NEW ISSUE—FULL BOOK-ENTRY **Ratings: See "RATINGS" herein**

Subject to compliance by the City with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2008 Senior Lien Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2008 Senior Lien Bonds is not exempt from Illinois income taxes. See "TAX EXEMPTION" herein for a more complete discussion.

$103,230,000
CITY OF SPRINGFIELD, ILLINOIS
Senior Lien Electric Revenue Bonds
Series of 2008

Dated: Date of Delivery **Due: See Inside Cover**

The Senior Lien Electric Revenue Bonds, Series of 2008 (the "Series 2008 Senior Lien Bonds") are being issued by the City of Springfield, Illinois (the "City") as fully registered bonds under a global book-entry system operated by The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only. Beneficial owners of the Series 2008 Senior Lien Bonds will not receive physical delivery of bond certificates. The Series 2008 Senior Lien Bonds are issuable in denominations which are multiples of $5,000, and will bear interest payable on March 1 and September 1 of each year, with March 1, 2009, as the first interest payment date. Details of payment of the Series 2008 Senior Lien Bonds and the global book-entry system are described herein.

PURPOSE, LEGALITY AND SECURITY

The Series 2008 Senior Lien Bonds are being issued on a parity with the City's Senior Lien Electric Revenue Bonds, Series of 2001, Senior Lien Electric Revenue Bonds, Series of 2006, Senior Lien Electric Revenue Bonds, Series of 2007, and any other series of Senior Lien Bonds (as defined herein) that may be issued in the future, pursuant to Section 6 of Article VII of the Illinois Constitution and the Bond Ordinance (as defined herein) adopted by the City Council. The Series 2008 Senior Lien Bonds and the interest thereon are payable solely from the Net Revenues (as defined herein) derived by the City from the operation of its electric light plant and system (the "System") in the manner set forth in the Bond Ordinance. The Series 2008 Senior Lien Bonds are limited obligations of the City and do not constitute an indebtedness or a pledge of the full faith and credit or the taxing power of the City within the meaning of any constitutional or statutory provision or limitation.

The Series 2008 Senior Lien Bonds are being issued for the purpose of providing monies (i) to continue to finance certain capital improvement expenditures associated with the construction of a new coal-fired generating facility known as Dallman Unit 4 and related facilities on the System's current plant site, (ii) to finance certain capital improvement expenditures associated with the System's transmission network and modifications to the sulfur dioxide scrubbers, ovation controls and mercury monitors at the current generating facilities and related facilities on the System's current plant site, (iii) to finance certain capital improvements associated with returning Dallman Unit 1 to service, (iv) to refund the City's Electric Revenue Bonds, Subordinate Lien Series of 2000, and Electric Revenue Bonds, Subordinate Lien Series of 2002, (v) to fully fund the Senior Lien Debt Service Reserve Account created under the Bond Ordinance, and (vi) to pay the costs related to the issuance of the Series 2008 Senior Lien Bonds. See "PURPOSE OF THE SERIES 2008 SENIOR LIEN BONDS" herein.

REDEMPTION

The Series 2008 Senior Lien Bonds are subject to optional redemption prior to maturity as provided herein. See "THE SERIES 2008 SENIOR LIEN BONDS -- Redemption" herein.

The Series 2008 Senior Lien Bonds are offered when, as and if issued and received by the Underwriters, subject to receipt of the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the City by Jenifer L. Johnson, Corporation Counsel of the City, and by Giffin, Winning, Cohen & Bodewes, P.C., Springfield, Illinois, and for the Underwriters by Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois. It is expected that the Series 2008 Senior Lien Bonds in definitive form will be available for delivery, through the facilities of DTC, on or about August 27, 2008.

CITI
MERRILL LYNCH & CO.

August 13, 2008

MATURITY SCHEDULE

$103,230,000 Senior Lien Electric Revenue Bonds, Series of 2008

Maturity March 1	Principal Amount	Interest Rate	Yield	Price	CUSIP[1]
2009	$ 1,290,000	3.000%	1.980%	100.516%	850578 SR7
2010	2,325,000	3.000	2.400	100.885	850578 SS5
2011	2,395,000	3.000	2.900	100.240	850578 ST3
2012	2,510,000	3.000	3.130	99.570	850578 SU0
2016	9,000,000	5.000	3.800	107.776	850578 SV8
2017	9,520,000	5.000	3.940	107.601	850578 SW6
2036	37,165,000	5.000	5.110	98.383	850578 SX4
2037	39,025,000	5.000	5.230	96.610	850578 SY2

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[1] CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representation with respect to the Series 2008 Senior Lien Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Senior Lien Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the City and include information from other sources that the City believes to be reliable. Certain information contained in this Official Statement has been obtained by the City from DTC; however, no representation or warranty is made as to the accuracy or completeness of such information by the City. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the 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. Such information and expressions of opinion 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 since the date hereof. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2008 Senior Lien Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 SENIOR LIEN BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2008 SENIOR LIEN BONDS TO CERTAIN DEALERS AND DEALER BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The Official Statement should be considered in its entirety. References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement, such texts will be furnished on request. The information herein is provided as of the date hereof and subject to change.

CITY OF SPRINGFIELD, SANGAMON COUNTY, ILLINOIS

CITY OFFICIALS

Timothy J. Davlin, Mayor
Frank E. Edwards, Alderman, Ward 1
Gail M. Simpson, Alderman, Ward 2
Frank J. Kunz, Alderman, Ward 3
Frank J. Lesko, Alderman, Ward 4
Samuel J. Cahnman, Alderman, Ward 5
Mark E. Mahoney, Alderman, Ward 6
Deborah K. Cimarossa, Alderman, Ward 7
Kristofer D. Theilen, Alderman, Ward 8
Steven T. Dove, Alderman, Ward 9
Timothy S. Griffin, Alderman, Ward 10
James O. Langfelder, City Treasurer
Cecilia K. Tumulty, City Clerk
James R. Donelan, Executive Assistant to the Mayor
Jenifer L. Johnson, Corporation Counsel
Kenneth Crutcher, Director of Budget and Management

OFFICE OF PUBLIC UTILITIES
CITY WATER, LIGHT AND POWER
800 East Monroe, 4th Floor
Springfield, Illinois 62757
(217) 789-2116

ELECTRIC DIVISION MANAGEMENT

R. Todd Renfrow, General Manager
Jay C. Bartlett, Chief Utilities Engineer
Craig E. Burns, Director of Finance
Richard L. Branch, Jr., Chief Utility Accountant
Christopher L. Wise, Supervisor of Fiscal Services
William A. Murray, Regulatory Affairs Manager

BOND COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information set forth in the Official Statement. The offering of the Series 2008 Senior Lien Bonds is made only by means of the entire Official Statement. No person is authorized to detach this Summary Statement from the Official Statement or to otherwise use this Summary Statement without the entire Official Statement. Unless otherwise defined, all terms in this Summary Statement shall be as defined in the main text of the Official Statement and in APPENDIX D of the Official Statement.

The City: The City of Springfield (the "City") is the capital of the State of Illinois (the "State"), the county seat of Sangamon County and the sixth largest city in the State. The City encompasses roughly 65 square miles and is located in central Illinois, approximately 185 miles southwest of Chicago and 100 miles northeast of St. Louis, Missouri. According to a special census commissioned by the City, the estimated population of the City was 117,096 in 2008. The estimated population of Sangamon County in 2007 was 194,122 based upon U.S. Census data.

The City has a diversified economy with the principal sectors being State and local government, retail and wholesale trade, medical, financial services and rail and motor transportation. The City is the headquarters for over 165 national, regional and state trade associations, as well as ten insurance companies. The City is the principal trade center for an 11-county area with a population in excess of 536,000.

The System: The City owns and operates an electric light plant and system (the "System"). For purposes of accounting for the operations of the System, the City has established and maintains a separate enterprise fund known as the Electric Light Revenue Fund. Under the Master Bond Ordinance, the City may issue bonds, notes and other obligations secured by the Net Revenues of the System. "Net Revenues" means for any period, the Revenues (as defined in APPENDIX D) less Operation and Maintenance Costs of the System. The Master Bond Ordinance permits Revenues of the System to be used only for System purposes.

The Project: The Dallman Unit 4 generating facility now under construction will be a 200 megawatt ("MW") pulverized coal electric generating plant. The need for additional generating capacity results from the anticipated retirement of the two Lakeside Power Station generating units by 2010, representing approximately 76 MW of generating capability, and a projected growth in native demand requirements of 125 MW by 2025. The Dallman 4 Project's scheduled substantial completion date is January 12, 2010.

The estimated engineering and construction costs of Dallman Unit 4 and related facilities (the "Dallman 4 Project") on the System's current plant site now total approximately $516 million. At the time of the issuance of the Series 2006 Senior Lien Bonds, the estimated cost of the Dallman 4 Project was approximately $469 million (excluding contingencies). The plan of finance for the Dallman 4 Project provides for a contingency reserve of approximately $43 million to pay for unanticipated project costs. The contingency reserve has been allocated to delay costs and additional capital expenditures arising from the Sierra Club's challenge to the Air Permit (as defined herein) and the resulting Settlement Agreement between the City and the

Sierra Club (the "Settlement") as well as increased capital expenditures for the Dallman 4 Project unrelated to the Settlement.

The City initially planned to construct an on-site wastewater treatment plant to mitigate boron exceedances in wastewater from Dallman Unit 4 and the existing three Dallman generating facilities ("Dallman Units 1-3"). Due to increased costs, the City has entered into an intergovernmental agreement with the Springfield Metro Sanitary District (the "Sanitary District") for the pretreatment and transport of wastewater to a treatment plant operated by the Sanitary District.

A portion of the Series 2008 Senior Lien Bond proceeds will be used for capital improvement expenditures associated with the System's transmission network, existing generating facilities and related facilities at the System's current plant site. These include modifications to sulfur dioxide scrubbers, ovation controls and mercury monitors at an estimated cost of $17.4 million. In addition, the Series 2008 Senior Lien Bond proceeds will be used for capital improvement expenditures associated with returning Dallman Unit 1 to service. These expenditures are related to repairing damage to Dallman Unit 1 caused by the November 10, 2007, explosion and total approximately $5 million.

Project Status and Sierra Club Settlement: In September 2005, the City entered into an engineering, procurement and construction contract for the Dallman 4 Project with KBV Springfield Power Partners, a joint venture formed between Kiewit Industrial Co. and Black & Veatch Corporation. On August 10, 2006, the Illinois Environmental Protection Agency issued to the City a Prevention of Significant Deterioration Air Permit, known as PSD No. 16712OAAO (the "Air Permit"), for the Dallman 4 Project. On September 12, 2006, however, the Sierra Club challenged the Air Permit, which caused a delay in issuance of the release to begin construction. The City estimated that the cost of an expected one-year delay from the Sierra Club's challenge to the Air Permit could total a minimum of $137 million. To avoid the increased cost and prevent further construction delay, on November 16, 2006, the City entered into the Settlement and the release to begin construction was granted on December 4, 2006. As a result of this delay, the scheduled substantial completion date has been extended from September 2009 to January 12, 2010.

Under the Settlement, the City agreed to enter into a power purchase agreement for 120 MW of wind power capacity at a reasonable price for at least ten years. The City entered into power purchase agreements with Osceola Windpower, LLC and FPL Energy Hancock County Wind, LLC for the purchase of 100 MW and 20 MW, respectively, of wind capacity. The City also agreed to reduce carbon dioxide, sulfur dioxide, nitrogen oxide and mercury emissions and to maintain established production limitations at Dallman Units 1-3. The City's obligation to reduce carbon dioxide emissions in accordance with the Settlement is limited to a three-year period that expires on December 31, 2015. In addition, the City agreed to develop and fund a number of energy efficiency measures, including a green energy program, a college internship program and increased advertising for energy efficiency and demand management programs.

The Dallman 4 Project is approximately 72 percent complete, including engineering, procurement and construction. Engineering is 92 percent complete and procurement of major equipment and materials is complete. Actual on-site construction is just over 52 percent complete as of June 5, 2008, with over 1,141,228 man-hours expended on the project. To date, the Dallman 4 Project has encountered no recordable safety incidents, weather has been moderately favorable to support construction operations during the winter months and no major issues have arisen in the field.

Financing of the Project: The Dallman 4 Project's estimated engineering and project costs and related improvements total approximately $516 million. On January 18, 2006, the City issued its Senior Lien Electric Revenue Bonds, Series of 2006, in the aggregate principal amount of $314,810,000, of which approximately $257 million financed the initial capital improvement expenditures associated with the Dallman 4 Project. On May 2, 2007, the City issued its Senior Lien Electric Revenue Bonds, Series of 2007, in the aggregate principal amount of $198,080,000 (with a net original issue premium, approximately $210 million), of which approximately $204 million financed capital improvement expenditures associated with the Dallman 4 Project. The Series 2008 Senior Lien Bonds are expected to provide approximately $45 million to finance certain capital improvement expenditures to complete the Dallman 4 Project. The City is seeking a State grant or legislative appropriation to fund the Dallman 4 Project which, if granted, may be used to redeem a portion of Series 2008 Bonds.

Purpose of Issue: The Series 2008 Senior Lien Bonds are being issued for the purpose of providing monies (i) to continue to finance certain capital improvement expenditures associated with the construction of a new coal-fired generating facility known as Dallman Unit 4 and related facilities on the System's current plant site, (ii) to finance certain capital improvement expenditures associated with the System's transmission network and modifications to the sulfur dioxide scrubbers, ovation controls and mercury monitors at the current generating facilities and related facilities on the System's current plant site, (iii) to finance certain capital improvements associated with returning Dallman Unit 1 to service, (iv) to refund the City's Electric Revenue Bonds, Subordinate Lien Series of 2000, and Electric Revenue Bonds, Subordinate Lien Series of 2002, (v) to fully fund the Senior Lien Debt Service Reserve Account created under the Bond Ordinance, and (vi) to pay the costs related to the issuance of the Series 2008 Senior Lien Bonds.

Authority: The Series 2008 Senior Lien Bonds are issued pursuant to Section 6 of Article VII of the Illinois Constitution of 1970 and under and in accordance with an ordinance adopted by the City Council of the City on August 21, 1984, entitled: "An Ordinance of the City of Springfield, Sangamon County, Illinois, Authorizing the Issuance and Sale of Electric Revenue Bonds and Providing the Terms of and Security for Payment Thereof," as amended (the "Master Bond Ordinance"), as supplemented by an ordinance adopted by the City Council on the 15th day of July, 2008, entitled: "An Ordinance Authorizing the Issuance of Senior Lien Electric Revenue Bonds, Series of 2008, of the City of Springfield, Sangamon County, Illinois" (the "Series 2008 Bond Ordinance"). The Master Bond Ordinance as so supplemented is herein called the "Bond Ordinance."

Security: The Series 2008 Senior Lien Bonds are being issued as "Senior Lien Bonds" as described in the Master Bond Ordinance and are issued on a parity with the City's Senior Lien Electric Revenue Bonds, Series of 2001 (the "Series 2001 Senior Lien Bonds"), of which $27,385,000 are outstanding, the Senior Lien Electric Revenue Bonds, Series of 2006 (the "Series 2006 Senior Lien Bonds"), of which $314,810,000 are outstanding, the Senior Lien

Electric Revenue Bonds, Series of 2007 (the "Series 2007 Senior Lien Bonds"), of which $198,080,000 are outstanding, and any other series of Senior Lien Bonds that may be issued in the future. Pursuant to the Bond Ordinance, the City may hereafter issue additional Senior Lien Bonds (the "Additional Bonds") for the purposes, in the amounts and upon the conditions set forth in the Bond Ordinance. The Series 2001 Senior Lien Bonds, the Series 2006 Senior Lien Bonds, the Series 2007 Senior Lien Bonds, the Series 2008 Senior Lien Bonds and any Additional Bonds (collectively, the "Senior Lien Bonds") are payable from, and equally and ratably secured by a pledge of the Net Revenues of the System. The Senior Lien Debt Service Reserve Account established under the Bond Ordinance will, upon issuance of the Series 2008 Senior Lien Bonds, be fully funded to the requirements of the Bond Ordinance.

Pursuant to the Master Bond Ordinance, the City is authorized to issue Junior Lien Bonds, secured by a lien of the Net Revenues of the System that is junior and inferior to the lien on the Net Revenues of the System created by the Master Bond Ordinance in favor of the Senior Lien Bonds. There are no Junior Lien Bonds currently outstanding.

The City has also issued Subordinate Bonds, payable from moneys to be withdrawn from the General Account of the Electric Light Revenue Fund (the "Subordinate Lien Revenues"). The Subordinate Bonds are secured by a subordinate lien on and pledge of Net Revenues of the System which is junior and subordinate to the prior lien on Net Revenues of the System in favor of the Senior Lien Bonds and Junior Lien Bonds issued under and pursuant to the Master Bond Ordinance. The City has issued its Electric Revenue Bonds, Subordinate Lien Series of 2000 (the "Series 2000 Subordinate Lien Bonds"), which are outstanding in the principal amount of $19,000,000, and Electric Revenue Bonds, Subordinate Lien Series of 2002 (the "Series 2002 Subordinate Lien Bonds"), which are outstanding in the principal amount of $9,000,000. The Series 2000 Subordinate Lien Bonds and the Series 2002 Subordinate Lien Bonds will be fully redeemed with a portion of the proceeds of the Series 2008 Senior Lien Bonds.

Master Bond Ordinance Rate Covenant: Under the Master Bond Ordinance, the City is required to establish and maintain at all times fees, charges and rates for the use and service of the System and provide for their collection and the segregation and application of the Revenues of the System sufficient at all times to pay or provide for Operation and Maintenance Costs, to provide Net Revenues in each Fiscal Year in an amount not less than 125% of the Current Debt Service Requirement for all Outstanding Senior Lien and Junior Lien Bonds for the Bond Year or respective portions of Bond Years contemporaneous with such Fiscal Year, and to the extent necessary after application of the Net Revenues to pay the Current Debt Service Requirement for such Fiscal Year, to make such additional deposits as may be required into the Accounts created under the Master Bond Ordinance and to pay any other obligations payable from the Revenues of the System.

Additional Senior Lien Bonds and Junior Lien Bonds: Under the Master Bond Ordinance, and upon compliance with certain conditions applicable thereto, the City may issue additional Senior Lien Bonds and Junior Lien Bonds, all of which shall be payable from Net Revenues of the System prior to any required deposit of any moneys into the General Account. For a description of such conditions, see "ADDITIONAL SYSTEM OBLIGATIONS – Additional Senior Lien Bonds" and "– Additional Junior Lien Bonds" herein and APPENDIX D

- "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE – Additional Obligations."

Additional Subordinate Indebtedness: The City may issue additional Subordinate Bonds to be secured by a lien on the Subordinate Lien Revenues which is subordinate to liens which secure the Senior Lien Bonds and Junior Lien Bonds.

Service Area: The area served by the System encompasses approximately 70 square miles and includes within its boundaries the City, three surrounding communities and certain unincorporated areas. The population of the System's service area is approximately 137,000.

Existing Facilities: The System is a fully integrated electric generation, transmission and distribution system, consisting of two coal-fired steam generating plants with a total net capability of 448 MW, two gas turbine generating stations with a total capability of 38 MW, one combustion turbine station with a total capability of 128 MW, three diesel-fired backup generators with a total capability of 6 MW and a transmission and distribution network, including approximately 685 circuit miles of overhead and 441 circuit miles of underground facilities. The generation facilities are capable of furnishing substantially all of the System's power and energy requirements. Over the past five years, the System's coal-fired generating plants produced approximately 99% of the total energy generated by the System's generation facilities. Due to a November 10, 2007, explosion, Dallman Unit 1 (representing approximately 86 MW of system capacity) is undergoing repairs and will not be operational until approximately March 1, 2009. Upon completion, Dallman Unit 1 will return to full generating capacity. No other generating facilities were affected by the explosion at Dallman Unit 1.

Electric Customers: The System served approximately 70,758 customers as of the end of the fiscal year ending February 29, 2008 ("Fiscal Year 2008"). The largest customer is the State (consisting of approximately 285 separate accounts). During Fiscal Year 2008, residential customers accounted for approximately 84% of total System customers and approximately 35.1% of the System's total retail revenue. Also, during Fiscal Year 2008, the energy requirements of non-residential customers accounted for approximately 64.9% of the System's total retail revenue. Retail peak demand during Fiscal Year 2007 was 451 MW and 434 MW for the fiscal year ending February 29, 2008.

Historical Debt Service Coverage: The City has historically established electric rates and charges sufficient to pay all operating costs and debt service when due and to fund a significant portion of System capital improvements. Shown below are the Net Revenues of the System which were available for the payment of current debt service on bonds issued to finance System improvements or to refund bonds issued to finance improvements to the System during the years indicated:

Fiscal Year Ending Feb. 28/29	Net Revenues Available for Debt Service[1] ($000's omitted)	Debt Service on Senior Lien Bonds[2] ($000's omitted)	Debt Service on All Outstanding Obligations[3] ($000's omitted)	Coverage on Outstanding Senior Lien Bonds[2]	Coverage on All Outstanding Obligations[3]
2004	$37,629	$7,588	$16,933	4.96	2.22
2005	32,891	10,080	18,921	3.26	1.74
2006	47,000	11,641	20,896	4.04	2.25
2007	48,494	29,479	32,563	1.65	1.49
2008	64,505	35,547	38,676	1.81	1.67

(1) Based on audited financial results for Fiscal Years 2004 to 2008.
(2) Consists of the Series 1991 Senior Lien Bonds, the Series 2001 Senior Lien Bonds, the Series 2006 Senior Lien Bonds and the Series 2007 Senior Lien Bonds.
(3) Consists of all debt obligations of the City paid from Net Revenues during the period indicated, including the Series 1991 Senior Lien Bonds, the Series 2001 Senior Lien Bonds, the Series 2006 Senior Lien Bonds, the Series 2007 Senior Lien Bonds, the Series 1995 Junior Lien Bonds, the Series 2000 Subordinate Lien Bonds and the Series 2002 Subordinate Lien Bonds.

Electric Rates: The City Council has exclusive authority to establish the rates and charges for electric service provided by the System. Electric rates are not subject to review or approval by any federal or State governmental or administrative agency. In 2005, the City Council approved the following rate increases on usage and demand charges that became effective as follows:

Effective Date	Increase In Base Rates
November 1, 2005	9.00%
April 1, 2006	6.50%
October 1, 2006	6.40%
April 1, 2007	3.00%
October 1, 2007	3.00%
April 1, 2008	2.40%

Assuming energy usage of 850 kilowatt hours per month, the cost of electric service for a residential customer in the City is $75.22 per month ($87.54 summer rate ($79.33 annual average)).

Projected Coverage*: Shown below are the Net Revenues which are expected to be available for the payment of debt service on bonds issued and currently planned to be issued during the years indicated:

Fiscal Year Ending Feb. 28/29	Net Revenues Available for Debt Service ($000's omitted)	Debt Service on Senior Lien Bonds(1) ($000's omitted)	Debt Service on All Outstanding Obligations(2) ($000's omitted)	Coverage on Outstanding Senior Lien Bonds(1)	Coverage on All Outstanding Obligations(2)
2009	$59,492	$39,162	$41,070	1.52	1.45
2010	64,744	42,598	42,598	1.52	1.52
2011	86,059	42,596	42,596	2.02	2.02
2012	91,349	42,935	42,935	2.13	2.13
2013	90,914	42,456	42,456	2.14	2.14
2014	89,632	42,456	42,456	2.11	2.11

(1) Consists of the Series 2001 Senior Lien Bonds, the Series 2006 Senior Lien Bonds, the Series 2007 Senior Lien Bonds and the Series 2008 Senior Lien Bonds.

(2) Consists of all debt obligations of the City paid from Net Revenues during the period indicated, including the Series 2001 Senior Lien Bonds, the Series 2006 Senior Lien Bonds, the Series 2007 Senior Lien Bonds and the Series 2008 Senior Lien Bonds. In addition, this includes Fiscal Year 2009 debt service for the Series 2000 Subordinate Lien Bonds and the Series 2002 Subordinate Lien Bonds up to the date of the refunding of said bonds.

* Reflects refunding of the Series 2000 Subordinate Lien Bonds and the Series 2002 Subordinate Lien Bonds.

OFFICIAL STATEMENT

$103,230,000
CITY OF SPRINGFIELD, ILLINOIS
SENIOR LIEN ELECTRIC REVENUE BONDS
SERIES OF 2008

INTRODUCTION

This Official Statement, including the Summary Statement and the Appendices, sets forth certain information relating to the City of Springfield, Sangamon County, Illinois (the "City"), and its electric light plant and system (the "System") in connection with the sale by the City of $103,230,000 aggregate principal amount of Senior Lien Electric Revenue Bonds, Series of 2008 (the "Series 2008 Senior Lien Bonds"). The City's Series 2008 Senior Lien Bonds are issued on a parity with the outstanding Senior Lien Electric Revenue Bonds, Series of 2001 (the "Series 2001 Senior Lien Bonds"), the outstanding Senior Lien Electric Revenue Bonds, Series of 2006 (the "Series 2006 Senior Lien Bonds"), the outstanding Senior Lien Electric Revenue Bonds, Series of 2007 (the "Series 2007 Senior Lien Bonds"), and any other series of Senior Lien Bonds that may be issued in the future, under and pursuant to Section 6 of Article VII of the Illinois Constitution of 1970, and under and in accordance with an ordinance adopted by the City Council of the City (the "City Council") on the 21st day of August, 1984, entitled: "An Ordinance of the City of Springfield, Sangamon County, Illinois, Authorizing the Issuance and Sale of Electric Revenue Bonds and Providing the Terms of and Security for Payment Thereof," as amended (the "Master Bond Ordinance"), as further supplemented by an ordinance adopted by the City Council on the 15th day of July, 2008, entitled: "An Ordinance Authorizing the Issuance of Senior Lien Electric Revenue Bonds, Series of 2008, of the City of Springfield, Sangamon County, Illinois" (the "Series 2008 Bond Ordinance"). The Master Bond Ordinance as so supplemented is herein called the "Bond Ordinance."

This Official Statement contains summaries and descriptions of the terms and provisions of, and security for, the Series 2008 Senior Lien Bonds, together with a summary and description of certain provisions of the Bond Ordinance and certain related documents. All references to the Series 2008 Senior Lien Bonds are qualified in their entirety by reference to the Bond Ordinance and such other documents, including the form of the Series 2008 Senior Lien Bonds. For a description of the conditions under which additional Senior Lien Bonds, Junior Lien Bonds and Subordinate Bonds may be issued, see "ADDITIONAL SYSTEM OBLIGATIONS" and APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE – Additional Obligations."

Certain factors concerning the City, the System, the Series 2008 Senior Lien Bonds and the Bond Ordinance are described throughout this Official Statement, which should be read in its entirety. Copies of statutes, ordinances, reports or other documents referred to in this Official Statement are available, upon request, from the City's Office of Public Utilities, City Water, Light and Power, 800 East Monroe, 4th Floor, Springfield, Illinois 62757, telephone (217) 789-2116.

PURPOSE OF THE SERIES 2008 SENIOR LIEN BONDS

General

The Series 2008 Senior Lien Bonds are being issued for the purpose of providing monies (i) to continue to finance certain capital improvement expenditures associated with the construction of a new coal-fired generating facility known as Dallman Unit 4 and related facilities on the System's current plant site, (ii) to finance certain capital improvement expenditures associated with the System's transmission network and modifications to the sulfur dioxide scrubbers, ovation controls and mercury monitors at the current generating facilities and related facilities on the System's current plant site, (iii) to finance certain capital improvements associated with returning Dallman Unit 1 to service, (iv) to refund the City's Electric Revenue Bonds, Subordinate Lien Series of 2000, and Electric Revenue Bonds, Subordinate Lien Series of 2002, (v) to fully fund the Senior Lien Debt Service Reserve Account created under the Bond Ordinance, and (vi) to pay the costs related to the issuance of the Series 2008 Senior Lien Bonds.

Description of the Project

The proposed Dallman Unit 4 generating facility is a 200 megawatt ("MW") pulverized coal electric generating plant. The need for additional generating capacity results from the scheduled retirement of the two Lakeside Power Station generating units by 2010, representing approximately 76 MW of generating capability, and a projected growth in native demand requirements of 125 MW by 2025. To finance the debt service and costs and expenses related to the Dallman 4 Project, the City Council approved a series of electric rate increases that were phased in between 2005 and 2008 (see "THE ELECTRIC SYSTEM - Electric Rates").

The estimated engineering and construction costs of the plant and related improvements now total approximately $516 million. The $516 million estimate is comprised of approximately $469 million under the EPC Contract (as defined herein), $25 million for wastewater treatment and $22 million in spare parts, equipment, site preparation, engineering and licenses and permits. At the time of the issuance of the Series 2006 Senior Lien Bonds, the estimated cost of the Dallman 4 Project was approximately $469 million (excluding contingencies). The EPC Contract is structured as a fixed-price agreement subject to certain adjustments including change orders approved by the City and increased compensation to the contractor in the event that issuance of the Air Permit (as defined herein) was postponed beyond June 1, 2006. The delay resulting from the Sierra Club's challenge to the Air Permit is expected to result in $16.4 million in increased costs under the EPC Contract. To pay for these and other unanticipated costs, the plan of finance for the Dallman 4 Project provided for a contingency reserve of approximately $43 million. The contingency reserve has been allocated to delay costs and additional capital expenditures arising from the Sierra Club's challenge to the Air Permit and the resulting Settlement Agreement entered into on November 16, 2006 (the "Settlement"), as well as increased capital expenditures for the Dallman 4 Project unrelated to the Settlement.

Dallman Unit 4. The proposed Dallman Unit 4 power plant will have a net output of 200 MW using proven pulverized coal technology. The plant will have a full load heat rate of 9,864 Btu per kilowatt hour ("kWh"). Coal for the plant will be provided under an existing coal contract with the local Viper Mine with sites located in Elkhart and Williamsville, Illinois (formerly known as the Turris Mine). The plant will include a cooling tower for heat rejection. Air emission controls will include: low nitrogen oxide ("NOx") burners and selective catalytic reduction for control of NOx, wet limestone flue gas desulfurization for sulfur dioxide ("SO_2") control, fabric filter baghouse for particulate matter control and a wet electrostatic precipitator for acid mist control.

Wastewater Treatment. The City initially proposed an on-site wastewater treatment plant to mitigate elevated levels of boron in wastewater from the three current Dallman generating facilities ("Dallman Units 1-3") and anticipated elevated boron levels in wastewater from Dallman Unit 4. With the on-site wastewater treatment plant, boron removal would be accomplished through mechanical evaporation with a brine concentrator. This plant was included in the Dallman 4 Project and the City purchased the brine concentrator vessel for approximately $8 million. Since the Series 2006 Senior Lien Bonds were issued, the estimated cost of the on-site wastewater treatment facility increased from $14.5 million to approximately $31 million due to increased costs of materials. As a result, the City is pursuing a less costly alternative (estimated at $25.5 million) involving the pretreatment and transport of wastewater to a treatment plant operated by the Springfield Metro Sanitary District (the "Sanitary District"). On March 10, 2008, the City entered into an intergovernmental agreement with the Sanitary District to direct such pretreated wastewater streams to Sanitary District facilities. This proposal was submitted to the Illinois Environmental Protection Agency (the "IEPA") in April 2007, and on October 4, 2007, the IEPA approved an extension on the City's compliance commitment agreement to August 9, 2009, to implement the approach.

Other Capital Improvements

A portion of the Series 2008 Senior Lien Bond proceeds will be used for capital improvement expenditures associated with the System's transmission network, existing generating facilities and related facilities at the System's current plant site. These include modifications to sulfur dioxide scrubbers, ovation controls and mercury monitors at an estimated cost of $17.4 million. In addition, the Series 2008 Senior Lien Bond proceeds will be used for capital improvement expenditures associated with returning Dallman Unit 1 to service. These expenditures are related to repairing damage to Dallman Unit 1 caused by the November 10, 2007, explosion and total approximately $5 million.

The transmission system improvements will involve engineering and construction at the System's existing Interstate Substation to support an additional transmission link to AmerenCILCO to provide for the efficient delivery of power produced by Dallman Unit 4 to the electric grid. The improvements at the substation include new switches, circuit breakers, relays and the structural steel necessary to support this equipment. These improvements further include extension of a new transmission line from the Interstate Substation to the AmerenCILCO transmission network.

Series 2008 Senior Lien Bond proceeds will also finance capital improvements to Dallman Unit 1, which include the following: upgraded electronic and hydraulic control valves on the turbine, new motor control centers and voltage load center switchgear, new throttle valve inlet screens, improved protective relaying for both the turbine and generator, and blast walls around the station transformers.

