revenue is expected to grow approximately four percent annually through 2019.

**Table 14
Water Sales and Revenue Forecast**

<u>Year</u>	<u>Retail (1000 gallons)</u>	<u>Wholesale (1000 gallons)</u>	<u>Retail Revenue</u>	<u>Wholesale Revenue</u>	<u>Total Revenue</u>
2010	5,474,148	1,651,454	\$12,740,236	\$2,577,275	\$15,317,511
2011	5,564,924	1,745,481	13,999,736	2,969,167	16,968,903
2012	5,655,701	1,797,845	14,285,625	3,058,242	17,343,867
2013	5,746,478	1,851,780	14,574,275	3,149,989	17,724,265
2014	5,837,254	1,907,334	14,805,470	3,244,489	18,049,959
2015	5,928,031	1,964,554	15,036,733	3,341,824	18,378,557
2016	6,018,807	2,023,490	15,268,065	3,442,078	18,710,143
2017	6,109,584	2,084,195	16,575,366	3,793,506	20,368,872
2018	6,200,360	2,146,721	16,822,828	3,907,311	20,730,139
2019	6,291,137	2,211,123	\$17,070,364	\$4,024,530	\$21,094,895
CAGR 2010-2019	1.56%	3.30%	3.30%	5.08%	3.62%

Wastewater System

Wastewater System retail sales estimates were based on projected customer growth giving consideration to historical usage per customer. The wastewater sales growth rate is projected to be approximately one percent per year, while revenues are projected to grow at approximately six percent annually as shown in Table 15. LUS does not provide wholesale wastewater service at this time.

**Table 15
Wastewater Forecast**

<u>Year</u>	<u>Sales (1000 gallons)</u>	<u>Retail Revenue</u>
2010	5,699,881	\$26,058,673
2011	5,778,313	30,792,226
2012	5,856,746	31,210,187
2013	5,935,178	31,628,148
2014	6,013,611	35,571,168
2015	6,092,043	36,035,105
2016	6,170,476	36,499,042
2017	6,248,908	41,398,516
2018	6,327,341	41,918,125
2019	6,405,773	\$42,437,734
CAGR 2010-2019	1.31%	5.57%

Projections of Operating Expenses

This section provides a description of the projected operating expenses for each of the Utility Systems.

Electric System

The Electric System expenses were projected by R. W. Beck for the 2010-2019 forecast period. The natural gas cost was based on a natural gas price forecast prepared by R. W. Beck for LUS and the expected generation from the Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. Power related costs include RPS2, purchased power costs, and non-fuel operations and maintenance costs associated with the Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. Power purchases were projected based on forecasts for the Entergy wholesale power market forecast as compared to the LUS marginal cost of production. When economically favorable, purchases from the wholesale power market were assumed to occur.

The transmission expenses were projected based on data provided by LUS. Distribution expenses were analyzed on a historical dollars per customer basis and projected into the future. Sales and Customer expenses were analyzed on a historical dollars per customer basis and projected into the future. The Administrative and General (“A&G”) expenses were projected based on historical data for the Utilities System. The compounded annual growth rate in projected total expenses is approximately zero percent primarily due to lower power related costs. Table 16 provides projections of Electric System expenses.

Table 16
Electric System Operations and Maintenance Expense Forecast

<u>Year</u>	<u>Natural Gas Expense</u>	<u>Power Related Expense</u>	<u>Transmission & Distribution</u>	<u>Sales, A&G, Customer, Other Expenses</u>	<u>Total</u>
2010	\$17,271,700	\$101,363,653	\$13,557,087	\$13,250,787	\$145,443,226
2011	18,944,363	64,934,632	13,844,239	14,443,466	112,166,701
2012	20,942,224	59,525,108	14,274,497	13,866,963	108,608,791
2013	16,670,217	63,234,831	14,711,831	13,682,230	108,299,108
2014	17,465,479	66,039,874	15,216,020	14,000,168	112,721,541
2015	19,277,121	72,533,309	15,730,284	15,267,902	122,808,617
2016	20,797,118	76,803,424	16,254,793	15,963,767	129,819,103
2017	21,987,816	80,593,706	16,789,717	16,563,939	135,935,178
2018	23,788,315	83,952,854	17,335,231	17,082,683	142,159,082
2019	\$25,253,296	\$88,597,114	\$17,891,511	\$17,536,676	\$149,278,597
CAGR					
2010 - 2019	4.31%	-1.48%	3.13%	3.16%	0.29%

Water System

The Water System expenses were projected by R. W. Beck for the 2010-2019 forecast period. The Supply, Pumping, and Purification expenses were projected based on historical cost per 1,000 gallons. The Distribution expenses were projected based on historical cost per customer. A&G expenses were projected based on historical data for the Utilities System. The average annual growth in total expenses is approximately four percent. Table 17 provides projections of Water System expenses.

Table 17
Water System Operations and Maintenance Expense Forecast

<u>Year</u>	<u>Supply Expense</u>	<u>Pumping Expense</u>	<u>Purification Expense</u>	<u>Distribution Expense</u>	<u>A&G, Customer Expenses</u>	<u>Total</u>
2010	\$32,251	\$1,009,153	\$3,172,458	\$1,839,839	\$4,804,580	\$10,858,281
2011	28,450	1,060,321	3,502,277	1,906,292	4,792,000	11,289,341
2012	30,522	1,118,241	3,678,741	1,943,477	4,697,389	11,468,370
2013	32,657	1,177,788	3,860,014	1,980,114	4,592,165	11,642,738
2014	34,856	1,238,990	4,046,181	2,065,187	4,847,117	12,232,330
2015	37,120	1,301,875	4,237,325	2,151,902	5,108,133	12,836,355
2016	39,451	1,366,473	4,433,534	2,240,257	5,375,254	13,454,970
2017	41,850	1,432,813	4,634,901	2,330,253	5,648,524	14,088,340
2018	44,317	1,500,928	4,841,521	2,421,887	5,927,985	14,736,637
2019	\$46,855	\$1,570,851	\$5,053,491	\$2,515,157	\$6,213,684	\$15,400,038
CAGR						
2010 - 2019	4.24%	5.04%	5.31%	3.54%	2.90%	3.96%

Wastewater System

The Wastewater System expenses were projected by R. W. Beck for the 2010-2019 forecast period. The Treatment, Collection, and Customer Expenses were projected based on historical cost per customer. Administrative and general expenses were projected based on historical data for the Utilities System. The compounded annual growth rate is approximately five percent for all expenses combined. Table 18 shows these projections.

Table 18
Wastewater System Operations and Maintenance Expense Forecast

<u>Year</u>	<u>Treatment Expense</u>	<u>Collection Expense</u>	<u>Customer Accounts, Service & Info</u>	<u>Customer Info & Accounting</u>	<u>Administrative & General</u>	<u>Total</u>
2010	\$6,298,640	\$3,783,880	\$818,309	\$412,059	\$4,697,625	\$16,010,512
2011	6,492,474	3,840,624	930,097	377,496	4,988,867	16,629,558
2012	6,800,465	4,051,040	991,899	382,536	5,239,689	17,465,629
2013	7,114,346	4,265,696	1,055,018	387,573	5,495,414	18,318,047
2014	7,434,114	4,484,591	1,119,455	392,609	5,756,044	19,186,813
2015	8,216,413	4,990,190	1,185,208	397,642	6,338,337	21,127,790
2016	8,567,471	5,231,206	1,252,279	402,672	6,622,983	22,076,612
2017	8,924,763	5,476,717	1,320,667	407,701	6,912,792	23,042,639
2018	9,288,291	5,726,721	1,390,372	412,727	7,207,762	24,025,873
2019	\$9,658,054	\$5,981,219	\$1,461,394	\$417,751	\$7,507,894	\$25,026,312
CAGR						
2010 - 2019	4.86%	5.22%	6.66%	0.15%	5.35%	5.09%

DETERMINATION OF BALANCE AVAILABLE FOR DEBT SERVICE AND DEBT SERVICE COVERAGE

LUS has the following outstanding bonds: Utilities Revenue Bonds, Series 2004 and the 1996 LDEQ Construction Fund (collectively the "Outstanding Prior Bonds"). For illustrative purposes, Table 19 shows the Utilities System Balance Available for LUS Debt Service. The Utilities System Balance Available for Debt Service is equal to Gross Revenues less Operating Expenses, excluding payments made by LUS for the Debt Service.

**Table 19
Utilities System Debt Service Coverage Ratios**

<u>Year</u>	<u>Utilities System Gross Revenues</u>	<u>Utilities System Operating Expenses excluding Debt Service</u>	<u>Utilities System Balance Available for Debt Service</u>	<u>Existing Debt Service ⁽¹⁾</u>	<u>Proposed Debt Service</u>	<u>Total Debt Service</u>	<u>LUS Debt Service Coverage</u>
2010	\$216,413,075	\$172,312,020	\$44,101,055	\$10,710,534	\$0	\$10,710,534	4.12
2011	205,026,372	140,085,598	64,940,773	10,708,173	0	10,708,173	6.06
2012	211,687,279	137,542,789	74,144,489	10,710,000	0	10,710,000	6.92
2013	214,049,482	138,259,893	75,789,588	11,274,416	3,056,030	14,330,447	5.29
2014	223,195,706	144,140,683	79,055,023	18,083,521	7,682,273	25,765,795	3.07
2015	231,423,101	156,772,760	74,650,340	18,073,341	9,897,468	27,970,809	2.67
2016	238,421,804	165,350,684	73,071,120	18,065,678	9,899,868	27,965,545	2.61
2017	250,645,273	173,066,157	77,579,116	18,054,349	11,576,439	29,630,788	2.62
2018	257,508,229	180,921,591	76,586,637	18,043,174	14,130,846	32,174,020	2.38
2019	\$265,443,162	\$189,704,946	\$75,738,215	\$16,858,450	\$14,124,446	\$30,982,896	2.44

(1) Capitalized Interest is included in these payments.

It is estimated that the debt service coverage ratio for the bonds will range from a minimum of 2.38 to a maximum of 6.92 over the time period of 2010-2019.

PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation for this Report and the conclusions that follow, it has been necessary for us to make certain assumptions with respect to conditions which may occur in the future. While we believe these assumptions are reasonable for the purpose of this Report, they are dependent upon future events and actual events may differ from those assumed. In addition, we used and relied upon certain information provided to us by others. While we believe these sources to be reliable, we have not independently verified the information and offer no assurances with respect thereto. To the extent that actual future conditions differ from those assumed herein or provided to us by others, the actual results will vary from those forecasted. This Report summarizes our work up to the date of the Report. Thus, changed conditions occurring or becoming known after such date could affect the material presented as a result of such changes. The principal considerations and assumptions made by us and the principal information provided to us by others include the following:

1. As Consulting Engineer, we have made no determination as to the validity and enforceability of any contract, agreement, rule, or regulation applicable to LCG, the Utilities System or the Communications System and the operations thereof. For purposes of this Report, we have assumed that all such contracts, agreements, rules, and regulations will be fully enforceable in accordance with their terms.
2. We conducted our analysis and studies for this Report based on information provided by Morgan Keegan, interviews with LUS staff and management, historical LUS and LPPA Financial and Operating Statements, the LCG Adopted Budget 2009-2010 and the LUS CIP contained therein. LUS and LCG historical and budget information was provided to us by LUS and LCG. LCG and LUS will implement the capital improvement projects being financed with the Series 2010 Bonds as described in this Report.