The modifications to the ovation control system involve installation of new electronic and computer equipment to control Dallman Unit 3 operations. The existing control system needs to be upgraded with current technology. With respect to emissions controls, the Series 2008 Senior Lien Bond proceeds will finance capital expenditures to improve monitoring and emissions removal efficiency. The System will install mercury monitoring equipment, which is now required by environmental regulations. In addition, the Dallman Unit 3 emissions control improvements will increase the SO_2 removal efficiency of the existing flue gas desulfurization system. With this upgrade, the SO_2 removal rate of the Dallman Unit 3 scrubber is expected to increase to 98% or better.

Status of the Dallman 4 Project

In September 2005, the City entered into an engineering, procurement and construction contract (the "EPC Contract") for the Dallman 4 Project with KBV Springfield Power Partners, a joint venture formed between Kiewit Industrial Co. and Black & Veatch Corporation (the "Contractor"). The Sierra Club's challenge to the Air Permit (as defined below) delayed the issuance of the release to begin construction of the Dallman 4 Project. To avoid increased costs and prevent further delay, the City entered into the Settlement. The City commenced construction immediately after receiving the release to begin construction on December 4, 2006. As a result of this delay, the scheduled substantial completion date has been extended from September 2009 to January 12, 2010.

The Dallman 4 Project is approximately 72 percent complete, including engineering, procurement and construction. Engineering is 92 percent complete and procurement of major equipment and materials is approximately 100 percent complete. Actual on-site construction is just over 52 percent complete as of June 5, 2008, with over 1,141,228 man-hours expended on the project. To date, the Dallman 4 Project has encountered no recordable safety incidents, weather has been moderately favorable to support construction operations during the winter months and no major issues have arisen in the field.

Sources and Uses of Funds

The following table shows the estimated sources and uses of the proceeds of the Series 2008 Senior Lien Bonds:

Sources of Funds	
Principal Amount of Series 2008 Senior Lien Bonds	$103,230,000.00
Less: Net Original Issue Discount	(478,262.70)
Transfer from 2002 Subordinate Principal and Interest Account	885,416.67
Total Sources of Funds	$103,637,153.97
Uses of Funds	
Deposit to 2008 Project Fund	$70,400,000.00
Deposit with Trustee for Refunded Bonds	28,000,000.00
Deposit to Senior Lien Debt Service Reserve Account	4,374,938.76
Costs of Issuance[(1)]	862,215.21
Total Uses of Funds	$103,637,153.97

[(1)] Costs of issuance include the Underwriters' discount, rating agency, legal and accounting fees and other costs incurred in connection with the issuance of the Series 2008 Senior Lien Bonds.

FINANCING FOR THE DALLMAN 4 PROJECT

The Dallman 4 Project's estimated engineering and project costs and related improvements total approximately $516 million. The City issued the Series 2006 Senior Lien Bonds, in the aggregate principal amount of $314,810,000, and the Series 2007 Senior Lien Bonds, in the aggregate principal amount of $198,080,000 (with a net original issue premium, approximately $210 million), of which approximately $257 million and $204 million, respectively, financed capital improvement expenditures associated with the Dallman 4 Project. The Series 2008 Senior Lien Bonds are expected to provide $45 million for certain capital improvement expenditures related to the Dallman 4 Project. The City will continue to seek $35 million in financial support for the Dallman 4 Project in the form of a State of Illinois (the "State") Department of Commerce and Economic Opportunity grant or a legislative appropriation. In the event that the State provides all or a portion of the financial support in the amount requested, the City may choose to redeem a portion of the Series 2008 Senior Lien Bonds.

REFUNDING OF THE SUBORDINATE BONDS

The City has determined to refund all of the $19,000,000 outstanding principal amount of the Series 2000 Subordinate Lien Bonds and all of the $9,000,000 outstanding principal amount of the Series 2002 Subordinate Lien Bonds (the Series 2000 Subordinate Lien Bonds and Series 2002 Subordinate Lien Bonds, collectively, the "Refunded Bonds"). A portion of the proceeds of the Series 2008 Senior Lien Bonds will be used to refund the Refunded Bonds, as described as follows:

Series 2000 Subordinate Lien Bonds

MATURITY (MARCH 1)	AMOUNT OUTSTANDING	AMOUNT REFUNDED	REDEMPTION DATE	REDEMPTION PRICE	CUSIP
2017	$19,000,000	$19,000,000	09/04/2008	100%[1]	850578 PD1[2]

Series 2002 Subordinate Lien Bonds

MATURITY (MARCH 1)	AMOUNT OUTSTANDING	AMOUNT REFUNDED	REDEMPTION DATE	REDEMPTION PRICE	CUSIP
2012	$9,000,000	$9,000,000	09/25/2008	100%[1]	850578 PS8[2]

(1) Plus accrued interest, if any, to the respective redemption date.

(2) CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

Certain proceeds from the sale of the Series 2008 Senior Lien Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York and BNY Midwest Trust Company) in its capacity as trustee for the Refunded Bonds (the "Trustee"). These proceeds, together with such money in the related bond funds (as defined in and created under the related indenture for the Refunded Bonds) as may be advisable for the purpose, shall be used to provide for the refunding of the Refunded Bonds. Subject to the delivery of the Series 2008 Bonds, the Refunded Bonds shall be called for redemption on the dates and upon the terms as provided in letters of instruction to the Trustee.

SETTLEMENT AGREEMENT WITH THE SIERRA CLUB

Summary of the Settlement

In November 2004, the City filed its initial application with the IEPA seeking a Prevention of Significant Deterioration Air Permit for the Dallman 4 Project. On August 10, 2006, the IEPA issued to the City a final Prevention of Significant Deterioration Air Permit, known as PSD No. 16712OAAO (the "Air Permit"), for the Dallman 4 Project. On September 12, 2006, however, the Sierra Club filed a Petition for Review before the United States Environmental Appeals Board challenging the Air Permit. The City estimated that the cost of an expected one-year delay from the Sierra Club's challenge to the Air Permit could total $137 million. In return for the Sierra Club's termination of its appeal of the IEPA decision to issue the Air Permit, on November 16, 2006, the City entered into the Settlement and the release to begin construction was granted on December 4, 2006.

Under the terms of the Settlement, the City agreed to enter into a power purchase agreement for 120 MW of wind power capacity at a reasonable price for a period of at least ten years. The City entered into power purchase agreements with Osceola Windpower, LLC and FPL Energy Hancock County Wind, LLC (the "Wind Power Purchase Agreements") for the purchase of 100 MW and 20 MW, respectively, of wind capacity. Approximately 50% of this wind capacity will be utilized by the State. The State has issued a letter of intent to the City to purchase wind energy for State facilities served by the System. The State intends to purchase the wind energy at the price per kWh paid by the City under its wind power purchase agreement, less the System's cost of production. The balance of the wind capacity purchased by the City will be used to serve the System's native load and for wholesale sales.

Pursuant to the Master Bond Ordinance, the City obtained a certificate of an independent consulting engineer that, for the first five years during which payments under the Wind Power Purchase Agreements are made, the Net Revenues (as described in the Master Bond Ordinance) of the System after making such payments are projected to equal at least 1.25 times the current debt service requirement on all outstanding bonds for such Fiscal Years. (City's Fiscal Year begins on March 1 of each year and ends on February 28/29 of the next year.) The City Council approved this certificate on June 5, 2007.

The Settlement further requires the City to lower its carbon dioxide ("CO_2") emissions associated with the System's native load to 7% below 1990 CO_2 emissions levels by December 31, 2012, reduce mercury emissions by 90% of the mercury in coal beginning 180 days after Dallman Unit 4 emissions testing indicates compliance with permitted emissions limits, reduce overall SO_2 and NO_x emissions by December 31, 2012, and close the City's Lakeside Power Station generating units upon Dallman Unit 4 compliance with permitted emissions limits. The reduction in CO_2 will be accomplished through: (i) the purchase of 120 MW of wind capacity; (ii) the replacement of the Lakeside generating units with Dallman Unit 4, which is approximately 34% more efficient than the Lakeside generating units; and (iii) conservation measures to lower demand and increase efficiency both in the System's internal systems and through new incentive programs for its retail customers.

In addition, the City agreed to implement energy conservation measures relating to energy generation from Dallman Units 1-3. The City agreed to deposit into the Environmental Initiatives Fund on an ongoing basis an amount equal to \$4.80 per ton of CO_2 emitted from production of energy for sale as wholesale energy (the "Wholesale Sales Environmental Set-Aside"), not to exceed \$1 million per year.

From 2007 through 2015, the Settlement also requires the City to dedicate \$400,000 annually plus at least 50% of the Wholesale Sales Environmental Set-Aside for energy efficiency and demand-side management programs. The City also agreed to spend up to \$75,000 for a study examining the potential energy efficiency in the System and to undertake and fund a green energy program, as well as to establish a college internship program and to fund increased advertising for System energy efficiency and demand-side management programs. The City further agreed to create or expand at least three other energy efficiency programs by the end of 2007, and to reserve at least \$150,000 per year from the funding for energy efficiency to initiatives targeting low-income households and senior citizens.

The City increased the utilization of its demand-side management programs in Fiscal Year 2008 and will introduce a number of new programs in Fiscal Year 2009, including a refrigerator retirement program, commercial energy efficiency project board (awards subsidies to businesses for efficiency projects), senior citizen/low income program (administers contracts for eligible residential energy efficiency projects) and grant application program (funds City's energy efficiency projects). The City entered into a three-year agreement with a national wholesaler of renewable energy credits (RECs) to sell RECs to utility customers. This program will be implemented in Fiscal Year 2009 upon City Council adoption of an ordinance authorizing the inclusion of billing for the program in utility bills and completion of background computer adjustments.

Under the green energy program, the City agreed to (i) promote the use of renewable energy to government institutions, (ii) market renewable energy to the System's residential customers and provide opportunities for customers to purchase renewable energy, (iii) market renewable energy to the System's commercial customers, (iv) expand educational opportunities and (v) offer to sell green energy credit certificates to System customers. The City also agreed to dedicate one or two full-time Department employees to the green energy program.

The Settlement set forth the production limitations for Dallman Units 1-3, which were established in accordance with the System's long-term generation plan and Midwest Independent System Operator ("MISO") obligations. Dallman Units 1-3 will not operate at maximum capability 99% of the time and will be subject to the following use restrictions: Dallman Unit 3 will limit its operations to 170 MW net (which represents a 4.12% reduction from full load levels) and Dallman Units 1 and 2 will limit operations to 70 MW net (which represents an 11.43% reduction from full load levels). Notwithstanding these limitations, the City has the authority under the Settlement to operate Dallman Units 1-3 at a higher capacity when required for regulatory compliance purposes or in emergency situations to maintain System reliability.

Financial Effects of the Settlement

The City estimated that a one-year delay in construction of the Dallman 4 Project could cost $137 million, consisting of $100 million in construction contract escalation, $28 million in Dallman Unit 4 lost generation margin and $9 million from extended operation of the Lakeside generating units. The initial estimated cost of the Settlement (approximately $37 million) was weighed against the projected cost of a one-year delay in construction of the Dallman 4 Project from the Sierra Club's challenge to the Air Permit.

The current estimated direct costs of the Settlement are now approximately $31 million, and are comprised of the following: (i) $5 million to $6 million for energy efficiency and conservation measures; (ii) $10 million to $11 million in Dallman Unit 4 emissions control modifications; and (iii) $15 million in emissions control modifications to Dallman Units 1-3. Costs related to Dallman Unit 4 construction, along with delay costs that the City has incurred in responding to the Sierra Club's challenge to the Air Permit, are included in the current $516 million estimate for the Dallman 4 Project. The City also estimates that its obligation to purchase wind capacity under the Settlement could generate positive revenue of approximately $1 million over the term of the power purchase agreements.

The City will deposit into the Environmental Initiative Fund proceeds of the Wholesale Sales Environmental Set-Aside to fund environmental initiatives. From 2010 to 2015, the City will utilize up to $1 million per year of the Wholesale Sales Environmental Set-Aside for energy efficiency programs. The City is further obligated to spend $75,000 for an energy efficiency potential study and $400,000 per year until 2015 on energy efficiency programs. The City will also incur costs in establishing and maintaining a green energy program and for other energy efficiency measures.

Wind Power. The City will obtain its wind capacity through the Wind Power Purchase Agreements. The City recovers the cost of purchased power through the fuel cost adjustment mechanism billed to its retail customers and the net costs of the wind purchases can be recouped under this mechanism. The City also may offset any increases in the fuel cost adjustment mechanism with excess funds in the Environmental Initiatives Fund. Approximately 60 MW of wind power capacity is expected to be sold at its purchase price to the State. The City is authorized under the Settlement to offer wind capacity for resale to wholesale entities, but must maintain 100 MW of wind capacity for its retail customers.

Emissions Allowances. Based upon the reduced SO_2 and NO_x emissions due to additional emissions control equipment, the City will generate allowances, which can be sold in accordance with federal regulations.

THE SERIES 2008 SENIOR LIEN BONDS

General

The Series 2008 Senior Lien Bonds will be dated, will be issuable in the denominations, will bear interest at the rates per annum and will mature on March 1 in the years and the principal amounts set forth on the cover page and the inside cover page of this Official Statement. Interest on the Series 2008 Senior Lien Bonds will be payable on March 1, 2009, and semiannually thereafter on March 1 and September 1 of each year. The Series 2008 Senior Lien Bonds are subject to optional redemption prior to maturity as described below under the caption "Redemption." Marine Bank, Springfield, located in Springfield, Illinois, has been appointed as Bond Registrar and Paying Agent (the "Bond Registrar and Paying Agent") under the Series 2008 Bond Ordinance.

The Depository Trust Company

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2008 Senior Lien Bonds. The Series 2008 Senior Lien Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2008 Senior Lien Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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.

Book-Entry System

Purchases of Series 2008 Senior Lien Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Senior Lien Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 Senior Lien 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 Series 2008 Senior Lien Bonds, except in the event that use of the book-entry system for the Series 2008 Senior Lien Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 Senior Lien 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 Series 2008 Senior Lien Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Senior Lien Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Senior Lien Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2008 Senior Lien Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Senior Lien Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008 Senior Lien Bond documents. For example, Beneficial Owners of Series 2008 Senior Lien Bonds may wish to ascertain that the nominee holding the Series 2008 Senior Lien 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2008 Senior Lien 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008 Senior Lien Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Series 2008 Senior Lien Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal (including redemption payments) and interest payments on the Series 2008 Senior Lien Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar and 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 Bond Registrar and Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal (including redemption payments) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar and 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.

DTC may discontinue providing its services as depository with respect to the Series 2008 Senior Lien Bonds at any time by giving reasonable notice to the City or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2008 Senior Lien Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2008 Senior Lien Bond certificates will be printed and delivered.

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

THE INFORMATION IN THIS SUB-SECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN TAKEN FROM INFORMATION FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE CITY, THE BOND REGISTRAR AND PAYING AGENT OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE CITY OR THE UNDERWRITERS TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE CITY NOR THE BOND REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

Replacement Bonds Upon Termination of Global Book-Entry

The City may remove DTC or any successor securities depository for the Series 2008 Senior Lien Bonds at any time. In case at any time the securities depository for the Series 2008 Senior Lien Bonds shall resign or shall be removed or shall become incapable of acting, then the City shall appoint a successor securities depository to provide a system of book-entry only transfers for the Series 2008 Senior Lien Bonds, by written notice to the predecessor securities depository directing it to notify its Direct and Indirect Participants of the appointment of a successor securities depository.

The City may terminate the system of book-entry only transfers for the Series 2008 Senior Lien Bonds at any time, by written notice to the securities depository directing it to notify its Participants of the availability of bond certificates. In such event, the City shall issue, and the Bond Registrar and Paying Agent shall authenticate, register and deliver to the Beneficial Owners of the Series 2008 Senior Lien Bonds, bond certificates in replacement of such Beneficial Owners' beneficial interests in the Series 2008 Senior Lien Bonds, all as shown in the records maintained by the securities depository. The procedures for payment of principal and interest on the Series 2008 Senior Lien Bonds and for the registration, transfer and exchange of the Series 2008 Senior Lien Bonds in the event the global book-entry system is terminated is described in APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE – General Provisions; Registration, Transfer and Exchange."

Redemption

Optional Redemption. The Series 2008 Senior Lien Bonds maturing on March 1, 2036, are subject to redemption prior to maturity at the option of the City, in such principal amounts as the City shall determine, by lot, on March 1, 2018, and on any date thereafter, at a redemption price of par plus accrued interest to the date fixed for redemption.

The Series 2008 Senior Lien Bonds maturing on March 1, 2037, are subject to redemption prior to maturity at the option of the City, in such principal amounts as the City shall determine, by lot, on March 1, 2013, and on any date thereafter, at a redemption price of par plus accrued interest to the date fixed for redemption.

Notice of Redemption. Notice of the redemption of Series 2008 Senior Lien Bonds will be mailed not less than 30 days nor more than 60 days prior to the date fixed for such redemption to the registered owners of Series 2008 Senior Lien Bonds to be redeemed at their last addresses appearing on such registration books. The Series 2008 Senior Lien Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the Series 2008 Senior Lien Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner) then from and after the redemption date interest on such Series 2008 Senior Lien Bonds or portions thereof shall cease to accrue and become payable.

Selection of Bonds to be Redeemed. If less than all of the Series 2008 Senior Lien Bonds are called for redemption, the Bond Registrar and Paying Agent shall select, not more than sixty (60) days prior to the Redemption Date, the Series 2008 Senior Lien Bonds or portions thereof to be redeemed at random or in such other manner as in the Bond Registrar and Paying Agent's sole discretion it shall deem appropriate and fair, in either case in Authorized Denominations. The Bond Registrar and Paying Agent shall promptly notify the City in writing of the Series 2008 Senior Lien Bonds or portions thereof selected for redemption.

SECURITY FOR THE SERIES 2008 SENIOR LIEN BONDS

Source of Payment

The Series 2008 Senior Lien Bonds, the Series 2007 Senior Lien Bonds, the Series 2006 Senior Lien Bonds, the Series 2001 Senior Lien Bonds and any additional series of Senior Lien Bonds issued pursuant to the Master Bond Ordinance (collectively, the "Senior Lien Bonds") have a claim for payment as to principal and interest on an equal and ratable basis solely from the Net Revenues derived by the City from the ownership and operation of the System and from accounts in the Electric Light Revenue Fund securing the Senior Lien Bonds. "Net Revenues" means for any period, the Revenues (as defined in APPENDIX D) less Operation and Maintenance Costs of the System.

The Senior Lien Bonds are secured by a lien on and security interest in the Net Revenues of the System (other than Net Revenues deposited to either the Junior Lien Bond and Interest Account or Junior Lien Debt Service Reserve Account or the related bond fund created for the Subordinate Bonds), subject to amounts in the various accounts of the Electric Light Revenue Fund described below being deposited and expended as provided in the Bond Ordinance. As described herein under "Senior Lien Debt Service Reserve Account," the Bond Ordinance established a Senior Lien Debt Service Reserve Account that has been funded in an amount equal to the Maximum Annual Debt Service on all Outstanding Senior Lien Bonds. In addition, until expended on the costs of the capital improvements to and other costs of the System described above, the net proceeds received by the City from the sale of the Series 2008 Senior

Lien Bonds and deposited in the 2008 Project Fund as defined and established under the Series 2008 Bond Ordinance and the investment earnings on those net proceeds are also subject to the lien and security interest created under the Bond Ordinance. The Senior Lien Bonds are not secured by a lien or security interest on the physical assets of the System.

THE SERIES 2008 SENIOR LIEN BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS. THE HOLDERS OF THE SERIES 2008 SENIOR LIEN BONDS DO NOT HAVE A CLAIM FOR PAYMENT FROM ANY TAXES OF THE CITY.

Types of Debt Permitted Under the Master Bond Ordinance and the Series 2008 Bond Ordinance

Under the Master Bond Ordinance, the City is authorized to issue Senior Lien Bonds, Junior Lien Bonds and Subordinate Bonds. Senior Lien Bonds are payable from Net Revenues of the System. The only Senior Lien Bonds currently outstanding (not including the Series 2008 Senior Lien Bonds) are $198,080,000 aggregate principal amount of Series 2007 Senior Lien Bonds, $314,810,000 aggregate principal amount of Series 2006 Senior Lien Bonds and $27,385,000 aggregate principal amount of Series 2001 Senior Lien Bonds. The City is permitted to issue Additional Senior Lien Bonds pursuant to the provisions of the Master Bond Ordinance summarized under "ADDITIONAL SYSTEM OBLIGATIONS — Additional Senior Lien Bonds" herein (the "Additional Senior Lien Bonds").

Junior Lien Bonds also are payable from Net Revenues of the System; however, no Junior Lien Bonds are currently outstanding. Junior Lien Bonds are secured by a lien of the Net Revenues of the System that is junior and inferior to the lien on the Net Revenues of the System created by the Master Bond Ordinance in favor of the Senior Lien Bonds. See APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE – Additional Obligations."

Upon the refunding of the Refunded Bonds, no Subordinate Bonds payable from moneys to be withdrawn from the General Account of the Electric Light Revenue Fund ("Subordinate Lien Revenues") will be outstanding.

Although Junior Lien Bonds and Subordinate Bonds also are payable from Net Revenues, Junior Lien Bonds and Subordinate Bonds are not issued on a parity with Senior Lien Bonds. As shown in the table set forth under the caption "FLOW OF FUNDS," monthly deposits of Net Revenues in respect of Junior Lien Bonds are made only after making deposits to the Accounts maintained under the Master Bond Ordinance for the payment of Senior Lien Bonds and monthly deposits of Net Revenues in respect of Subordinate Bonds are made only after (i) making deposits to the Accounts maintained under the Master Bond Ordinance for the payment of Senior Lien Bonds and Junior Lien Bonds, and (ii) making deposits to the Renewal, Replacement and Improvement Account and the Emergency Repairs Account, each maintained under the Master Bond Ordinance for the purposes as described therein.

Under the Master Bond Ordinance, the City may not authorize and issue any additional bonds that have a lien on Net Revenues superior to the Senior Lien Bonds.

As described in APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE – Additional Obligations – Letters of Credit and Surety Bonds to Secure Bonds" and "- Interest Rate Exchange Transactions," the City reserves the right to enter into Credit Enhancer Obligations and Interest Rate Exchange Obligations (each as defined in APPENDIX D), respectively. The terms of the Master Bond Ordinance, as amended, provide that (i)(a) any Credit Enhancer Obligations shall be on a parity with the Senior Lien Bonds or Junior Lien Bonds, as the case may be, which the letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds secure, and (b) reimbursement payments are deemed to constitute the payment of principal of, premium, if any, and interest on such respective bonds and (ii) any payments required to be made by the City to the Swap Provider under a Qualified Swap Agreement (each as defined in APPENDIX D) shall be on a parity with the bonds to which such Qualified Swap Agreement relates.

Senior Lien Debt Service Reserve Account

The Bond Ordinance establishes a Senior Lien Debt Service Reserve Account. Moneys on deposit to the credit of the Senior Lien Debt Service Reserve Account are required to be used by the City to pay principal and interest on the Senior Lien Bonds at any time when there are insufficient funds available in the Senior Lien Bond and Interest Account to pay the same as due, but only after application of the moneys on deposit in the Special Redemption Fund or credited to the General Account, the Renewal, Replacement and Improvement Account and the Emergency Repair Account for such purpose in the order of priority listed. Moneys on deposit to the credit of the Senior Lien Debt Service Reserve Account are not pledged, and will not be available to pay, Junior Lien Bonds or Subordinate Bonds.

The City shall cause the Senior Lien Debt Service Reserve Account to be funded in an amount equal to the Senior Lien Debt Service Reserve Requirement, i.e., an amount equal to the Maximum Annual Debt Service on all Outstanding Senior Lien Bonds. Accordingly, the amount on deposit in the account as of the date of issuance of the Series 2008 Senior Lien Bonds will be $42,935,314 (including $4,374,938.76 derived from the proceeds of the Series 2008 Senior Lien Bonds). In the event at any time that the balance on deposit in the Senior Lien Debt Service Reserve Account is less than the Senior Lien Debt Service Reserve Requirement, the Bond Ordinance requires the City to deposit monthly to the credit of the Debt Service Reserve Account an amount equal to one-twelfth of the amount of such deficiency. In lieu of the deposit of money in the Senior Lien Debt Service Reserve Account in satisfaction of the Senior Lien Debt Service Reserve Requirement, the City may provide Qualified Reserve Account Instruments credited to the Senior Lien Debt Service Reserve Account. The City shall not accept any insurance policy or surety bond as a Qualified Reserve Account Instrument until it shall have been provided with an opinion of counsel of the issuer of such Qualified Reserve Account Instrument that such Qualified Reserve Account Instrument is a valid and binding obligation of such issuer enforceable in accordance with its terms and is exempt from the registration requirements of applicable federal securities laws. Each such insurance policy or surety bond shall not permit the cancellation thereof by the issuer. In computing the value of a Qualified Reserve Account

Instrument, each insurance policy or surety bond shall be valued at the amount of the coverage under such insurance policy or surety bond that may be drawn upon by the City on such date of valuation. Any withdrawal from the Senior Lien Debt Service Reserve Account shall be made from moneys or Permitted Investments held therein prior to the application of any amounts available from the use of Qualified Reserve Account Instruments.

Master Bond Ordinance Rate Covenant

Under the Master Bond Ordinance, the City is required to establish and maintain at all times fees, charges and rates for the use and service of the System and provide for their collection and the segregation and application of the Revenues of the System sufficient at all times to pay or provide for Operation and Maintenance Costs, to provide Net Revenues in each Fiscal Year in an amount not less than 125% of the Current Debt Service Requirement for all Outstanding Senior Lien and Junior Lien Bonds for the Bond Year or respective portions of Bond Years contemporaneous with such Fiscal Year, and to the extent necessary after application of the Net Revenues to pay the Current Debt Service Requirement for such Fiscal Year, to make such additional deposits as may be required into the Accounts created under the Bond Ordinance and to pay any other obligations payable from the Revenues of the System, including payment of the principal of and interest on the Subordinate Bonds.

Enforcement and Remedies

The Bond Ordinance does not provide for the appointment of a trustee to act on behalf of the registered owners of the Senior Lien Bonds. Any registered owner of a Series 2008 Senior Lien Bond may proceed by civil action, mandamus or other proceeding to compel performance by the City of all duties required by the Bond Ordinance, including the establishment and collection of sufficient fees, charges and rates for the service supplied by the System and the application of Revenues. The foregoing notwithstanding, as described in APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE," upon the occurrence of an event of default under the Bond Ordinance, the Bond Ordinance permits Holders to take action in respect of such default only if such Holders constitute a majority of all then Outstanding Senior Lien and Junior Lien Bonds.

ADDITIONAL SYSTEM OBLIGATIONS

No Prior Lien Obligations

The City does not have nor is it authorized to issue any bonds, notes or other evidences of indebtedness payable from or having a lien on Revenues of the System prior to the lien granted under the Master Bond Ordinance in favor of the registered owners of Senior Lien Bonds including the Series 2008 Senior Lien Bonds.

Additional Senior Lien Bonds

Upon compliance with the conditions set forth in the Master Bond Ordinance and summarized below, the City may issue Additional Senior Lien Bonds on a parity with the Series 2008 Senior Lien Bonds, the Series 2007 Senior Lien Bonds, the Series 2006 Senior Lien Bonds and the Series 2001 Senior Lien Bonds to finance any lawful purpose of the City related to the System or to refund all or a portion of the Series 2008 Senior Lien Bonds or any other Outstanding Senior Lien Bonds.

Senior Lien Bonds for System Purposes. Senior Lien Bonds may be issued upon compliance with the conditions set forth in (1) and (2) as follows:

(1) The amounts required to be on deposit in the respective Accounts of the Electric Light Revenue Fund shall have been credited in full as determined immediately after the issuance of said Senior Lien Bonds.

(2) The conditions set forth in either subparagraph (A) or (B) as follows have been met.

(A) The Net Revenues as shown in the audit of an Independent certified accountant for the last completed Fiscal Year prior to the issuance of such Senior Lien Bonds shall have been at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds computed immediately after the issuance of the proposed Senior Lien Bonds but only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. In the event there shall have been a change in the rates of the System from the rates in effect for the preceding Fiscal Year, which change is in effect at the time of the issuance of any such Senior Lien Bonds, the Net Revenues as described in the Master Bond Ordinance may be adjusted to reflect any increase and must be adjusted to reflect any decrease in the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had then existing rates been in effect during all of said Fiscal Year. Any such adjustment shall be evidenced by an Officer's Certificate (as defined in APPENDIX D).

(B) The Adjusted Net Revenues of the System during any 12 consecutive months within the 18 months immediately preceding the issuance of such Senior Lien Bonds shall have been at least equal to (a) 1.40 times Maximum Annual Debt Service on Outstanding Senior Lien Bonds as computed immediately after the issuance of the proposed Senior Lien Bonds and also (b) 1.25 times Maximum Annual Debt Service on all Outstanding Bonds as computed immediately after the issuance of the proposed Senior Lien Bonds, but in each case only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. Adjusted Net Revenues shall be evidenced by an Officer's Certificate.

Senior Lien Bonds for Refunding. The Master Bond Ordinance authorizes the issuance of Senior Lien Bonds to refund all or a portion of the Outstanding Series 2008 Senior Lien Bonds or any other Outstanding Senior Lien Bonds, provided that the conditions set forth in either (1) or (2) below are satisfied:

(1) The City has received the certificate of an Independent certified public accountant (a) setting forth the Current Debt Service Requirement of all Outstanding Senior Lien Bonds during the then current Bond Year and for each Bond Year to and including the Bond Year of the last Maturity of any Outstanding Senior Lien Bonds (determined immediately prior to the

proposed date of authentication and delivery of such refunding Bonds) (i) with respect to all such Outstanding Senior Lien Bonds immediately prior to the proposed date of authentication and delivery of the Senior Lien Bonds and (ii) with respect to all Outstanding Senior Lien Bonds immediately thereafter and (b) demonstrating that the amount set forth for each Bond Year pursuant to clause (ii) above is no greater than the amount set forth for each Bond Year pursuant to clause (i) above except for the last Bond Year of such comparison, for which Bond Year it shall be demonstrated that the amount set forth in clause (ii) above is not greater than the average for all Bond Years (excluding the last) of the amounts set forth in clause (i) above.

(2) All Outstanding Senior Lien Bonds are being refunded under arrangements which immediately result in making provisions for the payment thereof so that they will no longer be deemed Outstanding.

Outstanding Senior Lien Bonds which may be subject to mandatory redemption by operation of the Senior Lien Bond and Interest Account shall remain so subject as if the escrow or trust fund or account from which provision for refunding will be made were the Senior Lien Bond and Interest Account under the Master Bond Ordinance.

Additional Junior Lien Bonds

Junior Lien Bonds for System Purposes. Junior Lien Bonds may be issued upon compliance with the conditions set forth in (1) and (2) as follows:

(1) The amounts required to be on deposit in the respective Accounts of the Electric Light Revenue Fund shall have been credited in full as determined immediately after the issuance of said Junior Lien Bonds (as evidenced by an Officer's Certificate).

(2) The conditions set forth in either subparagraph (A) or (B) as follows have been met.

(A) The Net Revenues as shown in the audit of an Independent certified accountant for the last completed Fiscal Year prior to the issuance of such Junior Lien Bonds shall have been at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds computed immediately after the issuance of the proposed Junior Lien Bonds but only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. In the event there shall have been a change in the rates of the System from the rates in effect for the preceding Fiscal Year, which change is in effect at the time of the issuance of any such Junior Lien Bonds, the Net Revenues as described in the Master Bond Ordinance may be adjusted to reflect any increase and must be adjusted to reflect any decrease in the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had said then existing rates been in effect during all of said Fiscal Year. Any such adjustment shall be evidenced by an Officer's Certificate.

(B) The Adjusted Net Revenues of the System during any 12 consecutive months within the 18 months immediately preceding the issuance of such Junior Lien Bonds shall have been at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds as computed immediately after the issuance of the proposed Junior Lien Bonds but only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. Adjusted Net Revenues shall be evidenced by an Officer's Certificate.

Junior Lien Bonds for Refunding Purposes. The Master Bond Ordinance authorizes the issuance of Junior Lien Bonds for the purpose of refunding all or a portion of Outstanding Junior Lien Bonds; provided that either of the conditions set forth in (1) or (2) as follows were met:

(1) The City shall have received the certificate of an Independent certified public accountant (a) setting forth the Current Debt Service Requirement of all Outstanding Junior Lien Bonds during the then current Bond Year for each Bond Year to and including the Bond Year of the last Maturity of any Outstanding Junior Lien Bonds (determined immediately prior to the proposed date of authentication and delivery of such refunding Bonds) (i) with respect to all Outstanding Junior Lien Bonds immediately prior to the proposed date of authentication and delivery of such refunding Bonds and (ii) with respect to all Outstanding Junior Lien Bonds immediately thereafter, and (b) demonstrating that the amount set forth for each Bond Year pursuant to (ii) above is no greater than the amount set forth for each such Bond Year pursuant to (i) above except for the last Bond Year of such comparison, for which year it shall be demonstrated that the amount set forth in (ii) above is not greater than the average for all Bond Years (excluding the last) of the amounts set forth in (i) above; or

(2) All Outstanding Junior Lien Bonds are being refunded under arrangements which immediately result in making provisions for the payment thereof in such manner as they shall no longer be deemed Outstanding.

Outstanding Junior Lien Bonds which may be subject to mandatory redemption by operation of the Junior Lien Bond and Interest Account shall remain so subject as if the escrow or trust fund or account from which provision for refunding will be made were the Junior Lien Bond and Interest Account under the Master Bond Ordinance.

Additional Subordinate Bonds

The City may issue additional Subordinate Bonds to be secured by a lien on the Subordinate Lien Revenues, which is subordinate to liens which secure the Senior Lien Bonds and Junior Lien Bonds. In the event such Subordinate Bonds are issued, Revenues of the System may be used to pay debt service on such obligations only from Subordinate Lien Revenues.

Other Indebtedness Secured by Revenues of the System

Neither the Series 2008 Bond Ordinance nor the Master Bond Ordinance contains any restriction as to the incurrence of other indebtedness secured by Revenues of the System.

FLOW OF FUNDS

All Revenues of the System are required to be deposited as received by the City into a special fund of the City designated the "Electric Light Revenue Fund." Moneys on deposit in the Electric Light Revenue Fund shall be used first to pay Operation and Maintenance Costs. Not later than the 25th day of each month, the City shall then credit from moneys on deposit in the Electric Light Revenue Fund to the Accounts established by the Master Bond Ordinance, in the order of priority set forth in the following table.

Accounts	Requirements	Monthly Amount
Senior Lien Bond and Interest Account	Interest Requirement; Principal Requirement; Mandatory Redemption Requirement	Amounts which when accumulated will be sufficient to pay interest on and principal of outstanding Senior Lien Bonds when due or called for Mandatory Redemption.
Senior Lien Debt Service Reserve Account (1)	Senior Lien Debt Service Reserve Requirement	1/60th (in the event that Senior Lien Bonds have been issued without the necessary deposit to the credit of this Account) or 1/12th (in the event that a deficiency in this Account exists for any other reason) of the amount necessary to establish or restore a balance equal to Maximum Annual Debt Service on outstanding Senior Lien Bonds.
Junior Lien Bond and Interest Account	Interest Requirement; Principal Requirement; Mandatory Redemption Requirement	Amounts which when accumulated will be sufficient to pay interest on and principal of outstanding Junior Lien Bonds when due or called for Mandatory Redemption.
Junior Lien Debt Service Reserve Account (1)	Junior Lien Debt Service Reserve Requirement	1/12th of the amount necessary to restore a balance equal to the Junior Lien Debt Service Reserve Requirement.
Renewal, Replacement and Improvement Account	Renewal, Replacement and Improvement Monthly Requirement	Amounts which annually will total 12% of the prior Fiscal Year's Revenues less the combined costs of fuel and purchased power (which annual amount may be increased or decreased by the City as provided in the Bond Ordinance).
Emergency Repair Account	Emergency Repair Monthly Requirement	1/24th of the amount needed to establish or restore a balance of $4,000,000 or such other amount as may be determined by the City pursuant to the Bond Ordinance.
General Account (includes a Rate Stabilization Account and other sub-accounts)	Moneys in the General Account may be used for any lawful System purpose, including the repayment of subordinate debt relating to the System.	All moneys remaining in the Electric Light Revenue Fund after the monthly requirements described above have been satisfied are to be deposited into the General Account.

(1) In lieu of cash payment, the Master Bond Ordinance permits the City to deposit a Qualified Reserve Account Instrument.

THE CITY

The City is the capital of the State of Illinois, the county seat of Sangamon County and the sixth most populous municipality in the State. The City encompasses an area of more than 65 square miles and is located in central Illinois, approximately 185 miles southwest of Chicago and 100 miles northeast of St. Louis, Missouri. According to a special census commissioned by the City, the estimated population of the City was 117,096 in 2008. The estimated population of Sangamon County in 2007 was 194,122 based upon U.S. Census data. General demographic and economic information relating to the City is included in APPENDIX B – "GENERAL INFORMATION REGARDING THE CITY" to this Official Statement.

The City is a home rule unit of local government under the Illinois Constitution. It is governed under a "strong Mayor/Aldermanic" form of government, which consists of a Mayor elected at-large and ten Aldermen elected from single member districts for concurrent four-year terms. Additionally, a City Clerk and City Treasurer are elected at-large for the same concurrent four-year terms. The City's operating offices include the Office of Public Utilities; the Office of Budget and Management; the Police Department; the Fire Department; the Office of Corporation Counsel; the Office of Public Works; the Convention and Visitors Bureau; the Office of Education Liaison; the Office of Communications; the Office of Inspector General; the Office of Homeland Security; the Office of Information Systems; the Office of Community Relations; the Office of Human Resources; the Office of Planning and Economic Development; and Lincoln Library. The City has approximately 1,700 employees.

THE OFFICE OF PUBLIC UTILITIES

General

The City owns and operates electric and water utilities serving the residents of the City and certain surrounding areas. Under the supervision and direction of the Mayor, the City's utilities are administered by the Office of Public Utilities, more commonly known as the City Water, Light and Power Department (the "Department" or "CWLP").

Activities of the Department

The Department has overall responsibility for construction, maintenance and operation of the City's electric and water utilities, which includes the operation and maintenance of a 4,300-acre lake, Lake Springfield, which borders the southeastern boundaries of the City. Lake Springfield provides the water supply for the water utility, as well as cooling water for the Lakeside and Dallman Power Stations. The Department is also responsible for the operation and maintenance of the City's street and traffic lighting system. As of the end of the Fiscal Year 2008, the System served 70,758 customers and the City's water system served 51,966 customers.

The Department is organized into an Electric Division and a Water Division. The Electric Division has 436 authorized positions, while the Water Division's authorized position count is 78. There are a total of 247 positions in the Department which provide services to both the Electric and the Water Divisions. All Department personnel are employees of the City.

Separate books are maintained by the City with respect to the financial operations of the Electric Division and Water Division. For the purposes of accounting for the operations of the System, the City has established and maintains a separate enterprise fund known as the Electric Light Revenue Fund. The audited financial statements of the Electric Light Revenue Fund for the Fiscal Year 2008, with comparative totals for the Fiscal Year 2007, are included as APPENDIX A to this Official Statement.

City and Electric Division Administration

The Electric Division is administered by R. Todd Renfrow, General Manager, Office of Public Utilities, under the supervision and direction of the Mayor. Biographical information with respect to the management personnel of the City and the Electric Division is set forth below.

Timothy J. Davlin (Mayor) – Mr. Davlin, a Griffin High School alumnus, holds an Associate of Arts degree from Springfield College and attended Sangamon State University (now University of Illinois at Springfield). Mr. Davlin worked two years for the Sangamon County Sheriff's Office as a Non-Merit Deputy, beginning in 1980. He started in the financial and insurance business in 1981 when he became a Registered Representative with AXA Advisor, LLC. Mr. Davlin is a past member of the Illinois Association of Insurance and Financial Advisors (IAIFA). He was elected mayor in April 2003.

Mayor Davlin shares his city leadership knowledge with other communities as he is a Member of the Board of Directors of the Illinois Municipal League. He serves on the Illinois Law Enforcement Training and Standards Board, the Board of Directors of the Greater Springfield Chamber of Commerce and the Mid-West Truckers Association, Inc.

Mr. Davlin's community involvement includes serving as both past President and past Secretary of the Board of Managers for Oak Ridge Cemetery; past Grand Knight (four terms) and past Trustee for the Knights of Columbus Council 364; past President (four terms) and past Board Member of the Springfield Columbus Home Association, an Illinois not-for-profit corporation; past Secretary and past Board Member for Springfield Catholic Charities; volunteer for the Central Illinois Community Blood Bank; past Co-Chairman of Breadline Sunday for St. John's Breadline; and past President for Sons and Daughters of Erin.

James R. Donelan (Executive Assistant to the Mayor) – Mr. Donelan presently serves as Executive Assistant to Mayor Davlin. Prior to the City of Springfield, Mr. Donelan served as Associate Director of the Township Officials of Illinois. In this position he interacted directly with elected officials and staff from counties, townships, school districts, and other local governments throughout the State.

A Springfield native, Mr. Donelan earned a Baccalaureate degree from Illinois State University with majors in Finance and Business Administration.

Mr. Donelan has served on numerous boards and membership organizations including: Citizens Club of Springfield, Crimestoppers of Sangamon & Menard County, Illinois Society of Association Executives, Illinois Development Council, Illinois Community Senior Services Advisory Committee, Illinois Older Adult Services Advisory Committee, Knights of Columbus –

Council 364, Leadership Springfield, Sangamon County Historic Preservation Commission, Springfield Sports Commission, Springfield Sports Hall of Fame and The Greater Springfield Chamber of Commerce.

R. Todd Renfrow (General Manager) – Mr. Renfrow graduated with a Bachelor of Science degree from Illinois College where he majored in economics. Paralleling his career as a small business owner, Mr. Renfrow has maintained a lifelong interest in business and infrastructure issues, evidenced by his years of service on the state, county and municipal levels. His positions have included Executive Assistant to the Illinois Secretary of State; Special Advisor to the Attorney General of the State of Illinois; Director of Public Works, City of Springfield; Trustee, Springfield Metro Sanitary District; Lobbyist for Mid-West Truckers Association; and, most recently, the Chief Deputy Director and Labor Liaison for the Illinois Secretary of State. He was named to his present position in April 2003. His responsibilities include the overall management of the city-owned utility that provides both water and electric services to the greater Springfield area and as an infrastructure advisor to the Mayor. He has served as the Presidential Appointee to the National Highway Safety Advisory Committee and has served multiple terms as a member of the Secretary of State's Truck Safety Task Force.

Jay C. Bartlett (Chief Utilities Engineer) – Mr. Bartlett holds a Bachelor of Science degree in electrical engineering from the Rose-Hulman Institute of Technology, a Master of Business Administration degree from the University of Illinois at Urbana-Champaign and is a registered professional engineer. He joined City Water, Light and Power in 1984 as an electrical engineer. Since that time, Mr. Bartlett has held various engineering positions within the utility, including Supervisor of Power Generation Engineering. On June 1, 1999, he was appointed to the position of Chief Utilities Engineer. In this position, Mr. Bartlett is responsible for the utility's electric division and special infrastructure-related projects for the System.

Craig E. Burns (Director of Finance) - Mr. Burns holds a Bachelor of Arts degree in urban planning from the University of Illinois at Urbana-Champaign and a Master of Public Administration degree from Sangamon State University (now the University of Illinois at Springfield). Since joining the Department in 1982, he has held the positions of Financial Analyst, Economic Planner, Supervisor of Fiscal Services and Financial Planning Coordinator. Mr. Burns was appointed to the position of Director of Finance effective April 1, 2004. In that role, he is responsible for managing all financial affairs for the electric and water systems, including oversight of the Department's accounting, purchasing, fiscal services and commercial office functions.

Jenifer L. Johnson (Corporation Counsel) – Ms. Johnson holds a Juris Doctor degree from Northern Illinois University and a Bachelor of Science degree from the University of Illinois at Urbana-Champaign. Prior to being appointed Corporation Counsel in April 2003, Ms. Johnson served in the Office of the State Appellate Defender in Springfield beginning in 1997. Ms. Johnson was in private practice upon completion of law school in 1994 until her work with the State.

William A. Murray (Regulatory Affairs Manager) - In his present position, Mr. Murray is responsible for the legislative and regulatory matters of the Department at all government levels. He oversees departmental environmental compliance and legislative affairs between the

Department and the City Council. He previously served as Utility Projects Manager assisting in administrative functions of major electric and water system projects, and continues to perform such duties in his present position. Mr. Murray joined the City in 1980 as an Assistant Corporation Counsel. In that capacity he served as legal counsel to the City's water and electric utilities. Prior to his employment with the City, he was a staff attorney with the Federal Land Bank of St. Louis. Mr. Murray holds a Bachelor of Arts degree in government from MacMurray College in Illinois, and a Juris Doctor degree from Washington University in St. Louis. He is admitted to practice law in Illinois and Missouri.

Labor Relations

Of the approximately 436 current positions in the Electric Division, 317 are members of labor unions. The contract with the International Brotherhood of Electrical Workers, which represents the largest number (161) of union employees, expires on September 30, 2011. The contract with the Association of International Machinists (20 employees) expires on September 30, 2008. Although the contract with the International Brotherhood of Firemen and Oilers (61 employees) expired on September 30, 2007, members continue to work under the expired contract during negotiations with the City.

The Department has not experienced a work stoppage since 1977. That action did not result in any loss of or decrease in electric service to customers of the System.

Retirement Plans

The Electric Light Revenue Fund, along with certain other Funds of the City, is a participating member of the Illinois Municipal Retirement Fund ("IMRF"). Under Illinois law, the IMRF is responsible for providing benefits to retiring City employees, which benefits are in addition to Social Security benefits. Participating members are required to contribute 4.5% of their annual salary to IMRF. The City is required to fund the System using the actuarial funding method specified by law. The employer rate for calendar year 2007 was 11.23% and 11.19% for calendar year 2008. On December 28, 2004, the City issued its General Obligation (Taxable) Bonds, Series 2004A (the "Series 2004A Bonds"), $15.1 million of which was used to pay off the portion of its unfunded liability to IMRF arising from its 2003 early retirement program. Transfers from the Electric Light Revenue Fund are expected to pay 62% of the annual debt service on that portion of Series 2004A Bonds that is allocable to the payment of early retirement incentive liability for Department employees. These transfers are treated for accounting purposes as an operating and maintenance expense. For more information on Retirement Plans, see APPENDIX A to this Official Statement.

THE ELECTRIC SYSTEM

History

The City acquired its electric utility in October 1906, through the purchase of certain properties of the Capital Electric Company. In 1967, an agreement with Central Illinois Light Company was entered into which expanded the System's load requirements and provided the System with its first 138 kV interconnection. The System is the largest municipal electric utility in the State.

Transfer Policy

Pursuant to Ordinance Numbers 628-11-04 and 729-10-05, adopted on November 3, 2004, and October 18, 2005, respectively, the City codified its financial relationship with the Department and established the contributions/payments to be made from the Electric Light Revenue Fund to the City's Corporate Fund. Payments are made monthly based on the previous month's adjusted sales. Payments shall be forwarded no later than the 30th of each month for the previous month's adjusted sales. The following percentages shall be applied to sales revenues adjusted for uncollectible debt, penalties and all applicable taxes:

Wholesale sales:	3.50%
Retail sales:	2.67%

Service Area

The area served by the System includes the City, the adjacent communities of Jerome, Leland Grove, Southern View and certain unincorporated areas, encompassing an area of approximately 70 square miles. The estimated population of the City in 2008 was 117,096 persons, representing an increase of 5% from 2000 U.S. Census data. The System's service area population is approximately 137,000 persons.

Customers

The following table shows the number of retail customers for Fiscal Years 2004 through 2008. These figures exclude sales to other utilities.

RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS

	2004	2005	2006	2007	2008
Number of Customers:					
Residential	57,526	57,712	59,299	59,007	59,463
Commercial	7,799	7,910	8,099	8,085	8,133
Industrial	0	0	0	0	0
State of Illinois (1)	3	3	3	3	3
Security Lights and Other (2)	3,394	3,577	3,253	3,207	3,159
Total	68,722	69,202	70,654	70,302	70,758

(1) Includes the State Capitol Complex and the University of Illinois-Springfield. Excludes approximately 285 State accounts included in the Commercial classification.
(2) Excludes free street lighting provided to the City.

The composition of the System's customer base is predominately residential. Of the 70,758 customers served as of February 29, 2008, 59,463, or 84.0%, are residential and 8,136 or 11.5% are commercial, governmental or industrial customers. These non-residential customers provided approximately 65% of the System's retail revenues for Fiscal Year 2008.

The following table lists the System's ten largest users of electric energy in Fiscal Year 2008, which in total represent 21.98% of annual kWh sales and 22.00% of annual retail sales revenues (excluding interchange sales to other electric systems).

TEN LARGEST SYSTEM CUSTOMERS
(Fiscal Year Ending February 29, 2008)

Customer	Percent of Annual Retail Sales Revenue
State of Illinois [1]	11.13%
St. John's Hospital	2.40%
Memorial Medical Center	2.27%
Springfield School District 186	1.13%
University of Illinois at Springfield	1.02%
SIU School of Medicine	0.98%
CWLP Water Department[2]	0.88%
Federal Government	0.77%
White Oaks Mall	0.77%
Horace Mann Insurance Co.	0.65%
TOTAL	22.00%

Total Retail Sales Revenues for this period amounted to: $176,578,285
Total Retail kWh sold for this period amounted to: 1,833,275,208

(1) Includes the State Capitol Complex and approximately 285 State accounts.
(2) CWLP Water Department pays for service on the same basis as all other customers of the System.

Retail Energy Sales

In Fiscal Year 2008, the System sold 1,833,275,208 kWh of energy (excluding sales to other utilities). This represents an increase of 3.7% in energy consumption from Fiscal Year 2007. The following table, prepared by the City, shows the System's sales of energy, in kWh, operating revenues and average revenue per kWh sold to principal customer classes for Fiscal Years 2004 through 2008.

HISTORICAL CUSTOMER STATISTICS

	2004	2005	2006	2007	2008
Sales of Electricity (kWh):					
Residential	642,335,354	626,235,924	683,799,987	661,841,182	693,138,375
Commercial	993,914,267	978,694,346	1,034,682,760	1,012,454,208	1,039,055,893
Industrial	0	0	0	0	0
State of Illinois (1)	82,507,200	82,502,400	85,891,200	85,416,000	93,086,400
Security Lighting and Other (2)	7,681,807	7,775,101	7,959,944	7,840,868	7,994,541
Total Sales of Electricity (kWh) (3)	1,726,438,628	1,695,187,771	1,812,333,891	1,767,552,258	1,833,275,208
Operating Revenues (4):					
Residential	$39,543,655	$38,035,933	$43,902,225	$50,040,319	$59,722,710
Commercial	70,204,804	68,653,828	75,725,936	88,042,174	102,055,221
Industrial	0	0	0	0	0
State of Illinois (1)	5,109,697	4,981,302	5,495,329	6,612,866	8,400,141
Security Lighting and Other (2)	560,288	551,681	548,858	552,654	546,616
Total Operating Revenues (3)	$115,418,444	$112,222,744	$125,672,348	$145,248,013	$170,724,688
Average Revenue per kWh Sold (4):					
Residential	$0.0616	$0.0607	$0.0642	$0.0756	$0.0862
Commercial	0.0706	0.0701	0.0732	0.0870	0.0982
Industrial	0.0000	0.0000	0.0000	0.0000	0.0000
State of Illinois (1)	0.0619	0.0604	0.0640	0.0774	0.0902
Security Lighting and Other(2)	0.0729	0.0711	0.0690	0.0705	0.0684
Total Average Revenue Per kWh Sold	$0.0669	$0.0662	$0.0693	$0.0822	$0.0931

(1) Includes the State Capitol Complex and the University of Illinois at Springfield. Excludes approximately 285 State accounts included in the Commercial classification.

(2) Excludes free street lighting provided to the City.

(3) Excludes sales to other utilities.

(4) Net of utility taxes collected, uncollectible accounts and unbilled revenue adjustment.

The System historically has provided street lighting to the City without charge. In Fiscal Year 2008, approximately 25,026,318 kWh were provided to the City for this purpose. Under the Master Bond Ordinance, the City is required to pay for service other than street lighting on the same basis as other customers of the System.

Wholesale Power Sales

The City is a transmission-owning member of MISO and participates in the energy market operated by MISO (the "MISO Energy Market") under a Resource Management Agreement with The Energy Authority Inc. ("TEA"). The City has designated TEA to be the Market Participant for the transaction of power sales and purchases in the MISO Energy Market on behalf of the City. The MISO Energy Market consists of both Day Ahead and Real Time energy markets. Participation in the MISO Energy Market gives the System the ability to offer excess generating capacity for sale into the MISO Energy Market and also provides the opportunity for economical power purchases to accommodate the System's native load needs at certain times of the year. The City is authorized under the Settlement to offer wind capacity for resale to wholesale entities, but must maintain 100 MW of wind capacity for its retail customers.

The Resource Management Agreement with TEA (the "TEA Agreement") gives TEA the exclusive right to serve as the Market Participant in the MISO Energy Market. For this service, TEA receives a flat monthly fee of $52,500 per month. Under this agreement, services provided by TEA include: resource analysis, fuel and power portfolio risk management and optimization, bilateral trading services, financial trading services and hedging services. As the Market Participant, TEA is also responsible for support services such as billing, settlement and credit management services related to the MISO Energy Market. Obtaining all these services through TEA provides the System with a level of expertise and a breadth of service that would not be possible with in-house staff. Under the TEA Agreement, the City remains responsible for the commitment, dispatch and operation of its generating resources, the management and performance of existing wholesale obligations, ensuring sufficient capacity and energy to meet the System's native load requirements and any determination to add generating capacity to the System. While the TEA Agreement has no expiration date, it may be terminated by either party, with or without cause, by giving written notice 180 days prior to a specified termination date.

In addition to participation in the MISO Energy Market, the City has entered into two wholesale power agreements with neighboring municipalities to provide the full end-use energy requirements of those municipal customers. An agreement with the Village of Riverton, Illinois became effective on April 1, 2004, and will expire March 31, 2009. An agreement with the Illinois Municipal Electric Agency ("IMEA") for the energy requirements of the Village of Chatham, Illinois became effective March 1, 2005, and will expire December 31, 2009. Under this agreement, the IMEA serves as the power purchasing agent for Chatham. For Fiscal Year 2008, revenue from the Village of Chatham and the Village of Riverton was $3,821,775 and $959,239, respectively.

The Settlement set forth the production limitations for Dallman Units 1-3, which were established in accordance with the System's long-term generation plan and MISO obligations. Specifically, Dallman Units 1-3 will not operate at their maximum capability 99% of the time and will be subject to the following use restrictions: Dallman Unit 3 operations will be limited to 170 MW net (a 4.12% reduction from full load levels) and Dallman Units 1 and 2 operations will be limited to 70 MW net (an 11.43% reduction from full load levels). Notwithstanding these limitations, the City has the authority under the Settlement to operate Dallman Units 1-3 at a higher capacity when required for regulatory compliance purposes or in emergency situations to maintain the System's reliability.

The City further agreed to establish an Environmental Initiatives Fund as part of the Settlement into which funds from the wholesale energy sales will be deposited. After the Dallman 4 Project goes online, CWLP will dedicate to the Environmental Initiatives Fund revenue received from wholesale energy sales at a rate of $4.80 per ton of CO_2 emitted. The City will use at least 50% of the revenue generated by the sale of wholesale power (not to exceed $1 million annually) to fund demand-side energy efficiency and conservation programs.

Description of Generating Facilities

The System is a fully integrated electric generation, transmission and distribution system. The major components of the System are explained in the following paragraphs.

The Department currently maintains and operates the Dallman and Lakeside steam power stations, the Reynolds Street and Factory Street gas turbine power stations, the Interstate Combustion turbine station and the Lakeside diesel generators. The total maximum net capability of the existing production facilities is 620 MW.

V.Y. Dallman Power Station. The V.Y. Dallman Power Station is a three unit coal-fired generating station located near the north end of Lake Springfield. Dallman Units 1 and 2 have maximum capability of 86 and 87 MW, respectively, and were installed in 1968 and 1972, respectively. Dallman Unit 3 has a maximum capability of 199 MW and was installed in 1978. All of the Dallman units are designed to burn coal with an approximate heat content of 10,500 Btu per pound. Particulate emissions from the three units are controlled by electrostatic precipitators. All Dallman units have flue gas desulfurization equipment to control SO_2 emissions and selective catalytic reduction systems to control NO_x emissions. The units use once-through condenser cooling water systems with water being obtained from, and discharged into, Lake Springfield. Due to a November 10, 2007, explosion, Dallman Unit 1 is undergoing repairs and will not be operational until approximately March 1, 2009. No other generating facilities were affected by the explosion at Dallman Unit 1.

Lakeside Power Station. The Lakeside Power Station is located approximately 1,000 feet northeast of the Dallman Power Station near the Spaulding Dam at the north end of Lake Springfield. Currently, boiler No. 7, turbine-generator No. 6 ("Unit No. 6"), boiler No. 8 and turbine-generator No. 7 ("Unit No. 7") are in use at Lakeside. These units have a maximum capability of 38 MW each and are designed to burn coal with a heat content of approximately 10,500 Btu per pound. Particulate emissions are controlled by a single electrostatic precipitator. Water for the units' once-through cooling systems is obtained from, and discharged into, Lake Springfield. These units are scheduled to be retired in 2010.

Factory Street Gas Turbine Station. The Factory Street Gas Turbine Station ("Factory") is an oil burning, remote controlled fast start to full-load combustion turbine electric generating unit with a maximum capability of 21 MW. The unit was installed in 1973 at the System's Factory Street distribution substation located on the City's north side. Factory uses No. 2 fuel oil and has an on-site storage tank with a capacity of 200,000 gallons which allows up to 90 hours of continuous full-load operation.

Reynolds Street Gas Turbine Station. The Reynolds Street Gas Turbine Station ("Reynolds") is an oil burning, remote controlled fast start to full-load combustion turbine electric generating unit with a maximum capability of 17 MW. The unit uses No. 2 fuel oil and has an on-site storage tank with a capacity of 80,000 gallons which will permit approximately 49 hours of continuous full-load operation. Reynolds was installed in 1970 at the System's Reynolds Street distribution substation located to the northeast of the City's central business district.

Interstate Combustion Turbine Station. The Interstate Combustion Turbine ("Interstate") is a dual-fuel natural gas and oil fired combustion turbine electric generating unit with a maximum capability of 128 MW. This unit is supplied with high pressure natural gas directly from a tap on the Panhandle Eastern Pipeline (Peoria lateral line). Alternately, Interstate can operate on No. 2 fuel oil, which is supplied from two 200,000 gallon on-site storage tanks. On-site oil storage would permit approximately 48 continuous hours of full-load operation when using No. 2 fuel oil. Interstate was installed in 1997, adjacent to the Interstate 138 kV substation, in the northeast section of the service area. In 1999, Interstate was equipped with a wet compression system to enhance its output.

Lakeside Diesel Generators. Three diesel generators were installed outside the Lakeside power plant in 2002. These units, rated at 1.825 MW each, burn No. 2 diesel fuel oil. These quick start units were installed primarily to supply emergency black start power to the Lakeside high and low service water pumps, but can also be used for peaking purposes. Each unit has an 800 gallon tank capable of supplying 5.5 hours of continuous full load operation.

The following table sets forth information with respect to each of the City's operating power stations.

EXISTING GENERATION FACILITIES

	Date Installed	Maximum Capability (MW)	Type of Fuel	Operating Status
Lakeside Power Station				
Unit No. 6	1961	38.0	Coal	Intermediate Load
Unit No. 7	1965	38.0	Coal	Intermediate Load
V.Y. Dallman Power Station				
Unit No. 1 (1)	1968	86.0	Coal	Base Load
Unit No. 2	1972	87.0	Coal	Base Load
Unit No. 3	1978	199.0	Coal	Base Load
Factory Gas Turbine Station	1973	21.0	No. 2 Oil	Peaking Unit (2)
Reynolds Gas Turbine Station	1970	17.0	No. 2 Oil	Peaking Unit (2)
Interstate Combustion Turbine Station	1997	128.0	Natural Gas/Oil	Intermediate Peaking Unit
Lakeside DG1-3	2002	6.0	No. 2 Oil	Peaking Unit (2)
TOTAL		620.0		

(1) Due to a November 10, 2007, explosion, Unit No. 1 will not be operational until approximately March 1, 2009.

(2) Black Start.

Fuel Supply

The City normally purchases about 1.2 million tons of coal annually to meet the requirements for the Dallman and Lakeside Power Stations. The coal supply is purchased pursuant to a long-term contract with International Coal Group – Viper Mine, formerly Turris Coal Company. The current coal contract began in July 1980 and expires not earlier than December 31, 2020. The City contracts separately for the transportation of coal from the Viper Mine to its power stations (less than 25 miles point-to-point).

Regional Oversight and Interconnections

In January 2007, the City became a full member of the SERC Reliability Corporation ("SERC"). SERC is the Regional Reliability Organization responsible for promoting, coordinating and ensuring the reliability and adequacy of the bulk power supply systems in the area served by the member systems. SERC promotes the development of reliability and adequacy arrangements among the systems; participates in the establishment of reliability standards; administers a regional compliance and enforcement program to achieve the reliability benefits of coordinated planning and operations; and provides a mechanism to resolve disputes on reliability issues.

In July 2001, the City became a transmission-owning member of MISO, a not-for-profit organization. MISO was formed by transmission owning utilities in 1998 and its members include vertically-integrated utilities, stand-alone transmission owners, load-serving entities, energy marketers, and independent power producers. MISO provides security coordination, long-term regional planning, market monitoring, scheduling and tariff administration for the high voltage (100 kV and above) transmission system in the Midwest. In April 2005, MISO began operating a regional energy market across its footprint utilizing security-constrained economic dispatch and locational marginal pricing.

The System operates as its own control area/balancing authority. On September 9, 2008, when MISO begins operation of its ancillary services market, CWLP will become a local balancing authority.

The System's transmission system consists of a loop-fed 69 kV network surrounded by a 138 kV loop. The System has a 345/138 kV interconnection with Commonwealth Edison/PJM, three 138 kV interconnections with Ameren and a 69 kV interconnection with Prairie Power, Inc. The System's interconnection with AmerenCILCO is between the City's Eastdale substation and AmerenCILCO's East Springfield substation. The System's interconnection with AmerenCIPS is at the North Auburn substation south of the City. The System's interconnection with AmerenIP is near Illiopolis east of the City. The 345/138 kV interconnection at AmerenCILCO's Lanesville substation was placed in service in December 2004. The Lanesville substation is located on the System's Interstate-Illiopolis Tap 138 kV line east of Lanesville.

The City has a single interconnection agreement with Ameren Services Company which covers the System's interconnections with AmerenCILCO, AmerenCIPS and AmerenIP. The City has a separate interconnection agreement with Prairie Power, Inc., which is in the Ameren Illinois control area, at the System's 69 kV Amos substation.

Transmission and Distribution

The System's transmission network consists of lines and associated substations operating at voltages of 138 kV and 69 kV. The 138 kV portion of the transmission network currently includes approximately 63 circuit miles of overhead lines forming a complete loop around the System's service area. The purpose of the 138 kV network is to provide (i) bulk power supply to the lower voltage portion of the transmission network, (ii) a direct supply to a limited number of distribution substation transformers and (iii) interconnections with other utilities. The 138 kV transmission lines presently serve nine of the System's substations or switching stations. A portion of the 69 kV transmission network was installed in 1956, and now consists of approximately 66 circuit miles of overhead lines serving 21 distribution substations.

The System's distribution network consists of approximately 554 circuit miles of overhead and approximately 440 circuit miles of underground facilities. The City maintains a modern dispatch center which is staffed by dispatching and operations personnel 24 hours a day. Dispatching operations are aided by a Supervisory Control and Data Acquisition System ("SCADA"). SCADA continuously monitors load conditions on the City's electric grid and keeps track of any status changes. The SCADA system is fully operational on the transmission network. While SCADA systems are not typically applied to distribution networks, the City has added control points to all the remote terminal units which would allow its SCADA system to operate on the distribution network. This approach provides greater control over the City's electric grid and improves customer service by reducing the duration of power outages.

System Maintenance

The Department has adopted a number of operating and maintenance procedures to insure that the facilities of the System are maintained in a manner consistent with prudent engineering practice. Required repairs are made to insure continued unit reliability. Each of the System's five boilers is chemically cleaned every two to three years. An annual tree trimming program minimizes the disruption of electric service which can occur if ice and wind storms cause trees to come in contact with power lines. The tree trimming program allows for the entire System to be canvassed every three years. SCADA has been installed on the transmission network and on the distribution network. This system is used to identify power outages and thereby minimize their duration. Older transmission and distribution circuits are reconducted to higher voltage levels to be consistent with other areas of the System and current engineering standards. Transformers, capacitors, switches and other System components are subjected to thermovision scanning to identify and repair potential problems before faults occur.