3. LUS will satisfy the regulatory reserve requirement for its Electric System from its power supply resources. The Bonin Plant, T. J. Labbé Plant, Hargis-Hébert Plant and RPS2 are capable of sustained operations for the projection period, as estimated in this Report.

4. LUS will have adequate natural gas supply at the Bonin Plant, T. J. Labbé Plant, Hargis-Hébert Plant.

5. LUS will have sufficient transmission access to the wholesale power market in both the Entergy and Southern sub-regions to make wholesale power sales to third parties when economic to do so. Future wholesale sales in the spot market were assumed to be made through TEA. Costs to LUS per the TEA contract were included in the projected operating results as operating expense. The margin on wholesale sales was assumed to be relatively small and does not have a significant effect on LUS' long-term financial performance.

6. We relied upon our independently developed electricity price forecast for an estimate of wholesale spot market prices. These prices were used for projecting how the generating units would be dispatched, estimating purchased power costs, wholesale sales revenues, and related costs.

7. We relied upon the LUS estimates for the costs of the capital improvement projects for the Electric System, Water System, and Wastewater System.

8. LUS will implement the capital improvement projects as described in this Report to increase and improve its capability, and to provide adequate and reliable service to its customers, as necessary.

9. The Director of Utilities will operate and maintain the Utilities System following prudent utility practices.

10. The Director of Utilities will employ qualified and competent personnel for the Utilities System and will make all required renewals and replacements in a timely manner, all in such a manner that is consistent with prudent utility practices.

11. LUS will carry out its CIP expenditures for the Electric System and it will have adequate capacity to meet system needs through 2019.

12. LUS will carry out its CIP expenditures for the Water System and it will have adequate capacity to meet system needs through 2019.

13. LUS will carry out its CIP expenditures for the Wastewater System and it will have adequate treatment capacity to meet system needs through 2019.

14. Interest earnings from invested funds for years 2010-2019 held in reserves were estimated using interest rates provided by LCG. The projected interest rate for short-term reserves was assumed to be 0.25 percent in years 2010 through 2019. The projected interest rate for long-term reserves was assumed to be 2.2 percent in years 2010 through 2019.

15. Electric, Water, and Wastewater Systems operation and maintenance expenses and certain other costs have been escalated using the Consumer Price Index ("CPI") forecast as reported in the March 2010 Blue Chip Economic Indicator projections. The CPI is assumed to be 2.4 percent through 2019.

16. We have relied upon the City's comments that rates for the Communications System will be to provide Net Revenues from the Communications System sufficient to cover Communications System debt service at no less than 1.0 times annual debt service.

17. Future Utilities System bonds were issued at the average coupon rate of the Bloomberg 30 year municipal rate as of March 4, 2010. We assumed bond issues for LUS / LCG in 2014 and 2017.

18. On the advice of the City with respect to the issuance of the Series 2010 Bonds, we have used: (1) a principal amount of approximately \$89,929,527.65; (2) deposits into the Construction Fund of

\$76,000,000 (3) debt service as estimated in Exhibit B-1 to this Report; (4) an underwriting discount and costs of issuance at approximately \$1,276,480.41.

19. Future emission costs for CO₂ have not been included in the projected operating results. The costs for CO₂ emissions are unknown but could be significant.

20. All permits, approvals and permit modifications necessary to operate RPS2 and the Utilities System will be maintained and renewed. Any changes in required permits and approvals will not require changes in design or cause a significant increase in the costs associated with the Utilities System and RPS2 or cause a reduction in generation.

21. For the purposes of the Projected Operating Results and based on projections of Communication System revenues and expenses provided by CCG Consulting and LUS, we have assumed the Communication System will obtain additional loans from the Utilities System during the period from 2010 to 2016. The majority of these loans are projected to be repaid by the Communications System to the Utilities System by the end of the reporting period in 2019.

CONCLUSIONS

Based upon the foregoing principal considerations and assumptions and upon the studies and analyses summarized or discussed in this Report, which Report should be read in its entirety in conjunction with the following, we are of the opinion that:

1. Based on our role as Consulting Engineer, we find the Utilities System to be in generally good condition and maintained consistent with prudent utility practices. These practices continue to include prudent operation and maintenance practices, implementation of planned capital improvements and replacements.

2. Based on our understanding of LUS business objectives, planning and strategy combined with our assessment of the condition of the Utilities System, we believe the capital projects proposed by LUS in its CIP as the basis for the Series 2010 Bonds to be justified and reasonable.

3. Revenues that the City can expect to derive from the operation of the Utilities System, with the anticipated rate adjustments identified herein, are projected to be adequate to provide for: (1) the estimated operation and maintenance expenses of the Utilities System; (2) debt service on all Utilities System current outstanding bonds and all other payments made pursuant to the LUS Bond Ordinance; (3) deposits to fund capital additions as estimated in this Report; (4) the estimated in lieu-of-tax payments to the City; and (5) the required reserves.

Respectfully submitted,

R. W. BECK, INC.

Exhibit B-1 LUS Historical & Projected Operating Results

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Revenues:					
Electric					
Base Rate - Electric (1)	\$64,125,021	\$69,066,474	\$70,333,804	\$71,213,614	\$71,907,624
Fuel Charge - Electric (2)	100,774,379	96,956,233	95,816,026	118,299,538	90,932,968
Wholesale Sales (3)	20,812,121	6,927,781	1,150,327	1,329,215	1,334,735
Other Revenues (4)	6,336,020	7,050,669	8,709,028	9,277,961	8,729,297
Water					
Retail Sales (5)	10,196,348	10,455,314	10,677,248	11,379,071	11,399,719
Wholesale Sales (6)	1,895,433	1,938,108	2,078,985	2,383,734	2,502,213
Other Revenues (7)	756,686	898,305	1,419,767	841,674	746,198
Wastewater					
Retail Sales (8)	15,436,805	19,663,521	21,479,609	21,893,058	21,320,392
Other Revenues (9)	513,668	817,873	1,340,906	634,292	620,335
Fiber					
Wholesale Sales (10)	1,264,928	1,741,647	1,856,789	0	414
Other Revenues (11)	36,165	52,453	88,449	0	0
Total Operating Revenues	\$222,147,573	\$215,568,379	\$214,950,938	\$237,252,156	\$209,493,895
Operating Expenses:					
Electric					
Generation (12)	\$5,225,347	\$3,877,304	\$5,685,003	\$6,495,265	\$6,648,921
Fuel - Gas Generation (13)	60,387,193	19,521,843	27,863,787	46,286,299	26,187,503
Purchased Power - LPPA (14)	46,266,400	56,789,937	62,412,389	61,874,524	65,840,205
Purchased Power - Other (15)	24,666,146	30,969,958	14,803,604	23,405,229	17,660,119
Other (16)	20,718,484	20,955,170	22,211,506	22,317,783	26,462,845
Water (17)	8,101,708	8,781,114	9,222,556	9,820,340	11,253,724
Wastewater (18)	12,054,516	12,006,867	13,233,467	14,198,414	15,442,369
Fiber (19)	481,237	659,261	897,270	1,501	5,725
Total Operating Expenses	\$177,901,031	\$153,561,454	\$156,329,581	\$184,399,355	\$169,501,412
Balance Available for Debt Service	\$44,246,542	\$62,006,925	\$58,621,357	\$52,852,801	\$39,992,483
Debt Service:					
Existing (20)	(13,959,310)	(10,712,456)	(10,713,045)	(10,707,970)	(10,712,158)
2010 Series Bonds (21)					
Principal & Interest	0	0	0	0	0
Capitalized Interest	6,913,392	4,767,856	0	0	0
Subtotal 2010 Series Bonds	6,913,392	4,767,856	0	0	0
Indicated Future Issues					
Electric System (22)	\$0	\$0	\$0	\$0	\$0
Water System (23)	0	0	0	0	0
Sewer System (24)	0	0	0	0	0
Debt Service	(\$7,045,918)	(\$5,944,600)	(\$10,713,045)	(\$10,707,970)	(\$10,712,158)
Debt Service Coverage Ratio (25)	6.28	10.43	5.47	4.94	3.73
Balance After Debt Service	\$37,200,623	\$56,062,325	\$47,908,312	\$42,144,831	\$29,280,325
Other Income (Expenditures):					
Interest on Customer Deposits (26)	(\$19,497)	(\$12,132)	(\$12,907)	(\$14,400)	(\$14,855)
LUS Fiber Start Up Expenses (27)	(1,575,036)	(836,201)	0	(42,409)	0
Imputed Taxes - Fiber (28)	0	0	0	0	0
AMI One Time Cash Flow Benefit (29)	0	0	0	0	0
Miscellaneous (30)	(271,909)	(234,135)	3,190	4,825	11,756
Debt Service Escrow Fund True Up (31)	0	0	0	0	0
Working Capital Reserve (32)	0	0	0	0	0
In-Lieu-of-Tax Payment (33)	(16,316,608)	(16,653,751)	(18,831,929)	(18,799,006)	(18,660,233)
Normal Capital (34)	(7,172,563)	(7,804,094)	(14,404,883)	(8,302,116)	(7,583,947)
Total Other Income (Expenditures)	(\$25,355,613)	(\$25,540,313)	(\$33,246,529)	(\$27,153,106)	(\$26,247,279)
Bond Reserve & Capital Additions	\$11,845,010	\$30,522,013	\$14,661,783	\$14,991,725	\$3,033,046

Exhibit B-1 LUS Historical & Projected Operating Result (continued)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues:					
Electric					
Base Rate - Electric (1)	\$76,749,844	\$87,359,778	\$89,384,727	\$91,148,248	\$92,244,613
Fuel Charge - Electric (2)	92,544,144	61,842,650	64,884,338	65,860,784	69,173,215
Wholesale Sales (3)	197,904	1,429,206	1,756,807	189,399	220,988
Other Revenues (4)	4,499,237	5,420,729	5,827,621	6,185,200	6,530,726
Water					
Retail Sales (5)	12,740,236	13,999,736	14,285,625	14,574,275	14,805,470
Wholesale Sales (6)	2,577,275	2,969,167	3,058,242	3,149,989	3,244,489
Other Revenues (7)	363,126	757,652	808,430	839,440	870,659
Wastewater					
Retail Sales (8)	26,058,673	30,792,226	31,210,187	31,628,148	35,571,168
Other Revenues (9)	682,638	455,228	471,302	475,311	534,382
Fiber					
Wholesale Sales (10)	0	0	0	0	0
Other Revenues (11)	0	0	0	0	0
Total Operating Revenues	<u>\$216,413,075</u>	<u>\$205,026,372</u>	<u>\$211,687,279</u>	<u>\$214,050,796</u>	<u>\$223,195,709</u>
Operating Expenses:					
Electric					
Generation (12)	\$10,501,636	\$8,200,074	\$7,557,468	\$7,885,182	\$7,889,478
Fuel - Gas Generation (13)	22,802,820	18,944,363	20,942,224	16,670,217	17,465,479
Purchased Power - LPPA (14)	70,694,138	45,125,943	39,359,014	40,531,552	41,627,055
Purchased Power - Other (15)	14,636,759	11,217,734	12,187,675	14,307,511	15,988,068
Other (16)	26,807,874	28,678,588	28,562,410	28,904,646	29,751,461
Water (17)	10,858,281	11,289,341	11,468,370	11,642,738	12,232,330
Wastewater (18)	16,010,513	16,629,558	17,465,629	18,318,047	19,186,813
Fiber (19)	0	0	0	0	0
Total Operating Expenses	<u>\$172,312,020</u>	<u>\$140,085,599</u>	<u>\$137,542,790</u>	<u>\$138,259,893</u>	<u>\$144,140,683</u>
Balance Available for Debt Service	<u>\$44,101,055</u>	<u>\$64,940,773</u>	<u>\$74,144,489</u>	<u>\$75,790,903</u>	<u>\$79,055,026</u>
Debt Service:					
Existing (20)	(10,710,534)	(10,708,173)	(10,710,000)	(11,274,416)	(18,083,521)
2010 Series Bonds (21)					
Principal & Interest	0	(1,515,333)	(4,011,175)	(4,011,175)	(6,212,650)
Capitalized Interest	0	1,515,333	4,011,175	955,145	0
Subtotal 2010 Series Bonds	0	0	0	(3,056,030)	(6,212,650)
Indicated Future Issues					
Electric System (22)	\$0	\$0	\$0	\$0	\$0
Water System (23)	0	0	0	0	0
Sewer System (24)	0	0	0	0	(1,469,623)
Debt Service	<u>(\$10,710,534)</u>	<u>(\$10,708,173)</u>	<u>(\$10,710,000)</u>	<u>(\$14,330,447)</u>	<u>(\$25,765,795)</u>
Debt Service Coverage Ratio (25)	4.12	6.06	6.92	5.29	3.07
Balance After Debt Service	<u>\$33,390,521</u>	<u>\$54,232,600</u>	<u>\$63,434,489</u>	<u>\$61,460,456</u>	<u>\$53,289,231</u>
Other Income (Expenditures):					
Interest on Customer Deposits (26)	(\$15,041)	(\$15,220)	(\$15,401)	(\$15,583)	(\$15,767)
LUS Fiber Start Up Expenses (27)	25,201	25,201	264,894	263,930	262,784
Imputed Taxes - Fiber (28)	332,558	1,492,098	1,651,747	1,737,305	1,573,566
AMI One Time Cash Flow Benefit (29)	0	0	1,765,762	0	0
Miscellaneous (30)	(98,042)	(100,395)	(102,805)	(105,272)	(107,799)
Debt Service Escrow Fund True Up (31)	(11,319)	(15,914)	(584,708)	(10,102,935)	(1,732,930)
Working Capital Reserve (32)	0	(0)	0	0	0
In-Lieu-of-Tax Payment (33)	(19,462,860)	(19,470,849)	(21,635,867)	(22,043,172)	(22,525,982)
Normal Capital (34)	(9,043,534)	(10,689,844)	(11,063,078)	(11,441,613)	(11,885,943)
Total Other Income (Expenditures)	<u>(\$28,273,037)</u>	<u>(\$28,774,923)</u>	<u>(\$29,719,456)</u>	<u>(\$41,707,340)</u>	<u>(\$34,432,072)</u>
Bond Reserve & Capital Additions	<u>\$5,117,484</u>	<u>\$25,457,677</u>	<u>\$33,715,033</u>	<u>\$19,753,117</u>	<u>\$18,857,160</u>

Exhibit B-1 LUS Historical & ProjProjected Operating Results (continued)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues:					
Electric					
Base Rate - Electric (1)	\$93,361,751	\$94,491,608	\$95,635,688	\$96,791,460	\$97,954,555
Fuel Charge - Electric (2)	75,112,453	79,715,488	83,803,374	88,234,596	93,581,195
Wholesale Sales (3)	167,184	259,056	267,044	222,913	393,463
Other Revenues (4)	6,868,003	7,207,213	7,550,478	7,893,949	8,223,711
Water					
Retail Sales (5)	15,036,733	15,268,065	16,575,366	16,822,828	17,070,364
Wholesale Sales (6)	3,341,824	3,442,078	3,793,506	3,907,311	4,024,530
Other Revenues (7)	902,884	933,884	969,746	1,006,439	1,035,484
Wastewater					
Retail Sales (8)	36,035,105	36,499,042	41,398,516	41,918,125	42,437,734
Other Revenues (9)	597,166	605,373	651,559	710,610	722,128
Fiber					
Wholesale Sales (10)	0	0	0	0	0
Other Revenues (11)	0	0	0	0	0
Total Operating Revenues	\$231,423,103	\$238,421,807	\$250,645,276	\$257,508,231	\$265,443,165
Operating Expenses:					
Electric					
Generation (12)	\$10,096,237	\$10,954,701	\$11,575,733	\$11,992,404	\$12,243,410
Fuel - Gas Generation (13)	19,277,121	20,797,118	21,987,816	23,788,315	25,253,296
Purchased Power - LPPA (14)	42,676,859	43,856,183	44,979,565	45,714,547	46,586,687
Purchased Power - Other (15)	19,253,385	21,473,967	23,490,532	25,699,034	29,188,119
Other (16)	31,505,014	32,737,133	33,901,532	34,964,782	36,007,085
Water (17)	12,836,355	13,454,970	14,088,340	14,736,637	15,400,038
Wastewater (18)	21,127,790	22,076,612	23,042,639	24,025,873	25,026,312
Fiber (19)	0	0	0	0	0
Total Operating Expenses	\$156,772,761	\$165,350,684	\$173,066,158	\$180,921,592	\$189,704,946
Balance Available for Debt Service	\$74,650,343	\$73,071,123	\$77,579,118	\$76,586,640	\$75,738,218
Debt Service:					
Existing (20)	(18,073,341)	(18,065,678)	(18,054,349)	(18,043,174)	(16,858,450)
2010 Series Bonds (21)					
Principal & Interest	(6,192,375)	(6,194,775)	(6,193,825)	(6,196,525)	(6,190,125)
Capitalized Interest	0	0	0	0	0
Subtotal 2010 Series Bonds	(6,192,375)	(6,194,775)	(6,193,825)	(6,196,525)	(6,190,125)
Indicated Future Issues					
Electric System (22)	\$0	\$0	(\$286,756)	(\$722,945)	(\$722,945)
Water System (23)	0	0	(107,533)	(271,104)	(271,104)
Sewer System (24)	(3,705,093)	(3,705,093)	(4,988,325)	(6,940,272)	(6,940,272)
Debt Service	(\$27,970,809)	(\$27,965,545)	(\$29,630,788)	(\$32,174,020)	(\$30,982,896)
Debt Service Coverage Ratio (25)	2.67	2.61	2.62	2.38	2.44
Balance After Debt Service	\$46,679,534	\$45,105,577	\$47,948,330	\$44,412,620	\$44,755,322
Other Income (Expenditures):					
Interest on Customer Deposits (26)	(\$15,952)	(\$16,139)	(\$16,327)	(\$16,516)	(\$16,707)
LUS Fiber Start Up Expenses (27)	261,722	261,115	260,841	260,278	259,753
Imputed Taxes - Fiber (28)	0	0	0	0	0
AMI One Time Cash Flow Benefit (29)	0	0	0	0	0
Miscellaneous (30)	(110,386)	(113,035)	(115,748)	(118,526)	(121,371)
Debt Service Escrow Fund True Up (31)	(302,293)	(307,907)	(1,842,338)	819,496	(360,493)
Working Capital Reserve (32)	0	0	0	0	0
In-Lieu-of-Tax Payment (33)	(23,217,110)	(23,489,424)	(23,760,707)	(24,727,553)	(25,013,650)
Normal Capital (34)	(12,338,456)	(12,799,243)	(13,268,395)	(13,746,007)	(14,232,171)
Total Other Income (Expenditures)	(\$35,722,475)	(\$36,464,633)	(\$38,742,674)	(\$37,528,827)	(\$39,484,638)
Bond Reserve & Capital Additions	\$10,957,058	\$8,640,945	\$9,205,656	\$6,883,793	\$5,270,684

Footnotes to Exhibit B-1

1. Electric: Base Rate– Electric retail revenues for 2010 were based on the 2010 Amended Budget. Electric retail revenues for 2011 were estimated using the projected retail load forecast and the average 2010 base rate revenue per kWh adjusted for the approved 10 percent rate increase. Beyond 2011, the average 2011 base rate revenue per kWh was used and any future rate adjustments were applied.
2. Electric: Fuel Charge – 2010 fuel charge revenues were based on the 2010 Amended Budget. Subsequent years fuel charge revenues were calculated based on estimated fuel cost and purchased power.
3. Electric: Wholesale Sales – 2010 wholesale sales revenues were based on the 2010 Amended Budget. Beyond 2010, wholesale sales were determined by R. W. Beck based on projections of Entergy market prices compared to LUS’ marginal cost of generation.
4. Electric: Other Revenues – Other revenues include interest income and other income. 2010 interest income projections were taken from the 2010 Amended Budget. Beyond 2010, interest income projections were based on inflation and calculated fund balances. 2010 other revenues projections were taken from the 2010 Amended Budget. Beyond 2010, other revenues projections were based on historical average system costs increased by inflation.
5. Water: Retail Sales – Water retail sales for 2010 were based on the 2010 Amended Budget. Retail sales for 2011 were projected using forecasted water sales volumes time the average sales revenue per 1,000 gallons adjusted for the approved 9 percent rate increase. Beyond 2011, sales revenues were adjusted per rate changes. The water production forecasts were based on historical retail growth with consideration for wholesale growth in the water systems.
6. Water: Wholesale Sales – 2010 wholesale sales revenues were based on the 2010 Amended Budget. Beyond 2010, wholesale sales were based on projections at an annual compounded growth rate from LUS of three percent for 2011 through 2019.
7. Water: Other Revenues – Other revenues include interest income and other income. 2010 interest income projections were taken from the 2010 Amended Budget. Beyond 2010, interest income projections were based on inflation and calculated fund balances. 2010 other revenues projections were taken from the 2010 Amended Budget. Beyond 2010, other revenues projections were based on historical average system costs increased by inflation.
8. Wastewater: Retail Sales – Retail Sales were calculated from estimated wastewater sales volumes time the average sales revenue per 1,000 gallons. Wastewater volumes were projected based on a retail sales growth rate.
9. Wastewater: Other Revenues – Other revenues include interest income and other income. 2010 interest income projections were taken from the 2010 Amended Budget. Beyond 2010, interest income projections were based on inflation and calculated fund balances. 2010 other revenues projections were taken from the 2010 Amended Budget. Beyond 2010, other revenues projections were based on historical average system costs increased by inflation.
10. Fiber: Wholesale – Fiber revenues represent historical revenues when the fiber wholesale business was under LUS.
11. Fiber: Other – Fiber revenues represent historical revenues when the fiber wholesale business was under LUS.
12. Generation – The 2010 expenses were based on the 2010 Amended Budget. Beyond 2010, the generation expenses include costs related to the Bonin, the T.J. Labbé, and the Hargis-Hébert Plants. Expenses were escalated considering both inflation and unit output (MWh).
13. Fuel - Gas Generation – The 2010 expenses were based on the 2010 Amended Budget. Beyond 2010, the fuel expenses were based on a natural gas price forecast prepared by R. W. Beck for LUS and the expected generation from the Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant.
14. Purchased Power - LPPA – The 2010 expenses were based on the 2010 Amended Budget. Beyond 2010, the LPPA purchased power costs were based on the wholesale purchase power contact between LPPA and LUS