Conservation Programs

The City employs a number of programs to encourage additional energy conservation, which supplement the energy conservation incentives built into its rate structure. These programs include (i) low cost energy audits upon request of residential and commercial customers, (ii) "efficiency" rebates to residential and commercial customers who install energy efficient heat pumps, (iii) rebates to residential and commercial customers who increase the insulation of their structures, (iv) technical assistance to commercial customers seeking to replace existing lighting fixtures with more efficient lighting systems and (v) public awareness and education programs. The last category of programs includes media advertisements and public service announcements promoting energy conservation techniques, public appearances by Department officials before school and civic groups and energy efficiency conferences for building contractors. The City's estimates of energy sales and peak demand contained in this Official Statement reflect the historical effects of these energy conservation programs.

In addition, under the Settlement with the Sierra Club, the City has agreed to initiate a green energy program, to create or expand at least three energy efficiency programs and to spend up to $75,000 for an energy efficiency potential study. Under the green energy program, the City agreed to (i) promote the use of renewable energy to government institutions, (ii) market renewable energy to the System's residential customers and provide opportunities for customers to purchase renewable energy, (iii) market renewable energy to the System's commercial customers, (iv) expand educational opportunities, and (v) offer green energy credit certificates for sale to customers. In addition, the City may use revenue from its Wholesale Environmental Set-Aside in excess of that deposited into its Environmental Initiatives Fund for conservation and energy efficiency programs. The City expanded the utilization of its existing demand-side management programs in Fiscal Year 2008 and will introduce several new energy efficiency programs in Fiscal Year 2009. See "SETTLEMENT AGREEMENT WITH THE SIERRA CLUB."

Electric Rates

Establishment by City Council. Rates and charges for electric service provided by the System are under the exclusive jurisdiction of the City Council. Electric rates are not subject to the control of any governmental regulatory agencies.

Present Rates. Customers are charged for service at various base rates, adjusted to take into account increases and decreases in the cost of all fuels, purchased power, and emissions control systems. This amount is subject to upward and downward adjustment when actual costs deviate from that level. The adjustment factor is based on the ratio of (i) the combined costs of coal, fuel oil and natural gas (including transportation and handling charges), purchased power and compliance with certain environmental regulations, minus the costs associated with electricity sold to other utilities, to (ii) the net kilowatt hours of power provided to the City's retail customers adjusted for line losses as compared to the base fuel costs.

The following table sets forth the actual and adopted changes in the City's electric base rates from 1991 through 2008.

ELECTRIC RATE CHANGES: 1991 - 2008

Effective Date	Increase in Base Rates
September 15, 1991	5.00%
September 15, 2000	2.60%
June 1, 2001	8.20%
November 1, 2005*	9.00%
April 1, 2006*	6.50%
October 1, 2006*	6.40%
April 1, 2007*	3.00%
October 1, 2007*	3.00%
April 1, 2008*	2.40%

*Increase only on usage and demand charges. Customer charges were not adjusted.

Customer Billing Procedures. Meters are read monthly and bills are prepared on a 30-day billing cycle. Past due accounts are notified and penalties are assessed on the first day of the next billing cycle. Failure to satisfy a past due account within 30 days results in a notice of discontinuation of service being sent to the customer. The notice indicates that service will be discontinued within ten calendar days if the past due amount is not paid. If the account remains unpaid, actual disconnection takes place 11 days after the notice is mailed. All accounts scheduled for disconnection of service are reviewed prior to actual cut-off. Disconnections are delayed if weather forecasts predict temperatures below 32 degrees Fahrenheit during the succeeding 24 hours (48 hours on weekends). Special arrangements may also be made for delinquent customers suffering from certain illnesses. Termination procedures comply with the federal standards established in the Public Utility Regulatory Policies Act of 1978.

Residential Electric Bill Comparisons

The following table sets forth the current residential electric bills for the System and investor-owned utilities ("IOUs") in the State, as well as the System's residential electric bill reflecting all approved rate increases.

	MONTHLY BILL AMOUNT[(1)]	VARIANCE TO CWLP ($)	VARIANCE TO CWLP (%)
CWLP[(2)]	$79.33		
COMMONWEALTH EDISON	$103.14	$23.82	30.02%
AMEREN-CIPS	$96.57	$17.25	21.74%
AMEREN-CILCO	$99.65	$20.32	25.61%
AMEREN-IP	$102.74	$23.41	29.52%

(1) Bills shown on this chart are based upon 850 kWh per month and do not include State taxes. Bills calculated on an average annual basis using rates in effect for June 2008.

(2) Reflects all approved CWLP electric rates for the Dallman 4 Project. This bill amount uses a 12-month average fuel adjustment of $0.013776/kWh (July 2007 – June 2008).

The IOUs in the State are subject to a provision of the Illinois Electric Service Customer Choice and Rate Relief Law of 1997, which established a retail electric rate freeze until January 1, 2007. Upon its expiration, the Illinois Commerce Commission authorized the IOUs to increase their retail rates. However, these rates are subject to change by act of the Illinois General Assembly, including reinstituting all or a portion of the retail electric rate freeze. The long-term consequences of any such rate freeze on IOUs cannot be predicted. The City is not subject to such a rate freeze; its rate increases were approved by the City Council in 2005. See "THE ELECTRIC SYSTEM – Electric Rates."

Insurance

Under the Bond Ordinance, the City is required to maintain insurance with respect to the System of the kinds and in the amounts customarily carried by private parties operating similar properties; however, the City may self-insure over all or a part of such risks by establishing reasonable reserves or budgetary provisions. The City uses a combination of insurance policies and self-insurance to comply with the provisions of the Bond Ordinance. The City has a property coverage contract with a private insurance carrier, which provides property insurance coverage for the facilities of the System, including the various power plants and other elements of the System described in this Official Statement. This contract expires on July 14, 2009. The policy's limit of liability is $250,000,000. In addition, the City has established, within the General Account of the Electric Light Revenue Fund, a Self-Insurance Reserve Account which is used to pay for losses incurred by the System which are not covered by insurance policies.

The System's property insurance will cover a majority of the losses incurred due to the November 10, 2007, explosion at Dallman Unit 1. To date, the City has received approximately $20.5 million from its property insurance carrier as reimbursement for Dallman Unit 1 repair costs. The City expects to receive additional insurance proceeds which, along with System funds and a portion of the Series 2008 Senior Lien Bond proceeds, will be sufficient to pay for all remaining repairs to Dallman Unit 1.

Moneys received pursuant to casualty insurance policies maintained by the City, for the benefit of the System, are required to be deposited to the credit of the Renewal, Replacement and Improvement Account and used to repair or replace the loss or damage with respect to which the moneys were received or, at the option of the City, deposited into the Special Redemption Fund established under the Bond Ordinance and used (a) to pay principal of or interest or redemption premium on any Outstanding Senior Lien Bonds and Outstanding Junior Lien Bonds when there are no other funds for such purpose or, if not needed for the purposes set forth in this clause (a), then (b) to redeem or purchase Outstanding Senior Lien Bonds and Outstanding Junior Lien Bonds subject, in the case of purchases, to the certain limitations provided in the Master Bond Ordinance. The City maintains a self-insurance program for general liability for the System and for worker's compensation which covers the Department as well as other City agencies and departments.

Historical and Estimated System Loads

The following table prepared by the City summarizes the System's historical and estimated loads and resources. The estimates are based upon certain assumptions set forth below and should not be interpreted as a statement of fact. Actual results may vary from these estimates. Due to the variability of wind production, the City's purchase of 20 MW of wind capacity in Fiscal Year 2008 and planned purchase of 120 MW for Fiscal Year 2009 and thereafter is not reflected in the following table. The City may resell wind capacity at wholesale but must maintain at least 100 MW of wind capacity for its retail customers.

HISTORICAL AND ESTIMATED SYSTEM LOADS AND RESOURCES
(MW at time of annual peak load)

FISCAL YEAR ENDING FEB. 28/29	ANNUAL PEAK LOAD	WHOLESALE CAPACITY SALES(1)	RESERVE REQUIREMENT(2)	PEAK LOAD RESPONSIBILITY	CAPACITY PURCHASES	RESOURCES AVAILABLE	SURPLUS (DEFICIT)
HISTORICAL							
2004	430	55	78	563	0	620	57
2005	418	24	71	513	0	620	107
2006	440	27	75	542	0	620	78
2007	451	28	77	556	0	620	64
2008	434	28	69	531	0	620	89
ESTIMATED(3)							
2009	448	29	72	549	0	620	71
2010	452	30	72	554	0	620	66
2011	456	23	72	551	0	744	193
2012	460	24	73	557	0	744	187
2013	464	25	75	562	0	744	182
2014	468	25	74	567	0	744	177
2015	472	26	75	573	0	744	171
2016	476	27	75	578	0	744	166
2017	480	27	76	583	0	744	161

(1) Estimated future capacity sales are to Chatham and Riverton through Fiscal Year 2010 and Chatham only for Fiscal Year 2011 and thereafter.
(2) Reserve Requirement is 16% for Fiscal Year 2004 to Fiscal Year 2007 and 15% thereafter.
(3) Fiscal Year 2011 to Fiscal Year 2016 capacity reflects current capacity of 620 MW plus 200 MW from the addition of Dallman Unit 4 less 76 MW from the retirement of Lakeside Power Station Units No. 6 and No. 7.

System Capital Improvements

In addition to the Dallman 4 Project, the System conducts an ongoing capital improvements program though the use of internally-generated funds. This program includes distribution system extensions and upgrades, environmental control equipment, substation construction and improvements and generating station improvements. From Fiscal Year 2004 through Fiscal Year 2008, the System contributed approximately $80.6 million in internally-generated funds to the capital improvement program. A similar amount is expected to be spent on the program over the next five years.

Changes in the Electric Utility Industry

In general, the electric utility industry has been, and in the future may be, affected by a number of actions which could impact upon the financial condition of an electric utility such as the System. Such factors include, among others: (i) effects of inflation on the operation and maintenance costs of an electric utility and its facilities, (ii) changes from projected future load requirements and relative costs and availability of different fuels, (iii) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (iv) changes resulting from conservation and demand side management programs on the timing and use of electric energy, (v) changes that might result from a national energy policy or other federal or state legislative changes and (vi) effects of competition from other suppliers of electricity. Any of these factors could have an effect on the financial condition of any given electric utility, including the System, and likely would affect individual utilities in different ways.

Fundamental changes in the federal regulation of the electric utility industry have been made by the Energy Policy Act of 1992 and the Federal Energy Regulatory Commission ("FERC") regarding transmission access and pricing, increased consolidation and mergers of electric utilities, the proliferation of self-generators and independent power producers, surplus generation in certain regional markets, and substantial changes in pricing and structures for electric services by many regulatory commissions and legislative bodies to promote increased competition in the electric utility industry. These changes increased competition in the electric utility industry, by increasing the opportunities for wholesale transactions. The City cannot predict what effect, if any, these changes will have on the System's business and affairs.

On August 8, 2005, the Energy Policy Act of 2005 was signed into law. This legislation provides, in part, as follows: (i) repeal of the Public Utility Company Holding Act; (ii) enforceable mandatory reliability standards; (iii) the grant to FERC of the authority to site transmission facilities if states are unwilling or unable to approve siting; (iv) the direction to FERC to permit incentive rate policies as a means to encourage transmission expansion; (v) revisions to the Public Utility Regulatory Policies Act; (vi) initiatives for renewable energy production; and (vii) protections for native load customers for utilities in certain areas of the country. The legislation's effects on the System's business and affairs cannot be determined at this time.

In December 1997, the Illinois General Assembly enacted the Illinois Electric Service Customer Choice and Rate Relief Law of 1997 (the "Rate Relief Law") which initiated the restructuring of the electric utility industry in Illinois by providing a framework by which retail electric customers may choose their electric supplier and a timetable by which such customers transition into retail choice. The Rate Relief Law also imposed a retail rate freeze that expired on January 1, 2007. Municipal utilities and their customers are exempt from the application of the Rate Relief Law, unless the municipality should elect to be covered. Municipalities are not able to make this election if doing so would affect their status as tax-exempt organizations or any tax-exempt debt obligations. The City has not elected to become subject to the law and has no intention to do so.

SUMMARY OF OPERATING STATISTICS

The following table shows the System's production of energy in megawatt hours ("MWh") and the amount sold to retail customers for Fiscal Years 2004 through 2008.

	2004	2005	2006	2007	2008
Energy Production					
Gross Generation	2,286,420	2,358,574	2,585,573	2,262,944	2,234,947
Less: Station Use	(238,006)	(248,111)	(266,731)	(253,934)	(238,004)
Net Generation	2,048,414	2,110,463	2,318,842	2,009,010	1,996,943
Purchased Power	126,930	48,332	157,334	215,292	252,270
Total to Account For	2,175,344	2,158,795	2,476,176	2,224,302	2,249,213
Less: Sales for Resale	(350,022)	(341,577)	(553,245)	(345,386)	(294,005)
Street Lighting[1]	(31,251)	(24,617)	(25,563)	(24,537)	(25,026)
System Use	(3,245)	(3,249)	(4,976)	(5,897)	(3,775)
Losses and Unaccounted	(64,387)	(94,164)	(80,058)	(80,930)	(93,131)
Total Retail Sales	1,726,439	1,695,188	1,812,334	1,767,552	1,833,275

(1) Includes only free street lighting service to the City and energy consumed by traffic control devices.

HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following table shows the System's historical revenues, expenses and debt service coverage. For the purposes of this table, the System's audited financial statements of income and expense have been used to reflect funds available for debt service, capital additions and other lawful system purposes in accordance with the Master Bond Ordinance. Financial information is presented for Fiscal Years 2004 through 2008. A copy of the audit report is attached as APPENDIX A to this Official Statement.

HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

($ in 000's)

	Fiscal Year Ending February 28/29				
	2004	2005	2006	2007	2008
Revenues:					
Sale of Electricity - Retail[1]	$113,949	$112,004	$125,981	$145,564	$171,209
Sales for Resale	14,388	13,486	14,583	7,278	6,319
Other[2]	1,949	1,954	1,879	1,934	2,607
Total Revenues	$130,286	$127,443	$142,443	$154,776	$180,136
Operating Expenses:[1]					
Production O & M	$25,046	$29,109	$28,935	$38,758	$41,053
Fuel	28,402	29,544	35,875	32,890	42,240
Purchased Power[3]	5,422	3,595	339	2,846	2,038
Transmission	2,224	2,220	2,357	2,478	2,706
Distribution	8,973	9,067	9,331	12,167	12,046
Accounting and Collection	5,807	6,321	6,475	7,368	8,324
Consumer Services	590	441	399	393	733
Administrative and General	16,612	16,719	19,362	16,632	17,054
Total Operating Expenses	$93,076	$97,016	$103,074	$113,532	$126,193
Net Operating Revenues	$37,210	$30,427	$39,369	$41,244	$53,943
Other Expense (Income) [4]	(944)	(821)	(7,631)	(9,914)	(10,562)
Extraordinary Loss – Storm [5]	0	0	0	2,664	0
Deposits to Rate Stabilization Account	(525)	0	0	0	0
Withdrawals from Rate Stabilization Account	0	1,643	0	0	0
Net Revenues Available for Debt Service	$37,629	$32,891	$47,000	$48,494	$64,505
Debt Service:					
1991 Senior Lien Bonds	$3,380	$3,382	$3,386	$12,942	$10,762
2001 Senior Lien Bonds	4,208	6,698	6,409	1,581	3,461
2006 Senior Lien Bonds	0	0	1,846	14,956	13,256
2007 Senior Lien Bonds	0	0	0	0	8,068
1995 Junior Lien Bonds	8,985	6,567	6,561	0	0
First Lien Bond Debt Service	$16,573	$16,647	$18,202	$29,479	$35,547
2000 Subordinate Lien Bonds	$194	$273	$506	$682	$735
2002 Subordinate Lien Bonds	165	2,001	2,188	2,402	2,395
Subordinate Lien Bond Debt Service	$360	$2,274	$2,694	$3,084	$3,129
Balance Available For Lawful System Purposes	$20,696	$13,970	$26,104	$15,931	$25,828
First Lien Bond Debt Coverage [6]	2.27	1.98	2.58	1.65	1.81
Aggregate Debt Coverage [6]	2.22	1.74	2.25	1.49	1.67

[1] Net of State and Southern View utility tax collected.

[2] Includes miscellaneous utility revenues, farm rentals, lake leases and insurance settlements.

[3] Beginning in Fiscal Year 2006, Purchased Power reflects only bilateral power purchase transactions between the System and seller of power. All transactions made within the construct of the MISO Day Ahead and Real Time Energy Markets are reflected as a net amount in Sales for Resale under Revenue.

[4] Includes interest income, capitalized interest income, non-operating revenues and non-debt service interest expenses. Fiscal Year 2006 includes proceeds from the sale of SO_2 Allowances in the amount of $5,023,213.

[5] This represents the loss the Utility actually suffered net of FEMA and insurance proceeds from March 2006 wind storm. The Fiscal Year 2007 audit reflects a gain that is the result of the accounting treatment of destroyed assets and the book value of the replacement assets.

[6] Coverage of obligations of the City paid from Net Revenues of the System during the period indicated, on a Bond Year or sinking fund basis.

MANAGEMENT DISCUSSION OF SYSTEM OPERATIONS

With the construction of Dallman Unit 4, the City is developing its first new coal-fired generating station in nearly 30 years. Over the last three decades, the System has maintained a solid record of successful operation of its existing generating resources to serve its customers with reliable and affordable electric power. The management of the System continues to focus on its core business functions of serving retail customers and selling excess energy in the wholesale market. The City is a transmission owning entity in the MISO and is also directly connected to the PJM Market (which serves all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia). The TEA assists the City in marketing off-system sales, risk management and serves as the City's Market Participant in the MISO.

Historically, the System's debt coverage on its parity lien bonds has been near or in excess of 2.00 times, a level which reflects the strength of its core operations. Through the end of Fiscal Year 2008, five of the six approved retail rate increases had been implemented. The final rate increase of 2.4% was implemented on April 1, 2008 (Fiscal Year 2009). The complete series of rate increases will ultimately result in a cumulative annual increase of 34.1% in retail revenues. While retail sales revenues were down somewhat during Fiscal Year 2004 and Fiscal Year 2005, wholesale revenues increased rather dramatically, helping to offset the retail decline. The decrease in retail revenues was attributable to weather conditions in the region that were not conducive to normal retail energy sales. The summer seasons in both Fiscal Year 2004 and Fiscal Year 2005 were much cooler than normal. On the basis of cooling degree days, both summer seasons were approximately 21% cooler than normal. In contrast, summer weather conditions in Fiscal Year 2006 and Fiscal Year 2008 were much warmer than normal, 16% and 23% respectively, resulting in higher retail energy sales in those years.

Beginning in Fiscal Year 2004, TEA assumed the role of the System's exclusive marketer of excess generating capacity. The relationship with TEA, which continues today, has proven beneficial to the City in maximizing its return on assets through wholesale sales and allowing for economical purchases of power as well. Wholesale power sales in Fiscal Year 2008 were lower than expected as a result of Dallman Unit 1 being out of service for nearly the last third of the fiscal year. In recent years, the winter season has proven to be the time of year when the System experiences the best market conditions for wholesale sales.

In June 2007 (Fiscal Year 2008), the City approved an amendment to its long-term coal contract as a result of price renegotiations with its coal provider, International Coal Group - Viper Mine (ICG). It had been six years since the coal price was last re-opened under provisions provided for in the coal contract. The market price for Midwestern coal had increased in that time period. The base coal prices under the amended contract were established at $31.00/ton for Dallman Units and $27.00/ton for Lakeside Units, which are expected to result in a blended or average base price of $30.60/ton. These prices do not include delivery. Prior to price renegotiation, coal prices under the contract were $25.18/ton at Dallman and $22.75/ton at Lakeside. The amendment to the coal contract also established that the next price re-opener could not occur prior to December 31, 2011. The new coal prices caused fuel expenses to rise in Fiscal Year 2008. Gross fuel costs represent about one-third of total operating expenses. In Fiscal Year 2006, fuel cost was $15.47 per MWh. As of Fiscal Year 2008, fuel cost was $21.15

per MWh. Fuel costs and net purchased power costs, along with the costs of environmental control equipment, are all subject to the System's monthly fuel cost adjustment mechanism which results in either a charge or a credit on customers' monthly electric bills. This automatic fuel adjustment mechanism effectively increases or decreases fuel-related production costs billed to the customers, based on actual costs incurred, on a monthly basis. This mechanism insulates the System's financial condition from fuel price volatility.

In July of Fiscal Year 2008 the System began purchasing wind energy under its contract with the Hancock County Wind project. The System is entitled to the energy generated by 20 megawatts of wind capacity at the Hancock project. Between July and February of Fiscal Year 2008, 31,246 MWh of wind energy were purchased by the System. The System's average price for this wind energy was $41.48 per MWh. Given the prices paid for the wind energy and the revenues received from MISO for the delivery of this energy, the net cost to the System was less than $12,000 in Fiscal Year 2008.

The installation of additional environmental control equipment for both sulfur dioxide and nitrogen oxide emissions control has caused Production Operations and Maintenance expenses to increase by approximately $2.2 million per year. These costs, however, are included in the System's automatic fuel adjustment mechanism. In Fiscal Year 2008, Production Operations and Maintenance expenses include approximately $5 million in costs related to the clean-up and recovery efforts associated with the Dallman Unit 1 explosion. The City expects most of these expenses to ultimately be recovered through the System's property insurance coverage. The System's transmission costs have increased in recent years due to its membership in MISO. Annual MISO related transmission expenses are now roughly $650,000. These expenses are more than offset by revenues earned by the System as a transmission owner in the MISO, $1,037,000 in Fiscal Year 2008. The Distribution expense category includes roughly $1.5 million per year for line clearance or tree-trimming activities. This work helps to mitigate power outages caused by trees making contact with overhead distribution lines and maintains the System's overall reliability of service. In addition to traditional customer billing functions, the Accounting and Collection expense category includes costs associated with the System's information technology functions. The System has implemented a new customer billing and information system in recent years to replace a mainframe billing system which was more than twenty years old. The System's various information technology investments have caused an increase in this category of expenses.

The decrease in Purchased Power expense beginning in Fiscal Year 2006 is a result of a new treatment for Purchased Power costs due to the System's participation in the MISO Energy Market. Beginning in Fiscal Year 2006, Purchased Power costs in the schedule of Historical Revenues, Expenses and Debt Service Coverage only represent the costs of bi-lateral power purchase transactions between the System and a seller of power. All transactions made within the construct of the MISO Day Ahead and Real Time Energy Markets are reflected as a net amount in the Sales for Resale category of System Revenues. Operating within the MISO Market structure, the System submits bids for both its load and generation resources into the market on an hourly basis. The System is paid for its generation and pays for its load responsibilities. The net dollar amounts of these transactions are reflected as either wholesale sales revenue or wholesale purchase expense.

The Administrative and General category of expense includes the annual transfer payment from the System to the City's Corporate Fund. This payment in lieu of taxes is based on a percentage of electric sales revenues, which was 2.5% of electric revenues prior to Fiscal Year 2004. In Fiscal Year 2004, the transfer payment was increased to 3.5% of electric revenues, resulting in an increase in the System's annual payment to the Corporate Fund to approximately $4.6 million. During Fiscal Year 2005, the City Council approved an ordinance that officially capped this transfer payment at 3.5% of revenues effective in Fiscal Year 2006 and required City Council action to change the percentage. Prior to the adoption of this ordinance, the payment basis had not been codified and was subject to change during the annual City budget process. After the adoption of the series of retail rate increases designed to fund the Dallman 4 Project, the City Council passed an amending ordinance further adjusting the retail percentage basis for the Corporate Fund transfer payment. This ordinance was intended to eliminate the impact that the Dallman 4 retail electric rate increases would have on the transfer payment. The percentage basis applied to retail revenues will decrease annually commensurate with the retail electric rate increases. Based on the amending ordinance, the retail percentage basis for the transfer payment stabilized at 2.67% on March 1, 2008. The percentage basis for revenues from wholesale sales remains 3.5%, as provided for in the amending ordinance. The City Council's intent in reducing the retail percentage basis was to hold the dollar amount of the System's transfer payment to the Corporate Fund at a level consistent with the annual payment amount prior to the Dallman 4 rate increases.

Prior to Fiscal Year 2006, the management of the System had been primarily focused on preparing its existing Dallman generating units for compliance with Clean Air Act emission regulations. The installation of a Flue Gas Desulfurization scrubber serving Dallman Units 1 and 2 and the installation of Selective Catalytic Reduction systems for nitrogen oxide control on all Dallman units had constituted the System's primary capital spending efforts.

In Fiscal Year 2006 the System embarked on its effort to complete the Dallman Unit 4 Project, its first base load addition in nearly 30 years. The Dallman Unit 4 Project will allow CWLP management to continue achieving the utility's primary objective of providing reliable electric service to the citizens of Springfield at the lowest possible cost, while striving to maintain and improve the overall financial health of the System. The Dallman 4 project is proceeding on schedule and on budget with completion scheduled for early 2010. Management firmly believes that Dallman Unit 4 will prove to be a very valuable asset to the System, as this plant will provide reliable, locally controlled power and stable energy prices to the customers of the System for many years into the future.

ESTIMATED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

A summary prepared by the City of the System's estimated revenues, expenses and debt service coverage for Fiscal Years 2009 through 2014 is provided below. These estimates are based on certain assumptions, also prepared by the City, which are set forth immediately following this summary table.

	Fiscal Year Ending February 28/29 ($ in 000s)					
	2009	2010	2011	2012	2013	2014
Sales –GWH [1]:						
Retail Sales	1,799	1,843	1,862	1,881	1,899	1,918
Sales for Resale	(39)	686	1,507	1,632	1,602	1,582
Total Sales	1,760	2,529	3,369	3,513	3,502	3,501
Revenues [2] [3]:						
Retail Sales	$187,170	$180,283	$176,540	$179,341	$183,549	$186,624
Sales for Resale	(6,906)	34,855	94,610	105,831	106,668	108,189
Other Revenues	2,346	2,329	2,320	2,331	2,346	2,358
Total Revenues	182,610	217,467	273,470	287,502	292,563	297,171
Operating Expenses [4]:						
Production O&M	40,251	42,950	57,308	59,272	61,305	63,408
Fuel [5]	42,301	51,068	66,964	71,371	72,657	74,195
Purchased Power [6]	2,599	17,680	17,733	18,444	19,182	19,951
Transmission	3,580	3,692	3,821	3,955	4,093	4,237
Distribution	12,472	12,858	13,308	13,774	14,256	14,755
Accounting and Collection	7,440	7,661	7,929	8,207	8,494	8,791
Energy Services	1,371	1,505	2,040	2,076	2,114	2,153
Administrative and General	17,430	18,040	21,080	21,928	22,464	23,010
Total Operating Expenses	127,443	155,454	190,184	199,027	204,564	210,501
Net Operating Revenues	55,167	62,013	83,286	88,475	87,999	86,671
Other Expenses (Income) [7]	(4,325)	(2,732)	(2,773)	(2,874)	(2,915)	(2,961)
Net Revenues Available for Debt Service	59,492	64,744	86,059	91,349	90,914	89,632
Debt Service[8]						
2001 Senior Lien Bonds	10,151	10,151	10,149	0	0	0
2006 Senior Lien Bonds	15,456	15,456	15,456	25,901	25,897	25,901
2007 Senior Lien Bonds	9,714	9,714	9,714	9,714	11,824	11,819
2008 Senior Lien Bonds	3,841	7,277	7,278	7,321	4,736	4,736
First Lien Bond Debt Service	39,162	42,598	42,596	42,935	42,456	42,456
2000 Subordinate Lien Bonds	547	0	0	0	0	0
2002 Subordinate Lien Bonds	1,361	0	0	0	0	0
Subordinate Bond Debt Service	1,908	0	0	0	0	0
Balance Available-Lawful System Purposes	$18,422	$22,147	$43,463	$48,414	$48,458	$47,176
Senior Lien Bond Debt Coverage	1.52	1.52	2.02	2.13	2.14	2.11
First Lien Bond Debt Coverage	1.52	1.52	2.02	2.13	2.14	2.11
Aggregate Debt Coverage	1.45	1.52	2.02	2.13	2.14	2.11

*Totals are subject to rounding.

(1) Energy sales based on official System load forecast.
(2) Net of State and Southern View utility tax collected.
(3) Includes miscellaneous utility revenues, reimbursements, farm rentals, lake leases; does not include insurance settlements.
(4) Net of State and Southern View Utility Tax paid.
(5) Includes $S0_2$ allowance and NO_X allowance costs.
(6) Includes wind energy purchases and bilateral energy purchases from other utilities.
(7) Includes interest income, non-operating revenues and expenses and non-debt service interest expenses.
(8) Interest on the Series 2000 Subordinate Lien Bonds and the Series 2002 Subordinate Lien Bonds in Fiscal Year 2009 was calculated using actual auction rates when known and the last known auction rate of 5.688% for upcoming auctions that will occur before the refunding of said bonds.

DEBT SERVICE SCHEDULE

The following schedule shows the debt service requirements for Senior Lien Bonds and Subordinate Bonds.

Period Ending March 1	Outstanding Series 2000 Subordinate Lien Bond Debt Service(1)	Outstanding Series 2001 Senior Lien Bond Debt Service	Outstanding Series 2002 Subordinate Lien Bond Debt Service(1)	Outstanding Series 2006 Senior Lien Bond Debt Service	Outstanding Series 2007 Senior Lien Bond Debt Service	Series 2008 Senior Lien Bond Debt Service		Aggregate Series 2008 Senior Lien Bond Debt Service	Aggregate Debt Service
						Principal	Interest		
2009	$546,731	$10,151,175	$1,361,047	$15,455,814	$9,713,700	$1,290,000	$2,551,007	$3,841,007	$41,069,474
2010		10,150,700		15,455,814	9,713,700	2,325,000	4,952,400	7,277,400	42,597,614
2011		10,149,100		15,455,814	9,713,700	2,395,000	4,882,650	7,277,650	42,596,264
2012				25,900,814	9,713,700	2,510,000	4,810,800	7,320,800	42,935,314
2013				25,896,570	11,823,700		4,735,500	4,735,500	42,455,770
2014				25,900,860	11,819,300		4,735,500	4,735,500	42,455,660
2015				25,897,180	11,826,700		4,735,500	4,735,500	42,459,380
2016				13,387,420	15,035,300	9,000,000	4,735,500	13,735,500	42,158,220
2017				13,387,420	14,961,900	9,520,000	4,285,500	13,805,500	42,154,820
2018				13,387,420	24,997,500		3,809,500	3,809,500	42,194,420
2019				13,387,420	24,997,500		3,809,500	3,809,500	42,194,420
2020				13,387,420	24,997,500		3,809,500	3,809,500	42,194,420
2021				13,387,420	25,000,500		3,809,500	3,809,500	42,197,420
2022				13,387,420	24,999,250		3,809,500	3,809,500	42,196,170
2023				13,387,420	24,996,750		3,809,500	3,809,500	42,193,670
2024				13,387,420	25,000,750		3,809,500	3,809,500	42,197,670
2025				13,387,420	24,998,500		3,809,500	3,809,500	42,195,420
2026				34,887,420	3,497,750		3,809,500	3,809,500	42,194,670
2027				34,884,250	3,500,750		3,809,500	3,809,500	42,194,500
2028				34,886,250	3,499,500		3,809,500	3,809,500	42,195,250
2029				34,886,750	3,502,000		3,809,500	3,809,500	42,198,250
2030				34,886,000	3,498,500		3,809,500	3,809,500	42,194,000
2031				34,885,250	3,499,000		3,809,500	3,809,500	42,193,750
2032				34,884,250	3,503,000		3,809,500	3,809,500	42,196,750
2033				34,885,375	3,675,000		3,809,500	3,809,500	42,369,875
2034				34,885,750	3,671,250		3,809,500	3,809,500	42,366,500
2035				34,886,875	3,669,750		3,809,500	3,809,500	42,366,125
2036						37,165,000	3,809,500	40,974,500	40,974,500
2037						39,025,000	1,951,250	40,976,250	40,976,250

(1) The Subordinate Bonds currently bear interest in an auction rate which is reset every 35 days. For purposes of the Table, it has been assumed that the Subordinate Bonds will remain in auction rate mode until the refunding of the Subordinate Bonds. See “Refunding of the Subordinate Bonds.” For Fiscal Year 2009, interest on the Subordinate Bonds has been calculated using actual auction rates when known and the last known auction rate of 5.688% for upcoming auctions that will occur before the refunding of the Subordinate Bonds.

CASH AND INVESTMENTS BALANCES

The table below presents unaudited cash and investment balances of the accounts related to the System, as of May 31, 2008.