- and include RPS2 fuel cost, debt service, capital expenditures, and fixed and variable operation and maintenance expenses. The fuel expenses were estimated by R. W. Beck.
15. Purchased Power - Other – The 2010 expenses were based on the 2010 Amended Budget. Beyond 2010, purchased power includes LUS’ hydro allocation plus market purchases. Market purchases were estimated going forward in consideration of the Entergy wholesale power market forecast compared to LUS’ marginal cost of production. When economically favorable, purchases from the wholesale power market were assumed to occur.
 16. Other – Other electric expenses include Transmission, Distribution, Customer Accounting, Sales and Administrative and General. The 2010 expenses were estimated using the 2010 Amended Budget. Beyond 2010, these costs were generally escalated at inflation.
 17. Water – Water System include supply, pumping, and purification expenses. The 2010 expenses were estimated using the 2010 Amended Budget. Beyond 2010, the expenses were generally escalated at inflation.
 18. Wastewater – Wastewater System include treatment and collection expenses. The 2010 expenses were based on the 2010 Amended Budget. Beyond 2010, the expenses were generally escalated at inflation.
 19. Fiber – Fiber expenses represent historical expenses when the fiber wholesale business was under LUS.
 20. Existing Debt Service – Existing Debt Service includes outstanding Series 1996 LDEQ Construction Funds, and Series 2004 debt. LDEQ debt service payments will expire in 2017.
 21. Series 2010 Bonds – The Series 2010 debt service payments were provided by Morgan Keenan. Capitalized Interest is included in these payments.
 22. Electric System – Future utility system bonds were issued at the average coupon rate of 6.5 percent based on the Bloomberg 30 year municipal rate as of March 4, 2010.
 23. Water System – Future utility system bonds were issued at the average coupon rate of 6.5 percent based on the Bloomberg 30 year municipal rate as of March 4, 2010.
 24. Sewer System – Future utility system bonds were issued at the average coupon rate of 6.5 percent based on the Bloomberg 30 year municipal rate as of March 4, 2010.
 25. Debt Service Coverage Ratio – Debt Service coverage is calculated by the following formula: Balance Available for Debt Service divided by Net Debt Service.
 26. Interest on Customer Deposits – Other Income includes Interest on Customer Deposits and is escalated based on customer growth.
 27. LUS Fiber Start Up Expenses–LUS loaned money to the LUS Fiber system from 2005 to 2009 for start up expenses. Beyond years 2009, LUS Fiber is reimbursing LUS for these expenses.
 28. Imputed Taxes – Fiber: Imputed taxes calculated per LUS direction.
 29. AMI One Time Cash Flow Benefit –LUS is expected to see a one-time benefit equal to three days’ revenue from electric, water and sewer accounts which equals approximately \$1,683,962.
 30. Miscellaneous – Includes miscellaneous non-operating expense.
 31. Debt Service Escrow Fund True Up –LUS makes interest payments on May 1 and November 1 of each year. LUS makes one principal payment on November 1 of each year. LUS sets aside the cash for the interest payments over the 6 months prior to the payment date. LUS sets aside the cash for the principal payments over the 12 month period prior to the payment date. LUS’ fiscal year is November 1, - October 31. As a result, LUS sets aside the cash for the principal payment in the previous fiscal year and the cash for one interest payment in the previous fiscal year. The debt service escrow fund true up makes a cash adjustment to account for these set asides.
 32. Working Capital Reserve –LUS has a working capital reserve goal of \$8 million. The reserve is fully funded and is not projected to require future funding.
 33. In-Lieu-of-Tax Payment – The In-Lieu-of-Tax Payment was calculated per the Bond Ordinance.
 34. Normal Capital– The 2010 normal capital expenses were based on the 2010 Amended Budget. Beyond 2010, the normal capital projections were based on the historical average system costs increased by inflation.

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

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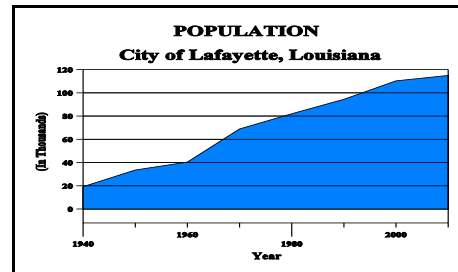
FINANCIAL AND STATISTICAL DATA RELATIVE TO THE CITY OF LAFAYETTE AND THE PARISH OF LAFAYETTE, STATE OF LOUISIANA

Location and Area of the City

The City of Lafayette, State of Louisiana (the “City”) is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico. The City is the Parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the City is approximately 47 square miles.

Population of the City of Lafayette

<u>Year</u>	<u>Population</u>
1940	19,210
1950	33,541
1960	40,400
1970	68,908
1980	81,961
1990	94,440
2000	110,257
2009	114,915



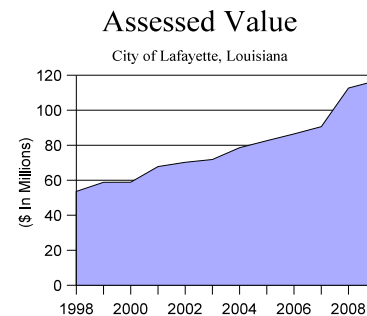
Source: U. S. Census

Assessed Value of Taxable Property of the City

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

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Fiscal Year</u>	<u>Assessed Value</u>
1998	\$ 536,346,341	2004	\$ 785,936,702
1999	588,200,771	2005	826,075,484
2000	588,802,969	2006	864,796,608
2001	678,289,181	2007	906,310,363
2002	702,369,634	2008	1,126,670,410
2003	718,675,774	2009	1,167,335,011

Sources: Louisiana Tax Commission and Lafayette Parish Assessor.

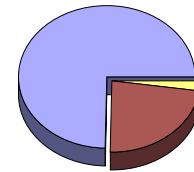


A breakdown of the City's 2009 assessed valuation (Fiscal Year 2010) by classification of property follows:

<u>Classification of Property</u>	<u>2009 Assessed Valuation</u>
Real Estate	\$ 867,804,012
Personal Property	276,583,989
Public Service Property	22,947,010
Total:	<u><u>\$1,167,335,011</u></u>

2009 Assessed Value

City of Lafayette, State of Louisiana



Source: Lafayette Parish Assessor's Office.

Millage Rates

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

	Millage Rates					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City of Lafayette	17.81	17.81	17.81	17.81	17.84	17.94
<u>Overlapping Parishwide Taxes</u>						
Schools	4.59	4.59	4.59	4.59	4.59	4.59
School District No. 1	0.72	0.69	0.52	0.19	--	--
Special	7.27	7.27	7.27	7.27	7.27	7.27
Special School Improvement	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	2.25	2.25	2.25	2.25	2.34	2.34
Library (1997-2006)	2.80	2.80	2.80	2.91	--	--
Library (1999-2008)	1.55	1.55	1.55	1.55	1.55	--
Library (2003-2013)	1.64	2.00	2.00	2.00	2.00	--
Library (2003-2012)	--	--	--	--	--	2.00
Library (2007-2016)	--	--	--	--	2.91	2.91
Library (2009-2018)	--	--	--	--	--	1.61
Health Unit Maintenance	0.99	0.99	0.99	0.99	0.99	0.99
Juvenile Detention Maintenance	1.13	1.13	1.13	1.13	1.13	1.17
Lafayette Economic Development Authority	1.79	1.92	1.92	1.92	1.58	1.92
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	1.98	1.98	1.98	1.92	2.06	2.06
Bridges and Maintenance	4.01	4.01	4.01	4.17	4.17	4.17
Lafayette Parish Bayou Vermilion-						
Bond & Interest	0.20	0.20	0.20	0.20	0.20	0.20
Maintenance	0.75	0.75	0.75	0.75	0.75	0.75
Drainage Maintenance	3.34	3.34	3.34	3.34	3.34	3.34
Public Improvement Bonds	2.50	2.90	3.50	3.50	3.50	3.40
Teche-Vermilion Water District	1.00	1.00	1.00	1.48	1.26	1.26
Mosquito Abatement & Control	1.50	1.50	1.50	1.50	1.50	1.50
<u>Other Parish Taxes:</u>						
Parish Tax (Inside Municipalities)	1.52	1.52	1.52	1.52	1.52	1.62
Lafayette Center Development District	10.20	10.91	10.91	10.91	10.91	10.91

Sources: Louisiana Tax Commission and Lafayette Parish Assessor.

Leading Taxpayers

The ten largest property taxpayers of the City and their 2009 assessed valuations follow:

	<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2009 Assessed Valuation</u>
1	Stuller Inc	Jewelry Manufacturer	\$18,658,308
2	WalMart/Sams	Retail	11,674,881
3	IBERIABANK	Banking	11,562,630
4	Regional Health System/Womens Hosp.	Healthcare	11,103,900
5	Bellsouth/AT&T	Utility	9,924,615
6	B J Services	Oil & Gas Engineers	6,333,146
7	Louisiana Machinery	Industrial Machinery	5,350,246
8	JP Morgan Chase	Banking	5,298,128
9	Lowe's Home Centers Inc	Retail Home Improvement	4,856,466
10	Service Chevrolet Inc	Auto Dealership	<u>4,649,904</u>
			<u>\$89,412,224*</u>

* Approximately 7.66% of the 2009 total assessed valuation of the City.
Source: Lafayette Parish Assessor's Office.

SUMMARY DEBT STATEMENT AS OF NOVEMBER 2, 2010 (For additional information, see Appendix "D" of this Official Statement)

A.	<u>Direct Debt of the City of Lafayette</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Sales Tax Bonds	\$247,855,000
	Taxable Sales Tax Bonds	60,390,000
	Utilities Revenue Bonds	191,400,000
	Taxable Refunding Bonds	40,600,000
	Communications System Revenue Bonds	107,215,000
B.	<u>Overlapping Debt of the Parish of Lafayette</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Unlimited <i>Ad Valorem</i> Tax Bonds	\$ 44,935,000
	Certificates of Indebtedness	955,000
C.	<u>Overlapping Debt of the Lafayette Parish School Board*</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Public School Bonds	\$ 55,535,000
	Certificates of Indebtedness	8,180,000
	Limited Tax Bonds	10,000,000
	LCDA QZAB	1,091,214
	<i>* Excludes certain lease purchase agreements.</i>	
D.	<u>Overlapping Debt of Lafayette Parish Bayou Vermilion District</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Unlimited <i>Ad Valorem</i> Tax Bonds	\$ 1,600,000
E.	<u>Underlying Debt of the Lafayette Public Power Authority</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Electric Revenue Bonds	\$ 51,750,000

F.	<u>Partially Underlying Debt of Lafayette Parish Waterworks District North</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Water Revenue Bonds	\$ 5,704,205
G.	<u>Partially Underlying Debt of Lafayette Parish Waterworks District South</u>	
	<u>Type of Obligation</u>	<u>Principal Outstanding</u>
	Water Revenue Bonds	\$ 3,716,000

Short Term Indebtedness

According to the Chief Financial Officer of Lafayette City-Parish Consolidated Government, other than normal accounts payable and as otherwise stated in this Official Statement, the City has no short term indebtedness other than normal accounts payable or as otherwise disclosed in this Official Statement.

Default Record

According to the Chief Financial Officer of Lafayette City-Parish Consolidated Government, the City has never defaulted in the payment of its outstanding bonds or obligations.