ACCOUNT NAME	CASH AND INVESTMENT BALANCE
Electric Fund	
Rate Stabilization [1]	$1,255
Electric Emergency Repair	4,144,230
Renewal, Replacement and Improvement	16,296,710
2006 Senior Lien Principal & Interest	3,911,167
2006 Senior Lien Debt Service Reserve	24,792,276
2007 Electric Improvement Fund	46,110,022
2007 Senior Lien Principal & Interest	2,441,950
2007 Senior Lien Debt Service Reserve	3,791,204
2001 Senior Lien Principal & Interest	2,546,342
2001 Senior Lien Debt Service Reserve	10,065,860
2000 Subordinate Principal and Interest[2]	53,108
2002 Subordinate Principal and Interest[2]	589,234
Electric Rebate[1]	8,485
Electric Insurance Reserve[1]	2,037,375
Environmental Compliance[1]	506,235
Electric Light Revenue[3]	2,363,559
Energy Efficiency Reserve Account	305,519
Electric G.O. Sinking	913,407
ELECTRIC FUND-TOTAL	$120,877,938

(1) Within General Account.
(2) Series of Subordinate Bonds to be refunded by Series 2008 Senior Lien Bonds.
(3) Of this amount, the Water Fund shares part of the balance. The Water Fund share ranges between $1,000 and $100,000.

ENVIRONMENTAL MATTERS

General

Operation of the System is regulated by the United States Environmental Protection Agency (the "USEPA"), the IEPA, and the Illinois Pollution Control Board (the "Board"). The City must comply with the requirements of the licenses and permits covering discharges into Lake Springfield and related waterways, emissions into the atmosphere, disposal of other waste products of the power stations, and the operation of certain pollution control equipment.

Air Quality Standards

The Department maintains operating permits for its generating facilities at the Lakeside and Dallman Power Stations. Dallman Unit 3 is subject to New Source Performance Standards while all other units are classified as existing sources. All units are subject to Phase II "acid rain" limitations of the Clean Air Act legislation enacted in 1990. The Department has installed and certified all necessary continuous emissions monitoring systems required by Title IV of the Clean Air Act and timely filed its Title V permit applications with the IEPA for its coal-fired units and associated equipment as well as its combustion turbines. The IEPA issued Title V permits for the Department's combustion turbines (Reynolds – January 10, 2003) (Factory – January 28, 2003) (Interstate - November 17, 2003). The IEPA issued the Title V permit for the Dallman/Lakeside Generating Stations on September 29, 2005. The Department appealed this permit to the Board on November 3, 2005. Coincident with the filing of the permit appeal, the Department also filed a motion for stay of the permit and a stay of the effective date of the permit. The Board granted this stay on February 16, 2006. On November 30, 2005, the Lake County Conservation Alliance (the "Petitioner") filed a petition with the Administrator of the USEPA objecting to the issuance of nineteen (19) Title V permits by IEPA on September 29, 2005, for coal-fired electric generating facilities, including the Title V permit issued for the Department's generating facilities. The Petitioner asserts that the Title V permits lack sufficient provisions to ensure compliance with all periodic monitoring requirements.

The federal and state governments have issued numerous regulations over the last several years regarding controls of emissions from coal-fired generating plants, specifically NO_x, SO_2 and mercury. Recently, in March 2005, USEPA issued the Clean Air Interstate Rule ("CAIR") and the Clean Air Mercury Rule ("CAMR") covering the electric generating industry. CAIR will require full year and ozone season NO_x reductions beginning in 2009 and SO_2 emission reductions beginning in 2010. All the System's coal-fired units are affected as are the Factory and Interstate Turbines. CAMR initiates mercury emission reductions from the electric utility sector and applies to the System's coal-fired units. Although CAIR and CAMR set specific reduction goals, the actual impact on individual coal-fired units will not be known until the states adopt specific implementation rules.

On December 21, 2006, the Board adopted regulations to control the emissions of mercury from coal-fired power plants in Illinois. These regulations are far more stringent than the federal CAMR rules which have been vacated by the U.S. Circuit Court of Appeals for the District of Columbia earlier this year, requiring 90% reductions of input mercury beginning July 1, 2009, and preclude emissions trading to achieve compliance as allowed by CAMR. These state regulations would, however, exempt plants which are planned to be shut down (such as the Lakeside Units).

The construction permit for Dallman 4 contemplated the possibility that the federal CAMR rule might be overturned. The permit thus provided an alternate mercury emissions limitation under a Maximum Achievable Control Technology (MACT) determination. The court action on the CAMR program does not otherwise affect the construction permit for Dallman 4.

The Board also promulgated a regulatory proposal from the IEPA on August 31, 2007, to implement the federal CAIR regulations. These rules are also more stringent than the federal rule in that they will substantially limit the NO_x emission allowances available to be allocated to power plants. These rules would require generating facilities to either purchase additional allowances for NO_x emissions or to control those emissions to a greater extent than previously anticipated under the federal CAIR proposal.

As discussed herein, the City entered into a Settlement Agreement with the Sierra Club in connection with the issuance of the construction Air Permit for the Dallman 4 Project. This agreement was subsequently documented in three ordinances adopted by the City in November

2006. Under the Settlement, the City agreed to enter into a power purchase agreement for 120 MW of wind power capacity for a period of at least ten years, of which 100 MW must be reserved for the System's customers. The Settlement also calls for the City to comply with strict NO_x, SO_2 and mercury emissions limitations for Dallman Units 1-4. The City further agreed to more stringent limits specifically for Dallman Unit 4 including limits on NO_x and SO_2, total and filterable particulate material, sulfuric mist and opacity. The Department anticipates that these emissions limits can be met at Dallman Units 1-3 with the installation of additional controls and at Dallman Unit 4 by additional controls and modifications to the unit's design specifications.

In addition to its agreement to purchase 120 MW of wind power capacity, the City agreed to reduce its CO_2 emissions to levels equal to 7% below 1990 emission levels by December 31, 2012, and maintain this level through 2015. The agreement between the Sierra Club and the City calls for a reduction in CO_2 emissions attributable to the generation of electricity for serving the System's native load. The reduction in CO_2 will be accomplished through: (i) the purchase of 120 MW of wind capacity; (ii) the replacement of Lakeside generating units with Dallman Unit 4, which is approximately 34% more efficient than the Lakeside generating units; and (iii) conservation measures to lower demand and increase efficiency both in the System's internal systems and through new incentive programs for its retail customers.

The City further agreed to limits on the generating capacity of its Dallman Units, to close the Lakeside Power Station generating units once Dallman Unit 4 is operational and to promote energy conservation measures. To support its promotion efforts, the City will establish the Environmental Initiatives Fund, into which the City agreed to deposit funds at a rate of $4.80 per ton of CO_2 emitted from the production of energy for sale as wholesale energy, not to exceed $1 million per year. From 2007 through 2015, the City will dedicate $400,000 annually plus at least 50% of the Wholesale Sales Environmental Set-Aside to the Environmental Initiatives Fund for energy efficiency and demand side management programs.

Water Quality Standards

National Pollutant Discharge Elimination System ("NPDES") permits under the Federal Water Pollution Control Act Amendments of 1982 are required in connection with regulation of wastewater and cooling water discharges from the City's Lakeside and Dallman power stations. The current NPDES permit, issued on December 5, 2001, and was due to expire on December 31, 2006. A timely application for a renewed permit was filed by June 30, 2006, and the prior permit will remain in effect until a new permit is issued.

The Department is working with the IEPA to resolve boron exceedances in certain wastewater. In 1994, the Department received an adjusted standard for boron limits pertaining to discharges from its ash pond to Sugar Creek below Spaulding Dam at Lake Springfield. Yet, in May 2003, the Department began experiencing regular boron exceedances which coincided with the operation of certain air pollution control equipment.

The Department advised and met with the IEPA regarding the boron exceedances and committed to further investigation of the process chemistry and interaction of constituent streams. The Department received a violation notice from IEPA in November 2003.

The investigation determined that the flue gas desulfurization system return water, which is generated from dewatering the scrubber solids, was a primary cause of the high boron levels in the ash pond. After investigating treatment options, the Department met with IEPA in December 2004 and proposed to construct a permanent treatment facility (consisting of a brine concentration and spray dryer absorber technology) for certain waste streams in lieu of their being routed to the ash pond. Schedules for engineering, procurement and construction were submitted to IEPA in spring 2005. A design contract was awarded in April 2005. Equipment bids were received on October 20, 2005. Due to the increased cost of the on-site wastewater treatment facility, the Department has since reevaluated the need to construct an on-site wastewater treatment plant and initiated discussions with the Sanitary District to pretreat and transport this waste stream to a Sanitary District treatment plant. The Department believes that it could construct the pipeline, pumps and any necessary pretreatment or treatment requirements for less than the cost of an on-site treatment plant. The Department proposed this approach to IEPA in April 2007, and on October 4, 2007, IEPA approved an extension of the Department's compliance commitment agreement to August 9, 2009, to implement this approach. On March 10, 2008, the City entered into an intergovernmental agreement with the Sanitary District to direct the pretreated waste water streams to the Sanitary District facilities.

Landfill Standards

The Department acquired a landfill for flue gas desulfurization process sludge ("FGDS") in 1986 and operates the landfill under permits issued by the IEPA. The current landfill permit issued on April 2, 2001, was due to expire on November 15, 2005. An application for significant modification (renewal) was submitted on August 15, 2005, and the prior permit will remain in effect until the new permit is issued. The Department currently has little developed landfill capacity and has engaged in several activities for alternate use of FGDS. For instance, the FGDS has been modified to produce commercial grade synthetic gypsum, which the Department agreed to provide to a Portland cement manufacturer and a fertilizer company.

Continuing Environmental Regulations

The System's operations are subject to continuing environmental regulation. Federal, state, regional and local standards and procedures governing the environmental impact of the System's operations are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the units in operation, under construction, or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance. The Department cannot predict at this time whether any additional legislation or rules will be enacted which will affect the System's operations, and if such laws or rules are enacted, what the resulting cost to the System might be.

IEPA Violation Notice – Dallman Unit 1

IEPA issued a Violation Notice dated July 18, 2008 (the "VN") arising out of the explosion and fire that occurred on November 10, 2007 at Dallman Unit No. 1. In the explosion and fire suppression activities, airborne and waterborne transformer oil and asbestos and debris settled onto the waters of Lake Springfield and onto the soils surrounding the plant. The VN asserts that these effects constituted unlawful and unpermitted air emissions, surface water discharges and waste disposal. IEPA seeks a written commitment to undertake certain activities (some of which have already been implemented), and reserves the authority to seek statutory penalties.

The City has cooperated fully with IEPA since the event, and to date, has received no indication from IEPA that it intends to seek statutory penalties. The activities and compliance commitments recommended by IEPA are believed to be feasible, and the City intends to continue to implement them. At this time, the City intends to offer a compliance commitment agreement to IEPA to resolve the matter.

While the most recent communications indicate the IEPA's focus is on preventative actions, as opposed to the assessment of statutory penalties, because the matter has not been finally settled, the amount of any penalties which might ultimately be assessed, and the potential costs of any required remedial actions cannot be currently predicted with certainty.

INDEPENDENT AUDITORS

The financial statements of the City of Springfield, Illinois - Electric Light and Power Fund as of February 29, 2008, and for the year then ended, included in APPENDIX A to this Official Statement, have been audited by Kerber, Eck & Braeckel LLP, consultants and accountants, as stated in their report appearing in this Official Statement.

RATINGS

The Series 2008 Senior Lien Bonds have been assigned ratings of “Aa3” by Moody’s and “AA-” by Standard & Poor’s. Explanation of the significance of these ratings should be obtained from Moody’s and Standard & Poor’s, respectively. Generally, these ratings agencies base their ratings on any information and materials furnished to them and on their own investigations, studies and assumptions. These ratings are not recommendations to buy the Series 2008 Senior Lien Bonds. Further, there is no assurance that such ratings will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2008 Senior Lien Bonds.

UNDERWRITING

Citigroup Global Markets Inc. on behalf of itself and the other underwriter named on the cover page of this Official Statement (the “Underwriters”) have agreed to purchase the Series 2008 Senior Lien Bonds at an aggregate purchase price of $102,202,863.62 (reflecting an Underwriters’ discount of $548,873.68 less net original issue discount of $478,262.70), pursuant to a Bond Purchase Agreement entered into between the City and the Underwriters. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2008 Senior Lien Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2008 Senior Lien Bonds is subject to various conditions specified in the Bond Purchase Agreement. The Underwriters are obligated to purchase all of the Series 2008 Senior Lien Bonds if any are purchased.

RISK FACTORS

General

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand for services, economic conditions, demographic changes and litigation. In addition to those items listed above and elsewhere herein, some of the possible changes in the future may include, but not be limited to, the following:

(1) The System is subject to regulation and control by numerous federal, State and local governmental agencies. Neither the City nor its consultants can predict future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make unanticipated and significant capital expenditures and could generate substantial litigation.

(2) Estimates of projected revenues, expenses and the cost of the Dallman 4 Project contained in this Official Statement and the realization of such estimates, are subject to, among other things, future economic and other conditions that are unpredictable and that may adversely affect such revenues, expenses and projected costs.

Rating

The Series 2008 Senior Lien Bonds are rated by Moody's and by Standard & Poor's (see "RATINGS" herein). There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or Standard & Poor's if, in its judgment, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Series 2008 Senior Lien Bonds.

CONTINUING DISCLOSURE

In the Series 2008 Bond Ordinance, the City has covenanted and agreed, for the benefit of the Beneficial Owners of the Series 2008 Senior Lien Bonds, to provide certain financial information and operating data relating to the System within 210 days after the close of the City's Fiscal Year (the "Annual Report"); and, in a timely manner, to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each then existing Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with the Illinois state information depository, if any. The information to be contained in the Annual Report will consist of the annual audited financial statement of the City's Electric Light Revenue Fund and updated information with respect to the captions or tables in the Official Statement entitled, "THE ELECTRIC SYSTEM - Customers," "THE ELECTRIC SYSTEM - Retail Energy Sales," "SUMMARY OF OPERATING STATISTICS" and the table "HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE." Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units and will be prepared in accordance with standards of the Governmental Accounting Standards Board and the Financial Accounting Standards Board, as applicable. If the audited financial statement is not available, then an unaudited financial statement will be included in the Annual Report and the audited financial statement will be filed within 30 days after it becomes available. The notices of material events and timely notice of any failure of the City to file its Annual Report within the 210 day period will be filed by the City with each then existing NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and with the Illinois state information depository, if any. The City's undertaking with respect to material events includes timely notice of the occurrence of any of the following events with respect to the Series 2008 Senior Lien Bonds, if material:

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 Series 2008 Senior Lien Bonds;

7. Modifications to rights of Bondholders;

8. Series 2008 Senior Lien Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Series 2008 Senior Lien Bonds; and

11. Rating changes.

The City has agreed to the foregoing undertakings in order to assist the Underwriters of the Series 2008 Senior Lien Bonds and brokers, dealers and municipal securities dealers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The City will provide the foregoing information for so long as Rule 15c2-12(b)(5) is applicable to the Series 2008 Senior Lien Bonds and the City remains an "obligated person" under the Rule with respect to the Series 2008 Senior Lien Bonds. No provision of the Master Bond Ordinance or the Series 2008 Bond Ordinance limits the remedies available to any beneficial owner of the Series 2008 Senior Lien Bonds with respect to the enforcement of the continuing disclosure covenants of the City described above. Failure to comply with the continuing disclosure covenants will not constitute an event of default under the Master Bond Ordinance or the Series 2008 Bond Ordinance.

The City may amend the continuing disclosure undertakings contained in the Series 2008 Bond Ordinance upon a change in circumstances provided that (a) the undertakings, as amended, would have complied with the requirements of Rule 15c2-12(b)(5) at the time of this offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (b) in the opinion of nationally-recognized bond counsel selected by the City, the amendment does not materially impair the interests of the Beneficial Owners of the Series 2008 Senior Lien Bonds.

The City represents that it is in compliance with each undertaking previously entered into by the City pursuant to the Rule except as provided in the paragraph below.

The City did not notify the NRMSIRs and the MSRB of the late filing of its Fiscal Year 2003 and 2004 Annual Reports with respect to its general obligation bonds until July 2004 and December 2004, respectively. The City had submitted its Fiscal Year 2003 Annual Report to the NRMSIRs in December 2003 and its Fiscal Year 2004 Annual Report to the NRMSIRs in October 2004, both after the 180-day period prescribed in its previous continuing disclosure obligations relating to its general obligation bonds. The Fiscal Year 2005, 2006 and 2007 Annual Reports were filed in compliance with the continuing disclosure requirements.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2008 Senior Lien Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2008 Senior Lien Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2008 Senior Lien Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2008 Senior Lien Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2008 Senior Lien Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2008 Senior Lien Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2008 Senior Lien Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of result.

Ownership of the Series 2008 Senior Lien Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2008 Senior Lien Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2008 Senior Lien Bonds is the price at which a substantial amount of such maturity of the Series 2008 Senior Lien Bonds is first sold to the public. The Issue Price of a maturity of the Series 2008 Senior Lien Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Series 2008 Senior Lien Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2008 Senior Lien Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Series 2008 Senior Lien Bonds who dispose of Series 2008 Senior Lien Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2008 Senior Lien Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2008 Senior Lien Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2008 Senior Lien Bond is purchased at any time for a price that is less than the Series 2008 Senior Lien Bond's stated redemption price at maturity (the "Revised Issue Price"), the purchaser will be treated as having purchased a Series 2008 Senior Lien Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2008 Senior Lien Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2008 Senior Lien Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2008 Senior Lien Bonds.

An investor may purchase a Series 2008 Senior Lien Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2008 Senior Lien Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2008 Senior Lien Bond. Investors who purchase a Series 2008 Senior Lien Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2008 Senior Lien Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2008 Senior Lien Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2008 Senior Lien Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2008 Senior Lien Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2008 Senior Lien Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2008 Senior Lien Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2008 Senior Lien Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2008 Senior Lien Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2008 Senior Lien Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Series 2008 Senior Lien Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2008 Senior Lien Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2008 Senior Lien Bonds. Prospective purchasers of the Series 2008 Senior Lien Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2008 Senior Lien Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the "Bond Counsel") which has been retained by, and acts as, Bond Counsel to the City. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Series 2008 Senior Lien Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Underwriters, reviewed the information under the headings "TAX EXEMPTION" and in APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE" solely to determine whether such descriptions are accurate summaries in all material respects. This review was undertaken solely at the request and for the benefit of the Underwriters. Certain legal matters will be passed upon for the City by Jenifer L. Johnson, Corporation Counsel of the City, and by Giffin, Winning, Cohen & Bodewes P.C., Springfield, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois.

LITIGATION

No litigation is now pending or threatened against the City affecting the issuance or delivery of the Series 2008 Senior Lien Bonds, or in any way contesting the validity or enforceability of the Series 2008 Senior Lien Bonds.

MISCELLANEOUS

The attached Appendices are integral parts of this Official Statement and should be read together with the foregoing text. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the registered owners of the Series 2008 Senior Lien Bonds.

The preparation, execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF SPRINGFIELD, ILLINOIS

/s/ Timothy J. Davlin
Mayor

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE ELECTRIC LIGHT REVENUE FUND FOR THE FISCAL YEAR ENDING FEBRUARY 29, 2008, WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2007

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FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

For the year ended February 29, 2008
With comparative totals for the year ended February 28, 2007

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

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KEB
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Independent Auditors' Report

The Honorable Mayor
and Members of the City Council
City of Springfield, Illinois

We have audited the accompanying financial statements of the Electric Light and Power Fund of the City of Springfield, Illinois as of and for the year ended February 29, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Electric Light and Power Fund's 2007 financial statements and, in our report dated June 20, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in the notes to the financial statements, the financial statements present only the Electric Light and Power Fund and do not purport to, and do not, present fairly the financial position of the City of Springfield, Illinois, as of February 29, 2008 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Light and Power Fund of the City of Springfield, Illinois, as of February 29, 2008 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1Q and 19 to the financial statements, the City adopted the provisions of GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* in 2008.

The City of Springfield, Illinois has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Kerber, Eck & Braeckel LLP

Springfield, Illinois
June 25, 2008

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

BALANCE SHEET

February 29, 2008
With comparative totals as of February 28, 2007

	2008	2007
ASSETS		
Utility plant (note 2)		
Property, plant, and equipment in service	$ 758,736,423	$ 743,342,043
Less accumulated depreciation	427,597,647	407,598,738
	331,138,776	335,743,305
Construction work in progress	436,853,677	244,738,966
Net utility plant	767,992,453	580,482,271
Other property and investments - non-utility property (note 3)	4,986,658	4,986,658
Restricted assets (note 5)		
Cash and cash equivalents (note 4)	140,810,109	120,089,980
Investments (note 4)	2,062,110	5,759,046
Accrued interest receivable	24,178	149,891
Total restricted assets	142,896,397	125,998,917
Current assets		
Cash and cash equivalents (note 4)	13,051,915	7,659,177
Accounts receivable		
Billed, net of allowance for doubtful accounts of $ 1,083,952 and $ 903,596 in 2008 and 2007, respectively	16,960,113	18,497,190
Unbilled utility revenues	5,365,951	4,908,461
Insurance settlements receivable - estimated (note 18)	44,103,211	-
Inventories - materials and supplies	13,470,349	14,058,229
Prepaid expenses and other assets	2,858,579	2,086,874
Total current assets	95,810,118	47,209,931
Debt issuance costs	943,740	624,252
Total assets	$ 1,012,629,366	$ 759,302,029

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

BALANCE SHEET - CONTINUED

February 29, 2008
With comparative totals as of February 28, 2007

	2008	2007
NET ASSETS AND LIABILITIES		
Net assets		
Invested in capital assets, net of related debt	$ 254,715,392	$ 248,968,665
Restricted for debt service	36,059,954	15,698,461
Unrestricted	72,721,245	26,894,308
Total net assets	363,496,591	291,561,434
Noncurrent liabilities		
Long-term debt, net of current installments (note 5)	588,775,415	394,785,068
Other postemployment benefits obligation (note 19)	2,622,102	-
Total noncurrent liabilities	591,397,517	394,785,068
Current liabilities payable from restricted assets		
Current installments of long-term debt (note 5)	13,960,000	13,485,000
Accounts and contracts payable	8,603,965	29,268,692
Accrued interest payable	13,760,782	9,261,960
Total current liabilities payable from restricted assets	36,324,747	52,015,652
Current liabilities		
Accounts and contracts payable	11,839,317	11,125,505
Accrued payroll	945,769	2,408,055
Compensated absences payable (note 1L)	4,810,470	4,548,611
Due to primary government (note 6)	1,244,605	402,566
Deposit payable	1,343,858	1,272,070
Workers' compensation claims (note 1M)	1,226,492	1,183,068
Total current liabilities	21,410,511	20,939,875
Total net assets and liabilities	$ 1,012,629,366	$ 759,302,029

The accompanying notes are an integral part of these financial statements.

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended February 29, 2008
With comparative totals for the year ended February 28, 2007

	2008	2007
Operating revenues - electric revenues and other	$ 186,501,353	$ 160,935,725
Operating expenses		
Production		
Fuel cost	42,240,136	32,889,777
Operations and maintenance	43,721,040	42,234,204
Transmission	2,705,469	2,478,294
Distribution	12,046,173	12,166,842
Accounting and collection	8,323,519	7,368,214
Customer services	733,081	392,629
Administrative and general	14,569,395	15,111,798
Depreciation and amortization	24,011,945	25,283,060
Non-utility income (note 3)	(63,714)	(18,650)
Other post-employment benefits (note 19)	3,377,735	-
Sales tax expense	5,826,726	5,580,980
Total operating expenses	157,491,505	143,487,148
Operating income	29,009,848	17,448,577
Other income (expense)		
Other expense	(91,567)	(130,531)
Amortization of debt premium and issuance costs	1,193,046	733,897
Investment income	3,248,754	3,594,336
Total other income	4,350,233	4,197,702
Contribution revenue (notes 1K and 7)	1,082,775	831,625
Net impairment gain (note 18)	44,811,143	-
Federal Emergency Management Agency (FEMA) (note 17)	-	9,166,678
Transfer out (note 14)	(1,701,072)	(1,487,957)
Change in net assets before interest charges and extraordinary item	77,552,927	30,156,625
Interest charges (note 8)	5,617,770	6,341,805
Change in net assets before extraordinary item	71,935,157	23,814,820
Extraordinary item (note 16)	-	1,121,717
Change in net assets	71,935,157	24,936,537
Net assets at beginning of year	291,561,434	266,624,897
Net assets at end of year	$ 363,496,591	$ 291,561,434

The accompanying notes are an integral part of these financial statements.

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

STATEMENT OF CASH FLOWS

For the year ended February 29, 2008
With comparative totals for the year ended February 28, 2007

	2008	2007
Cash flows from operating activities		
Receipts from customers	$ 185,238,466	$ 151,282,924
Receipts from primary government	2,342,473	2,290,474
Payments to suppliers	(81,113,006)	(37,341,143)
Payments to employees	(43,197,821)	(39,825,452)
Payments to primary government	(21,139,800)	(22,164,862)
Other operating payments	(5,784,746)	(5,510,915)
Net cash provided by operating activities	36,345,566	48,731,026
Cash flows from noncapital financing activities		
Transfer out (note 14)	(1,701,072)	(1,487,957)
Net cash used for noncapital financing activities	(1,701,072)	(1,487,957)
Cash flows from capital and related financing activities		
Acquisition and construction of utility plant	(199,070,841)	(160,836,326)
Net proceeds from issuance of long-term debt	208,310,090	-
Principal paid on long-term debt	(13,485,000)	(12,440,000)
Interest paid on long-term debt	(22,421,645)	(14,003,554)
Contribution revenue	1,082,775	831,625
Federal Emergency Management Agency (FEMA) (note 17)	-	9,166,678
Insurance reimbursement (notes 18 and 16)	3,500,000	1,231,786
Other capital and related financing	270,603	(118,663)
Net cash used for capital and related financing activities	(21,814,018)	(176,168,454)
Cash flows from investing activities		
Purchase of investments	(27,179,000)	(194,631,845)
Proceeds from maturities of investments	30,905,130	384,790,904
Interest on investments	9,556,261	9,138,177
Net cash provided by investing activities	13,282,391	199,297,236
Net increase in cash and cash equivalents	26,112,867	70,371,851
Cash and cash equivalents at beginning of year	127,749,157	57,377,306
Cash and cash equivalents at end of year	$ 153,862,024	$ 127,749,157

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

STATEMENT OF CASH FLOWS - CONTINUED

For the year ended February 29, 2008
With comparative totals for the year ended February 28, 2007

	2008	2007
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 29,009,848	$ 17,448,577
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	24,011,945	25,283,060
Change in assets and liabilities		
Decrease (increase) in accounts receivable	1,079,586	(7,362,328)
Decrease (increase) in inventories - materials and supplies	587,880	(2,071,483)
(Increase) decrease in prepaid expenses and other assets	(771,705)	152,555
(Decrease) increase in accounts and contracts payable	(19,950,915)	14,999,978
(Decrease) increase in accrued payroll	(1,462,286)	511,636
Increase (decrease) in workers' compensation claims	43,425	(74,697)
Increase in compensated absences	261,859	691,440
Increase (decrease) in deposit payable	71,788	(178,348)
Increase (decrease) in net interfund payable	842,039	(669,364)
Increase in OPEB obligation	2,622,102	-
Net cash provided by operating activities	$ 36,345,566	$ 48,731,026

	2008	2007
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss on impaired assets (notes 18 and 16)	$ 2,792,068	$ 110,069
Unrealized (gain) from marking investments to fair value	(30,039)	(256,059)
Bond issuance costs deducted from bond proceeds	922,000	-

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Electric Light and Power Fund, a blended fund of the City of Springfield, Illinois (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting practices. The more significant of the Electric Light and Power Fund's accounting policies are described below.

A. Fund Accounting and Financial Statement Presentation

The Electric Light and Power Fund is considered to be a blended fund of the City pursuant to GASB Statement No. 14, *The Financial Reporting Entity*, and is classified as an enterprise fund (proprietary fund type). Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The financial statements present only the financial position, changes in financial position, and cash flows of the City's Electric Light and Power Fund. These financial statements are not intended to present fairly the financial position, changes in financial position and cash flows of the City in conformity with GAAP.

B. Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements.

The Electric Light and Power Fund utilizes the accrual basis of accounting, which recognizes revenue when it is earned, including an estimate of electric revenue unbilled at the end of each accounting period, and expenses when they are incurred. The Water Fund, the Electric Light and Power Fund and the Sewer Fund jointly bill customers for services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Retail revenue is billed monthly based on rates adopted by the Springfield City Council. In addition to the base rates established by this ordinance, a fuel adjustment factor is also applied. During fiscal year 2008, the average monthly fuel adjustment factor was a debit of $ 0.0114 per kilowatt hour. For the year ended February 29, 2008, retail customers of the electric system paid an average price of $ 0.0964 per kilowatt hour. Customer class average prices per kilowatt hour, for the 2008 fiscal year, were as follows:

Residential	$	.0894
Commercial general service		.1014
Large general service		.0934

D. Utility Property, Plant and Equipment in Service

Utility property, plant, and equipment are stated at cost. The cost of property additions, including replacements of units of property and improvements, is charged to property, plant, and equipment. Cost includes labor, material and similar items, and indirect charges for such items as transportation and supervision. Capital assets are defined as assets with an initial, individual cost of more than $ 5,000 and an estimated useful life in excess of one year. The Electric Light and Power Fund capitalizes interest expense on funds used during construction of major projects net of interest earned on invested unexpended bond proceeds during the construction period. Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to operations. Donated fixed assets are valued at their fair market value on the date donated.

Cost of units of property, plant, and equipment retired is eliminated from utility plant accounts, and such costs, plus removal costs less salvage, are charged to accumulated depreciation.

Depreciation is provided on a straight-line basis over the estimated service lives of depreciable property, ranging from 15 to 50 years for the utility plant, and from 5 to 50 years for equipment. Depreciation provided during the year ended February 29, 2008, was approximately 3.2 percent of depreciable utility plant at February 29, 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Non-Utility and Other Property

Non-utility property acquired for the proposed John H. Hunter Lake project represents the cost of farmland, including legal and other acquisition costs, net of rental revenue and related operating expenses prior to March 1, 1978. Rental revenue and operating expenses recognized since March 1, 1978 are included in the determination of the changes in net assets.

F. Restricted Asset Accounts

Restricted asset accounts are utilized by the Electric Light and Power Fund to comply with revenue bond ordinances.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Electric Light and Power Fund considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

H. Investments

Investments are recorded at fair value using quoted market prices at February 29, 2008.

I. Inventories

Inventories of materials and supplies are stated at the lower of cost or market, with cost determined on an average cost basis.

J. Long-Term Debt Issuance Costs, Premiums, Discounts, and Deferred Gains/Losses on Refunding

Long-term debt issuance costs, premiums, discounts, and deferred gains/losses on refunding are amortized over the life of the related issue using the effective interest method.

K. Contribution Revenue and Related Project Costs

Contributions are payments received from contractors and other businesses and individuals for special electric construction projects and contributions from other City funds for certain capital projects. Costs of the projects are capitalized and depreciated, or expensed as appropriate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - Continued

L. Vacation and Sick Leave

Electric Light and Power Fund employees are granted vacation and sick pay in varying amounts. In the event of termination, a nonunion employee is reimbursed for accumulated vacation days up to the equivalent of two years' vacation. A union employee normally must take vacation accrued during the fiscal year of accrual. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees.

Union employees may accumulate up to 90 days of sick leave to be paid upon death or retirement. Nonunion employees may accumulate an unlimited number of days of sick leave. A portion of accumulated sick leave is to be paid upon death or retirement as decided by the Springfield City Council. No sick leave is paid upon termination. However, an actuarially determined liability is recognized for that portion of accumulated sick leave benefits estimated to be payable upon death or retirement. The amount of unpaid absences as of February 29, 2008 in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, is $ 4,810,470.

M. Self-Insurance

The City is self-insured for medical benefits. The Electric Light and Power Fund makes monthly contributions to the City's Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims or incurred, but not reported, claims are liabilities of the Self Insurance Fund. The Electric Fund also carries a liability for other postemployment benefits in accordance with GASB Statement No. 45. See Note 19 for additional details.

The City is also self-insured for certain general liability claims and workers' compensation claims. The Electric Light and Power Fund maintains cash and investment reserves to fund such claims. If needed, budgetary provisions may be established to provide additional funding. The Electric Light and Power Fund reimburses the Self Insurance Fund for actual general liability claims up to $ 900,000 and for all workers' compensation claims. The Electric Light and Power Fund's liability for unpaid workers' compensation claims, as of February 29, 2008 and February 28, 2007, is as follows:

	2008	2007
Claims payable, beginning of year	$ 1,183,068	$ 1,183,875
Add claims incurred	1,351,833	1,112,084
Less claims paid	(1,308,409)	(1,112,891)
Claims payable, end of year	$ 1,226,492	$ 1,183,068

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - Continued

N. Budget

Annually, the City adopts a budget for the Electric Light and Power Fund. The budget is adopted using the accrual basis of accounting.