Bank Balances

The Lafayette City-Parish Consolidated Government reported the following balances in its various funds as of June 30, 2010:

General Operating Funds:	<u>CASH AND INVESTMENTS</u>
General Fund	\$ 36,472,796
Property Tax Escrow Fund	24,229
General Fund-Parish	7,732,934
ARRA Adult Allocation FY 08/09	(18,224)
FTA Planning Grant Fund 7/08-6/09	(6,490)
FHWA Planning Grant Fund 7/08-6/09	(211)
ARRA Youth Allocation FY 08/09	7,816
ARRA Dislocated Worker Allocation FY 08/09	(12,510)
Acadiana Recovery Center Non-Grant Fund	534,492
FHWA I49/MPO (STP-2808-503) Grant	(14,658)
FTA Planning Grant Fund 7/09-6/10	(23,929)
FHWA Planning Grant Fund 07/09-06/10	(57,966)
FHWA 149/MPO (STP-2809-522) Grant	(36,233)
Safe & Drug Free Schools Grant Fund FY 7/09-6/10	(3,069)
LA Supreme Court Drug Office Grant 7/08-6/09	60
LA Supreme Court Drug Office Grant 7/09-6/10	(8,323)
ARRA LA Workforce Commission-15%	(6,595)
Urban Infill Home Program Fund	826,768
DHH-Governor's Initiative Health Grant 8/07-6/08	(5)
DHH-Governor's Initiative Health Grant 1/09-9/10	(91,753)
WIA Title IB Youth Grant 7/08-6/09	220
FTA Planning Grant Fund 7/07-6/08	(1,636)
FHWA-Frontage Road Study	(249)
FHWA I49/MPO (STP-2805-502) Grant	(190)
Transit System	(1,761,973)
Animal Shelter	468,097
Traffic Safety Fund	4,009,751

(Table continued on next page)

General Operating Funds:	<u>CASH AND</u>
	<u>INVESTMENTS</u>
Home Program Fund FY 06/07	\$ 68,060
Home Program Fund FY 07/08	(1,219)
Home Program Fund FY 08/09	(17,551)
Home Program Fund FY 09/10	13,923
Emergency Shelter Grant Fund	(44,161)
Community Development Fund FY 07/08	13,423
FHWA Comprehensive Land Use Plan Grant	36
Community Development 00/01	(58,262)
Community Development 01/02	(23,229)
Community Development 02/03	(7,734)
Community Development 99/00	(17,338)
Urban Development Action Grant	39
HUD Housing Loan Program Fund	951,613
Community Development Fund FY 06/07	105,232
Community Development Fund FY 08/09	(14,110)
Community Development Fund FY 09/10	(205,200)
HUD American Recovery & Reinvestment Acct (ARRA)	(94,328)
State Seized/Forfeited Property Fund	22,307
Fed. Narcotics Seized/Forfeited Property	11,445
Criminal Non-Support Fund	(203,894)
Road & Bridge Maintenance Fund	7,725,961
Drainage Maintenance Fund	9,835,219
Correctional Center Fund	659,071
Library Fund	26,740,846
Courthouse Complex Fund	4,240,154
Juvenile Detention Facility Fund	2,353,256
Public Health Unit Maintenance Fund	5,012,917
Criminal Court Fund	(1,247,317)
Mosquito Abatement & Control Fund	5,248,903
Justice Dept. Federal Equitable Sharing Fund	80,547
WIA Step Grant 7/09-6/10	(27,595)
WIA Title 1B Dislocated Workers Grant 7/09-6/10	(13,622)
Criminal Justice Support Services Fund	(10,240)
WIA Title 1B Adult Grant 7/09-6/10	(38,589)
WIA Title 1B Youth Grant 7/09-6/10	(57,302)
DHH Acadiana Recovery Inpatient Fund 7/09-6/10	9,229
ARC-US Probation Outpatient 10/08-9/09	16,815
Parking Program	170,737
Environmental Services Fund	(1,628,566)
Codes & Permits Fund	3,417,448
Combined Golf Courses Fund	(428,355)
Payroll Fund	1,158,569
Unemployment Compensation	(15,893)
Metro Code Retirement Fund	898
Group Hospitalization	10,191,987
Hurricane Katrina Fund	286,851
Hurricane Rita Fund	331,383
BNSF Train Derailment 05/08	(82,314)
Hurricane Gustav Fund	(1,639,899)
Central Printing	36,358
Vehicle Maintenance	<u>3,000,711</u>
Total General Operating Funds	<u>\$123,860,369</u>

(Table continued on next page)

	<u>CASH AND INVESTMENTS</u>
Debt Service Funds:	
1961 City Sales Tax Trust Fund	\$ 71
TIF City Sales Tax Trust Fund-MM101	354,776
TIF City Sales Tax Trust Fund-MM103	85,864
1961 Sales Tax Bond Sinking Fund	4,949,923
1961 Sales Tax Bond Reserve Fund	14,772,389
1985 Sales Tax Bond Sinking Fund	2,805,388
1985 Sales Tax Reserve Fund	16,819,180
Contingency Sinking Fund-Parish	5,626,562
Parish Certificate of Indebtedness Sinking Fund-1999	67,021
Consolidated Sewerage Sinking Fund	325,544
Consolidated Paving Sinking Fund	408,521
Total Debt Service Funds	<u>\$46,215,239</u>
Construction Funds:	
Sales Tax Capital Improvement Fund	\$28,601,769
Parish Library General Obligation Bond Const.	2,021,359
Parish Certificates of Indebtedness Fund	151,050
2001 Parish General Obligation Bond Const.	3,088,507
2003 Parish General Obligation Bond Const.	6,018,078
2005 Parish General Obligation Bond Const.	7,213,422
2009 Parish General Obligation Bond Const.	(297,998)
1993 Sales Tax Bond Construction Fund	29,554
1997A Sales Tax Bond Construction Fund	183,731
1997B Sales Tax Bond Construction Fund	48,364
1998 Sales Tax Bond Construction Fund	23,364
1999B Sales Tax Bond Construction Fund	333,690
1999A Sales Tax Bond Construction Fund	68,692
2000B Sales Tax Bond Construction Fund	307,563
2000A Sales Tax Bond Construction Fund	131,067
2001A Sales Tax Bond Construction Fund	257,112
2001B Sales Tax Bond Construction Fund	777,920
2002A Sales Tax Bond Construction Fund	432,835
2003B Sales Tax Bond Construction Fund	2,693,492
2003C Sales Tax Bond Construction Fund	60,255
2003D Sales Tax Bond Construction Fund	2,292,074
2004 Sales Tax Bond Construction Fund	3,955,007
2005C Sales Tax Bond Construction Fund	23,665
2007 Sales Tax Bond Construction Fund	11,815,272
2007B Sales Tax Bond Construction	1,541,932
2009A Sales Tax Bond Construction	23,919,596
2009B Sales Tax Bond Construction	24,024,982
Total Construction Funds	<u>\$119,716,354</u>
	<u>CASH AND INVESTMENTS</u>
Other:	
Firemen's Pension Fund	\$1,274,829
Police Pension Fund	18,951
Risk Management Fund	(1,201,829)
Total Other	<u>\$ 91,951</u>

(Table continued on next page)

	<u>CASH AND INVESTMENTS</u>
Utility System Funds:	
Receipts Fund	\$ 22,474
Operation and Maintenance	8,105,342
Bond & Interest	5,834,897
Capital Additions Fund	46,662,551
Security Deposit Fund	6,363,161
Bond Reserve Fund	18,339,076
2004 Bond Construction Fund	<u>7,999,513</u>
Total Utilities System Fund	<u>\$93,327,014</u>
LPPA Funds:	
LPPA Revenue Fund	\$ 6,691,175
LPPA Operating Fund	7,081,801
LPPA Fuel Cost Stability Fund	4,500,000
LPPA Bond Reserve Fund	15,491,851
LPPA Reserve & Contingency Fund	5,163,741
LPPA Bond Interest & Principal Fund	8,753,027
LPPA 2007 Bond Construction Fund	<u>7,743,770</u>
Total LPPA Funds	<u>\$55,425,365</u>
Communications System Funds:	
Receipts Account	\$ 14,336
Operating Account	1,059,126
Debt Service Account	915,722
Capital Additions Account	119,473
Bond Construction Account	<u>21,958,610</u>
Total Communications System Funds:	<u>\$24,067,267</u>
TOTAL ALL FUNDS	<u>\$462,703,559</u>

Source: Lafayette City-Parish Consolidated Government. Figures unaudited.

ECONOMIC INDICATORS

A comprehensive revision of the estimates of Per Capita Personal Income by State were published in April 2010 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The recent trends in revised per capita personal income for Lafayette Parish, Louisiana, and the Nation are indicated in the following table:

	<u>Per Capita Personal Income</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Lafayette Parish	\$32,265	\$35,897	\$39,453	\$41,491	\$43,062
Louisiana	28,057	30,086	33,776	35,340	36,091
United States	33,881	35,424	37,698	39,392	40,166

Source: U.S. Department of Commerce, Bureau of Economic Analysis. April 22, 2010.

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

Employment

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

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
2005	104,531	99,393	5,138	4.9	6.7
2006	107,563	104,569	2,994	2.8	3.9
2007	109,757	106,860	2,897	2.6	3.8
2008	112,336	108,879	3,457	3.1	4.4
2009	111,122	105,385	5,737	5.2	6.8

The preliminary figures for the Parish for September 2010 were reported as follows:
(Information updated from preliminary official statement.)

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
09/10	114,050	107,034	6,746	5.9	7.8

Source: Louisiana Workforce Commission. October 27, 2010.

The following table shows the composition of the employed work force in the Lafayette MSA:

Nonfarm Wage and Salary Employment by Major Industry (Employees in Thousands)

(Information updated from preliminary official statement.)

	<u>Revised Sep 2009</u>	<u>Revised Aug 2010</u>	<u>Preliminary Sep 2010</u>
Mining & Logging	14.6	14.8	14.8
Construction	7.3	7.4	7.4
Manufacturing	9.1	8.9	8.9
Trade, Transportation & Utilities	28.2	28.3	28.2
Information	2.8	2.7	2.7
Financial Activities	8.0	8.2	8.2
Professional and Business Services	16.2	16.6	16.6
Educational and Health Services	21.6	22.4	22.3
Leisure and Hospitality	14.9	15.2	15.1
Other Services	5.0	5.0	5.0
Government	<u>17.5</u>	<u>17.2</u>	<u>17.7</u>
Total	145.2	146.7	146.9

Source: Louisiana Workforce Commission, Office of Employment Security.

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

	<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate No. of Employees</u>
1.	Lafayette Parish School System	Education	4,563
2.	Lafayette Consolidated Government	Public Administration	2,212
3.	University of LA Lafayette	Education	1,900
4.	Wal-Mart Stores Inc.	Retail Trade	1,774
5.	Lafayette General Medical Center	Health Care	1,761
6.	University Medical Center	Health Care	1,309
7.	Acadian Ambulance & Air Med Svcs. Inc.	Health Care / Transportation	1,295
8.	Our Lady of Lourdes Reg Med Ct	Health Care	1,265
9.	Stuller, Inc.	Manufacturing	1,234
10.	Regional Medical Center of Acadiana	Health Care	1,121

Source: Lafayette Economic Development Authority - *Economic Profile*.

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

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ANNUAL AVERAGE LAFAYETTE PARISH CONCURRENT ECONOMIC INDICATORS, 2004, 2005, 2006, 2007, 2008 AND FIRST QUARTER 2010 (All data not seasonally adjusted.) (Information updated from preliminary official statement.)

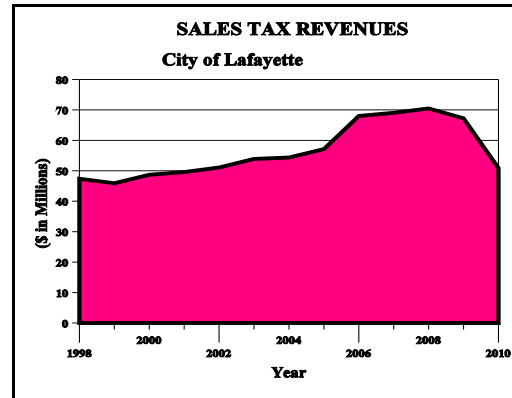
	2004	2005	2006	2007	2008	2010:1
EMPLOYMENT						
Total	118,579	122,975	129,748	134,520	135,895	128,269
Agriculture, Forestry, Fishing & Hunting	143	144	135	134	118	85
Mining	12,488	13,076	14,793	15,890	16,650	13,339
Utilities	467	467	475	491	488	502
Construction	5,846	5,990	6,071	5,940	6,258	6,172
Manufacturing	6,826	7,437	8,108	8,980	8,988	7,789
Wholesale Trade	5,691	6,146	6,244	6,896	7,110	6,918
Retail Trade	14,790	15,302	15,799	15,648	15,857	15,780
Transportation & Warehousing	3,985	3,994	4,392	4,342	4,455	3,549
Information	2,977	3,233	3,201	3,503	3,332	2,718
Finance & Insurance	3,279	3,266	3,365	3,288	3,209	3,049
Real Estate, Rental & Leasing	3,949	4,097	4,338	4,915	4,180	3,834
Professional & Technical Services	6,493	6,644	7,086	7,548	7,886	7,474
Management of Companies & Enterprises	2,410	2,447	2,844	3,060	28,557	2,769
Administrative & Waste Services	5,259	5,467	6,201	6,507	6,453	5,978
Educational Services	6,823	7,296	7,624	7,768	7,788	8,040
Health Care & Social Assistance	17,710	18,195	18,603	18,797	19,082	19,432
Arts, Entertainment & Recreation	1,996	1,761	1,866	2,003	2,061	1,980
Accommodation & Food Services	10,874	11,544	12,068	12,070	12,206	12,042
Other Services, except Public Administration	3,199	3,078	3,143	3,186	3,324	3,038
Public Administration	3,249	3,284	3,256	3,386	3,455	3,670
EARNINGS (\$ in Thousands)						
Total	\$4,021,835	\$4,384,564	\$5,068,989	\$5,607,084	\$5,949,184	\$1,342,441
Agriculture, Forestry, Fishing, and Hunting	3,735	3,268	3,223	3,344	3,902	638
Mining	767,409	856,034	1,063,767	1,189,982	1,332,468	286,988
Utilities	17,926	19,168	18,891	20,786	22,662	5,832
Construction	197,486	215,421	255,701	257,793	290,550	68,705
Manufacturing	253,780	274,202	326,812	402,018	428,702	89,601
Wholesale Trade	248,543	284,550	310,736	354,119	385,551	87,975
Retail Trade	317,563	350,468	378,298	387,865	408,338	93,394
Transportation & Warehousing	152,894	152,709	175,980	174,756	189,470	37,412
Information	93,825	106,637	106,787	129,414	130,329	27,022
Finance & Leisure	148,178	160,803	168,855	174,727	168,627	44,087
Real Estate, Rental & Leasing	164,844	178,778	223,164	274,945	235,266	50,710
Professional & Technical Services	296,370	320,247	371,149	414,330	448,944	93,346
Management of Companies & Enterprises	109,244	130,010	179,303	210,876	188,125	39,300
Administrative & Waste Services	122,942	140,129	182,918	203,044	199,423	46,458
Educational Services	234,401	214,187	260,206	285,653	305,134	77,346
Health Care & Social Assistance	548,844	584,985	634,529	680,506	737,107	179,447
Arts, Entertainment & Recreation	24,968	24,538	24,278	27,846	30,396	7,401
Accommodation & Food Services	124,165	140,961	167,913	178,890	188,366	45,371
Other Services, except Public Administration	70,340	71,454	84,072	91,230	100,495	21,524
Public Administration	120,565	124,953	126,387	136,496	149,730	38,971

Source: Louisiana Workforce Commission.

Sales Tax Collections

The City of Lafayette has received the following net sales and use tax revenues:

<u>Fiscal Year</u> <u>(Ended 10/31)</u>	<u>Sales Tax</u> <u>Revenues</u>
1998	\$47,374,302
1999	45,922,804
2000	48,701,228
2001	49,592,777
2002	51,084,716
2003	53,879,679
2004	54,346,163
2005	57,127,745
2006	67,993,707
2007	69,032,849
2008	70,492,657
2009	67,224,743
2010	50,898,735 (a)



(a) As of July 2010.

Source: City of Lafayette. Figures unaudited.

(Sales tax collections reported for a particular month are based on actual business during the previous month.)

Banking Facilities

The Lafayette Parish area is served by the following banks:

Banks

American Bank & Trust Company	Home Bank
BancorpSouth Bank	IBERIABANK
Bank of Sunset & Trust Company	JPMorgan Chase Bank, National Association
Business First Bank	M C Bank & Trust Co.
Capital One, National Association	MidSouth Bank, N.A.
Community First Bank	Rayne State Bank & Trust Company
Farmers-Merchants Bank & Trust Company	Regions Bank
Farmers State Bank & Trust Company	St. Landry Bank & Trust Company
First Bank and Trust	St. Martin Bank & Trust Company
First Louisiana National Bank	Teche Federal Bank
First National Bank of Louisiana	Tri-Parish Bank
Gulf Coast Bank	Whitney National Bank

GENERAL REMARKS

The City

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

City-Parish Government

On November 2, 1992, the voters of the Parish approved a home-rule charter that merged the governing authorities of the City of Lafayette and the Parish of Lafayette effective June 3, 1996. *There was no change in the corporate status of the City nor any change in the revenues providing the security for the Bonds that are the subject of this Official Statement.*

Section 4-17 of the Lafayette City-Parish Consolidated Government Home Rule Charter (the “Charter”) provides for administrative reorganization whereby the City-Parish President proposes and the City-Parish Consolidated Council (the “Council”) approves various organizational changes. In May 1998, the Council adopted an ordinance providing for the reorganization of certain functions and departments under the Charter.

The Governing Authority of the Lafayette City-Parish Consolidated Government is the Council, consisting of nine members elected from nine single member districts. The Charter further provides that the City-Parish President succeeds to all powers of the Mayor of the City. The names of the incumbent City-Parish President and Council members are listed on the title page to this Official Statement.

Industry, Commerce and Agriculture

The City is the natural economic, commercial, agricultural, retail and cultural center of the region because of its location as the geographic center of Acadiana. The City’s location between New Orleans and Houston and its proximity to the largest and richest oilfields in Louisiana and the Gulf of Mexico make the oil industry a factor in the City’s economy. However, the City’s employment has significantly diversified over the years and today mining represents 10% of employment. Also, the City’s economy is largely driven by its position as a major regional trade and retail center serving over 600,000 people. A third significant factor in the City’s economy are the medical and educational facilities located within its boundaries. The University of Louisiana at Lafayette (“ULL”), the second largest institution of higher education in the State, is located in the City. ULL had a 2008 (Fall Semester) enrollment of approximately 16,320 full-time and part-time students, including 1,514 graduate students. There are five acute care hospitals located in the City which serve the entire region, including Lafayette General Hospital, Our Lady of Lourdes Hospital, University Medical Center, Regional Medical Center of Acadiana and Woman’s Hospital.

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

Lafayette's unique culture and quality of life draws thousands of visitors to Lafayette. It is well-known for its great food, music, and festivals, along with many historical attractions, museums and art exhibitions. The "Acadian Village" is a replica of a Cajun settlement, with homes and buildings, their furnishings, all reflecting the Cajun living conditions of yore. Vermilionville Living History Museum is a similar tourist attraction located on the beautiful grounds on the banks of Bayou Vermillion and is laid out as a historic village authentically portraying life in Acadiana between 1765 and 1890. Located near Vermillionville is the Acadian Cultural Center belonging to the Jean Lafitte National Park System offering various Cajun and Creole-related topics. Although the City of Lafayette is modern in most respects, there is a strong interest in preserving the flavor and customs of the past. Accordingly, recent history has shown a renewed interest in the Cajun language, zydeco music, Cajun cuisine and historical sites in the area.

Lafayette is also home to nationally recognized festivals. Festival International de Louisiane is an annual four day free celebration that brings talented artists from francophone countries around world. French, African, Caribbean, and Hispanic cultures participate via music, dance and craft performances. Festivals Acadiens et Creoles is a weekend festival featuring Cajun, Creole, and Zydeco musicians.

In recent years, Lafayette has positioned itself, through its unique, publicly-owned fiber optic loop, as a technology leader with high-tech infrastructure designed to encourage economic development and improve and reduce costs of telecommunications services to its citizens. An example of this is the \$27 million, 70,000 square foot Louisiana Immersive Technologies Enterprise ("LITE") which is one of very few facilities in the world that combine high performance computing capabilities with advanced visualization.

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APPENDIX "D"

DEBT STATEMENT

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**STATEMENT OF DIRECT, OVERLAPPING, UNDERLYING
AND PARTIALLY UNDERLYING BONDED DEBT AS OF NOVEMBER 2, 2010**
(The accompanying notes are an integral part of this statement.)