O. Accounting for Proprietary Fund Activities

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has chosen the option to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements to the proprietary fund activities.

P. 2007 Financial Information

The financial statements, including the notes to financial statements, include certain prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Electric Light and Power Fund's financial statements as of and for the year ended February 28, 2007, from which the summarized financial information was derived.

Q. Change in Accounting Principle

For the year ended February 29, 2008, the Electric Light and Power Fund implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB Statement No. 45 requires the recording of a liability for other postemployment benefit (OPEB) obligations for current and future retiree OPEB benefits, such as medical and dental insurance. GASB Statement 45 is recorded prospectively beginning with Fiscal Year 2008. Details relating to the Electric Light and Power Fund's OPEB liability and its calculation are provided in Note 19.

R. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

NOTES TO FINANCIAL STATEMENTS - CONTINUED

February 29, 2008

2. UTILITY PLANT

Utility plant activity for the year ended February 29, 2008, consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Production	$ 392,519,728	$ 4,336,544	$ 6,572,922	$ 390,283,350
Transmission	63,793,059	5,051,643	1,016	68,843,686
Distribution	216,559,855	9,970,093	274,592	226,255,356
General purpose	64,771,362	2,896,362	11,732	67,655,992
Waste water treatment	1,342,530	-	-	1,342,530
Excess cost of property acquired from CILCO over appraised value	4,355,509	-	-	4,355,509
Total utility plant	743,342,043	22,254,642	6,860,262	758,736,423

Accumulated depreciation activity for the year ended February 29, 2008, consists of the following:

	Balances March 1	Depreciation	Retirements	Balances February 29
Production	$ 195,120,107	$ 12,439,768	$ 3,725,696	$ 203,834,179
Transmission	40,329,765	2,186,570	1,016	42,515,319
Distribution	129,398,804	6,099,967	274,592	135,224,179
General purpose	38,071,686	3,156,418	11,732	41,216,372
Waste water treatment	1,194,960	42,112	-	1,237,072
Excess cost of property acquired from CILCO over appraised value	3,483,416	87,110	-	3,570,526
Total accumulated depreciation	407,598,738	24,011,945	4,013,036	427,597,647
Utility plant, net of accumulated depreciation	$ 335,743,305	$ (1,757,303)	$ 2,847,226	$ 331,138,776

	Balances March 1	Additions	Close Out	Balances February 29
Construction in progress	$ 244,738,966	$ 214,043,099	$ 21,928,388	$ 436,853,677

2. UTILITY PLANT - Continued

Utility plant under construction at February 29, 2008, of $ 436,853,677 includes interest on revenue bonds during construction, proceeds of which are used in financing the construction of certain assets. Interest expense is capitalized, net of interest revenue on the investment of unexpended bond proceeds. Interest expense of $ 21,455,187, net of interest revenue of $ 6,211,833, resulted in net interest expense of $ 15,243,354 being capitalized in 2008.

3. OTHER PROPERTY AND INVESTMENTS

As of February 29, 2008, the Electric Light and Power Fund had acquired approximately 1,300 acres of farmland near Springfield for approximately $ 5,000,000. The land was acquired to construct the proposed John H. Hunter Lake, which would supplement the present Lake Springfield's potable water supply and provide cooling water for the Fund's generating system. The Water Fund has acquired 5,789 acres of farmland for approximately $ 15,717,000 for the same proposed new lake. The Water Fund has expended $ 6,434,640 for additional legal, engineering, and other acquisition costs for the project. Costs incurred for the project are classified as non-utility property, pending a final decision on the project.

The Fund recognized net revenue of $ 63,714 from the farm and residential operations during 2008.

4. DEPOSITS AND INVESTMENTS

Following are the components of the Electric Light and Power Fund's cash, cash equivalents, and investments as classified per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*:

	February 29, 2008		
	Unrestricted	Restricted	Total
Cash and cash equivalents	$ 13,051,915	$ 140,810,109	$ 153,862,024
Investments	-	2,062,110	2,062,110
	$ 13,051,915	$ 142,872,219	$ 155,924,134

Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement 3,* requires disclosure of credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and modifies previous custodial credit risk disclosure requirements.

4. DEPOSITS AND INVESTMENTS - Continued

The City maintains cash deposits and investment pools that are available for use by all of the City's funds. Deposits consist of Certificates of Deposit and cash on hand. In addition, the City holds investments for the Electric Light and Power Fund and other City funds. These investments are combined to obtain larger invested balances and are accounted for by fund.

A. Deposits

At February 29, 2008, the carrying amount of the Electric Light and Power Fund's deposits totaled $ 914,512 and the bank balances totaled $ 888,096. The City's investment policy requires that deposits with financial institutions be collateralized at 102 percent of the market value of the principal and interest of the deposit. The collateral is to be held by an independent third party with whom the entity has a current custody agreement. The City's bank balances are covered by Federal Deposit Insurance Corporation (FDIC) and by collateral held by the City in the City's name at the Federal Reserve Bank of Boston.

Cash and cash equivalents	
Restricted	$ 140,810,109
Unrestricted	13,051,915
	153,862,024
Less: Illinois Funds, Prime Funds and Hamilton Funds reclassified as investments	(152,947,512)
Carrying amount of deposits	$ 914,512

4. DEPOSITS AND INVESTMENTS - Continued

B. Investments

At February 29, 2008, the Electric Light and Power Fund's investment balances were as follows:

	Fair Market Value	Less Than 6 Months	6-12 Months	1-3 Years	Standard & Poor's Rating
Federal Home Loan Mortgage Corporation	$ 2,062,110	$ 2,062,110	$ -	$ -	AAA
Illinois Funds	37,900,249	37,900,249	-	-	AAAm
Prime Funds	112,951,021	112,951,021	-	-	AAAm
Hamilton Funds	2,096,242	2,096,242	-	-	AAAm
	$ 155,009,622	$ 155,009,622	$ -	$ -	

Represented by:

Restricted cash, cash equivalents and investments	$ 142,872,219
Unrestricted cash, cash equivalents and investments	13,051,915
	155,924,134
Less: Carrying amount of deposits	(914,512)
	$ 155,009,622

Credit Risk: The City is empowered by statute to invest in certain types of securities as provided in the Public Funds Investment Act, 30 Illinois Compiled Statutes 235/1 et seq. The Electric Light and Power Fund may only invest in certain securities in accordance with a master revenue bond ordinance. Those permitted investments are defined in the master revenue bond ordinance and amendments and supplements thereto. Permitted

4. DEPOSITS AND INVESTMENTS - Continued

B. Investments - Continued

investments include U.S. Government issued or secured debt, insured or collateralized certificates of deposit, highly rated state and municipal debt, and state pooled investments. Investments held by a trustee responsible for subordinate lien bond funds may include highly rated money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.

Custodial Credit Risk: The City requires all security transactions entered into by the City be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the City Treasurer and evidenced by a safekeeping receipt.

Interest Rate Risk: In accordance with the master revenue bond ordinance, the Electric Light and Power Fund limits investments to those with a maturity of ten years or less. City policy places further limits stating that the City will not directly invest in securities with a maturity of greater than five years three months from the date of purchase. Reserve funds, however, may be invested in securities exceeding five years three months if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

Concentration of Credit Risk: The City's investment policy calls for diversification of its investments by security type and institution. With the exception of U.S. Treasury notes and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City's investment policy is written to encompass all City investments. Diversification levels in this policy are for the total investment portfolio.

On February 29, 2008, the Electric Light and Power Fund did not have greater than five percent of its investments in a single security type other than authorized pools of Illinois Funds and Prime Funds.

5. LONG-TERM DEBT

Long-term debt activity during the fiscal year ended February 29, 2008 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
(a)	$ 21,640,000	$ -	$ 11,535,000	$ 10,105,000
(b)	19,000,000	-	-	19,000,000
(c)	29,265,000	-	-	29,265,000
(d)	12,925,000	-	1,950,000	10,975,000
(e)	314,810,000	-	-	314,810,000
(f)	-	198,080,000	-	198,080,000
Unamortized debt premium	11,629,821	11,152,090	1,434,233	21,347,678
Deferred loss on refunding	(999,753)	-	(152,490)	(847,263)
Total	$ 408,270,068	$ 209,232,090	$ 14,766,743	602,735,415
Less: Current principal maturities				(13,960,000)
Long-term debt, net of current principal maturities				$ 588,775,415

(a) $ 49,130,000; Electric Revenue Bonds (Senior Lien), Series of 1991; final payment due March 1, 2008; interest 4.6 percent to 6.5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund

(b) $ 19,000,000; Electric Revenue Bonds (Subordinate Lien), Series of 2000; final payment due March 1, 2017; interest rate varies based on an Auction Rate every 35 days; interest payable every 35 days; to be repaid by net revenues of the Electric Light and Power Fund

(c) $ 78,410,000; Electric Revenue Bonds (Senior Lien), Series of 2001; final payment due March 1, 2015; interest rate 4.0 percent to 5.5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund

(d) $ 18,125,000; Electric Revenue Bonds (Subordinate Lien), Series of 2002; final payment due March 1, 2012; interest rate varies based on an Auction Rate every 35 days; interest payable every 35 days; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund

5. LONG-TERM DEBT - Continued

(e) $ 314,810,000; Electric Revenue Bonds (Senior Lien), Series of 2006; final payment due March 1, 2035; interest 3.625 percent to 5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund. A portion of the proceeds were used to retire $ 44,065,000 of the Electric Revenue Bonds (Senior Lien), Series of 2001

(f) $ 198,080,000; Electric Revenue Bonds (Senior Lien), Series of 2007; final payment due March 1, 2035; interest 3.79 percent to 4.52 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund

Debt Service Requirements to Maturity

Fiscal Year Ending February 28/29	Revenue Bonds Principal	Revenue Bonds Interest *	Total
2009	$ 13,960,000	$ 28,114,239	$ 42,074,239
2010	10,770,000	27,434,639	38,204,639
2011	11,320,000	26,866,089	38,186,089
2012	11,895,000	26,267,951	38,162,951
2013	12,845,000	26,614,954	39,459,954
2014 - 2018	71,175,000	122,990,614	194,165,614
2019 - 2023	88,415,000	101,303,975	189,718,975
2024 - 2028	112,830,000	75,989,220	188,819,220
2029 - 2033	143,880,000	44,467,813	188,347,813
2034 - 2036	105,145,000	7,938,814	113,083,814
Total	$ 582,235,000	$ 487,988,308	$ 1,070,223,308

Current Principal Maturities by Issue:

Revenue Bonds, Series 1991	$ 10,105,000
Revenue Bonds, Series 2001	1,880,000
Revenue Bonds, Series 2002	1,975,000
Total	$ 13,960,000

*Includes interest for (1) Series 2000 Subordinate Lien Bonds that is based on an assumed interest rate of 3.5% and (2) Series 2002 Subordinate Lien Bonds that is based on an assumed interest rate of 3.5%. Actual interest rates vary based on an Auction Rate every 35 days.

5. LONG-TERM DEBT - Continued

The bond ordinances for the bond issues establish certain reserve accounts and restrict transactions of these accounts. A description of these accounts and a schedule of activity for the year ended February 29, 2008, are as follows:

1991 Senior Lien Bond and Interest:
Established to pay Senior Lien bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

1991 Senior Lien Debt Service Reserve Account:
Established to pay 1991 Senior Lien bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the highest Current Debt Service Requirement on all Outstanding Senior Lien Bonds in any Bond Year ending prior to March 2, 2006. By the terms of the Bond Ordinance, from and after March 2, 2006, the Senior Lien Debt Service Requirement will become an amount equal to the Maximum Annual Debt Service on all Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

Emergency Repair Account:
Established to pay for emergency repairs and replacements and to pay bond principal and interest when no other funds are available. Amount on deposit is to be not less than $ 4,000,000 or such other amount as the City Council may determine based upon the recommendation of an independent consulting engineer. Deposit deficiencies shall be funded in equal installments over 24 consecutive months.

Renewal Replacement and Improvement Account:
Established to pay the cost of extraordinary maintenance, necessary repairs, and replacements or contingencies; routine maintenance, but only when no other funds are available; improvements and extensions or acquisitions for the system, including equipment; and payment of principal and interest on first the outstanding Senior Lien bonds and then the outstanding Junior Lien bonds if sufficient funds are not available in the respective Bond and Interest Accounts. Monthly funding is required at no less than one-twelfth of 12 percent of revenue for the preceding fiscal year less costs of fuel and purchased power. However, monthly funding may fall to one-fifteenth of 12 percent as long as, at the end of each year, the total monthly deposits for the year amount to 12 percent of net revenue less costs for fuel and purchased power.

Electric Rebate Account:
Established to account for funds required to be deposited in order for the interest paid on the Electric revenue bonds to remain tax-exempt. Amounts are to be deposited on each anniversary date equal to the actuarial bond fund earnings for the year less allowable bond fund earnings which represent excess earnings on the gross funds for each computation period. Amounts on deposit must be paid to the U.S. Government on various anniversary dates.

5. LONG-TERM DEBT - Continued

2000 Subordinated Lien Bond and Interest Account:
Established to pay Subordinated Lien bond principal and interest when due. The Indenture defines the "Bond Fund Requirement" to mean, as of any date of calculation, an amount equal to the sum of (i) the interest on the Series 2000 Subordinate Lien Bonds accrued and unpaid; (ii) the interest on the Series 2000 Subordinate Lien Bonds to accrue to the first Business Day of the next month calculated at the then current rate to the end of the then current Rate Period and thereafter at the rate of 10 percent per annum; (iii) the principal of the Series 2000 Subordinate Lien Bonds then due and unpaid; and (iv) if principal of the Series 2000 Subordinate Lien Bonds matures within one year of the first Business Day of the next month, that portion of the principal next due that would have accrued to the first Business Day of the next month if deemed to accrue daily from a date one year prior to its due date on the Series 2000 Subordinate Lien Bonds as of the first day of the next month.

2001 Senior Lien Bond and Interest Account:
Established to pay 2001 Senior Lien bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2001 Senior Lien Debt Service Reserve Account:
Established to pay 2001 Senior Lien bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the highest Current Debt Service Requirement on all Outstanding Senior Lien Bonds in any Bond Year ending prior to March 2, 2006. By the terms of the Bond Ordinance, from and after March 2, 2006, the Senior Lien Debt Service Requirement will become an amount equal to the Maximum Annual Debt Service on all Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

2002 Subordinated Lien Bond and Interest Account:
Established to pay Subordinated Lien bond principal and interest when due. The Indenture defines the "Bond Fund Requirement" to mean, as of any date of calculation, an amount equal to the sum of (i) the interest on the Series 2002 Subordinate Lien Bonds accrued and unpaid; (ii) the interest on the Series 2002 Subordinate Lien Bonds to accrue to the first Business Day of the next month calculated at the then current rate to the end of the then current Rate Period and thereafter at the rate of 10 percent per annum; (iii) the principal of the Series 2002 Subordinate Lien Bonds then due and unpaid; and (iv) if principal of the Series 2002 Subordinate Lien Bonds matures within one year of the first Business Day of the next month, that portion of the principal next due that would have accrued to the first Business Day of the next month if deemed to accrue daily from a date one year prior to its due date on the Series 2002 Subordinate Lien Bonds as of the first day of the next month.

5. LONG-TERM DEBT - Continued

2006 Senior Lien Bond and Interest Account:
Established to pay 2006 Senior Lien bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2006 Senior Lien Debt Service Reserve Account:
Established to pay 2006 Senior Lien bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the Maximum Annual Debt Service on all Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

2006 Electric Improvement Account:
Established to pay the cost of certain capital improvements for the system, including initial capital improvements associated with the construction of a new coal-fired generating facility known as Dallman Unit 4 and related facilities on the System's current plant site.

2007 Senior Lien Bond and Interest Account:
Established to pay 2007 Senior Lien bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2007 Senior Lien Debt Service Reserve Account:
Established to pay 2007 Senior Lien bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the Maximum Annual Debt Service on all Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

2007 Electric Improvement Account:
Established to pay the cost of certain capital improvements for the system, including initial capital improvements associated with the construction of a new coal-fired generating facility known as Dallman Unit 4 and related facilities on the System's current plant site.

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

NOTES TO FINANCIAL STATEMENTS - CONTINUED

February 29, 2008

5. LONG TERM DEBT - Continued

	1991 Senior Lien Bond and Interest	1991 Senior Lien Debt Service Reserve	2000 Subordinated Lien Bond and Interest
Cash and cash equivalents, and investments at beginning of year - reserve accounts	$ 12,268,157	$ 10,137,353	$ 37,895
Add (deduct):			
Interest received	217,114	597,466	4,597
Bond proceeds	-	-	-
Electric charges	10,540,006	-	760,056
Insurance settlements	-	-	-
Bond and interest payments	(12,566,713)	-	(696,403)
Transfers (to) from unrestricted accounts	-	(292,301)	-
	(1,809,593)	305,165	68,250
	10,458,564	10,442,518	106,145
Associated premium/discount	-	(1,372)	-
Adjustment to fair market value	-	19,675	-
	-	18,303	-
Cash and cash equivalents, and investments at end of year - reserve accounts	$ 10,458,564	$ 10,460,821	$ 106,145

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

NOTES TO FINANCIAL STATEMENTS - CONTINUED

February 29, 2008

5. LONG TERM DEBT - Continued

	2002 Subordinated Lien Bond and Interest	Emergency Repair	Renewal Replacement and Improvement
Cash and cash equivalents, and investments at beginning of year - reserve accounts	$ 2,027,831	$ 2,201,604	$ 5,293,203
Add (deduct):			
Interest received	47,878	159,067	155,863
Bond proceeds	-	-	-
Electric charges	2,305,368	-	13,725,305
Insurance settlements	-	-	3,600,050
Bond and interest payments	(2,390,980)	-	-
Transfers (to) from unrestricted accounts	-	1,768,395	(20,962,635)
	(37,734)	1,927,462	(3,481,417)
	1,990,097	4,129,066	1,811,786
Associated premium/discount	-	-	-
Adjustment to fair market value	-	-	-
	-	-	-
Cash and cash equivalents, and investments at end of year - reserve accounts	$ 1,990,097	$ 4,129,066	$ 1,811,786

CITY OF SPRINGFIELD, ILLINOIS
ELECTRIC LIGHT AND POWER FUND

NOTES TO FINANCIAL STATEMENTS - CONTINUED

February 29, 2008

5. LONG TERM DEBT - Continued

	Electric Rebate	2001 Senior Lien Bond and Interest	2001 Senior Lien Debt Service Reserve
Cash and cash equivalents, and investments at beginning of year - reserve accounts	$ 8,054	$ 794,012	$ 6,945,044
Add (deduct):			
Interest received	394	55,786	369,218
Bond proceeds	-	-	-
Electric charges	-	3,408,422	-
Insurance settlements	-	-	-
Bond and interest payments	-	(1,581,375)	-
Transfers (to) from unrestricted accounts	-	-	(320,233)
	394	1,882,833	48,985
	8,448	2,676,845	6,994,029
Associated premium/discount	-	-	(501)
Adjustment to fair market value	-	-	5,187
	-	-	4,686
Cash and cash equivalents, and investments at end of year - reserve accounts	$ 8,448	$ 2,676,845	$ 6,998,715

5. LONG TERM DEBT - Continued

	2006 Senior Lien Bond and Interest	2006 Senior Lien Debt Service Reserve	2006 Electric Improvement
Cash and cash equivalents, and investments at beginning of year - reserve accounts	$ 9,949,367	$ 18,447,833	$ 58,284,804
Add (deduct)			
Interest received	175,721	901,216	538,907
Bond proceeds	-	-	-
Electric charges	13,068,830	-	-
Insurance settlements	-	-	-
Bond and interest payments	(15,455,814)	-	-
Transfers (to) from unrestricted accounts	-	(934,900)	(58,823,711)
	(2,211,263)	(33,684)	(58,284,804)
	7,738,104	18,414,149	-
Associated premium/discount	1,025	3	-
Adjustment to fair market value	5,157	20	-
	6,182	23	-
Cash and cash equivalents, and investments at end of year - reserve accounts	$ 7,744,286	$ 18,414,172	$ -

5. LONG TERM DEBT - Continued

	2007 Senior Lien Bond and Interest	2007 Senior Lien Debt Service Reserve
Cash and cash equivalents, and investments at beginning of year - reserve accounts	$ -	$ -
Add (deduct):		
Interest received	65,727	150,251
Bond proceeds	-	-
Electric charges	8,012,991	-
Insurance settlements	-	-
Bond and interest payments	(3,210,918)	-
Transfers (to) from unrestricted accounts	-	3,624,257
	4,867,800	3,774,508
	4,867,800	3,774,508
Associated premium/discount	-	-
Adjustment to fair market value	-	-
	-	-
Cash and cash equivalents, and investments at end of year - reserve accounts	$ 4,867,800	$ 3,774,508

5. LONG TERM DEBT - Continued

	2007 Electric Improvement	Total
Cash and cash equivalents, and investments at beginning of year - reserve accounts	$ -	$ 126,395,157
Add (deduct):		
Interest received	5,653,608	9,092,813
Bond proceeds	204,637,135	204,637,135
Electric charges	-	51,820,978
Insurance settlements	-	3,600,050
Bond and interest payments	-	(35,902,203)
Transfers (to) from unrestricted accounts	(139,779,047)	(215,720,175)
	70,511,696	17,528,598
	70,511,696	143,923,755
Associated premium/discount	-	(845)
Adjustment to fair market value	-	30,039
	-	29,194
Cash and cash equivalents, and investments at end of year - reserve accounts	$ 70,511,696	143,952,949
Unrestricted portion - excess debt service reserve		(1,080,730)
Accrued interest receivable		24,178
		$ 142,896,397

5. LONG-TERM DEBT - Continued

Various other agreements associated with the bond ordinances require the following:

- Additional Senior Lien Revenue Bonds can be issued if:
  1) The net revenue (all revenue of the System after deduction of the reasonable and necessary expenses of operation and maintenance but before depreciation, interest, and amortization), as shown in the financial statements audited by an independent certified public accountant for the last completed fiscal year prior to the issuance of such bonds, is equal to at least 125 percent of the combined maximum annual principal and interest requirements on the bonds then outstanding which remain outstanding after the additional bonds are issued. Additionally, if the rates of the System are changed, the rates in effect at the time of the issuance of any such bonds can be used to adjust the net revenues for the immediately preceding Fiscal Year, or
  2) The adjusted net revenue during any twelve consecutive months within the eighteen months immediately preceding the issuance of new bonds is at least 140 percent of the maximum annual debt service on the Senior Lien bonds as computed after issuance and 125 percent of the maximum annual debt service on all bonds then outstanding which remain outstanding after the additional bonds are issued.

- Additional Junior Lien Revenue Bonds can be issued if:
  1) The net revenue (all revenue of the System after deduction of the reasonable and necessary expenses of operation and maintenance but before depreciation, interest, and amortization), as shown in the financial statements audited by an independent certified public accountant for the last completed fiscal year prior to the issuance of such bonds, is equal to at least 125 percent of the combined maximum annual principal and interest requirements on the bonds then outstanding which remain outstanding after the additional bonds are issued. Additionally, if the rates of the System are changed, the rates in effect at the time of the issuance of any such bonds can be used to adjust the net revenues for the immediately preceding Fiscal Year, or
  2) The adjusted net revenue during any twelve consecutive months within the eighteen months immediately preceding the issuance of new bonds is at least equal to 125 percent of the maximum annual debt service on all outstanding bonds as computed immediately after the issuance of the proposed Junior Lien Bonds on all bonds then outstanding which remain outstanding after the additional bonds are issued.

5. LONG-TERM DEBT - Continued

- Electric charges are to be collected from the various City departments except the street department for street lighting purposes.

- Disposals of utility plant can only be of a routine operational nature.

- An annual operating budget for the Electric Light and Power Fund shall be adopted by the City.

- Investments are restricted as shown in the Deposits and Investments footnote (note 4).

- Net revenue as defined in the bond ordinances must equal 1.25 times principal and interest for each fiscal year after reduction for reserve account requirements. The bond ordinances exclude principal and interest on subordinate lien debt for the purpose of this test.

As of February 29, 2008, the City was in compliance with the debt covenants of the bond ordinances. Net revenue was approximately 1.81 times principal and interest for the fiscal year.

As of February 29, 2008, the Electric Light and Power Fund had a deferred loss on refunding of $ 847,263.

6. DUE TO/FROM PRIMARY GOVERNMENT

The following are due to/from the primary government as of February 29, 2008:

	Due From Primary Government	Due To Primary Government
General Fund	$ 265,660	$ 555,977
Lincoln Library Fund	17,382	-
Oak Ridge Cemetery Fund	9,758	-
Sewer Fund	43,543	779,785
Motor Vehicle Parking	80	-
Convention and Visitors Fund	240	-
IMRF Fund	-	673,481
Recycling Fund	382	-
Special Allocation Project Fund	110	-
Self Insurance Fund	3,225	-
Firefighters' Pension Fund	19	-
Debt Management Fund	-	307,776
1996A Debt Service Fund	-	65,025
Capital Equipment Fund	-	210,598
Water Fund	1,007,638	-
Total	$ 1,348,037	2,592,642
Net, Due to Primary Government		$ 1,244,605

7. CONTRIBUTION REVENUE

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Electric Light and Power Fund is required to recognize capital contributions from non-exchange transactions as revenues. During fiscal year 2008, the Electric Light and Power Fund received $ 1,082,775 in contribution revenue.

8. INTEREST CHARGES

The components of interest charges are as follows:

Interest on debt	$ 5,465,280
Amortization of deferred loss on refunding	152,490
Net interest charges	$ 5,617,770

9. RELATED PARTY TRANSACTIONS

The Electric Light and Power Fund provides electric service to the other departments of the City at normal rates, except that the Fund provides street lighting services at no charge.

During the year ended February 29, 2008, certain employees performed services for both the Electric Light and Power Fund and the Water Fund. Salaries and employee expenses for such individuals are generally allocated 85 percent to the Electric Light and Power Fund and 15 percent to the Water Fund based on the Massachusetts Formula, which gives equal weighting to each Fund's revenue, property, and labor.

The Electric Light and Power Fund, the Water Fund, and the Sewer Fund jointly bill customers for services. Each of these funds records its billed accounts receivable from customers each month.

The Electric Light and Power Fund receives certain minimal administrative and investing services from the City.

The Electric Light and Power Fund provides information technology and support services to the General Fund and certain other City funds at no charge.

10. PENSION PLAN

Participating employees are covered by the Illinois Municipal Retirement Fund (IMRF) through the City. Contributions are paid by the City and are reimbursed by the Electric Light and Power Fund.

10. PENSION PLAN - Continued

Although IMRF is an agent multiple-employer pension plan, the Electric Light and Power Fund's participation through the City is considered to be that of a cost sharing, multiple-employer pension plan.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and two percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Participating members are required to contribute 4.5% of their annual salary to IMRF. The City is required to contribute the remaining amounts necessary to fund the system, using the actuarial funding method specified by statute.

The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of IMRF on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial entry age normal method prorated on service and is the same as the funding method used to determine contributions to IMRF.

The actuarial accrued liability for the City as a whole as of December 31, 2007, was $ 217,706,268. The actuarial value of assets at this date was $ 193,916,047. The Fund's contribution of $ 4,142,091 represented 54.4% of the total annual pension cost of the City.

Additional information, including the actuarial accrued liability and the funded status of the pension plan, is available in the City's Comprehensive Annual Financial Report for the year ended February 29, 2008.

11. DEFERRED COMPENSATION

Certain employees paid by the Electric Light and Power Fund participate in a deferred compensation plan established in accordance with requirements of the Internal Revenue Code Section 457 and sponsored by the City. Participation in the Plan is available to all employees of the City. The Electric Light and Power Fund has no liability for investment losses under the Plan.

12. RISK MANAGEMENT

The Electric Light and Power Fund is exposed to various types of risk including, but not limited to, property/casualty losses, workers compensation, employee health and public official's liability. The Electric Light and Power Fund is self-insured for these losses through the City (See note 1M). Additional information regarding exposure can be found in the City's Comprehensive Annual Financial Report for the year ended February 29, 2008.

13. COMMITMENTS

City Council approved a Resource Management Agreement with The Energy Authority (T.E.A.), giving T.E.A. the exclusive right to market the City's excess generation capacity, effective March 1, 2003. Under this agreement, the City pays a monthly resource management fee to T.E.A. The City paid resource management fees of $ 630,000 to T.E.A. during the year ended February 29, 2008.

The Electric Light and Power Fund has construction projects underway as of the end of the fiscal year. Also, see note 15.

14. TRANSFER OUT

In 1989, the City financed the Self Insurance Fund by issuing General Obligation Bonds. Prior to the year ending February 29, 2004, the City paid the bond principal and interest from the General (Corporate) Fund. During the year ended February 29, 2004, management began allocating the repayment of 1996A General Obligation Refunding bonds principal and interest to the various divisions of City government based on the percentage of employees in that division to the total number of City employees. The City retired the amount owing the Illinois Municipal Retirement Fund for the early retirement incentive program, of which many city employees took advantage during fiscal years 2004 and 2005, by issuing the 2004A General Obligation Bonds. Management has begun to allocate the repayment of 2004A General Obligation bond principal and interest to the various divisions of the City

14. TRANSFER OUT - Continued

government based on the percentage of employee payoff dollars in that division under the early retirement incentive program similar to the Self Insurance Fund General Obligation Bonds. In Fiscal Year 2008, the City started implementing a new Enterprise Resource Planning (ERP) System. The ERP System was financed by the City. The Electric Fund has recorded a share of responsibility for payment on this system as a transfer out. The Electric Light and Power Fund's allocation was determined to be $ 1,701,072 for the three programs. That amount is shown as a transfer out, in the Statement of Revenues, Expenses and Changes in Net Assets, to two Debt Service Funds and a Capital Project Fund in the Governmental Funds.

15. DALLMAN UNIT 4 CONSTRUCTION PROJECT

During Fiscal Year 2006, the City entered into a contract with KBV Springfield Power Partners, a joint venture of Kiewit Industrial Co. and Black & Veatch Corporation, for the design, procurement, and construction of a new 200-megawatt capacity generation facility, referred to as Dallman Unit 4. The new Dallman Unit 4 will employ a pulverized, coal-fired boiler with a state-of-the-art emissions control system that includes: a Selective Catalytic Reduction (SCR) system; a fabric-filter particulate collection system; and a Wet Electrostatic Precipitator (WESP). Site improvements are underway and construction of the new facility addition is partially complete. On August 10, 2006, the Illinois Environmental Protection Agency issued to the City the Prevention of Significant Deterioration Air Permit, known as PSD No. 16712OAAO for the Dallman 4 Project. The target date for commercial operation of the plant is January 12, 2010.

The Dallman 4 Project's estimated engineering and project costs and related improvements total approximately $ 516 million. On January 18, 2006, the City issued its Senior Lien Electric Revenue Bonds, Series of 2006, in the aggregate principal amount of $ 314.81 million of which approximately $ 257 million financed the initial capital improvement expenditures associated with the Dallman 4 Project. The second financing for the project was completed on May 2, 2007, when the City issued $198.08 million in Senior Lien Bonds. The Series 2007 Senior Lien Bonds provided approximately $ 204 million in proceeds to continue to finance certain capital improvement expenditures for the Dallman 4 Project. The City estimates that it will require $ 45 million in additional funds to complete the Dallman 4 Project. The City plans to issue Senior Lien Bonds in 2008 to complete funding for the Project.

16. EXTRAORDINARY ITEM - IMPAIRED ASSETS

On March 12, 2006, the City was struck by two tornadoes that did millions of dollars in widespread damage. This devastation had not been seen in the City in the previous 50 years. Sangamon County, which includes the City, was declared a state and federal disaster area.

This declaration made the City eligible for financial assistance from the Federal Emergency Management Agency (FEMA). The cost to replace the City's destroyed electric infrastructure as a result of these tornadoes was approximately $ 11.5 million. These assets were capitalized on the balance sheet and will be depreciated over the useful life of the assets. An extraordinary gain of $ 1,121,717 resulted from the accounting treatment of impaired assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The City used the lower of carrying amount or fair value approach on an individual asset basis, because the impaired assets will no longer be in use.

Asset Impairment

Historical cost	$ 362,925
Accumulated depreciation	(222,153)
Carrying amount	$ 140,772
Adjusted value (lower of carrying amount or fair value)	$ 30,703
Impairment loss	$ (110,069)
Insurance recovery	1,231,786
Net impairment gain	$ 1,121,717

The destroyed assets and their associated accumulated depreciation were retired.