<u>Notes</u>	<u>Name of Issuer & Issue</u>	<u>Interest Rates (%)</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>	<u>Principal Amount Due Within One Year</u>
(1)	<u>Direct Debt of the City of Lafayette, State of Louisiana</u>					
(2)	Public Improvement Sales Tax Bonds, Series 2001A	4.0-5.25	12/01/01	3/01/26	\$17,905,000	\$730,000
(2)	Public Improvement Sales Tax Bonds, Series 2003A	4.25-5.5	1/01/03	3/01/27	8,895,000	405,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2003	3.45-4.3	2/20/03	3/01/18	8,890,000	910,000
(2)	Public Improvement Sales Tax Bonds, Series 2003C	4.0-6.0	11/01/03	3/01/28	6,420,000	245,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2005	3.25-5.0	3/22/05	3/01/24	38,470,000	2,095,000
(2)	Public Improvement Sales Tax Bonds, Series 2005B	4.0-6.0	6/01/05	3/01/30	22,970,000	675,000
(2)	Public Improvement Sales Tax Refunding Bonds, Series 2006B	4.0-5.0	9/07/06	3/01/25	10,135,000	505,000
(2)	Public Improvement Sales Tax Bonds, Series 2007A	4.0-7.0	8/01/07	3/01/32	16,405,000	415,000
(3)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009A	2.34-7.08	8/18/09	3/01/33	30,050,000	895,000
(3)	Taxable Public Improvement Sales Tax Recovery Zone Economic Development Bonds, Series 2009A	7.23	8/18/09	3/01/34	3,640,000	0
(3)	Public Improvement Sales Tax Bonds, Series 2001B	4.0-5.25	12/01/01	5/01/26	12,500,000	500,000
(3)	Public Improvement Sales Tax Bonds, Series 2003B	4.25-6.25	1/01/03	5/01/27	12,410,000	295,000
(3)	Public Improvement Sales Tax Bonds, Series 2003D	4.0-5.75	11/01/03	5/01/28	15,335,000	120,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2004	3.5-5.0	2/03/04	5/01/15	8,225,000	4,115,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2004A	3.25-4.3	5/01/04	5/01/20	2,495,000	200,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2005A	4.0-5.0	3/22/05	5/01/24	19,865,000	1,160,000
(3)	Public Improvement Sales Tax Bonds, Series 2005C	4.0-5.25	6/01/05	5/01/30	2,130,000	60,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2006A	4.0-4.35	9/07/06	5/01/25	13,050,000	665,000
(3)	Public Improvement Sales Tax Refunding Bonds, Series 2006C	4.0-5.0	11/30/06	5/01/23	29,705,000	1,710,000
(3)	Public Improvement Sales Tax Bonds, Series 2007B	4.5-6.0	8/01/07	5/01/32	2,050,000	50,000
(3)	Taxable Public Improvement Sales Tax Build America Bonds, Series 2009B	2.34-7.23	8/18/09	5/01/34	26,700,000	740,000
(4)	Utilities Revenue Bonds, Series 1996	2.95	8/22/96	11/01/17	7,410,000	970,000
(4)	Utilities Revenue Bonds, Series 2004	4.0-5.25	8/10/04	11/01/28	183,990,000	0
(5)	Taxable Refunding Bonds, Series 2002	4.4-5.75	11/07/02	5/01/28	40,600,000	1,400,000
(6)	Communications System Revenue Bonds, Series 2007	4.0-5.25	6/28/07	11/01/31	107,215,000	3,320,000
(7)	<u>Overlapping Debt of the Parish of Lafayette, State of Louisiana</u>					
(8)	General Obligation Bonds, Series 2001 (a) (Roads)	4.0-4.75	12/01/01	3/01/26	7,990,000	320,000
(8)	General Obligation Bonds, Series 2001 (b) (Drainage)	4.0-4.75	12/01/01	3/01/26	2,580,000	105,000
(8)	General Obligation Bonds, Series 2001 (c) (Fire Protection)	4.0-4.75	12/01/01	3/01/26	395,000	15,000
(8)	General Obligation Bonds, Series 2001 (d) (Jail)	4.0-4.75	12/01/01	3/01/26	1,635,000	65,000
(8)	General Obligation Bonds, Series 2001 (e) (Courthouse)	4.0-4.75	12/01/01	3/01/26	390,000	15,000
(8)	General Obligation Bonds, Series 2001 (f) (Recreation)	4.0-4.75	12/01/01	3/01/26	315,000	15,000
(8)	General Obligation Bonds, Series 2003 (a) (Roads)	4.0-5.0	12/01/03	3/01/28	5,270,000	180,000
(8)	General Obligation Bonds, Series 2003 (b) (Drainage)	4.0-5.0	12/01/03	3/01/28	3,300,000	115,000

Notes	Name of Issuer & Issue	Interest Rates (%)	Dated Date	Final Maturity Date	Principal Outstanding	Principal Amount Due Within One Year
<u>Overlapping Debt of Parish of Lafayette (cont...)</u>						
(8)	General Obligation Bonds, Series 2003 (c) (Fire Protection)	4.0-5.0	12/01/03	3/01/28	\$ 165,000	\$ 5,000
(8)	General Obligation Bonds, Series 2003 (d) (Jail)	4.0-5.0	12/01/03	3/01/28	2,425,000	85,000
(8)	General Obligation Bonds, Series 2003 (e) (Courthouse)	4.0-5.0	12/01/03	3/01/28	840,000	30,000
(8)	General Obligation Bonds, Series 2003 (f) (Recreation)	4.0-5.0	12/01/03	3/01/28	545,000	20,000
(8)	General Obligation Bonds, Series 2003 (g) (Library)	4.0-5.0	12/01/03	3/01/28	6,100,000	205,000
(8)	General Obligation Bonds, Series 2005	4.0-5.0	6/01/05	3/01/30	12,985,000	375,000
(5)	Certificates of Indebtedness, Series 1999	5.75	12/14/99	12/01/19	955,000	75,000
(9)	<u>Overlapping Debt of the Parish School Board of the Parish of Lafayette, State of Louisiana*</u>					
(10)	LCDA QZAB	0	2/01/02	11/01/15	1,091,214	218,259
(11)	Certificates of Indebtedness, Series 2003	3.68	12/15/03	11/01/13	1,115,000	360,000
(11)	Certificates of Indebtedness, Series 2005	3.4-3.95	3/02/05	3/01/15	2,225,000	405,000
(11)	Certificates of Indebtedness, Series 2007	3.61	12/17/07	11/01/17	4,840,000	595,000
(12)	Public School Bonds, Series 2001	4.75	8/01/01	4/01/11	575,000	575,000
(12)	Public School Refunding Bonds, Series 2004	3.0-4.0	3/01/04	4/01/13	4,790,000	1,525,000
(12)	Public School Refunding Bonds, Series 2008	3.5-5.0	6/30/08	4/01/19	42,020,000	2,860,000
(12)	Public School Refunding Bonds, Series 2010	2.0-4.0	5/27/10	4/01/21	8,150,000	70,000
(13)	Limited Tax Bonds (Taxable QSCB), Series 2009	0.8	12/11/09	10/01/24	10,000,000	(a)
* Excludes certain lease purchase agreements.						
(a)	Various amounts are required to be deposited annually into a sinking fund.					
(14)	<u>Overlapping Debt of Lafayette Parish Bayou Vermilion District</u>					
(8)	General Obligation Bonds, Series 2004	3.1-4.25	5/01/04	3/01/24	1,600,000	80,000
(15)	<u>Underlying Debt of Lafayette Public Power Authority</u>					
(16)	Electric Revenue Refunding Bonds, Series 2002	3.8-3.9	9/01/02	11/01/12	2,380,000	1,275,000
(16)	Electric Revenue Refunding Bonds, Series 2003A	5.0	8/04/03	11/01/12	12,595,000	8,415,000
(16)	Electric Revenue Refunding Bonds, Series 2003B	5.0	8/04/03	11/01/12	4,190,000	2,800,000
(16)	Electric Revenue Bonds, Series 2007	3.5-5.0	12/06/07	11/01/32	32,585,000	540,000
(17)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District North, Lafayette Parish, Louisiana</u>					
(18)	Water Revenue Bonds	5.625	6/30/93	10/27/32	754,229	18,185
(18)	Water Revenue Bonds, Series 1998	4.75	5/05/98	10/27/37	1,434,976	27,257
(18)	Water Revenue Bonds, Series 2004	3.45	6/03/04	10/01/25	2,413,000	87,000
(18)	Water Revenue Refunding Bonds, Series 2005	4.3	6/02/05	10/01/20	1,102,000	91,000
(19)	<u>Partially Underlying Debt of Lafayette Parish Waterworks District South, Lafayette Parish, Louisiana</u>					
(18)	Water Revenue Bonds, Series 2002	5.1	4/23/02	8/12/21	1,346,000	80,000
(18)	Water Revenue Refunding Bonds, Series 2004	4.25	12/21/04	8/12/19	693,000	66,000
(18)	Water Revenue Refunding Bonds, Series 2006A	4.58	8/15/06	8/12/21	82,000	5,000
(18)	Water Revenue Refunding Bonds, Series 2006B	4.58	8/15/06	8/12/21	1,595,000	114,000

NOTES

- (1) The 2009 total assessed valuation of City of Lafayette is approximately \$1,167,335,011, all of which is taxable for municipal purposes.
- (2) Payable solely from and secured by an irrevocable pledge and dedication of the net avails or proceeds of the one percent (1%) sales and use tax being levied and collected by the City of Lafayette, pursuant to elections held therein on May 13, 1961, November 20, 1965, March 22, 1977, and July 21, 2001.
- (3) Payable solely from and secured by an irrevocable pledge and dedication of the net avails or proceeds of the one percent (1%) sales and use tax being levied and collected by the City of Lafayette, pursuant to an elections held therein on May 4, 1985, November 15, 1997, and July 21, 2001.
- (4) Payable from revenues 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 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) The 2009 total assessed valuation of the Parish of Lafayette is approximately \$1,919,805,776, of which approximately \$1,580,320,241 is taxable.
- (8) Secured by and payable from unlimited *ad valorem* taxation.
- (9) The 2009 total assessed valuation of the Lafayette Parish School Board is approximately \$1,919,805,776, of which approximately \$1,580,320,241 is taxable.
- (10) Payable from available funds of the Lafayette Parish School Board.
- (11) Secured by and payable solely from a pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges.
- (12) Secured by and payable solely from an irrevocable pledge and dedication of the avails or net proceeds of the one percent (1%) sales and use tax being levied and collected by the Issuer, in compliance with a special election held within the Parish of Lafayette, 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 2009 total assessed valuation of Lafayette Parish Bayou Vermilion District is approximately \$1,919,805,776, of which approximately \$1,580,320,241 is taxable.
- (15) The Lafayette Public Power Authority has no assessed valuation.
- (16) Secured by a pledge of project power revenues of the Lafayette Public Power Authority attributable to the project after payment of operating expenses.
- (17) Lafayette Parish Waterworks District North includes an area lying to the North of the Township line between Township 9 South and Township 10 South, except those areas included in any municipality or other water district, and except certain areas adjacent to the City of Lafayette.
- (18) Payable solely from the income and revenues derived or to be derived from the operation of the utility system of the issuer, subject only to the prior payment of the reasonable and necessary expenses of operating and maintaining the system.
- (19) Lafayette Parish Waterworks District South includes an area lying to the South of the Township line between Township 9 South and Township 10 South, except those areas included in any municipality or other water district and/or certain water systems, and except certain areas adjacent to the City of Lafayette.

(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 Parish Public Trust Financing Authority, and the Lafayette Industrial Development Board and all operating and capital leases.)