The March 12, 2006 tornadoes impacted the Electric Light and Power Fund from a cash flow perspective as follows:

Capital costs	$ 11,472,719
FEMA assistance	(7,552,585)
Insurance settlements	(1,231,786)
Net cash outlay	$ 2,688,348

17. FEMA ASSISTANCE

The City was entitled to reimbursements from FEMA for storm damage from two separate events. The March 12, 2006 tornadoes (note 16) resulted in FEMA assistance of $ 7,552,585. On December 1, 2006 the City experienced an ice storm. FEMA assistance of $ 1,614,093 was recorded as a receivable in fiscal year 2007 for the anticipated reimbursement. The combined amount of $ 9,166,678 was shown as non-operating revenue in the Statement of Revenue, Expenses and Changes in Net Assets in fiscal year 2007.

18. NET IMPAIRMENT GAIN

On November 10, 2007, the Dallman Unit 31 Generator suffered a catastrophic failure. Two sets of steam valves failed which caused the generator to experience an overspeed condition ultimately resulting in an explosion in the turbine room. This event has temporarily taken Unit 31 out of service. The damaged building and infrastructure are insured by The Hartford Steam Boiler & Inspection Company/National Union Fire Insurance Company of Pittsburgh, PA. Black and Veatch have been contracted to replace infrastructure impaired during the explosion. Current projections are for Unit 31 to become operational again by the end of fiscal year 2009.

The estimated combined cost of clean-up and restoration of the City's destroyed electric infrastructure as a result of the explosion is approximately $ 52.6 million. As of February 29, 2008, approximately $ 5.6 million was spent due to the explosion. The costs relating to clean-up were expensed and the costs relating to restoration, approximately $ 2.68 million, have been capitalized in Construction Work in Progress. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, a net impairment gain of $ 44,811,143 resulted from the accounting treatment of impaired assets. The City used the lower of carrying amount or fair value approach on a summary asset basis, because the impaired assets will no longer be in use.

Asset Impairment

Historical cost	$ 6,492,022
Accumulated depreciation	(3,699,954)
Carrying amount	$ 2,792,068
Adjusted value (lower of carrying amount or fair value)	$ -
Impairment loss	$ (2,792,068)
Estimated insurance recovery	47,603,211
Net impairment gain	$ 44,811,143

18. NET IMPAIRMENT GAIN - Continued

The destroyed assets and their associated accumulated depreciation were retired and are included in the retirements within Note 2 - Utility Plant.

During fiscal year 2008, the explosion impacted the Electric Light and Power Fund from a cash flow perspective as follows:

Restoration costs	$ 2,686,805
Other costs (including clean-up)	2,932,355
Insurance recovery received as of 2-29-08	(3,500,000)
Net cash outlay	$ 2,119,160

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* address employer reporting for participation in defined benefit and defined contribution Other Postemployment Benefits (OPEB) plans that provide postemployment benefits other than pensions. OPEB benefits include healthcare and other nonpension benefits provided to employees in exchange for employee services rendered and constitutes part of the compensation for those services.

The City of Springfield Retiree Health Insurance Plan is a self-insured medical plan that operates under the administration of the City's Office of Human Resources in conjunction with the Joint Labor-Management Health Insurance Committee. Retired employees of the City of Springfield and their dependents are eligible to participate in the plan. Retirees are required to pay certain premiums and the City pays the balance of the cost of the plan. The Electric Light and Power Fund contributes the City's portion of retiree OPEB costs for its respective portion of retirees.

The actuarially determined OPEB liability for the City as a whole as of February 28, 2007, was $ 178,967,773. The actuarial value of assets at this date was $ 0. The unfunded actuarial liability at this date was $ 178,967,773. The Electric Light and Power Fund's portion of the actuarial liability was $ 60,371,547, which represented 33.7 % of the total actuarial liability of the City.

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The Electric Light and Power Fund implemented GASB statement No. 45 in fiscal year 2008. The Electric Light and Power Fund's actuarially determined normal cost of \$ 1,021,857, in addition to the 30 year amortization of the unfunded actuarial liability of \$ 2,355,878, comprises the Electric Light and Power Fund's Annual Required Contribution (ARC) of \$ 3,377,735. The Electric Light and Power Fund paid \$ 755,633 in retiree OPEB costs during fiscal year 2008, resulting in a net unfunded OPEB liability of \$ 2,622,102.

Additional information regarding the actuarial computations, liabilities, and the funded status of the OPEB plan is available in the City's Comprehensive Annual Financial Report for the year ended February 29, 2008.

20. RECLASSIFICATIONS

Certain amounts appearing in the 2007 financial statements of the Electric Light and Power Fund have been reclassified to conform to 2008 financial statement presentation.

APPENDIX B
GENERAL INFORMATION REGARDING THE CITY

The information contained in this APPENDIX B has been compiled from various sources believed to be reliable. However, nothing contained in this Appendix represents a warranty by the City as to the completeness or accuracy of information presented. The City has not undertaken an independent verification of the information contained in this Appendix.

General

The City is the capital of the State of Illinois, seat of Sangamon County and the sixth most populous municipality in the State. The City covers an area of approximately 65 square miles and is located 185 miles southwest of Chicago and 100 miles northeast of St. Louis.

The City has a diversified economy with the principal sectors being State and local government, retail and wholesale trade, medical, finance and rail and motor transportation. The City also is the headquarters for many national, regional and state trade associations, as well as ten insurance companies. The historical significance of the Springfield area has been a major factor in promoting tourism in the local economy.

The City serves as the retail and wholesale center for an 11-county area with a population in excess of 536,000.

Springfield SMSA

The Springfield Standard Metropolitan Statistical Area ("SMSA") consists of Sangamon County, which covers an area of 880 square miles, and Menard County, which covers an area of 312 square miles. Based upon U.S. Census data, the 2007 populations of Sangamon County and Menard County are estimated at 194,122 and 12,466, respectively.

Population

The table below shows the historical population for the City and Sangamon County as reported by the U.S. Bureau of Census for the years 1990, 2000, 2004, 2005 and 2007.

	1990	2000	2004	2005	2007
City of Springfield(1)	105,227	111,454	114,738	115,668	116,482
Sangamon County	178,386	188,951	192,042	192,789	194,122

Source: U.S. Census Bureau.
(1) The City of Springfield services the principal trade center for an 11-county region with over 536,000 people.

General Economic Conditions

The economy of Springfield and the surrounding area is stable, well diversified and growing. According to the Illinois Department of Employment Security, in April 2008, the total labor force was 64,978 in the City and 109,507 in Sangamon County. The City is the retail trade center for a highly prosperous agricultural area.

The well-rounded economic base of the greater Springfield area is dominated by the public sector with a wide variety of businesses in the retail, service and business-support sectors. The greater Springfield area is home to more than 40 commercial banks and savings and loan associations with combined assets in excess of $4.9 billion.

Springfield's basic retail industry is experiencing growth in income and all sectors of retail sales. The City's basic retail trade area encompasses a 40-mile radius from the City with a total population estimated to be in excess of 536,000. There are more than 1,100 retail stores and shops in Sangamon County, with two-thirds of them located in the City. Based on the Greater Springfield Chamber of Commerce's calculations for the 12 months ending December 31, 2005, retail sales in Sangamon County, of which Springfield is the County seat, are estimated to be $2.3 billion.

Employment Statistics

The following table shows certain employment and unemployment statistics for the residents of the Springfield SMSA. These statistics, which are not seasonally adjusted, reflect both agricultural and non-agricultural employment.

Civilian Labor Force Employment Data

	Springfield SMSA			Rate of Unemployment		
Year	Total	Employed	Unemployed	SMSA	Illinois	U.S
1998	107,916	103,886	4,030	3.7%	4.5%	4.5%
1999	106,376	102,636	3,740	3.5%	4.5%	4.2%
2000	112,376	108,215	4,161	3.7%	4.5%	4.0%
2001	112,168	107,661	4,507	4.0%	5.4%	4.7%
2002	111,524	106,242	5,282	4.7%	6.5%	5.8%
2003	108,388	102,547	5,841	5.4%	6.7%	6.0%
2004	109,611	103,818	5,793	5.3%	6.2%	5.5%
2005	112,934	107,653	5,281	4.7%	5.8%	5.1%
2006	114,282	109,313	4,969	4.3%	4.6%	4.6%
2007	115,620	110,267	5,353	4.6%	5.0%	4.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment Rates

Year	City of Springfield	Sangamon County	State of Illinois
1997	5.0%	4.1%	4.8%
1998	4.5%	3.7%	4.5%
1999	4.2%	3.5%	4.5%
2000	4.3%	3.7%	4.5%
2001	4.7%	4.0%	5.4%
2002	5.0%	4.8%	6.5%
2003	5.7%	5.4%	6.7%
2004	5.5%	5.3%	6.2%
2005	4.8%	4.7%	5.8%
2006	4.5%	4.4%	4.6%
2007	4.8%	4.6%	5.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

City of Springfield
Unemployment Rates for 2008

Month	Percentage
January	5.9%
February	5.3%
March	4.9%
April	4.5%
May	5.3%
June	6.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED DATE OF ISSUANCE]

We have examined a record of proceedings relating to the issuance of $103,230,000 Senior Lien Electric Revenue Bonds, Series of 2008 (the *"2008 Bonds"*), of the City of Springfield, Sangamon County, Illinois, a municipal corporation and home rule unit. The 2008 Bonds are authorized and issued under and pursuant to Section 6 of Article VII of the Illinois Constitution of 1970, and under and in accordance with an ordinance adopted by the City Council of the City (the *"Council"*) on the 21st day of August, 1984, and entitled: "An Ordinance of the City of Springfield, Sangamon County, Illinois, Authorizing the Issuance and Sale of Electric Revenue Bonds and Providing the Terms of and Security for Payment Thereof," as amended (the *"Master Bond Ordinance"*), as further supplemented and amended by an ordinance adopted by the Council on the 15th day of July, 2008, and entitled: "An Ordinance Authorizing the Issuance of Senior Lien Electric Revenue Bonds, Series of 2008, of the City of Springfield, Sangamon County, Illinois*"* (the "*Series 2008 Bond Ordinance*").

The 2008 Bonds are Senior Lien Bonds under the Master Bond Ordinance, issuable in the form of fully registered bonds in the denominations of $5,000 and any integral multiple thereof. The 2008 Bonds are dated the date of delivery, mature on March 1 in the following years, in the respective principal amount set opposite each such year in the following table, and the 2008 Bonds maturing in each such year bear interest from their date payable on March 1, 2009, and semiannually thereafter on each March 1 and September 1 at the respective rate of interest per annum set forth opposite such year:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2009	$ 1,290,000	3.00%
2010	2,325,000	3.00%
2011	2,395,000	3.00%
2012	2,510,000	3.00%
2016	9,000,000	5.00%
2017	9,520,000	5.00%
2036	37,165,000	5.00%
2037	39,025,000	5.00%

The 2008 Bonds maturing on March 1, 2036, are subject to redemption prior to maturity at the option of the City, in such principal amounts as the City shall determine, by lot, on March 1, 2018 and on any date thereafter, at a redemption price of par plus accrued interest to the date fixed for redemption.

The 2008 Bonds maturing on March 1, 2037, are subject to redemption prior to maturity at the option of the City, in such principal amounts as the City shall determine, by lot, on March 1, 2013 and on any date thereafter, at a redemption price of par plus accrued interest to the date fixed for redemption.

Under the terms of the Master Bond Ordinance, the City has issued its Senior Lien Electric Revenue Bonds, Series of 2001 (the *"2001 Bonds"*), its Senior Lien Electric Revenue Bonds, Series of 2006 (the *"2006 Bonds"*), and its Senior Lien Electric Revenue Bonds, Series of 2007 (the *"2007 Bonds"*), and the City may hereafter authorize and issue additional bonds (herein called "*Parity Bonds"*) for the purposes and upon the terms and conditions prescribed in the Master Bond Ordinance. Parity Bonds, when issued, shall, equally with the 2001 Bonds, the 2006 Bonds, the 2007 Bonds, the 2008 Bonds and with all Parity Bonds theretofore issued, be entitled to the benefit and security of the Master Bond Ordinance, including the pledge of revenues hereinafter mentioned.

We are of the opinion that:

1. The Master Bond Ordinance has been duly adopted by the Council and is presently binding upon the City in accordance with its terms as part of its contract with the owners of the 2008 Bonds.

2. The Series 2008 Bond Ordinance has been duly adopted by the Council and is presently binding upon the City in accordance with its terms as part of its contract with the owners of the 2008 Bonds.

3. The 2008 Bonds are valid and binding limited obligations of the City payable solely from the revenues derived from the operation of the System after payment of Operation and Maintenance Costs (as defined in the Master Bond Ordinance) and are not an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation. The enforceability of rights or remedies with respect to the 2008 Bonds may be limited, however, by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

4. As provided in the Master Bond Ordinance, the City is obligated to impose and collect charges for use of the System sufficient to provide revenues to pay the principal of and interest on the 2001 Bonds, the 2006 Bonds, the 2007 Bonds, the 2008 Bonds and any Parity Bonds that may be outstanding and to make the other payments and establish or maintain the reserves required by the Master Bond Ordinance.

5. All of the revenues of the System are equally pledged under the Master Bond Ordinance to the payment of the principal of and interest on the 2001 Bonds, the

2006 Bonds, the 2007 Bonds, the 2008 Bonds and any Parity Bonds that may be outstanding, subject to (a) withdrawal therefrom of amounts for payment of Operation and Maintenance Costs of the System, and (b) the release from the lien of such pledge of amounts for application to other lawful purposes of the System (including the payment of subordinate indebtedness) to the extent and in the manner permitted by the Master Bond Ordinance.

6. Subject to the City's compliance with certain covenants, under present law, interest on the 2008 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the 2008 Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2008 Bonds. Ownership of the 2008 Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the 2008 Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the 2008 Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND ORDINANCE AND SERIES 2008 BOND ORDINANCE

The following is a summary of certain provisions of the Master Bond Ordinance and the Series 2008 Bond Ordinance. Reference is made to the Master Bond Ordinance and the Series 2008 Bond Ordinance for a complete description of the provisions of the Master Bond Ordinance and the Series 2008 Bond Ordinance.

CERTAIN DEFINITIONS

"Act" means the Illinois Municipal Code, as supplemented and amended, and, in particular, Division 119 of Article 11 thereof, together with and supplemented by and, in all cases of conflict with the provisions of the Master Bond Ordinance, expressly superseded by, the powers of the City as a home rule unit under Section 6 of Article VII of the Constitution of 1970 of the State of Illinois.

"Adjusted Net Revenues" means Net Revenues for any period adjusted to reflect increases or decreases resulting from the adjustment as follows: (a) Revenues anticipated to be generated by rates in effect at the time of issuance of proposed additional Senior Lien Bonds, (b) changes in amounts payable under power sales agreements at the time of issuance of proposed additional Senior Lien Bonds, (c) changes in Revenues due to the addition or deletion of customer loads in excess of 1,000 kW prior to the time of issuance of proposed additional Senior Lien Bonds, (d) Revenues anticipated to be generated based upon rates established (but not yet in effect) in an ordinance duly adopted by the City, (e) one hundred percent (100%) of the additional Revenues projected to be generated from bulk power sales to other utilities as a result of the improvements, enlargements, or additions to the System to be financed with proposed additional Senior Lien Bonds, provided that such sales are under contract with the City, which contract shall be executed prior to the time of issuance of the proposed additional Senior Lien Bonds and which must provide for power sales for a period of not less than five years from the expected date of delivery of such power by the City, and twenty-five percent (25%) of the additional Revenues expected to be generated by such bulk power sales not under contract with the City at the time of the issuance of proposed additional Senior Lien Bonds and (f) changes in Operation and Maintenance Costs anticipated to result from the improvements, enlargements, or additions to the System to be financed with proposed additional Senior Lien Bonds.

"Bond Year" means that period beginning March 2 of any calendar year and ending on March 1 of the following year.

"Bonds" means the Senior Lien Bonds and Junior Lien Bonds together with any additional Senior Lien Bonds and additional Junior Lien Bonds issued under the Master Bond Ordinance, but excluding, specifically, Subordinate Bonds.

"Credit Enhancer Obligations" means any obligations incurred by the City to reimburse the issuer or issuers of one or more letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds (including Qualified Reserve Account

Instruments) securing one or more series of Senior Lien Bonds or Junior Lien Bonds as described in the Bond Ordinance, including any fees or other amounts payable to the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination thereof.

"Current Debt Service Requirement" means, for any Bond Year, the sum of the amounts of the Principal Requirements, Mandatory Redemption Requirements, and Interest Requirements with respect to Outstanding Senior Lien Bonds or Outstanding Junior Lien Bonds, or both, as applicable, during such Bond Year. For the purpose of determining the Current Debt Service Requirement, the Interest Requirement on Outstanding Bonds having a variable interest rate shall be calculated at the highest of (a) the actual rate on the date of calculation, or if the indebtedness is not yet Outstanding, the initial rate (if established and binding), (b) if the indebtedness has been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (c) (i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index as published by The Bond Buyer, or if that index is no longer published, another similar index designated in an Officer's Certificate or (ii) if interest is not so excludable, the interest rate on federal obligations described in the Bond Ordinance with comparable maturities.

"Fiscal Year" means that twelve calendar month period beginning March 1 of any calendar year and ending on the last day of February of the following calendar year or such other twelve month period as is established from time to time by the Council as the fiscal year for the System.

"Independent" when used with respect to any specified person means such a person who is in fact independent and is not connected with the City as an officer, employee, underwriter, or person performing similar functions.

"Interest Payment Date" means a Stated Maturity of interest on Bonds or in the case of Credit Enhancer Obligations or amounts payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Credit Enhancer Obligations or such Qualified Swap Agreement.

"Interest Rate Exchange Obligations" means any obligations incurred by the City to any one or more Swap Providers pursuant to the Bond Ordinance including any fees or amounts payable by the City under each related Qualified Swap Agreement.

"Interest Requirement" means, for any Bond Year, the aggregate amount of interest on Outstanding Senior Lien Bonds or Outstanding Junior Lien Bonds, or both, as applicable having a Stated Maturity during such Bond Year and interest payable during such Bond Year on any Credit Enhancer Obligation or Interest Rate Exchange Obligation, except such interest is

excluded to the extent that such interest is to be paid from deposits into the Senior Lien or Junior Lien Bond and Interest Accounts made from proceeds of Bonds.

"Investment Earnings" means all interest when earned, as determined in accordance with generally accepted accounting principles, from investments made from moneys on deposit under the Master Bond Ordinance or derived from Revenues and may include interest when earned on the proceeds of Bonds issued for the purpose of paying costs of improving, replacing, enlarging or extending the System and held in a construction fund, project fund or like fund or account as provided in the Master Bond Ordinance or in the Senior Lien Series Ordinance providing for the issuance of such Bonds.

"Junior Lien Bonds" means Bonds payable from the Junior Lien Bond and Interest Account established by the Bond Ordinance and, for purposes of computing the Interest Requirement and Principal Requirement on Junior Lien Bonds, includes any Credit Enhancer Obligations and any Interest Rate Exchange Obligations relating to Junior Lien Bonds.

"Junior Lien Series Ordinance" means an ordinance of the City creating a Series of Junior Lien Bonds.

"Mandatory Redemption" means redemption of Bonds as required by operation of the Senior Lien Bond and Interest Account or the Junior Lien Bond and Interest Account as provided in the Master Bond Ordinance as supplemented by one or more Senior Lien Series Ordinances or Junior Lien Series Ordinances, as applicable.

"Mandatory Redemption Requirement" means, for any Bond Year, and with respect to Outstanding Senior Lien Bonds or Outstanding Junior Lien Bonds, or both, as applicable, the aggregated principal amount of such Bonds subject to Mandatory Redemption during such Bond Year.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or in the Master Bond Ordinance provided, whether at the Stated Maturity or call for redemption or otherwise.

"Maximum Annual Debt Service" means an amount equal to the highest Current Debt Service Requirement of all Outstanding Senior Lien Bonds or Outstanding Junior Lien Bonds, or both, as applicable, in any Bond Year, including and subsequent to the Bond Year in which the computation is made.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation and its successors and assigns.

"*Net Revenues*" means for any period the Revenues less Operation and Maintenance Costs of the System.

"Officer's Certificate" and any other City certificate means a certificate signed by the Mayor, City Clerk, City Treasurer or General Manager of the Office of Public Utilities. Wherever the Master Bond Ordinance requires that such be signed also by an engineer or other

expert, such engineer or other expert may (except as otherwise expressly provided in the Master Bond Ordinance) be in the full-time employ of the City.

"Operation and Maintenance Costs" means all costs of operating, maintaining, and routine repairing of the System, including, without limitation, wages, salaries, costs of materials and supplies, purchased power, fuel, insurance, Paying Agent and Bond Registrar fees, counsel fees, contract services for operation of the System or advice related thereto, audit or accounting expenses, expenses of billing and making collections, studies for rate determinations, provision for loss in collection and such other reasonable current expenses as shall be determined in accordance with generally accepted accounting principles; but such costs do not include for any period amounts required to be deposited in such period to the credit of the Senior Lien Bond and Interest Account, the Junior Lien Bond and Interest Account, the Senior Lien Debt Service Reserve Account, the Junior Lien Debt Service Reserve Account, the Renewal, Replacement and Improvement Account, or the Emergency Repair Account, or otherwise required for debt service, amortization, depreciation or reserves.

"Outstanding" when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Master Bond Ordinance, except as follows:

(a) Bonds theretofore paid and canceled;

(b) Bonds (i) which have matured and for which moneys are on deposit with proper Paying Agents, or are otherwise properly available, sufficient to pay all principal, premium, if any, and interest thereon, (ii) which have matured and with respect to which moneys have been paid to the City by Paying Agents as permitted by the Master Bond Ordinance, or (iii) the provision for payment of which has been made by the City in accordance with the provisions of the defeasance clause of the Master Bond Ordinance;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Master Bond Ordinance; and

(d) Bonds alleged to have been destroyed, lost or stolen and which have been paid;

provided, however, that in determining whether the registered owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent, or waiver under the Master Bond Ordinance, Bonds owned by the City, or any Person controlled (by voting share) by the City, shall be disregarded and deemed not to be Outstanding.

"Paying Agent" means any Person authorized by the City pursuant to the Master Bond Ordinance, a Senior Lien Series Ordinance, a Junior Lien Series Ordinance, or a supplemental or amendatory ordinance to pay the principal of (and premium, if any) or interest on any Bonds.

"Permitted Investments" means any of the following which at the time are legal investments for the City under the constitution and laws of the State of Illinois: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and trust certificates evidencing an ownership interest therein) or obligations the principal of and interest

on which are guaranteed by the United States of America; (b) obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Bank, Government National Mortgage Association, Federal National Mortgage Association, Farmer's Home Administration, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, or Federal Housing Administration; (c) New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions to be paid by the United States of America or any agency thereof; (d) interest-bearing demand or time deposits (including certificates of deposit and bankers' acceptances) in banks or savings and loan associations insured by the FDIC or the FSLIC (or successor corporations), provided that such deposits are secured by a pledge of obligations as described in clauses (a), (b), or (c) (or combination thereof) of this paragraph having a market value in the full principal amount of such demand or time deposits; (e) the Public Treasurers' Investment Pool of the State of Illinois; (f) repurchase agreements with banks which are members of the Federal Reserve System or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by obligations as described in clause (a) or clause (b) of this paragraph having a current market value at least equal to 102% of the amount of the repurchase agreements, marked to market weekly, and which obligations shall have been deposited in trust by such banks or dealers with another bank, trust company, or national banking association for the benefit of the City and the appropriate Fund or Account as collateral security for such repurchase agreements; and (g) obligations issued by or on behalf of a state or political subdivision thereof and having at all times the highest investment grade rating from Moody's Investors Service, Inc. or Standard and Poor's Corporation or other organization, service, or company nationally recognized as competent in the rating of such obligations for investment purposes.

"Power Purchase Obligation" means any obligation of the City under a contract having a term in excess of five years to make payments for power or energy whether or not such power or energy is received, but only to the extent that such obligation is payable from any fund or account created under the Master Bond Ordinance.

"Principal Requirement" means, for any Bond Year, and with respect to Outstanding Senior Lien Bonds, Outstanding Junior Lien Bonds, or both, as applicable, the aggregate principal amount of Bonds having a Stated Maturity during such Bond Year and principal payable during such Bond Year on any Credit Enhancer Obligation or Interest Rate Exchange Obligation.

"Qualified Reserve Account Instrument" means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated "Aa" or better by Moody's or "AA" or better by Standard & Poor's as of the date of issuance thereof. Any such letter of credit, surety bond or insurance policy shall be issued in the name of the Paying Agent and shall contain no restrictions on the ability of the Paying Agent to receive payments thereunder other than a certification of the Paying Agent that the funds drawn thereunder are to be used for purposes for which moneys in the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, as the case may be, may be used.

"Qualified Swap Agreement" means an agreement between the City and a Swap Provider under which the City agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the City for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (i) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider or of the Person who guarantees the obligation of the Swap Provider to make its payments to the City, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Senior Lien Bonds or Junior Lien Bonds, as the case may be, by such Rating Agency (without regard to municipal bond insurance or any other credit facility), and (ii) the City has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement of its intention to enter into the swap agreement and has received from such Rating Agency a written indication that the entering into the swap agreement by the City will not in and of itself cause a reduction or withdrawal by such Rating Agency of its unenhanced rating on the Senior Lien Bonds or Junior Lien Bonds, as the case may be.

"Rating Agency" means any rating agency that has an outstanding credit rating assigned to any Senior Lien Bonds or Junior Lien Bonds at the request of the City.

"Revenues" means all income from whatever source derived from the System including the items as follows: (a) all receipts from the sale of electric power or contract payments under contracts for the sale of electric power net of utility taxes; (b) Investment Earnings (except as expressly otherwise allocable under the Master Bond Ordinance); (c) penalties and delinquency charges; but excluding expressly the items as follows: (i) non-recurring income from the sale of property of the System; (ii) governmental or other taxes, grants, or transfers; and (iii) collections of insurance awards or condemnation proceeds (which shall be credited and disbursed as in the Master Bond Ordinance specifically provided).

"Senior Lien Bonds" means Bonds payable from the Senior Lien Bond and Interest Account established by the Bond Ordinance and, for purposes of computing the Interest Requirement and Principal Requirement on Senior Lien Bonds, includes any Credit Enhancer Obligation and any Interest Rate Exchange Obligations relating to Senior Lien Bonds.

"Senior Lien Series Ordinance" means an ordinance of the City creating a Series of Senior Lien Bonds.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Stated Maturity" when used with respect to any Bond or any interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such interest is due and payable or, in the case of Credit Enhancer Obligations or amounts payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Credit Enhancer Obligations or such Qualified Swap Agreement.

"Subordinate Bonds" means bonds or any other obligation made payable from the Revenues of the System from the General Account and includes, without limitation, obligations having demand and put provisions or subject to frequent or periodic refunding.

"Swap Provider" means any Person with which the City enters into a Qualified Swap Agreement.

"System" means the real and personal property of the City, and interests therein, constituting the existing facilities for generation, receipt, and distribution of electrical power and all other property and facilities of the City used or to be used for such purposes all as now existing or as they may hereafter be extended or improved; and also all extensions, additions, and improvements thereto or replacements thereof hereafter constructed or acquired by purchase, contract, or otherwise; all wherever located.

PLEDGE OF NET REVENUES

The Bonds are secured by the grant of a security interest, and a first and prior lien in, and pledge to the payment of the Outstanding Bonds, all right, title and interest of the City in and to the Net Revenues, non-recurring income from the sale of property of the System, governmental or other taxes, grants, or transfers to the System to the extent permitted by the terms thereof and applicable law, collections of insurance awards or condemnation proceeds constituting income of or receipts related to the System, the moneys and investments held under the Master Bond Ordinance, and all other rights granted or purported to be granted under the Master Bond Ordinance for the further securing of said Bonds.

The Electric Light Revenue Fund and Special Redemption Fund and funds or accounts derived from proceeds of Bonds shall be funds held in trust for the Holders of the Outstanding Bonds, all as and to the extent provided in the Bond Ordinance and subject to use and disbursement as provided in the Bond Ordinance.

The pledges, security interests, and liens granted in the Bond Ordinance are valid and binding from the date Bonds are issued, without any physical delivery or further action, and shall be valid and binding as against, and prior to any claim of all other parties having claims of any kind in tort, contract, or otherwise against the City or any other person, irrespective of whether the other parties have notice of such pledges, security interests, and liens.

Funds and investments held by the City for Bonds in a capacity which results in such Bonds being no longer "Outstanding" under the Bond Ordinance shall be held in separate trust, separate and apart, for the benefit of the Holders of such Bonds until paid or such funds and investments are returned to the City as provided in the Bond Ordinance.

APPLICATION OF EXCESS IN CERTAIN ACCOUNTS

As of the first month in any Fiscal Year and at such other times as the City may determine, the amount of money on deposit to the credit of the Senior Lien Debt Service Reserve Account, the Junior Lien Debt Service Reserve Account or the Emergency Repair Account which is in excess of the Senior Lien Debt Service Reserve Requirement, the Junior Lien Debt

Service Reserve Requirement or the Emergency Repair Requirement, respectively, shall be transferred to the Electric Light Revenue Fund.

SPECIAL REDEMPTION FUND

The Master Bond Ordinance provides for the creation of a separate fund designated the "Special Redemption Fund", into which there shall be deposited all moneys, dividends, receipts or proceeds derived (a) from transfers from any construction fund derived from proceeds of Bonds if provided by the Senior Lien Series Ordinance providing for the issuance of such Bonds and (b) as otherwise provided in the Master Bond Ordinance.

Moneys deposited into the Special Redemption Fund shall be used as follows: (a) to pay principal of or interest or redemption premium on any Outstanding Bonds when there are no other funds for such purpose and shall be transferred without further order or direction first to the Senior Lien Bond and Interest Account to the extent necessary and then to the Junior Lien Bond and Interest Account for such purpose; or, if not needed for the purposes set forth in this clause (a), then (b) to redeem or purchase Outstanding Bonds subject, in the case of purchases, to certain limitations set forth in the Master Bond Ordinance.

INVESTMENT OF MONEYS

Investment of Moneys in the Funds and Accounts. The moneys to the credit of the Electric Light Revenue Fund and the Special Redemption Fund and held under the Master Bond Ordinance shall be invested in Permitted Investments subject to the following limitations:

A. Investments in the accounts shall mature or be subject to redemption at the option of the holder thereof within the times as follows:

ACCOUNT	
Senior Lien Bond and Interest	One Year
Junior Lien Bond and Interest	One Year
Senior Lien Debt Service Reserve	Ten Years
Junior Lien Debt Service Reserve	Ten Years
Renewal, Replacement and Improvement	Three Years
Emergency Repair	Three Years
General	Three Years

B. In addition to the requirements of subparagraph A above, all investments in the Electric Light Revenue Fund and the Special Redemption Fund shall mature or be subject to redemption by the holder prior to the time the money so invested is needed.

C. Moneys in any of the funds or accounts shall be invested, if necessary, in investments restricted as to yield, which investments may be in United States Treasury Obligations—State and Local Government Series, if available, and to such end the City shall refer to any investment restrictions covenanted by the City or any officer of the City as part of the transcript of proceedings for the issuance of Bonds, and to appropriate opinions of counsel.

Deposit of Investment Earnings in the Electric Light Revenue Fund, Special Redemption Fund and Any Construction Project or Improvement Funds. Investment Earnings in the Electric Light Revenue Fund, wherever credited, shall be treated as Revenues.

Investment Earnings from investments made from the Senior Lien Debt Service Reserve Account shall be credited to and held therein so long as the credit balance in such Account is less than the Senior Lien Debt Service Reserve Requirement, but otherwise shall be transferred to the Electric Light Revenue Fund.

Investment Earnings from investments made from the Junior Lien Debt Service Reserve Account shall be credited to and held therein so long as the credit balance in such Account is less than the Junior Lien Debt Service Reserve Requirement, but otherwise shall be transferred to the Electric Light Revenue Fund.

Investment Earnings from investments made from the Renewal, Replacement and Improvement Account shall be credited to and held therein but may be used to offset an equal amount of required credits to said account. Such Investment Earnings, wherever credited, shall be treated as Revenues.

Investment Earnings from investments made from the Emergency Repair Account shall be credited to and held therein so long as the amount on deposit to the credit of such Account is less than the Emergency Repair Requirement, but otherwise shall be transferred to the Electric Light Revenue Fund. Such Investment Earnings, wherever credited, shall be treated as Revenues.

All other Investment Earnings in the Electric Light Revenue Fund shall be retained in the Electric Light Revenue Fund, transferred from the various Accounts of the Fund to the unallocated portion of the fund, and treated as Revenues therein.

Investment Earnings from investments made from the Special Redemption Fund shall be retained therein.

Investment Earnings from investments made from any construction fund, project fund, improvement fund, or like fund or account derived from the proceeds of Bonds shall be allocated to such lawful purposes as the City may determine and, to the extent allocated to one or more of the Accounts of the Electric Light Revenue Fund, shall be treated as Revenues.

ADDITIONAL OBLIGATIONS

Senior Lien Bonds for Refunding. Senior Lien Bonds may be issued for the purpose of refunding Outstanding Senior Lien Bonds at or in advance of Maturity; provided that either of the conditions set forth in A or B as follows are met:

A. The City shall have received the certificate of an Independent certified public accountant (i) setting forth the Current Debt Service Requirement of all Outstanding Senior Lien Bonds during the then current Bond Year and for each Bond Year to and including the Bond Year of the last Maturity of any Outstanding Senior Lien Bonds (determined immediately prior to the proposed date of authentication and delivery of such refunding Bonds) (a) with respect to all such Outstanding Senior Lien Bonds immediately prior to the proposed date of authentication and delivery of such refunding Bonds and (b) with respect to all Outstanding Senior Lien Bonds immediately thereafter and (ii) demonstrating that the amount set forth for each Bond Year pursuant to (b) above is no greater than the amount set forth for each such Bond Year pursuant to (a) above except for the last Bond Year of such comparison, for which year it shall be demonstrated that the amount set forth in (b) above is not greater than the average for all Bond Years (excluding the last) of the amounts set forth in (a) above; or

B. All Outstanding Senior Lien Bonds are being refunded under arrangements which immediately result in making provision for the payment thereof in such manner as they shall no longer be deemed Outstanding.

Outstanding Senior Lien Bonds which may be subject to Mandatory Redemption by operation of the Senior Lien Bond and Interest Account shall remain so subject as if the escrow or trust fund or account from which provision for refunding will be made were the Senior Lien Bond and Interest Account.

Junior Lien Bonds for Refunding. Junior Lien Bonds may be issued for the purpose of refunding Outstanding Junior Lien Bonds at or in advance of Maturity; provided that the conditions set forth in either A or B as follows are met:

A. The City shall have received the certificate of an Independent certified public accountant (i) setting forth the Current Debt Service Requirement of all Outstanding Junior Lien Bonds during the then current Bond Year and for each Bond Year to and including the Bond Year of the last Maturity of any Outstanding Junior Lien Bonds (determined immediately prior to the proposed date of authentication and delivery of such refunding Bonds) (a) with respect to all such Outstanding Junior Lien Bonds immediately prior to the proposed date of authentication and delivery of such refunding Bonds and (b) with respect to all Outstanding Junior Lien Bonds immediately thereafter and (ii) demonstrating that the amount set forth for each Bond Year pursuant to (b) above is no greater than the amount set forth for each such Bond Year pursuant to (a) above except for the last Bond Year of such comparison, for which year it shall be demonstrated that the amount set forth in (b) above is not greater than the average for all Bond Years (excluding the last) of the amounts set forth in (a) above; or

B. All Outstanding Junior Lien Bonds are being refunded under arrangements which immediately result in making provision for the payment thereof in such manner as they shall no longer be deemed Outstanding.

Outstanding Junior Lien Bonds which may be subject to Mandatory Redemption by operation of the Junior Lien Bond and Interest Account shall remain so subject as if the escrow or trust fund or account from which provision for refunding will be made were the Junior Lien Bond and Interest Account.

Senior Lien Bonds and Junior Lien Bonds under Net Revenue Test. Senior Lien Bonds may be issued upon compliance with the conditions set forth in A and B as follows:

A. The amounts required to be on deposit in the respective Accounts of the Electric Light Revenue Fund shall have been credited in full as determined immediately after the issuance of said Senior Lien Bonds.

B. The conditions set forth in either subparagraph (1) or (2) as follows have been met.

(1) The Net Revenues as shown in the audit of an Independent certified accountant for the last completed Fiscal Year prior to the issuance of such Senior Lien Bonds shall have been at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds computed immediately after the issuance of the proposed Senior Lien Bonds but only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. In the event there shall have been a change in the rates of the System from the rates in effect for the preceding Fiscal Year, which change is in effect at the time of the issuance of any such Senior Lien Bonds, the Net Revenues as described in the Master Bond Ordinance may be adjusted to reflect any increase and must be adjusted to reflect any decrease in the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had said then existing rates been in effect during all of said Fiscal Year. Any such adjustment shall be evidenced by an Officer's Certificate.

(2) The Adjusted Net Revenues of the System during any 12 consecutive months within the 18 months immediately preceding the issuance of such Senior Lien Bonds shall have been at least equal to (a) 1.40 times Maximum Annual Debt Service on Outstanding Senior Lien Bonds as computed immediately after the issuance of the proposed Senior Lien Bonds and also (b) 1.25 times Maximum Annual Debt Service on all Outstanding Bonds as computed immediately after the issuance of the proposed Senior Lien Bonds but in each case only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. Adjusted Net Revenues shall be evidenced by an Officer's Certificate.

Junior Lien Bonds may be issued upon compliance with the conditions set forth in A and B as follows:

A. The amounts required to be on deposit in the respective Accounts of the Electric Light Revenue Fund shall have been credited in full as determined immediately after the issuance of said Junior Lien Bonds.

B. The conditions set forth in either subparagraph (1) or (2) as follows have been met.

(1) The Net Revenues as shown in the audit of an Independent certified accountant for the last completed Fiscal Year prior to the issuance of such Junior Lien Bonds shall have been at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds computed immediately after the issuance of the proposed Junior Lien Bonds but only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. In the event there shall

have been a change in the rates of the System from the rates in effect for the preceding Fiscal Year, which change is in effect at the time of the issuance of any such Junior Lien Bonds, the Net Revenues as described in the Master Bond Ordinance may be adjusted to reflect any increase and must be adjusted to reflect any decrease in the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had said then existing rates been in effect during all of said Fiscal Year. Any such adjustment shall be evidenced by an Officer's Certificate.

(2) The Adjusted Net Revenues of the System during any 12 consecutive months within the 18 months immediately preceding the issuance of such Junior Lien Bonds shall have been at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds as computed immediately after the issuance of the proposed Junior Lien Bonds but only for those Bond Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding as provided in the Master Bond Ordinance. Adjusted Net Revenues shall be evidenced by an Officer's Certificate.

Subordinate Bonds. Subordinate Bonds payable from the General Account may be issued as determined by the Council.

Purposes for Which Senior Lien Bonds and Subordinate Bonds may Be Issued. Senior Lien Bonds and Subordinate Bonds may be issued for any lawful purpose of the City related to the System.

Accession of Subordinate Bonds to Senior Lien Status. By proceedings authorizing Subordinate Bonds, the City may provide for the accession of such Subordinate Bonds to the status of Senior Lien Bonds when there shall have been obtained by the City the certificates meeting the requirements of the Master Bond Ordinance and the following:

(a) an Officer's Certificate that all payments into the various Accounts provided in the Master Bond Ordinance are current as of the date of accession;

(b) an Officer's Certificate that the Senior Lien Bond and Interest Account and the Senior Lien Debt Service Reserve Account contain the respective amounts which would have been required to be deposited or accumulated therein on the date of accession if said Subordinate Bonds had originally been issued as Senior Lien Bonds, such amounts to be shown in said Certificate; and

(c) an unqualified opinion of bond counsel of national standing that the Subordinate Bonds so subject to accession are valid and binding special obligations of the City and entitled to accession under the provisions of the Master Bond Ordinance.

Power Purchase Obligations. Power Purchase Obligations may be entered into by the City provided that prior to the entering into of such obligation the City shall have obtained the certificate of an Independent consulting engineer that, for the first five complete Fiscal Years during which payments under such Power Purchase Obligation are expected to be made, Net Revenues of the System after making all such Power Purchase Obligation payments are projected to equal at least 1.25 times the Current Debt Service Requirement for all Outstanding

Bonds for each of such Fiscal Years. Such certificate shall be filed with and approved by the Council prior to the entering into of such Power Purchase Obligation.

Letters of Credit and Surety Bonds to Secure Bonds. The City reserves the right to provide one or more irrevocable letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds (including Qualified Reserve Account Instruments), or a combination thereof to secure the payment of the principal of, premium, if any, and interest on one or more series of Senior Lien Bonds or Junior Lien Bonds, or in the event owners of such Senior Lien Bonds or Junior Lien Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Senior Lien Bonds or Junior Lien Bonds upon the demand of the owners thereof. In connection with any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond the City may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond and the method by which the City will reimburse the issuer of such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the City and the issuer of such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond. Any such obligation of the City to reimburse or otherwise make payments to the issuer of such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy, standby purchase agreement, financial guaranty insurance policy or surety bond securing a series of Senior Lien Bonds or Junior Lien Bonds shall be payable from the Senior Lien Bond and Interest Account or the Junior Lien Bond and Interest Account, respectively, under the Bond Ordinance to the same extent as any series of Senior Lien Bonds or Junior Lien Bonds, as the case may be, issued pursuant to a Senior Lien Series Ordinance or Junior Lien Series Ordinance, and any and all amounts payable by the City to reimburse the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, together with interest thereon, shall for purposes of the Bond Ordinance be deemed to constitute the payment of principal of, premium, if any, and interest on Senior Lien Bonds or Junior Lien Bonds, as the case may be.

Interest Rate Exchange Transactions. (a) If the City shall enter into a Qualified Swap Agreement with a Swap Provider requiring the City to pay fixed interest rate on a notional amount, or requiring the City to pay a variable interest rate on a notional amount, and the City has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Senior Lien Bonds or Junior Lien Bonds, as the case may be, of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(i) for purposes of any calculation of the Current Debt Service Requirement with respect to Outstanding Senior Lien Bonds or Outstanding Junior Lien Bonds, the interest rate on the related Senior Lien Bonds or Junior Lien Bonds, as the case may be, of such maturity or maturities shall be determined as if such Senior Lien Bonds or Junior Lien Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the City under such Qualified Swap Agreement;

(ii) any net payments required to be made by the City to the Swap Provider pursuant to such Qualified Swap Agreement from Net Revenues shall be made on a parity with payments due on other Senior Lien Bonds or Junior Lien Bonds, as the case may be, solely from amounts on deposit to the credit of the Senior Lien Bond and Interest Account or the Junior Lien Bond and Interest Account, as the case may be; and

(iii) any net payments received by the City from the Swap Provider pursuant to such Qualified Swap Agreement shall, so long as there is no deficiency in any account requirement, be applied as directed by the City.

(b) If the City shall enter into a swap agreement of the type generally described in paragraph (a) above that does not satisfy the requirements for qualification as a Qualified Swap Agreement as a result of its failure to make the determination described therein or otherwise, then:

(i) the interest rate adjustment or assumptions referred to in sub-paragraph (i) of said paragraph (a) shall not be made;

(ii) any net payments required to be made by the City to the Swap Provider pursuant to such swap agreement from Net Revenues shall be made only from amounts available after the payment of all Senior Lien Bonds and Junior Lien Bonds in the case of a swap agreement relating to a series of Senior Lien Bonds and Senior Lien Bonds and Junior Lien Bonds in the case of a swap agreement relating to a series of Junior Lien Bonds; and

(iii) any net payments received by the City from the Swap Provider pursuant to such swap agreement may be treated as Net Revenues at the option of the City and applied as directed by the City.

CERTAIN COVENANTS OF THE CITY

The City makes the following covenants, among others:

Special Covenant for Deficiencies. If within any period of time the Revenues are insufficient to make the required credits to any of the Accounts mentioned in the Master Bond Ordinance, the deficiencies shall be made up during the following period or periods after payments or credits into all the Accounts enjoying a prior lien on Revenues shall have been made in full.

Maintenance. The City will maintain the System in good repair and working order, will operate the same efficiently and faithfully, and will punctually perform all duties with respect thereto.

Rate Covenant. The City shall establish and maintain at all times fees, charges, and rates for the use and service of the System and provide for the collection thereof and the segregation and application of the Revenues of the System sufficient at all times to pay or provide for Operation and Maintenance Costs, to provide Net Revenues in each Fiscal Year in an amount not less than 125% of the Current Debt Service Requirement for all Outstanding Bonds for the Bond Year or respective portions of Bond Years contemporaneous with such Fiscal Year, and to the extent necessary after application of the Net Revenues to pay the Current Debt Service Requirements for such Fiscal Year, to make such additional deposits as may be required into the Accounts as provided by the Bond Ordinance and to pay any other obligations payable from the Revenues of the System. In the event that the City has created a rate stabilization account as part of the General Account, for purposes of determining whether the City has complied with this covenant in any Fiscal Year, there shall be deducted from Net Revenues all credits to such rate stabilization account made during such Fiscal Year and added to Net Revenues all debits to said rate stabilization account made during such Fiscal Year with a corresponding credit to the unallocated Electric Light Revenue Fund so as to treat such debit as providing Revenues at the time when made.

Power Purchase Obligation payments shall be considered an Operation and Maintenance Cost for the purpose of this covenant without regard to which fund or account such payments are to be made from under the provisions of such obligation or otherwise.

No Sale, Lease or Encumbrance. The City will not sell, lease, loan, mortgage, or in any manner dispose of or encumber the System or the Revenues (subject to the reserved right of the City to issue additional obligations as provided in the Master Bond Ordinance) or any improvements and extensions thereto, while any Bonds remain Outstanding; provided, however, that the City may sell or dispose of property of the System subject to the conditions as follows: (a) the City may sell or dispose of any property of the System which in the judgment of the City is no longer useful in the operation of the System; (b) the City may sell or dispose of any property of the System when such sale or disposal is in the judgment of the City advisable for the best interests of the City and the System and which will not impair the ability of the System to produce Revenues sufficient to meet the rate covenant set forth in the Master Bond Ordinance; provided, however, that if such sale or disposal is of property having a book value in excess of 15% of the total book value of the System, then, prior to such sale or disposal, the City must also obtain a certificate of an Independent Consulting Engineer concurring in the City's finding that such sale or disposal will not impair the ability of the System to produce Revenues sufficient to meet the rate covenant set forth in the Master Bond Ordinance. The proceeds from the sale of any property shall, at the option of the City, be credited to the Renewal, Replacement and Improvement Account, the Emergency Repair Account, or the Special Redemption Fund as determined by the City.

Books, Records and Accounts. The City covenants that it will keep an accurate record of the total cost of the System, of the Revenues and other funds collected and of the application of such Revenues. Such records shall be open at all reasonable times to the inspection of any registered owner or the agents and representatives thereof. The City further covenants that no later than 120 days after the close of each Fiscal Year, it will cause an audit to be completed of its books and accounts relating to the System by an Independent certified public accountant. Such audit shall include, without limiting the scope thereof, each of the following:

(a) an income and expenses statement;

(b) all deposits to the credit of and withdrawals from each fund or account created under the provisions of the Master Bond Ordinance;

(c) the details of all Outstanding Bonds issued, paid, purchased or redeemed;

(d) a balance sheet as of the end of each such year;

(e) revisions (if any) in fees, rates, and other charges;

(f) the amounts on deposit at the end of each such Fiscal Year to the credit of each fund or account and showing the details of any investments thereof;

(g) a list of all the insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy;

(h) amounts payable under Power Purchase Obligations; and

(i) the accountant's comments as to compliance with the Master Bond Ordinance.

Within 30 days after receipt of the audit by the City, such audit shall be mailed to all registered owners who shall have filed their names and addresses with the City for such purpose. The City further covenants that it will cause any additional reports or audits relating to the System to be made as required by law and that, as often as may be requested, it will furnish to the registered owner of any Bond issued under the Master Bond Ordinance such other information concerning the System or the operation thereof as may reasonably be requested.

No Free Service. The City covenants not to furnish service from the System free of charge and not to establish preferential rates for users of the same class; provided, however, that the City itself may be given free service for street lighting purposes.

Enforcement of Rates, Fees, Charges and Connections. The City shall compel the prompt payment of rates, fees, charges, and penalties imposed for services rendered or power supplied and, to that end, will enforce all of the provisions of any ordinance, resolution, or contract of the City having to do with provision of power, connections, rates, fees, charges, or penalties and all of the rights and remedies permitted the City under law.

No Competing System. The City to the full extent permitted by law will not grant any franchise, license or permit, nor cause or permit the granting of any franchise, license or permit, to any firm, corporation, agency or body, public or private, or any person whatsoever, for the supplying of electric power within the corporate limits of the City in competition with the System, except as may exist on the effective date of the Master Bond Ordinance or as may be required by law.

Budget Covenant. For each Fiscal Year, the City shall adopt a budget prepared in accordance with the provisions of the Master Bond Ordinance and of applicable law. Each such budget shall set forth in reasonable detail the estimated Revenues of the System based on rates which have been duly adopted by the Council and are to be in effect for such Fiscal Year and the estimated Operation and Maintenance Costs, including payments for Power Purchase Obligations, if any, Current Debt Service Requirements for all Outstanding Bonds, various Account credit requirements as described above, and any other payments required in the Master

Bond Ordinance or as required by Senior Lien Series Ordinances, Junior Lien Series Ordinance or other supplemental or amendatory ordinances.

Charges for Service to City. Except as described in the Master Bond Ordinance, the City shall be charged for the electricity which it uses the same rates and fees applicable to other customers receiving like services under similar circumstances. Such charges shall be paid as they accrue, and the City shall deposit into the Electric Light Revenue Fund sufficient moneys to pay such charges.

Insurance and Condemnation Awards. The City will carry insurance on the System of the kinds and in the amounts which are usually carried by private parties operating similar properties; provided, however, that the City may self-insure over all or a part of such risks by establishing reasonable reserves or budgetary provisions. All moneys received for loss under such insurance policies shall be deposited to the credit of the Renewal, Replacement and Improvement Account and used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, or, at the option of the City, shall be deposited into the Special Redemption Fund. The payment of premiums for all insurance policies required under the provisions of this covenant shall be considered an Operation and Maintenance Cost.

Proceeds of condemnation awards received by the City as a result of any taking of any part of the System shall be deposited to the credit of the Renewal, Replacement and Improvement Account and used to replace the property taken or, at the option of the City, shall be deposited into the Special Redemption Fund.

The proceeds derived from any and all policies for worker's compensation or public liability shall be paid into the Electric Light Revenue Fund and used in paying the claims or reimbursing the fund for the payment of claims on account of which they were received.

EVENTS OF DEFAULT AND REMEDIES

Events of Default under the Master Bond Ordinance include the following:

(a) default in the payment of any interest upon any Bond when such interest becomes due and payable;

(b) default in the payment of the principal of (or premium, if any, on) any Bond at its Maturity;

(c) default in the performance, or breach, of any covenant or warranty of the City in the Master Bond Ordinance, and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the City by the registered owners of at least 10% in aggregate principal amount of the Outstanding Bonds, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Master Bond Ordinance;

(d) the entry of certain orders or judgments relating to the bankruptcy or insolvency of the City and the continuance in effect thereof for a period of 60 days;

(e) filing or consent to commencement of proceedings for or adjudication of bankruptcy or insolvency of the City or appointment of a receiver for or admission of insolvency by the City; and

(f) default by the City in the performance of any obligation in respect of the Senior Lien Bond and Interest Account, Junior Lien Bond and Interest Account, Senior Lien Debt Service Reserve Account, Junior Lien Debt Service Reserve Account or Special Redemption Fund and continuance of such default for a period of 30 days.

If an Event of Default occurs and is continuing, the registered owners may proceed by such appropriate judicial proceedings or special proceedings, in equity, or at law, by mandamus or otherwise as they shall deem most effectual to protect and enforce any of their rights, whether for the specific enforcement of any covenant or agreement in the Master Bond Ordinance or in aid of the exercise of any power granted therein, or to enforce any other proper remedy.

Application of Moneys Collected. All moneys collected after an Event of Default and all moneys held on deposit in the Electric Light Revenue Fund at the time of any distribution after an Event of Default shall be applied in the following order, at the date or dates ordered or agreed and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) first: to the payment of all Operation and Maintenance Costs;

(b) then,

A. first, for the Outstanding Senior Lien Bonds, as follows:

(i) unless the principal of all Outstanding Senior Lien Bonds shall have become due and payable, all such moneys shall be applied in the following order:

(x) first: to the payment to the registered owners entitled thereto of all installments of interest then due on the Outstanding Senior Lien Bonds, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference;

(y) second: to the payment to the registered owners entitled thereto of the unpaid principal of any Outstanding Senior Lien Bonds which shall have become due at Maturity, in the order of their due dates, with interest upon such Outstanding Senior Lien Bonds from their respective dates of Maturity, and, if the amount available shall not be sufficient to pay in full Outstanding Senior Lien Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the registered owners entitled thereto without any discrimination or preference; and

(z) third: to the payment of the redemption premium, if any, on and the principal of any Outstanding Senior Lien Bonds called for optional or mandatory redemption;

(ii) if the principal of all Outstanding Senior Lien Bonds shall have become due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid upon Outstanding Senior Lien Bonds, with interest as aforesaid, 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 Outstanding Senior Lien Bond over any other Outstanding Senior Lien Bond, ratably, according to the amounts due respectively for principal and interest, to the registered owners entitled thereto without any discrimination or preference;

B. second, for the Outstanding Junior Lien Bonds, as follows:

(i) unless the principal of all Outstanding Junior Lien Bonds shall have become due and payable, all such moneys shall be applied in the following order:

(x) first: to the payment to the registered owners entitled thereto of all installments of interest then due on the Outstanding Junior Lien Bonds, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference;

(y) second: to the payment to the registered owners entitled thereto of the unpaid principal of any Outstanding Junior Lien Bonds which shall have become due at Maturity, in the order of their due dates, with interest upon such Outstanding Junior Lien Bonds from their respective dates of Maturity, and, if the amount available shall not be sufficient to pay in full Outstanding Junior Lien Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the registered owners entitled thereto without any discrimination or preference; and

(z) third: to the payment of the redemption premium, if any, on and the principal of any Outstanding Junior Lien Bonds called for optional or mandatory redemption;

(ii) if the principal of all Outstanding Junior Lien Bonds shall have become due and payable, all such money shall be applied to the payment of the principal of and interest then due and unpaid upon Outstanding Junior Lien Bonds, with interest as aforesaid, 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 Outstanding Junior Lien Bond over any other Outstanding Junior Lien Bond, ratably, according to the amounts due respectively for principal and interest, to the registered owners entitled thereto with any discrimination or preference;

C. third, to the City, any remaining moneys.

The registered owner of any Outstanding Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Outstanding Bond out of the Net Revenues and the other funds and Accounts held for their payment on the respective Stated Maturities expressed in such Outstanding Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such registered owner.

Any registered owner of a Bond, in any civil action, mandamus, or other proceeding, may enforce and compel performance of all duties required by the Act and the Master Bond Ordinance to be performed by the City, including the making of rates and charges, the collecting of sufficient revenue, and the application thereof, as provided in the Act and the Master Bond Ordinance.

The registered owners of a majority in principal amount of the Outstanding Bonds shall have the right, during the continuance of an Event of Default, to direct the time, method, and place of conducting any proceeding for any remedy available to the registered owners, or exercising any trust or power conferred upon the registered owners under the Master Bond Ordinance, *provided* that such direction shall not be in conflict with any rule of law or the Master Bond Ordinance.

DEFEASANCE

Whenever the following conditions shall exist, namely:

A. All Bonds theretofore authenticated and delivered have been canceled or delivered to the Bond Registrar for cancellation, excluding, however:

(i) Bonds for the payment of which money has theretofore been deposited in trust with a Paying Agent (other than the City) or discharged from such trust as provided in the Master Bond Ordinance;

(ii) Bonds alleged to have been destroyed, lost or stolen which have been replaced or paid as provided in the Master Bond Ordinance, except for any such Bond which, prior to the satisfaction and discharge of the Master Bond Ordinance, has been presented to the City with a claim of ownership and enforceability by the registered owner thereof and where enforceability has not been determined adversely against such registered owner by a court of competent jurisdiction; and

(iii) Bonds, other than those referred to in the foregoing clauses, for whose payment or redemption (under appropriate arrangements for the giving of notice of redemption) the City has deposited with a bank with trust powers or trust company having capital and surplus in excess of $100,000,000, in trust or escrow, funds or direct full faith and credit obligations of the United States of America (or trust certificates evidencing an ownership interest therein), the principal of and interest on which will be sufficient, as determined by the report of an Independent certified public accountant, to pay and discharge the entire obligation on such Bonds for principal (and premium, if any) and interest to the date of maturity thereof in the case of Bonds which have become due and payable or to the Stated Maturity or redemption date, as the case may be, accompanied by an opinion of counsel nationally recognized as competent in matters relating to tax exempt bonds that such provision for payment and discharge does not cause the interest on the Bonds to become subject to federal income taxation.

B. The City has paid or caused to be paid all other sums payable under the Master Bond Ordinance by the City.

C. The City has received an opinion of counsel stating that all conditions precedent provided in the Master Bond Ordinance for relating to the satisfaction and discharge of the Master Bond Ordinance have been complied with.

Then, the Master Bond Ordinance and the lien, rights, and interests created thereby shall cease, determine, and become null and void (except as to any surviving rights of transfer or exchange of Bonds provided for in the Master Bond Ordinance or the Bonds).

Moneys deposited with any financial institution pursuant to the Master Bond Ordinance shall constitute a separate trust fund for the benefit of the persons entitled thereto. Such moneys shall be applied by the financial institution to the payment (either directly or through any Paying Agent), to the persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such moneys have been deposited, and the risk of loss after such deposit shall be a risk of loss of the City.

AMENDMENT OF THE MASTER BOND ORDINANCE

Without the consent of the registered owners of any Bonds, the City may adopt one or more ordinances amendatory or supplemental to the Master Bond Ordinance to correct or amplify the description of the System and the Revenues subject to the lien of the Master Bond Ordinance, or better to assure, convey, and confirm unto the registered owners the Revenues or any property subject or required to be subjected to the lien of the Master Bond Ordinance, or to subject to the lien of the Master Bond Ordinance additional security; to add to the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issuance, authentication, and delivery of Bonds or of any series of Bonds, additional conditions, limitations, and restrictions thereafter to be observed not inconsistent with the provisions of the Master Bond Ordinance; to provide for the issuance of any series of additional Senior Lien Bonds or additional Junior Lien Bonds by a Senior Lien Series Ordinance or Junior Lien Series Ordinance, as applicable, and if issued in bearer form, to make such modifications to the Master Bond Ordinance as are necessary or appropriate for such form; to permit the accession of Subordinate Bonds; to modify, supplement, or eliminate any of the terms of the Master Bond Ordinance; *provided, however,* that such supplemental or amendatory ordinance shall expressly provide that any such modifications or eliminations shall become effective only when there is no

Bond Outstanding of any series created prior to the execution of such supplemental or amendatory ordinance; to add to the covenants of the City for the benefit of the owners of all or any series of Bonds; or to cure any ambiguity, to correct or supplement any provision of the Master Bond Ordinance which may be inconsistent with any other provision therein or to make any other provisions, with respect to matters or questions arising under the Master Bond Ordinance, which shall not be inconsistent with the provisions of the Master Bond Ordinance, provided such action shall not adversely affect the interests of the registered owners of the Bonds.

With the consent of the registered owners of not less than 66-2/3% in aggregate principal amount of all Bonds then Outstanding affected by such supplemental or amendatory ordinance, delivered to the City, the City may adopt an ordinance or ordinances amendatory or supplemental to the Master Bond Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the registered owners of the Bonds thereunder; *provided, however,* that no such supplemental or amendatory ordinance shall, without the consent of the owner of each Outstanding Bond affected thereby: (i) change the Stated Maturity of the principal of, or any interest on, any Bond, or change the date or dates upon which such Bond is callable for redemption, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon, is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such supplemental or amendatory ordinance, or the consent of whose owners is required for any waiver provided for in the Master Bond Ordinance of compliance with certain provisions of the Master Bond Ordinance or certain defaults thereunder and their consequences; (iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; (iv) modify any of the provisions of the sections of the Master Bond Ordinance relating to amendment or modification or waiver, except to increase any percentage provided thereby or to provide that certain other provisions of the Master Bond Ordinance cannot be modified or waived without the consent of the registered owner of each Bond affected thereby; (v) modify any of the provisions of the Master Bond Ordinance relating to the creation of any lien ranking prior to the lien of the Bonds expressed therein or with respect to the lien priority of the Senior Lien Bonds over the Junior Lien Bonds or the priority of the Senior Lien Bonds and the Junior Lien Bonds over any Subordinate Bonds or other obligations payable from amounts on deposit to the credit of the General Account or terminate the lien of the Master Bond Ordinance on any property at any time subject thereto or deprive the registered owner of any Bond of the security and lien priority afforded by the lien of the Master Bond Ordinance; or (vi) modify, in the case of Bonds of any series for which Mandatory Redemption is provided, any of the provisions of the Master Bond Ordinance in such manner as to affect the rights of the owners of such Bonds to the benefits of such Mandatory Redemption.

It shall not be necessary for any act of Bondholders under this section of the Summary to approve the particular form of any proposed supplemental or amendatory ordinance, but it shall be sufficient if such act shall approve the substance thereof.

GENERAL PROVISIONS; REGISTRATION, TRANSFER AND EXCHANGE

In the event the book-entry system referred to under "THE SERIES 2008 SENIOR LIEN BONDS" is discontinued, the following provisions would apply to the Series 2008 Senior Lien Bonds.

The Series 2008 Senior Lien Bonds are issuable only as fully registered Senior Lien Bonds without coupons in denominations of $5,000 or any integral multiple thereof. The principal and the redemption price of the Series 2008 Senior Lien Bonds shall be payable upon presentation and surrender thereof at the principal corporate trust office of the Bond Registrar and Paying Agent therefor, Marine Bank, Springfield, located in Springfield, Illinois. The interest on the Series 2008 Senior Lien Bonds shall be paid by check or draft of the Bond Registrar and Paying Agent to the Persons in whose names such Bonds are registered, mailed by first class mail postage prepaid, to their respective addresses as shown in the Bond Register.

The Regular Record Date for the payment of the interest on the Series 2008 Senior Lien Bonds on any Interest Payment Date shall be the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date or, for a redemption of the Series 2008 Senior Lien Bonds in whole on other than an Interest Payment Date, the fifteenth day next preceding the date of redemption. The City shall cause to be kept, at the office of one or more Bond Registrars, the Bond Register(s) in which, subject to such reasonable regulations as the City may prescribe, the City shall provide for the registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as provided in the Bond Ordinance. Upon surrender for transfer of any Bond at the principal corporate trust office of the Bond Registrar therefor, the City shall execute, and the Bond Registrar shall authenticate, date, and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same series, of any authorized denominations and of a like aggregate principal amount and interest rate. To the extent so provided with respect to the Bonds of any series, at the option of the Holder, Bonds of such series may be exchanged for other Bonds of the same series, of any authorized denomination and of a like aggregate principal amount and interest rate upon surrender of the Bonds to be exchanged at the principal corporate trust office of the Bond Registrar for such series. Whenever any Bonds are so to be surrendered for exchange, the City shall execute, and the Bond Registrar shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive. All Bonds surrendered upon any exchange or transfer provided for in the Bond Ordinance shall be promptly cancelled by the Bond Registrar and thereafter disposed of. All Bonds issued upon any transfer or exchange of Bonds shall be the valid and binding limited obligations of the City, evidencing the same debt, and entitled to the same security and benefits under the Bond Ordinance, as the Bonds surrendered upon such transfer or exchange. Every Bond presented or surrendered for transfer or exchange shall (if so required by the City or the Bond Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the City and the Bond Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge shall be made for any transfer or exchange of Bonds but the City may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed by any Person other than the City in connection with any transfer or exchange of Bonds, other than (a) certain exchanges under the Bond Ordinance not involving any transfer and (b) exchanges occasioned by redemption of Bonds.

The City, the Bond Registrar, the Paying Agent and any agent of the City or the Bond Registrar or the Paying Agent may treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of interest on and principal of (and premium, if any), whether or not such Bond be overdue; and the City, the Bond Registrar, the Paying Agent, and any such agent shall not be affected by notice to the contrary.

RIGHTS OF BOND INSURERS

(a) Subject to the provisions of (b) below, the rights of the Holder of any Bond the payment of which is guaranteed by a bond insurance policy issued by a bond insurer to take any action pursuant to the provisions of the Master Bond Ordinance relating to amendments are abrogated and the bond insurer shall be deemed to be the sole Holder of any Bond that is insured under the bond insurance policy issued by such bond insurer for the purpose of any approval, consent, waiver or other instrument of similar purpose relating to amendments.

(b) All rights of any bond insurer under (a) above shall cease and terminate if: (i) such bond insurer has failed to make any payment under its bond insurance policy; (ii) such bond insurance policy shall cease to be valid and binding on such bond insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such bond insurer, or such bond insurer is denying further liability or obligation under such bond insurance policy; (iii) a petition has been filed and is pending against such bond insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction and has not been dismissed within sixty days after such filing; (iv) such bond insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such bond insurer under the insurance laws of any jurisdiction.

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