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APPENDIX “E”

DEBT SERVICE REQUIREMENTS

**ANNUAL DEBT SERVICE REQUIREMENTS ON OUTSTANDING DEBT
AND UTILITIES REVENUES BONDS, SERIES 2010, OF
CITY OF LAFAYETTE, LOUISIANA**

BOND YEAR	OUTSTANDING BONDS (a)			SERIES 2010 BONDS			TOTAL REQUIREMENTS		
	(11/1) PRINCIPAL	(5/1; 11/1) INTEREST	TOTAL	(11/1) PRINCIPAL	(5/1; 11/1) INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2011	970,000.00	9,754,307.50	10,724,307.50	0.00	3,520,920.28	3,520,920.28	970,000.00	13,275,227.78	14,245,227.78
2012	1,575,000.00	9,725,692.50	11,300,692.50	0.00	4,011,175.00	4,011,175.00	1,575,000.00	13,736,867.50	15,311,867.50
2013	8,625,000.00	9,673,140.00	18,298,140.00	2,235,000.00	4,011,175.00	6,246,175.00	10,860,000.00	13,684,315.00	24,544,315.00
2014	9,055,000.00	9,243,902.50	18,298,902.50	2,300,000.00	3,944,125.00	6,244,125.00	11,355,000.00	13,188,027.50	24,543,027.50
2015	9,510,000.00	8,792,780.00	18,302,780.00	2,405,000.00	3,840,625.00	6,245,625.00	11,915,000.00	12,633,405.00	24,548,405.00
2016	9,985,000.00	8,318,575.00	18,303,575.00	2,505,000.00	3,738,925.00	6,243,925.00	12,490,000.00	12,057,500.00	24,547,500.00
2017	10,485,000.00	7,820,122.50	18,305,122.50	2,610,000.00	3,638,725.00	6,248,725.00	13,095,000.00	11,458,847.50	24,553,847.50
2018	9,820,000.00	7,296,225.00	17,116,225.00	2,710,000.00	3,534,325.00	6,244,325.00	12,530,000.00	10,830,550.00	23,360,550.00
2019	10,335,000.00	6,780,675.00	17,115,675.00	2,820,000.00	3,425,925.00	6,245,925.00	13,155,000.00	10,206,600.00	23,361,600.00
2020	10,875,000.00	6,238,087.50	17,113,087.50	2,960,000.00	3,284,925.00	6,244,925.00	13,835,000.00	9,523,012.50	23,358,012.50
2021	11,445,000.00	5,667,150.00	17,112,150.00	3,075,000.00	3,173,925.00	6,248,925.00	14,520,000.00	8,841,075.00	23,361,075.00
2022	12,045,000.00	5,066,287.50	17,111,287.50	3,225,000.00	3,020,175.00	6,245,175.00	15,270,000.00	8,086,462.50	23,356,462.50
2023	12,680,000.00	4,433,925.00	17,113,925.00	3,390,000.00	2,858,925.00	6,248,925.00	16,070,000.00	7,292,850.00	23,362,850.00
2024	13,345,000.00	3,768,225.00	17,113,225.00	3,555,000.00	2,689,425.00	6,244,425.00	16,900,000.00	6,457,650.00	23,357,650.00
2025	14,045,000.00	3,067,612.50	17,112,612.50	3,720,000.00	2,527,725.00	6,247,725.00	17,765,000.00	5,595,337.50	23,360,337.50
2026	14,785,000.00	2,330,250.00	17,115,250.00	3,890,000.00	2,358,425.00	6,248,425.00	18,675,000.00	4,688,675.00	23,363,675.00
2027	15,520,000.00	1,591,000.00	17,111,000.00	4,065,000.00	2,181,325.00	6,246,325.00	19,585,000.00	3,772,325.00	23,357,325.00
2028	16,300,000.00	815,000.00	17,115,000.00	4,270,000.00	1,978,075.00	6,248,075.00	20,570,000.00	2,793,075.00	23,363,075.00
2029				4,480,000.00	1,764,575.00	6,244,575.00	4,480,000.00	1,764,575.00	6,244,575.00
2030				4,705,000.00	1,540,575.00	6,245,575.00	4,705,000.00	1,540,575.00	6,245,575.00
2031				4,915,000.00	1,328,850.00	6,243,850.00	4,915,000.00	1,328,850.00	6,243,850.00
2032				5,165,000.00	1,083,100.00	6,248,100.00	5,165,000.00	1,083,100.00	6,248,100.00
2033				5,420,000.00	824,850.00	6,244,850.00	5,420,000.00	824,850.00	6,244,850.00
2034				5,695,000.00	553,850.00	6,248,850.00	5,695,000.00	553,850.00	6,248,850.00
2035				5,965,000.00	283,337.50	6,248,337.50	5,965,000.00	283,337.50	6,248,337.50
TOTALS	191,400,000.00	110,382,957.50	301,782,957.50	86,080,000.00	65,117,982.78	151,197,982.78	277,480,000.00	175,500,940.28	452,980,940.28

(a) Outstanding: Series 1996, dated 8/22/96 and Series 2004, dated 8/10/04.

**FORM OF LEGAL OPINION
OF
FOLEY & JUDELL, L.L.P.**

(FORM OF LEGAL OPINION)

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

\$86,080,000
UTILITIES REVENUE BONDS, SERIES 2010
OF THE
CITY OF LAFAYETTE, STATE OF LOUISIANA

We have acted as bond counsel to the City of Lafayette, State of Louisiana (the “Issuer”), in connection with the issuance of the captioned bonds (the “Bonds”). The Bonds are issued as fully registered bonds, are dated, bear interest at the rates, are subject to redemption and mature on the dates and in the principal amounts as set forth in the Ordinance (hereinafter defined).

The Bonds have been issued by the Issuer pursuant to an ordinance adopted on June 29, 2004, as supplemented by ordinances adopted on June 29, 2004 and November 2, 2010 (collectively the “Ordinance”) for the purpose of paying a portion of the costs of acquiring, constructing, improving, renovating, equipping, upgrading and modifying the System, paying capitalized interest, if required, funding a reserve, if required, and paying the costs of issuance of the Bonds, under the authority of Section 1430 of Title 39 of the Louisiana Revised Statutes of 1950, as amended (the “Act”), and other constitutional and statutory authority.

The Issuer, in and by the Ordinance, has entered into certain covenants and agreements with the owner of the Bonds with respect to the security and payment of the Bonds, including a provision for the issuance of *pari passu* obligations, for the terms of which reference is made to the Ordinance. Capitalized terms used but not defined herein shall have the meaning given to them in the Ordinance.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings of the Issuer relating to the issuance of the Bonds, and such other documents, proofs and matters of law as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations contained in the Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

On the basis of the foregoing examinations, we are of the opinion, as of the date hereof and under existing law, that:

1. The Issuer is a validly existing political subdivision of the State of Louisiana with the power to adopt the Ordinance and to authorize and issue the Bonds.
2. Said proceedings, documents and proofs show lawful authority for the issuance of the Bonds pursuant to the Act, other constitutional and statutory authority, and the Ordinance.

3. The Bonds are valid and binding special and limited obligations of the Issuer and are secured by and payable as to principal and interest, solely from the income and revenues to be derived from the operation of the Utilities System, subject only to the prior payment of the reasonable expenses of administration, operation and maintenance of the Utilities System (the “Net Revenues”); the Ordinance creates a valid pledge of the Net Revenues.

4. The Bonds have been issued on a parity in all respects with the Issuer's outstanding Utilities Revenue Bonds, Series 1996, and Utilities Revenue Bonds, Series 2004 (collectively the “Outstanding Parity Bonds”), rank equally with and enjoy complete parity of lien with the Outstanding Parity Bonds on the Net Revenues; the lien of the owners of the Bonds and the owners of the Outstanding Parity Bonds on the Net Revenues will be prior and superior to the lien on such Net Revenues of any obligations hereafter issued and payable therefrom except *pari passu* additional obligations hereafter issued within the terms, limitations and restrictions contained in the Ordinance.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and such interest will not be included in a corporate taxpayer’s adjusted current earnings.

6. Under the provisions of Chapter 1 of Title 47 of the Louisiana Revised Statutes of 1950, as amended, interest on the Bonds owned by corporations or residents of the State of Louisiana is exempt from Louisiana state income taxation to the extent such interest is exempt from federal income taxation.

In rendering the opinions expressed in numbered paragraph 5 above, we have relied on representations of the Issuer with respect to questions of fact material to our opinion without undertaking to verify the same by independent investigation and have assumed continuing compliance with covenants in the Ordinance pertaining to the Internal Revenue Code of 1986, as amended, which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing covenants in the Ordinance, interest on the Bonds could be included in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforceability may also be subject to the exercise of the sovereign police powers of the State, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

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APPENDIX "G"

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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[FORM OF CONTINUING DISCLOSURE]

\$86,080,000

UTILITIES REVENUE BONDS, SERIES 2010
OF THE CITY OF LAFAYETTE, STATE OF LOUISIANA

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Lafayette, State of Louisiana, (the “Issuer”), in connection with the issuance of \$86,080,000 of Utilities Revenue Bonds, Series 2010 (the “Bonds”). The Bonds are being issued pursuant to an ordinance dated June 29, 2004, as supplemented on June 29, 2004 and November 2, 2010 (collectively, the “Ordinance”), and are described in that certain Official Statement dated November 2, 2010 (the “Official Statement”), which contains certain information concerning the Issuer, the revenues securing the Bonds and certain financial and other information relating thereto. The Issuer covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b) (5).

SECTION 2. *Definitions.* In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Bondholders**” shall mean both the owners and beneficial owners of any of the Bonds.

“**Dissemination Agent**” shall mean the Issuer’s Chief Administrative Officer, or any successor Dissemination Agent designated by the Issuer.

“**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the single centralized repository for the collection and availability of continuing disclosure documents for purposes of the Rule. The continuing disclosure documents must be provided to the MSRB in portable document format (PDF) to the following:

Municipal Securities Rulemaking Board
Electronic Municipal Market Access Center
<http://emma.msrb.org>

“Official Statement” shall mean the Official Statement with respect to the Bonds and the Issuer dated November 2, 2010.

“Ordinance” shall mean the Ordinance adopted by the Governing Authority on June 29, 2004, as supplemented on June 29, 2004 and November 2, 2010, authorizing the issuance of the Bonds.

“Participating Underwriters” shall mean Morgan Keegan & Company, Inc., of New Orleans, Louisiana and Stephens Inc., of Baton Rouge, Louisiana, the original purchasers of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12 (b) (5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than June 30 of each year, commencing June 30, 2011, provide to the MSRB an Annual Report which is consistent with the requirements set forth below. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as set forth below; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in (a) above, the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

1. Audited financial statements for the preceding fiscal year.
2. Basis of accounting used by the Issuer in reporting its financial statements. The Issuer follows GAAP principles and mandated Louisiana statutory accounting requirements as in effect from time to time. In the event of any material change in such requirements, the impact of such changes will be described in the Annual Report of the year such change occurs.
3. The Annual Engineering Report required to be prepared by the Ordinance, which Report shall include the operational and statistical data under the heading “TRENDS IN FINANCE” in the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a deemed final official statement, it shall be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events.

(a) This section shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitutions, or sale of property securing repayment of the Bonds; or
11. Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for owners of Bonds, provided, that any event under (a) (1), (8), (9) or (11) above will always be deemed to be material.

(c) After the Issuer determines that a Listed Event is material, the Issuer shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described above in (a) (8) and (9) need not be given under this paragraph (c) any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or type of business conducted;

(b) This Disclosure Certificate, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by an opinion of a nationally recognized bond counsel or by approving vote of the holders of the Bonds pursuant to the terms of the Ordinance at the time of the amendment.

In the event of any such amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report relating to the Issuer and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of change of accounting principles, on the presentation) of financial information or operating date being presented by or in respect of the Issuer.

SECTION 9. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. *Default.* In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bond owner may take such actions as may be necessary and appropriate, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Bondholders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. *Other Stipulations.* Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB. Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be word-searchable (without regard to diagrams, images and other non-textual elements).

Date: November 2, 2010

CITY OF LAFAYETTE, STATE OF LOUISIANA

By: _____
Chief Administrative Officer

EXHIBIT A
to Continuing Disclosure Certificate

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Lafayette, State of Louisiana

Name of Bond Issue: \$86,080,000 Utilities Revenue Bonds, Series 2010

Date of Issuance: _____, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report as required by a Ordinance dated November 2, 2010. The Issuer anticipates that its Annual Report will be filed by _____.

Date: _____

CITY OF LAFAYETTE, STATE OF LOUISIANA

By: _____
Chief Administrative Officer

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